Annual Report

2023–24

South East Water

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 2024.

Lynn Warneke

Chair

South East Water

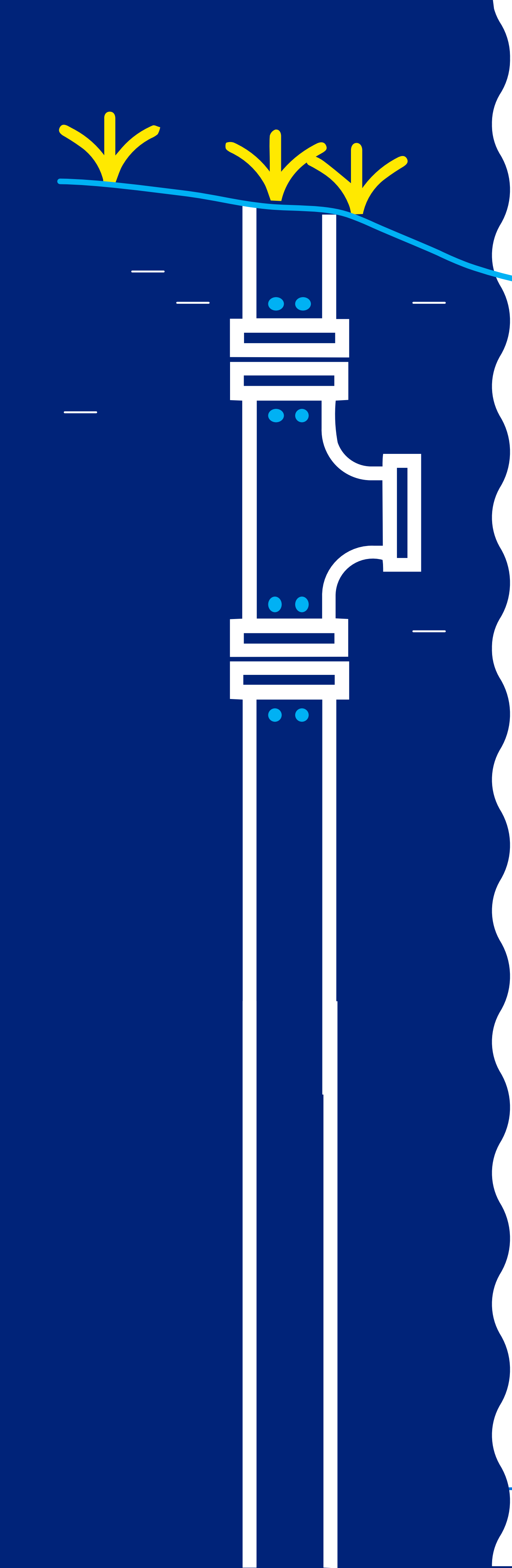
26th day of August 2024

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, present and emerging.

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.



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Welcome

Message from the Chair and Managing Director

We're pleased to present our Annual Report 2023–24.

In the first year of our Corporate Strategy 2028, we've continued to focus on our customers, communities, people and environment – innovating with purpose and acting with care as we deliver essential water and wastewater services.

We're on track to deliver our emissions reduction pledge of 45% by 2025 and further reduce our reliance on the grid. In 2023–24, we've done this by increasing our use of renewable energy by over 10%. To respond to risks and plan for the future, we've continued to adapt our assets and operations for climate resilience and deliver our climate adaptation plan. We've also uplifted our cyber response capabilities.

In a year of cost of living challenges for many, we introduced new ways to identify, reach and support our customers, resulting in more customers than ever seeking our financial support and assistance. We also set new standards in privacy protection and strengthened our systems and protections for customers impacted by domestic and family violence.

Our technologies continued to help save money and water to meet our long-term commitments. By continuing to implement one of Australia's largest digital meter rollouts we've saved 683 million litres and our customers an unprecedented $2.9 million (during 2023–24 alone) from leak detection at their property in near real time. Through new advanced data analytics capabilities, we saved an additional 140 million litres of drinking water that would have otherwise been lost from our wider network, through the digital detection of network leaks. We're also proud that our commercialisation arm Iota has partnered with Barwon Water to extend the benefits of our digital innovations and know-how to customers across Greater Melbourne to help make every drop count.

Together with our partners, we've taken further steps to reimagine the future. Building on a successful first phase, we've again partnered with industry to progress trials to scale-up next generation waste to biochar technology. In one of the fastest-growing regions in the country, we've moved towards securing further alternative water sources, through early works on the Dingley Recycled Water Scheme – which we'll deliver with our integrated planning and delivery (IPD) partners – and planning for the Western Port Recycled Water Scheme. When completed, these 2 projects will deliver 5.8 gigalitres of recycled water to our community.

We've also strengthened relationships with Traditional Owners and Aboriginal and Torres Strait Islander communities and look forward to building upon these over coming years.

Our annual report reflects what we've achieved with and through our people, fostering innovation and care for those we serve 24 hours a day and 365 days of the year. During the year the Australian Financial Review (AFR) proudly recognised us as one of the top 50 innovative companies in the country and Work180 listed us as a top 101 company for women. We don’t measure our achievements by external accolades alone though. Continuing to provide innovative and reliable services to our customers starts with our people feeling safe and empowered. This year, we increased our focus on psychological safety, launching a new wellbeing framework with 250 leaders attending positive safety culture workshops. We also increasingly called on our people to come up with solutions to drive us forward.

On behalf of the board, we thank all our employees, partners and everyone who helped us deliver safe and reliable services throughout this rewarding year. We’re proud of what we’ve achieved as we continued delivering healthy water for life for our customers, community and environment. As we look towards 2024–25, we’re now better placed than ever in creating a more sustainable future and we look forward to delivering that for our customers and community.

Lynn Warneke

Chair

Lara Olsen

Managing Director

Performance snapshot

Empower our people

- Launched a new wellbeing framework focused on psychological safety, with 250 leaders attending positive safety culture workshops.
- 470 senior leader safety interactions and conversations.
- Recognised as one of the top 101 Workplaces for Women in Australia by Work180, for the second year running.
- Group Manager Asset and Program Delivery, Priscilla Chung recognised as an Emerging Leader at the annual Institute of Public Administration Australia Top 50 Public Sector Women Awards.

Deliver for our customers

- Supported almost 18,300 customers with financial support and assistance, a 104% increase from last year.
- Digital meters made every drop count, saving customers around $2.9 million off water bills and 683 million litres of drinking water this year.
- Awarded $140,000 to 22 community groups through our 2024 Community Grants program.
- Workplace Giving Australia’s ‘Best Grants Program 2023’ for our annual program which has now awarded more than $475,000 to 88 community groups to since 2019.

Protect our environment

- Increased our use of electricity from renewable sources by 10.7%, thanks to the use of biogas from our Mount Martha Water Recycling Plant.
- On track to achieve our emissions reduction pledge to reduce greenhouse gas emissions by 45% from our 2016 baseline by 2024–25.
- Organisational Excellence winner at the Australia Water Awards (Vic) for our Environmental Sensitivity Map.
- Customers logged nearly 6,000 leaks and faults across our water and sewer network through Snap Send Solve.

Optimise our operations

- Awarded contracts for $1.5 billion program of works as part of a new integrated capital works planning and delivery model.
- Improved cyber response capability, allowing us to better protect customer and organisational data and our assets.
- Delivered an end-to-end Enterprise Resource Planning tool, allowing us to improve our procurement, finance and project management.
- Increased number of customers on eBilling to 62.3%, saving postage costs.
- Implemented an advanced data analytics platform (Acumen) to more quickly and precisely identify, prioritise and repair network leaks before they become bursts, helping us save 140 million litres of drinking water this year.

Drive innovation at scale

- Recognised on the AFR BOSS 2023 Most Innovative Companies List, taking out sixth place in the Mining, Agriculture and Utilities category.
- Australian Research Council awarded over $10 million for South East Water supported projects.
- Launched the $1 million phase 2 trials, part of the Biosolids to Biochar project, using next generation pyrolysis technology to transform biosolids generated from wastewater treatment plants into biochar.
- Our commercialisation arm, Iota, is teaming up with Barwon Water to support its digital meter rollout, drawing on our know-how and the technology we developed.

Financial summary

Table 1. Financial results for year ended 30 June 2024 (extract)

	2020 ($ million)	2021 ($ million)	2022 ($ million)	2023 ($ million)	2024 ($ million)
Total revenue	1,046.6	1,055.4	1,054.5	1,060.1	1,143.4
EBIT	206.5	208.9	189.2	185.0	213.5
Finance costs	83.8	80.9	78.0	89.2	107.1
Net profit before tax	122.8	128.0	111.2	95.8	106.4
Tax expense	35.7	37.6	32.8	29.4	32.1
Net profit after tax	87.1	90.4	78.4	66.4	74.3

Table 2. Financial position as at 30 June 2024 (extract)

	2020 ($ million)	2021 ($ million)	2022 ($ million)	2023 ($ million)	2024 ($ million)
Total assets	4,630.9	4,767.3	4,855.9	5,192.5	5,507.5
Payables and provisions	710.5	657.6	629.9	697.7	736.2
Borrowings	1,958.0	2,116.5	2,302.8	2,476.2	2,852.9
Net assets	2,025.5	1,962.3	1,993.3	2,018.6	1,918.4

Table 3. Cash flows for year ended 30 June 2024 (extract)

	2020 ($ million)	2021 ($ million)	2022 ($ million)	2023 ($ million)	2024 ($ million)
Operating	132.4	134.0	102.3	158.5	86.8
Investing	(233.3)	(244,3)	(149.0)	(227.7)	(298.4)
Financing	101.5	110.3	46.3	157.9	126.1

Current year financial review

In 2023–24, we recorded a net profit after tax of $74.3 million, an increase of $7.9 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 59.7% and funds from operations net interest cover at 1.8 times. Total assets have increased by $315.0 million, driven by the growth in our infrastructure network.

Total liabilities increased by $415.2 million, due largely to additional borrowings of $374.9 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 $53.1 million in dividend payments and $194.4 million in capital repatriation payments.

Capital projects

Capital expenditure of $301.1 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 which may significantly affect South East Water’s operations in subsequent reporting periods.

Chapter 1.
About us

Who we are

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 almost 1.8 million people (~30% of Melbourne's population) every day and every night.

We manage almost $5.4 billion in assets including water and sewerage networks – the 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 the activities of our organisation.

- We work in partnership with Melbourne Water, the bulk supplier of water and sewage treatment in Melbourne.
- Victorian Government's Department of Energy, Environment and Climate Action (DEECA) and the Department of Treasury and Finance (DTF) oversee our activities.
- Environment Protection Authority Victoria (EPA) and the Victorian Government's Department of Health regulate our environmental impact and drinking water quality respectively.
- Essential Services Commission (ESC) is our independent economic regulator.

Where we operate

We operate on Bunurong, Wurundjeri Woi Wurrung and Gunaikurnai Country. Our service area stretches across more than 270 km of coastline and covers a land area of 3,640 km^2 from Port Melbourne to Portsea and approximately 30 km east of Pakenham.

Our strategy

Vision	**Innovate with purpose. Act with care.**
Purpose	To deliver healthy water for life for our customers, community and environment.

Focus areas

Empower our people	Deliver for our customers	Protect our environment	Optimise our operations	Drive innovation at scale
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.	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, all our actions support a thriving, more liveable community.	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.	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.	Our innovation stretches beyond basic prototypes and is proven to work at scale in real-life communities. We call it 'life-size' innovation. Through partnerships and commercialisation, we share our data, expertise and technology to create step-change impact.

Values

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

For more information, read our Corporate Strategy 2028.

Organisation by numbers

1,794,937

people serviced

774,079

residential customers (92.5% of our total customer base)

62,629

business customers (7.5% of our total customer base)

142

billion litres of drinking water supplied

7

billion litres of recycled water supplied

148

billion litres of wastewater managed

$5.4

billions of dollars in assets we own, operate and maintain

14,639*

kilometres of water pipes

1,507*

kilometres of recycled water pipes

11,598*

kilometres of sewer pipes

82

water pump stations

12

recycled water pump stations

278

sewage pump stations

14,252

pressure sewer pumps

8

water recycling plants

**figure includes service connections*

Chapter 2.
Delivering for our customers and community

Bills and support

Our residential customer bills remain the lowest in metropolitan Melbourne.

Last year typical residential bills for owner occupiers increased by **$28.67** in nominal terms compared the previous year but decreased by **$38.80** in real terms when adjusted for inflation.

Table 4. Urban bills for 2023–24 compared with 2022–23 (real 2023–24 dollars)

Indicator	2022–23	2023–24
Residential bill – owner occupier ($ real 2023–24) The actual bill for an owner-occupier with typical (average) water use in real 2023–24 dollars	$1,028.37	$989.57
Percentage change from prior year		-3.7%
Residential bill – tenant ($ real 2023–24) The actual bill for a tenant with typical (average) water use in real 2023–24 dollars	$545.28	$526.16
Percentage change from prior year		-3.5%
Typical (average) water use (kL) assumed in owner-occupier and tenant bill calculations	150	150
Non-residential bill – business ($ real 2023–24) The annual bill for a business using 3 ML per annum in real 2023–24 dollars	$16,845.96	$16,156.64
Percentage change from prior year		-4.1%

Efforts to manage pricing impacts

In a year of continued cost of living pressures for many our customers, we increased support and found new ways to identify, reach and support customers who needed our help. We also delivered initiatives to help create thriving, more liveable communities.

Highlights

Updated tariffs and charges

- Changed the sewage disposal charge for residential customers to make it part of a new water usage tariff – so customers' actions to save water have a bigger impact on the costs of their bill.
- Evened out annual waterways, drainage and parks charges to make them quarterly, making bills easier to budget for.

Financial support and assistance

- Supported almost **18,300 customers** with financial support and assistance throughout the year, including flexible payment plans, payment extensions and utility relief grant applications.
- Updated our Debt and Vulnerability Strategy to better identify, engage and support customers experiencing payment difficulties. This included starting the development of a model that will help us identify debt early, so we can engage with customers to provide support as early as possible.
- Reached over **400,000 residential customers** via a targeted email campaign, raising awareness and encouraging take up of our payment support options. In April 2024, the campaign resulted in almost **30,000 customers** activating support options.
- **1.9 million views** of our social media financial assistance campaign promoting the ways we help customers with bill payments.
- Started delivering a local area marketing and community engagement campaign targeting residents in Cranbourne, a district with the highest levels of debt across our service area. Using local channels and personalised messaging, our campaign resulted in over **10% conversion** to financial support options from email communications.
- Attended **4 community 'Bring Your Bill' days** and other events focusing on customers experiencing hardship and where English is their second language. This resulted in around **300 direct contacts with customers**.

Digital meters

- Customers saved around **$2.9 million** from their water bills over the past year, thanks to our digital meter rollout.
- Through our Digital Meter program, fixing small leaks could save customers an average of **$67** per quarterly bill, or up to **$788** for a large leak (small leak is under 1,000L per day, large is over 1,000L per day). The savings are based on the average dollar savings customers experienced off their next quarterly bill and the amount is subject to change bill to bill. Our customers save even more by avoiding the costs of property damage caused by long-term undetected leaks.

Customer charters

- Launched **2 updated customer charters** outlining the rights and responsibilities of both customers and our organisation as an essential service.
  - A Customer Charter summary is available in English and the **top 5 languages** spoken in our service area (Dari, Greek, Mandarin, Punjabi, Vietnamese) and English.
  - A Trade Waste Customer Charter reflects the new industry standards for trade waste customers. It provides consistent and transparent information for businesses making trade waste applications and management.

Supporting community

- Continued partnership with the One Voice shower truck providing 4,862 showers to vulnerable community members at 8 locations, via 8 lead service providers.
- Annual Community Grants program awarded a record number of grants to local projects supporting vulnerable community members, including:
    - **Beaumaris Life Saving Club** – pop-up food markets that offer nutritious produce, food literacy education and information to support low-income and vulnerable community members.
    - **Casey North Community Information & Support Service** – ‘Stay on Track’ financial literacy resource to be translated from English into Dari for Afghan communities in Melbourne’s south-east.
    - **Hillview Bunyip Aged Care** – enhanced and accessible outdoor space for residents, families and visitors, improving liveability, mental health and wellbeing.
    - **John Pierce Centre** – Auslan Projectors to create interactive PowerPoint presentations that enable the accessible delivery of essential information.
    - **Management Committee Coonara Community House** – weekly community lunches, serving 60 meals each week.
    - **Moy-Yan Neighbourhood House** – workshops for women to learn practical skills to do various household maintenance tasks without the costs of tradespeople.
    - **Mums Supporting Families in Need** – around 40 'Hampers of Hope' to families in crisis, containing essential household items.
    - **Planetshakers Empower Limited** – streamlining food distribution in relief centres for vulnerable groups.
    - **Transit Soup Kitchen and Food Support** – kitchen upgrade to increase volunteer capacity to prepare meals and meet the rising demand for food support.
    - **Victorian College for the Deaf** – shade for their garden supporting fresh food production for their cafe and the local community.

Table 5. Delivering our community service obligations

Community service obligations	2022–23 ($)	2023–24 ($)
Provision of water and sewerage concessions	45,825,218	46,534,834
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	978,646	1,016,518
Utility relief grant scheme payments	1,733,184	2,170,466
Water concession on life support machines	24,708	24,041
Hardship relief grant scheme (sewerage and water connection scheme)	1,952,226	1,901,534

1. Customers holding a Pension Concession Card, Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount, the difference is billed to and paid by Services Australia.
2. Not-for-profit entities are entitled to pay a concessionary amount with the difference billed to and paid by the State Revenue Office.
3. Provides assistance for customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate 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. We offer customers a range of support and payment options to provide some extra help managing their bills. Our approach is based on proactive prevention and early identification strategies. By intervening earlier, we can help customers meet their financial commitments sooner and prevent them from entering into further debt.

Our customer engagement

We engage customers, community and stakeholders to shape what we do and how we do it. We reflect these voices in our business plans, including in our 5-yearly plan for prices and services (our 'price submission').

The way we engage continuously evolves and adapts to the changing preferences of customers, including how and on what they seek to engage with us.

We capture insights through a range of channels, including surveys, forums, meetings, focus groups, interviews, social media and through our community strategy and our Customer and Community Advisory Council.

We also attend community events to engage with, listen to and support our customers and community.

Measuring how we're tracking

Every 5 years we make a series of customer commitments about our prices, services and major investments through the price submission process. We report 6-monthly to customers on how we're tracking against those commitments.

As the external environment we operate in continues to change, posing both challenges and opportunities for our business, we'll continue to engage with our customers, community and stakeholders on how we should adapt or respond to those changes.

Improving customers' experience with us

Based on our customers' preferences, we introduced improvements to get the basics right and make their experience better every time.

Highlights

- Started a program to improve self-service options for customers through an uplifted corporate website and a refreshed mobile app in 2024–25, providing a consistent experience across all channels.
- Developed and started to implement a customer strategy, outlining objectives, priority initiatives and a roadmap for improvements, including:
  - new Voice of the Customer program, that will mean we're better placed to capture customer feedback and sentiments through new and expanded channels, with a view to using the sentiments to drive improvements.
  - a program focused on reducing call wait and case response times, providing an improved experience for customers.
- Developed a targeted business customer strategy, providing tailored support for our largest water users to meet their unique needs.

Customer and Community Advisory Council update

Our **15-member Council** from across our community represent outside voices in areas from environment and affordability to agriculture and property development. The Council provides unique and diverse input, perspectives and direction into the way we plan for and support our customers and communities.

Members

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

David Heeps (independent Chair),
Aishwarya Pokkuluri
Professor Liam Smith
Gidja Walker
Deborah Corrigan
Jill Lim
Jennifer (Jenny) McGowan
Dr Sundram Sivamalai
Thanuja Gunatillake
Alicia Darvall
Lili Rosic
Tim Browne

South East Water's representatives to the Council:

Bianca Goebel, Board representative
Karen Lau, General Manager Strategy and Stakeholder
Lara Olsen, Managing Director

Message from Council Chair, David Heeps

Feedback provided by Council members gives South East Water customer and community perspectives on a wide variety of priority areas.

I'd like to thank members for their dedication to reviewing information and giving honest, diverse feedback to South East Water.

As a Council, we value South East Water's openness and transparency when sharing thoughts, plans, initiatives and information. This enables us to provide timely, relevant feedback.

Report from the Council

The Council participated in site visits and reviewed a range of topics and provided us with customer and community perspectives, including:

- Customer charter summary
- Customer support and debt collection strategy
- Customer strategy
- Community strategy and associated trust measures
- Domestic and family violence protections and support
- Fishermans Bend development
- Our performance in delivering the outcomes that we committed to through the price submission, and how we're communicating these to our customers
- Contaminants, such as PFAS (per and polyfluoroalkyl substances) and microplastics.

Enhancing protections relating to family violence

During 2023–24, we strengthened support for customers experiencing family and domestic violence.

We continued to implement our family violence action plan that we committed to through our 24-month enforceable undertaking with the Essential Services Commission. We also improved our customer data privacy processes across the organisation.

Highlights

- Built confidence and capability through specialised domestic and family violence training for our customer-facing teams, as well as general awareness training for our Executive team, senior leaders and employees across our organisation.
- Reviewed, challenged and improved the design of processes and services to customers, so that the right protections are in place, whether or not customers have disclosed that they're impacted by domestic or family violence. This included reviews of our policies and processes by experts in family violence and Victoria's water legislation.
- Created a dedicated support page on our website, providing customers experiencing financial hardship or domestic and family violence access to information and a range of support options.
- Developed and started to implement a plan to enhance customer data privacy, better protecting customer personal information records and removing non-essential customer information. During the year, this focused on:
  - improving our governance and resourcing around data and records management
  - uplifting verification processes to strengthen data protection when customers contact us
  - developing and uplifting records management framework, including data retention.

Recognising recreational values

In 2023–24 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.

Recreational values in business operations

Highlights

- Annual Community Grants program awarded grants to local projects helping communities be more active and connected in or near waterways, including:
  - **1st Beaumaris Sea Scouts** – kayaks and snorkelling equipment to expand their water programs.
  - **African Women's and Families Network** –enable African-Australian young people from refugee, disadvantaged and vulnerable backgrounds to build water-based skills and water-safe behaviours.
  - **Didi Bahini Samaj Victoria (DBSV)** – water safety and swimming lessons for 30 Nepalese women who never had the chance to learn water safety.
  - **Mornington Lifesaving, Swimming, Social and Youth Club** – nipper boards to ensure that all youth can engage in its surf sports programs for fun, fitness and water safety.
- Continued to supply and progress plans to deliver recycled water to local parks, gardens and recreational grounds, such as golf courses and sports fields. This includes integrated water management projects in Dingley, Monterey (Frankston City) and Fishermans Bend (see Integrated water management).

Engagement with community and stakeholders

Highlights

- Continued to work in partnership with Balcombe Estuary Reserve Group (BERG) to support the environmental health of Balcombe Estuary in Mount Martha following spills from our sewer network.
- Partnered with community organisations to provide access to free and fresh tap water to over one million community members at **49 family-friendly recreational events** across Melbourne's south-east, through our Hydration Station program.
- Doorknocked in Belgrave and Selby to check in on our pressure sewer customers impacted by extreme weather in February, making sure they could manage their wastewater during power outages.
- As part of the Choose Tap® initiative we partnered with several councils to roll out **6 drinking water fountains**, including at recreational facilities like Pakenham's IYU Recreation Reserve.

Improvements to information sources

- Warned and informed recreational community groups and stakeholders of around **19 sewer spills**, helping users plan and manage their activities in local waterways. We did this through signage, social media, website and direct engagement.

Recognising Aboriginal Values

During 2023–24 we continued to learn from Traditional Owners and Aboriginal community to understand how they care for Country and how we can protect our environment and support self-determination.

Registered Aboriginal Parties on whose Country we provide services include Bunurong Land Council Aboriginal Corporation (BLCAC), Gunaikurnai Land and Waters Aboriginal Corporation (GLAWAC), and Wurundjerri Woi Wurrung Aboriginal Heritage Corporation (WWAHC).

Partnerships with Traditional Owners

- Onboarded our first dedicated First Peoples team to foster and strengthen partnerships that support Traditional Owner self-determination over the coming years.
- Continued to partner with BLCAC to support their self-determination priorities on Country, including collaboration to develop a regional working group of water bodies on Bunurong Country.
- Annual Community Grants program awarded a grant to BLCAC's Strong Country team for their On Country Bunurong Forestry Garden Project. This project also involves Mornington Peninsula Koala Conservation Group and Landcare Victoria. The project will enhance biodiversity and engage community in conservation efforts to support koala habitat conservation in the Westernport Biosphere Reserve. At least 2 workshops are being planned for October 2024, one for local Aboriginal and Torres Strait Islander Community and one for the general public to exchange and educate on Bunurong cultural values.
- Welcomed BLCAC support for engagement with Purple House sharing stories and creating pathways for future collaboration. From this connection, the BLCAC has connected the organisation with a community-focused drone health service to potentially support them in health service delivery.
- Worked with BLCAC to repurpose red gum from Bunurong Country to help strengthen relationships and educate local Aboriginal community on Bunurong cultural values.
- Provided a holding bay at one of our sites to support BLCAC to store repurposed Bunurong cultural values materials.

Supporting Aboriginal self-determination

- Regularly engaged with **4 gathering places** in our service area on matters important to them, led by their priorities to ensure that our engagement approach considered self-determination.
- Welcomed Member for Carrum and Minister for Planning, the Hon. Sonya Kilkenny's announcement of a community grant in August 2023, supporting Carrum Downs Secondary College with the creation of a meeting place for

Aboriginal and Torres Strait Islander students. The school received the grant to create a native food garden and 'meeting place' encouraging cultural exploration and learning through education, cooking and storytelling.

- Attended Chisholm Institute's 'Join the Dots' event in May 2024, engaging with students, discussing everything from how we can help support them with their bills, to our interpreter service and career opportunities. Our hydration station was there providing fresh, free tap water to keep everyone hydrated.
- Annual Community Grants program awarded a grant to registered charity and Aboriginal community-controlled health organisation, First Peoples' Health and Wellbeing for their Blak Fig Social Enterprise. The project will provide vocational training opportunities for local community through their new social enterprise training cafe 'Blak Fig' opening at their new clinic in Frankston.
- Included Aboriginal and social enterprise spend targets as part of our procurement process and contractual deliverables. This includes targets for social enterprises, which include Victorian Aboriginal businesses, for procurement activities over $20 million.
- Simplified our approach to conducting social procurement opportunities analysis for procurement activities less than $20 million. This aims to ensure that, over the coming years, Aboriginal business, social enterprises and small- to medium-size businesses can also participate in driving social procurement outcomes, helping us develop and grow a diverse supplier base. See Social procurement for more information.

Chapter 3.
Protecting our environment

Urban water consumption

Table 6. Water consumption report residential and non-residential customers

	Residential customers				Non-residential customers			
District	Number	Potable water (ML)	Recycled water (ML)	Recycled storm water (ML)	Number	Potable water (ML)	Recycled water (ML)	Recycled storm water (ML)
South East Water	774,079	107,980.6	1,498.9	0	62,629	33,647.6	5,559.7	0

Preliminary estimated per capita is 162 litres of potable water per person per day for 2023–24.

Disclaimer: This figure is preliminary only and based on an estimate for Q4 (April–June 2024) as actuals were not yet available at the time of preparing this report. We bill customers 3 months in arrears and therefore Q4 customer usage isn't known until early October.

Table 7. Total of customers, volumes and consumptions

District	Total number of customers	Total potable water volume (ML)	Total recycled and stormwater water volume (ML)	Total consumption (ML)	Average annual consumption (ML)	Total water all sources (ML)
South East Water	836,708	141,628.2	7,058.6	148,686.8	145,419.8	171,214.8

Table 8. Non-revenue water

District	Leakage (ML)	Firefighting (ML)	Other (ML)	Total non-revenue water (ML)
South East Water	15,409.7	0	7,118.3	22, 528.0

Addressing losses from network leaks

To detect network leaks, we continued investment in research, development and innovation as well as digital tools. This includes the use of 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 have **37,691 Sotto® sensors** embedded in digital meters across our network. Through Acumen, last year we saved **140 million litres** of drinking water by proactively repairing leaks identified by the sensors.

Table 9. Corporate water consumption report

Location	Average full-time equivalent employees and contractors	Office space (m^2)	Potable water consumption (kL)	Rainwater Consumption (kL)	Average water use per employee (kL per employee)
101 Wells St, Frankston	746	11,510	1,588	57	2

Note: Data in Table 9 is for our headquarters in Frankston only and excludes water consumption by employees based at water recycling plants and storage sites. Our headquarters also uses rainwater for toilet flushing and garden irrigation.

Major business water users

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

- Alfred Health
- Australian Meat Group Pty Ltd
- Bega Cheese Ltd (Chelsea Heights)
- Bega Cheese Ltd (Port Melbourne)
- Bluescope Steel Ltd
- Chobani Pty Ltd
- Coca-Cola Amatil (Aust) Pty Ltd
- Corval Ingham Pty Ltd
- Crown Melbourne Limited
- Defence Corp Support South Vic
- Fountain Gate Trust
- Harvest Choice Australia Pty Ltd
- Lesaffre Australia Pacific Pty Ltd
- Made Manufacturing Pty Ltd
- Mondelez Australia Pty Ltd
- Orora Limited
- Pakenham Land Co Pty Ltd
- Parmalat Australia Ltd
- Patties Foods Pty Ltd
- Saurin Investments Pty Ltd
- Southern Health Care Network (Dandenong and District Hospital)
- Southern Health Care Network (Monash Medical Centre Clayton)
- USG Boral Building Products Pty Ltd

Table 10. Major business and non-residential customers by volume range

Volumetric range – ML per year	Number of customers
Equal to or greater than 50ML and less than 100 ML	34
Equal to or greater than 100ML and less than 200 ML	12
Equal to or greater than 200ML and less than 300 ML	5
Equal to or greater than 300ML and less than 400 ML	2
Equal to or greater than 400ML and less than 500 ML	1
Equal to or greater than 500ML and less than 750 ML	2
Equal to or greater than 750ML and less than 1,000 ML	1
Greater than 1000ML	0
Total no. customers	57

Urban water efficiency and recycling

Customers and community

Despite an at-times wet 12 months, we continued to educate and empower our customers and community to use water efficiently, saving water and money. We also progressed plans to reduce reliance on our precious drinking water.

Highlights

- Welcomed Member for Hastings Paul Mercurio to Hastings Bowling Club to see an alternative water supply system in action, made possible through one of our Annual Community Grants Program 2023.
- Welcomed Minister for Water, Harriet Shing to Cranbourne to join a digital meter installation, which enable customers to detect costly leaks and track their water use in near real-time
    - Through our program, we've alerted over **14,200 customers** to a leak on their property.
    - In many cases, the meters detected small leaks weeks or months before they came to the surface, saving more than **683 million litres** of drinking water in the past year that may have been lost had the leaks gone undetected.
- Supported **365 participating schools** (across 590 campuses) to save **114.2 million** litres of water and **$610,000** on their water bills through the Schools Water Efficiency program (SWEP). To date, schools have saved **2.12 billion litres** of water and **$9 million**.
- Customers logged nearly **6,000 leaks and 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.
- The Aquarevo community continued to reduce their reliance on drinking water, with homes using on average **40% less drinking water** than typical homes in our network (and some achieving a reduction of around 60%).
- Annual Community Grants program awarded grants to local projects that enhance water security and knowledge and protect the environment, including:
    - **FareShare Australia Incorporated** – fund equipment to convert organic waste into biochar enriching garden beds, reduce carbon emissions and improve overall meal quality.
    - **Holy Trinity Anglican Kindergarten Hampton** – automated watering system to keep their vegetable and indigenous garden green all year round.
    - **Kooweerup Regional Health Services** – additional equipment such as wheelbarrows, shovels, spades and rakes for the VET Horticulture Program.

    - **Moorooduc Primary School** – purchase and install a 22,000-litre water tank and pump to help cultivate a new edible native garden space at the school.
    - **National Trust of Australia (Victoria)** – water quality monitoring at Rippon Lea Estate to manage aquatic weeds.
    - **Rotary Club of Cranbourne** – Water Wise Wallies project partners with Cranbourne West Primary School to deliver rainwater tanks and irrigation for the school vegetable garden.
- Supported **49 community events** with access to **20,477 litres** free and fresh tap water, helping over 1 million attendees to refill and reduce plastic bottle waste, through our **Hydration Station program**. This helped save **40,750** plastic bottles from landfill.
- Worked with metropolitan water corporations on shared approaches, messaging and collateral for customer marketing and communications campaigns we'll implement in 2024–25 as part of ongoing water conservation and knowledge initiatives.
- Increased the supply and distribution of Class A recycled water across the south-east, including to some of the fastest growing regions in Australia (also see integrated water management).

Business and other high-volume users

We actively engaged with our large volume business customers to help facilitate water usage monitoring and water efficiency. We also continued use of technology to reduce non-revenue water loss in high-volume use.

Highlights

- Empowered **6 large businesses** to minimise their water consumption, using monitoring and water efficiency audits, kicking off our involvement in the WaterSmart program, funded by DEECA.
    - The program uses Iota's Flow Lotic data logger and IoT platform, Footprint to monitor and report continuous flow.
    - To date, businesses have saved **7,100kL of water** and **$62,000**.
- Continued to deploy HydroTrak® Geofencing technology, which uses GPS and geospatial data to detect hydrant usage by water carters in real-time. We've deployed this system across **315 water carter vehicles** since 2022.

Also see: Integrated water management projects.

Drought preparedness

- Despite a largely wet 12 months, we continued to encourage the community to use water efficiently and increased the readiness of the Greater Melbourne water corporations to respond to a changing water security position.
- 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 2023–24 there was no requirement for drought preparedness measures and Permanent Water Use Rules continued to apply throughout the year.

Community programs

- Continued supporting not-for-profit community housing organisations to save precious water though the Community Housing Retrofit program, in partnership with DEECA.
- Repairs and replacements of faulty and inefficient appliances included leaking taps, showerheads, toilets, hot water systems, washing machines and dishwashers.

Integrated water management (IWM)

By thinking and acting holistically about how we plan and manage all elements of the water cycle, we're supporting the liveability of our service area's growing population while saving our precious drinking water for where it's really needed.

During 2023–24 we continued to take active steps in this area.

IWM forums

- Led and collaborated with our IWM forum partners (DEECA, the Victorian Planning Authority, other water retailers, councils and Traditional Owners) to set the strategic direction for Dandenong, Western Port and Yarra catchments.

Highlights

- Developed strategies, action plans and monitoring, evaluation, review and improvement plans for each catchment.
- Investigated opportunities to expand large-scale alternative water networks within our service area and beyond, while continuing to expand our third pipe network across the south-east growth corridor.
- Considered options for expanding the use of stormwater and rainwater harvesting and how to improve community engagement on the use of recycled water.

IWM projects and initiatives

- Led and delivered IWM projects and initiatives in our service area, through local project-based partnerships, and supported projects led by our partners.

Aquarevo Water Recycling Plant

- Planning continued in 2023–24 on the Aquarevo Water Recycling Plant within the estate which will connect to a pressure sewer system within the development.
- The plant will treat the water to Class A standard and send it back to each home for use in the garden, toilet and washing machine.
- We expect to award the contract for the plant in 2024–25.

Dingley Recycled Water Scheme

- Awarded the contract for the $72 million scheme to industry partners Abergeldie, BMD & KBR (ABK).
- The 42 km pipeline will unlock **1.8 billion litres** per annum of recycled water to around **40 sites** across Bayside, Kingston, Greater Dandenong and Monash, including local businesses, world-class golf courses, sports ovals and parks.

- Started early works involving geotechnical investigations to complete the design and alignment of the new recycled water pipes, as well as ecological surveys and environmental site mapping.

Fishermans Bend

- Secured land and completed feasibility study for the Fishermans Bend Water Recycling Plant.
- The plant will supply recycled water to local parks, gardens and open spaces in surrounding areas.

Max Pawsey Reserve, Narre Warren

- In 2023–24 we continued working in partnership with the City of Casey on the stormwater harvesting project which is also a priority project in Dandenong Catchment IWM Plan.
- The Victorian Government's $1.7 million contribution, along with co-contributions from Casey and us enables the construction and operation of an advanced stormwater harvesting and treatment system at the reserve.
- A second stage of the project, planned for the site, will see the further treatment of stormwater and expand its supply for nearby recreational uses.

Monbulk Creek

- Continued partnership with Melbourne Water, University of Melbourne, DEECA, Yarra Ranges Council and the Australian Research Council on the Monbulk Creek Smart Water Network Project (MCSWN).
- OneBox® and TankTalk® technology protected the health of the creek by providing real-time monitoring and control of rainwater tanks and urban lakes in the area, supporting wildlife like the threatened platypus.

Monterey Recycled Water Scheme

- Completed functional design and developed tender for release in 2024–25.
- Communities within Frankston City will benefit from a new pipeline delivering high quality recycled water to green spaces.
- The 2.3 km pipeline will deliver a climate resilient water source of **73ML each year to 3 public sites**, including football/cricket and soccer grounds and The National Golf Course – Long Island. There are also opportunities in the future to support local schools and additional community spaces and sporting facilities.
- The scheme will deliver up to **80 ML of recycled water** per year to a golf course and other recreational spaces in the Frankston area.

The Briars Recycled Water Scheme

- In partnership with Mornington Peninsula Shire Council, the scheme will deliver **80 ML annually** to trial new agricultural crops and regenerative farming techniques at The Briars, Mount Martha.
- Given the importance of the site to the Bunurong people, historically and today, we're developing a Cultural Heritage Management to ensure the protection of cultural heritage.

Western Port Recycled Water Scheme

- Continued work with Southern Rural Water and DEECA on the scheme.
- Stage 1 of the $113.2 million project involves the construction of a new pump station and 51 km of recycled water pipeline from Pakenham's Water Recycling Plant to **2,900 ha of local farms** in Cora Lynn, Vervale and Iona.
- We expect the scheme to provide over **4,000 ML per annum** of Class A recycled water, increasing the growth of fresh vegetables and the availability and reliability of water supply for irrigated agriculture in Cardinia Shire.
- Submitted a funding application to the Australian Government's National Water Grid Authority for Stage 1 and awaiting an outcome.
- Received letters of support from a range of stakeholders, including Cardinia Shire Council, Greater South East Melbourne (GSEM) advocacy group, Victorian Farmers Federation and Oz Veg.

Circular economy outcomes

During 2023–24 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.

Highlights

Biosolids to Biochar project

- Partnered with RMIT University, Intelligent Water Networks, Greater Western Water and Barwon Water to progress the $1 million phase 2 trials of an innovative pyrolysis technology (PYROCO), as part of the Biosolids to Biochar project.
- Project uses next generation pyrolysis technology to transform biosolids generated from wastewater treatment plants into biochar, a safe and nutrient-rich material sought after by the agriculture industry to regenerate soils. It can also be used in construction, and further used to develop advanced carbon materials.
- Following successful phase 1 trials in 2021 which demonstrated removal of pathogens, contaminants (including PFAS and heavy metals) and microplastics from wastewater, the second phase trials seek to validate these results at a greater scale using the biosolids from various water authorities as well as biomass and food and organic waste.
- Welcomed Member for Melton, Steve McGhie MP to Greater Western Water's Melton Recycled Water Plant to view the purpose-built demonstration unit and showcase the technology and its benefits.

Metal recovery from biosolids for reuse

- Partnered with engineers from RMIT University and Manipal University, India, to develop a cost-effective and environmentally friendly way to remove heavy metals from biosolids, multiplying the number of ways biosolids can be reused and recycled.

Aerobic digester emissions monitoring

- Received a special commendation for our entry into the Water Minister's Climate Innovation Challenge.
- Our proposal was to install small sensors in our aerobic digesters to accurately monitor emissions. By using real-time data and building calibrated models, we can make a shift to informed, data-driven decisions and significantly reduce our environmental impact.
- Partnered with DEECA to help fund and deliver our proposal.

Meeting our environmental and other obligations

During 2023–24 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.

Highlights

Recycled water check

- Launched our annual campaign encouraging **57,000 homes** and over **30 schools** who use recycled water to conduct an annual check to ensure a safe connection to recycled water supplies.

Improving waterway health

- Continued our water recycling plant monitoring program to identify any impacts from our operations and ensure we follow environmentally sustainable practices. In the most recent monitoring event (November 2023), we found all our sample locations and licenced premises to be compliant.
- Welcomed Member for South Eastern Metropolitan Region, Lee Tarlamis to Harkaway to celebrate the completion of a 2.75 km pressure sewer scheme. Over **100 residents** connected to the scheme which aims to eliminate groundwater, waterway and environment pollution from ageing septic tanks. We worked in partnership with the City of Casey, under their Domestic Wastewater Management Plan, to identify Harkaway as an area where failing septic tanks are polluting the groundwater and the environment.
- Completed rollout of **1,800 Blokaid devices** across our sewer network, allowing us to detect sewer blockages in advance and prevent spills.
- Explored the role digital technology will play in helping us optimise our sewer network into the future.

Improving our asset resilience

Boneo Water Recycling Plant

- Started upgrading our existing wastewater lagoon allowing us to store up to **8.9 million litres of wastewater** coming through the southern Mornington Peninsula sewer network.
- Construction is due for completion in January 2025 by our integrated, planning and delivery partners, Beca, Fulton Hogan, Interflow Joint Venture (BHFI).

Chapel Street, South Yarra

- Completed a $4 million water main upgrade along Chapel Street to support the bustling South Yarra community with more safe and reliable water services.

- Partnering with Interflow, we upgraded the ageing water mains along the street between Toorak Road and Alexandra Ave. The existing mains on both sides of Chapel Street, South Yarra dated back to the early 1920s and were approaching the end of their lifespan.
- In partnership with Interflow, the project was nominated 2024 CCF Victoria Earth Awards.

Mile Creek, Noble Park

- Final phase of sewer works continued, supporting the area's growing population.
- The upgrade involves building a new relief sewer, increasing network capacity, while reducing the likelihood of surcharges and spills during wet weather events.

Portsea to Sorrento

- Started upgrading 4.4 km of water pipes to ensure a safe and reliable water supply for Mornington Peninsula customers and visitors for years to come.

Elster Creek, Bentleigh

- Sewer works continued in the area involving a new relief sewer, increasing the capacity of the network and reducing the likelihood of surcharges and spills during wet weather events.

Support for nature

- Continued commitment to biodiversity, including preserving and restoring flora and fauna on our sites and where appropriate, in the wider community.
- Hosted a community planting day at our Ferntree Gully Reservoir tank site in partnership with Naturelinks, the local Gardens for Wildlife volunteer group and the Knox Environmental Society. We planted over **100 Indigenous plants** at the site, sourced from the society, to proactively support better biodiversity outcomes.

Planning and Environment Act 1987

- Obtained a planning permit for vegetation removal for the Mount Martha clarifier upgrade project and we secured **0.179 General Habitat Units (GHU)** in offsets.

GMUWSS and the Central and Gippsland Region Sustainable Water Strategy (CGRSWS)

- In collaboration with the Greater Melbourne water industry and Victorian Government, we continued to deliver on these long-term sector strategies.
- The strategies highlight the importance of providing water for social, economic, environmental and cultural uses and increasing reliance on manufactured water.

Chapter 4. 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're on track to meet this commitment, which supports our longer-term goal of achieving net zero emissions by 2030 for scope 1 and 2 emissions.

We also expect to achieve our commitment to source 100% of our electricity from renewable sources in 2024–25.

Reducing emissions from our operations

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.

Scope 2 emissions

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

Our 2023–24 result

- Our 2023–24 net greenhouse gas emissions result is **21,042** – see table 11.
- This represents a **10% decrease** from last year.

Action we're taking to reduce scope 1 and 2 emissions from our operations

- Implementing a direct monitoring program to install sensors and equipment for accurate measurement of our Scope 1 emissions. This will provide us with precise data, helping us identify and mitigate emissions hotspots.
- Procuring high-quality Australian Carbon Credit Unit (ACCUs) to begin offsetting Scope 1 emissions by 2027–28, reaching net zero scope 1 and 2 by 2030.
- Exploring opportunities to generate our own ACCUs, using existing assets and buffer land around our water recycling plants.
- Continuing to plan and design solar energy facilities for our water recycling plants.
- Progressing with a 3-stage program to upgrade the aeration system at our Mount Martha Water Recycling Plant to improve energy efficiency, with completion targeted for 2025.

Reducing emissions from our supply chain

Scope 3 emissions

- Scope 3 emissions aren't owned or controlled by us but are produced because of our activities. This includes emissions associated with the goods and services that we buy and use – such as business travel, procurement, waste, and employee commuting.
- To reduce these emissions in the future, we'll partner with our suppliers and service providers. We'll also establish processes and collect data so that we can start quantifying our Scope 3 emissions to reduce them.

Scope 1 and 2 emissions

Table 11. Total emissions reporting

Service delivery category	Scope 1 and 2 emissions (t CO_2-e)				Variance (%) between previous and current years	Commentary[2]
	2022–23 Total Scope 1 and 2 emissions	2023–2024 emissions				
		Scope 1 emissions	Scope 2 emissions	Total emissions[1,4]		
Water treatment and supply	4,636	0	4,318	4,318	-6.86%	
Sewage collection, treatment, and recycling	29,694	11,620	16,574	28,194	-2.51%	
Transport	1,518	1,697	0	1,697	+11.79%	Increase in people driving post-pandemic
Other (e.g. offices, depots, etc.)	-12,418	4	-13,173	-13,168	-6.04%	'Other' includes the retirement of LGCs (18,000 with an associated reduction in emissions of 14,220 tonnes)
Total emissions (after REC retirement)[1,4] (a)	23,490	13,321	7,720	21,042	-7.08%	
Carbon offsets (self-	0	0	0	0	0	

generated) retired[3, 4] (b)						
Net emissions (after offset retirement) (a-b)	23,490	13,321	7,720	21,042	-7.08%	

1 Sum of scope 1 and 2 emissions for service delivery categories AFTER emissions are adjusted for the retirement of RECs.

- Our 2023–24 net greenhouse gas emissions result is **21,042**.
- This represents a **10% decrease** from last year.

Figure 1. Progress towards 2025 emissions target

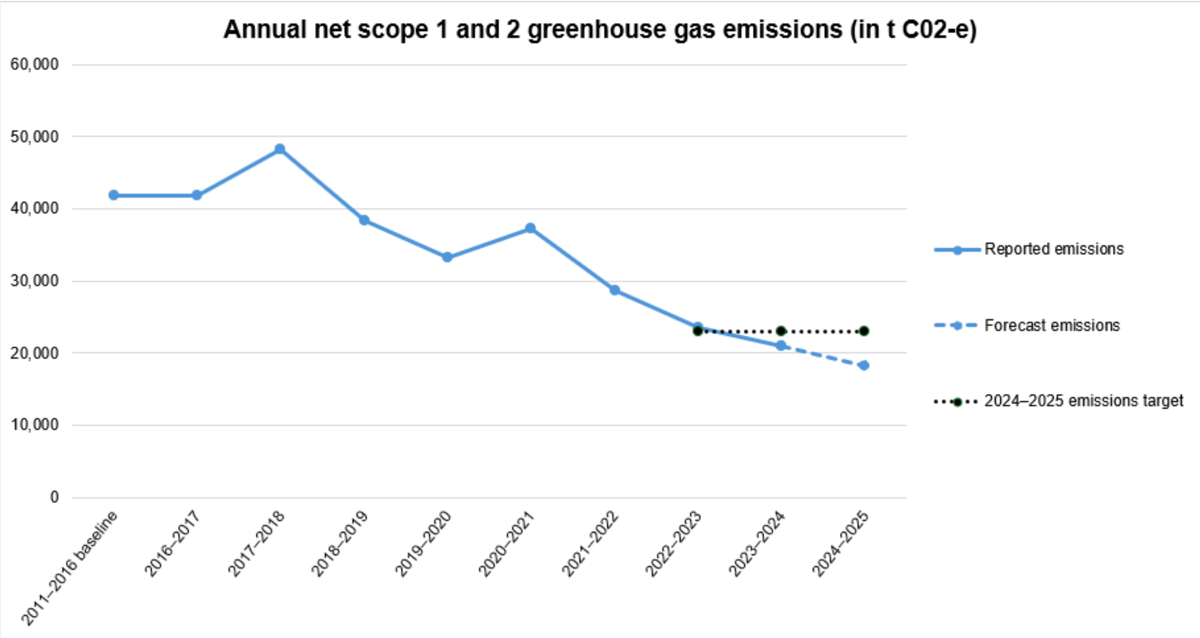


Table 12. Full breakdown of Scope 1 and 2 emissions by each greenhouse gas

Service delivery category	Scope 1 and 2 emissions by greenhouse gas							
	Carbon Dioxide		Methane		Nitrous Oxide		Other	
	Tonnes	T CO_2-e	Tonnes	TCo_2-e	Tonnes	TCo_2-e	Tonnes	TCo_2-e
Water treatment and supply		4,318						
Sewage collection, treatment and recycling		16,574	316	8,859	7	1,731		1,030
Transport								1,697
Other								1,052

Table 13. Reporting Scope 3 emissions

Scope 3 emissions source	Scope 3 emissions in t CO2 -e	Commentary (incl. calculations and methodology)
Commercial air travel	68	Figure derived from Corporate Travel Management Carbon Friendly Climate Emissions Report
Waste disposal (office)	11.06	Emissions calculated through waste audit process conducted in June 2024.
Waste disposal (operational)	136.71	Calculated using DEECA FRD24 environmental data reporting tool.
Any other scope 3 sources assessed (categorise)	0	We're establishing processes and collecting data so that we can start quantifying all our Scope 3 emissions in future years.
Total reported Scope 3 emissions	**216.10**	**Excludes other scope 3 sources**

** Note: Scope 3 emissions associated with the use of biosolids have been included in Scope 1 emissions to align with prior practice.

Increasing renewable energy

Electricity consumption

- Continued to increase our consumption of renewable energy, sourcing **85.5%** of our electricity from renewable sources in 2023–24, compared to **74.8%** in 2022–23 – a **10.7% increase**.
- The biogas upgrade at our Mount Martha Water Recycling Plant has supported this increase.

Service delivery

Table 14. Electricity consumption reporting by service delivery.

Service delivery category	2022–23 total electricity consumption (MWh)	2023–24 total electricity consumption (MWh)	Commentary
Water treatment and supply	5,457.2	5,496.9	
Sewage collection, treatment and recycling	23,461.1	24,992	
Other (offices, depots, etc)	1,246.0	1,435	
Total	30,164.3	31,924	

Source

Table 15. Electricity consumption reporting by source.

Service delivery category	2022–23 total electricity consumption (MWh)	2023–24 total electricity consumption (MWh)	Commentary
Purchased directly through an electricity supplier	25,587.1	27,772.2	
Not directly purchased but sourced from outside the organisation	N/A	0	
Corporation led/self-sourced activities and initiatives	2,577.2	4,152	An excess of 1,000.87 were also exported to the grid
Total	**30,164.3**	**31,924.8**	

Renewable electricity consumption

Table 16: Total electricity reporting (renewable)

Renewable electricity consumption categories	2022–23 renewable energy consumption (MWh)	2023–24 renewable energy consumption (MWh)	2023–24 renewable energy consumption (% of total consumption)	Variance between current and previous year	Commentary
Total renewable electricity consumption from grid-sourced electricity reported because of the Commonwealth Government's LRET					
Total grid-sourced:	5,186.4	5,198.9	18.72	0.24	
Total renewable electricity consumption from corporation led/self-sourced activities and initiatives					
Biogas	219.3	2,501.58	9.01	1,040.71	The biogas upgrade at Mount Martha has significantly improved our renewable electricity consumption compared to previous year.
Hydroelectric	1,193.0	1,193	4.30	0	Hallam Hydro LGC surrender
Solar	7,846.2	4,725.29	17.01	-39.78	Solar generation and ZEW surrender
Wind	8,101.0	11,202	40.34	38.28	Cherry Tree surrender
Other renewable	-	0	0	0	
Total corporation led/self-sourced	17,377.6	19,621.87	70.65	12.91	

Total renewable energy consumption	**22,811.7**	27,322.41	85.58	19.77	We've continued to increase our consumption of renewable energy, sourcing 85.5% of our electricity from renewable sources in 2023–24, compared to 74.8% in 2022–23.

Onsite renewable energy electricity generation capacity and generation

Table 17. Total electricity generation capacity and generation reporting (renewable)

Renewable electricity source	2023–24 total onsite renewable electricity generation capacity (MW)	2023–24 total onsite renewable electricity generated (MWh)			
		Consumed onsite	Exported	Other	2023–24 total by source
Biogas	0.91	2,501.58	195.64		2,697.22
Hydroelectric	0.25	0	661.61		661.61
Solar	0.942	1,120.29	78.15		1,198.44
Wind	0	0	0		0
Other renewable	0	0	0		0
Total (renewable)	**2.102**	**3621.87**	**935.4**		**4557.27**

Other (non-renewable) onsite electricity generation capacity and generation

Table 18. Total other (non-renewable) electricity generation capacity and generation reporting

Renewable electricity source	2023–24 Total onsite renewable electricity generation capacity (MW)	2023–24 Total on-site electricity generated (MWh)			
		Consumed onsite	Exported	Other	2023–24 total by source
Non-renewable sources (please categorise as appropriate)					
Diesel	11.33	33.1	0		33.1
Natural gas	0.91	870	195.64		1,065.64
Total (non-renewable)	12.24	903.1	195.64		1,098.74

Energy storage system reporting (power capacity and total storage capacity)

Table 19. Total energy storage system reporting (power capacity and total storage capacity)

Energy storage system	2023–24 total energy storage system power capacity (MW)	2023–24 total energy storage system storage capacity (MW)	Commentary
Total energy storage systems	0	0	No batteries in commission

Renewable Energy Certificate (REC) retirement reporting to reduce scope 2 emissions

Table 20. Total REC retirement reporting

REC retirement method	RECs retired: 2023-24 (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired by South East Water	18,000	Planned voluntary surrender of 18,000 for 2023–24, based on current estimates
GreenPower		
Certified carbon neutral electricity purchased		
Voluntarily retired on South East water's behalf	18,000	
Total voluntarily retired	18,000	
Mandatorily retired		
Total RECs retired	18,000	

Stationary fuel use in buildings and machinery

Table 21. Stationary fuel use in 2023–24

Description	2023–24			Totals
	Natural gas	LPG	Diesel	
Total fuels used in buildings (MJ)	2,147,871	0	0	**2,147,817**
Total fuels used in machinery (MJ) including at water treatment plants	16,061,871	938,079	142,164	**17,142,114**
Greenhouse gas emissions from stationary fuel consumption (t CO2 -e)	827.67	56.84	9.98	**894.50**

1. Data in Table 21 (Total fuels used in buildings) is for our WatersEdge headquarters in Frankston only and excludes fuel consumption by employees based at water recycling plant offices and storage site offices.
2. Diesel use in WatersEdge is zero as the diesel generator didn't need to be refilled last year.

Transportation

Table 22. Total energy used in transportation and greenhouse gas emissions from transportation within South East Water

	Indicator	Road			Non-road			Totals
		Petrol	Diesel	LPG	Petrol	Diesel	LPG	
2023–24	Total energy used in transportation (MJ)	10,898,613	14,368,683		26,090	1,057,176	46,217	25,339,603
	Total greenhouse gas emissions from vehicle fleet (tCO2–e)	736	937	0	1.764	74.436	2.819	1753
2022–23	Total energy used in transportation (MJ)	10,337,733	10,888,639	0	0	15,440	61,662	21,303,474
	Total greenhouse gas emissions from vehicle fleet (tCO2–e)	699	767	0	0	1	4	1,471

Table 23. Number and proportion of South East Water vehicles segmented by vehicle category and engine/fuel type (Number and %)

	Petrol	Diesel	LPG	PHEV	EV
Road vehicles	225 (55.42%)	178 (43.84%)		1 (0.25e%)	1 (0.25%)
Non-road vehicles	1 (0.24%)	2 (0.49%)	1 (0.24%)	0	0

Table 23 incorporates 1 plug-in hybrid vehicle,1 battery electric vehicle and 72 petrol hybrid vehicles.

Air travel

Total distance travelled by commercial air travel (passenger km): **324,998 km**

Energy usage from fuels and electricity segmented by energy source

Table 24. Energy usage from fuels and electricity in 2023–24 segmented by energy source

Indicator	2022–2023	2023–24
Total energy usage from fuels (MJ):	41,082,685	42,478,257
Total energy used from electricity (MJ):	111,912,120	170,618,724
Total energy used segmented into renewable and non-renewable sources (MJ)	152,994,805	213,096,981
- Renewable:	84,851,410	150,794,938
- Non-renewable:	68,143,395	62,302,042
Units of energy used by normalised FTE	220,454	254,474

Sustainable buildings and infrastructure

We didn't own or occupy any new builds or newly leased premises in 2023–24.

Table 25. Sustainability buildings and infrastructure

Name of building	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 26. Waste and recycling

Indicator	Location	2023–24					2022–23				
		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)	7,195.0 (71.5%)	1897.5 (18.9%)	0.0 (0.0%)	10.6 (0.1%)	959.2 (9.5%)
	Operational	105,159 (100%)					230,900 (100%)				N/A
WR3: Units of waste disposed per FTE (kg/FTE)	Office	10.2	4.06	0.0	0.06	2.97	10.4	2.7	0.0	0.0	1.3
WR4: Recycling rate (% of total waste)	Office					42.9%					28.5%
Greenhouse gas emissions associated with waste disposal (t CO2 -e)	Office					11.06					11.21

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 incorporate climate change adaptation into our business-as-usual asset planning and procurement and progress activity through delivery of the *GMUWSS*.

We're also committed to communicating our climate commitments and strategies, and how we're tracking against them, as well as empowering our customers to understand, adapt and respond. We do this via our climate website.

During 2023–24, we:

- Continued to consider the most up-to-date climate science information available (for example, the Kompas report released on sea level rise) to ensure our climate risk assessment remains accurate and relevant.
- Ensured that all new and upgraded critical assets have undergone a climate risk assessment, including the Longwarry Water Recycling Plant upgrade project.
- Continued to collaborate with researchers to improve our understanding of and identify solutions for key climate hazards and their impacts for us.
- Undertook some early work on development of an extreme weather preparedness plan to strengthen our incident management planning. We also enhanced our response capabilities in the face of extreme weather conditions, by improving business-wide capability and capacity through accredited qualifications and training in incident management / Australasian Inter-Service Incident Management System (AIIMS) functions.
- Explored our options in carbon offsets to mitigate risks associated with carbon pricing and evolving climate policies.

Also see: *Improving our asset resilience*.

Chapter 5. Empowering our people

Engagement snapshot from *Have your say* 2024

- At **70%**, our engagement is **1%** higher than the utilities benchmark for Australia.
- **84%** of our people are proud to work with us.
- **83%** believe people from all backgrounds have equal opportunities to succeed with us (**up 2%**).
- **88%** believe they're generally supported if they choose to make use of flexible working arrangements.
- **84%** believe the safety and wellbeing of our people is a priority.

Diversity, equity and inclusion

- Our Gender Equality Action Plan (GEAP) (available online) helped us plan, implement and measure change in the workplace.
- Published our Diversity, Equity and Inclusion Operational Plan in December 2023. Updated annually, our plan outlines actions we've committed to in our GEAP.

Aboriginal and/or Torres Strait Islander

- Employees identifying as Aboriginal and/or Torres Strait Islander **totalled 7 (0.8%)** as at 30 June 2024.
- Established new First Peoples unit as part of our Strategy and Stakeholder Group.
- Achieved a **99% completion rate** (**907 employees**) for our online First Nations Cultural Awareness training and 50 attending in-person sessions.
- Recognised National Reconciliation and NAIDOC weeks, with cultural and environmental walks and yarns led by representatives from BLCAC.
- Helped around **320 of our employees** better understand and engage with Aboriginal-led organisations as part of our journey to care for Country and create a trusted reputation in the broader Aboriginal and Torres Strait Islander community, via an employee town hall.

Other celebrations of diversity

- Recognised International Women's Day through an event which emphasised how employees can invest in themselves and elevate others as part of achieving equal opportunity for women.
- Celebrated International Day of People with Disability livestream event, with special guest the Hon. Harriet Shing MP and participated in WaterAble Day of Action workshop.
- Supported 3 organisations supporting community members with a disability through successful awards of our 2024 Community Grants program.

- Supported our LGBTQIA+ employees and communities through the MidSumma Festival, including marching with Pride in Water and sponsoring the event through our hydration station.
- Hosted an industry-wide IDAHOBIT Day event, with over **200 water sector employees** joining us.

Table 27. Gender distribution in management positions June 2020–24

Classification	Total	Female	Male	Self-described	Female %	Male %
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
June 2020						
Executive	9	4	5	0	44.4%	55.6
Senior Officers	187	51	136	0	27.3%	72.7

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

Leadership, culture and capability building

- Updated the way we brought together our senior leaders, with a focus on collective leadership and shared accountability.
- **250 of our people leaders**, mental health first aiders and safety and HR business partners completed Positive Safety Culture workshops (part of the Leading Together program).
- **100 of our people** came together across 2 days in our first innovation summit and hackathon in June 2024, inspired to think beyond conventional boundaries to together develop innovative solutions to the challenges we face.
- Doubled membership of our employee-led, executive-endorsed Young Professionals Network (YPN). As one of our **12 social connect groups**, YPN provides career and networking opportunities for our people aged 35 years and under.
- **122 employees** joined water organisations from across Australia to Walk for Water, putting their feet in the shoes of 1 in 10 people around the world who don't have access to clean water close to home. Employees raised over **$7,700** for WaterAid Australia, helping to support on the ground projects in countries like Papua New Guinea, Timor Leste, Bangladesh and Cambodia.
- Employees raised more than **$9,100** through the Annual Employee Christmas Giving Appeal for 3 charities providing access to essential food, clothing, clean drinking water and healthcare. The appeal also included toys and essential food hampers.

Lead in safety and wellbeing

- Completed key aspects of refreshing and embedding safety principles, governance and compliance standards. We've also strengthened our team with realigned roles to integrate wellbeing and introduced a partnering approach with each business group across the organisation.
- Conducted internal and external audits against our ISO45001 (Occupational Health and Safety Management System) and ISO45003 (Occupational Health and Safety Management – Psychological Health and Safety at Work) accreditation, with no major non-conformances identified. We also consolidated all health and safety audits into one project management plan to enhance the safety management system.
- Increased roles and responsibilities of the executive at the Safety Leadership Committee, including rotation of chair and introduction of health and safety moments at the beginning of each meeting. Increased empowerment of health and safety representatives at health and safety consultation committees.
- Safety included as an agenda item for all board/board committee meetings.

- Our overall Total Recordable Injury Frequency Rate (TRIFR) was an average **9.51 injuries** per million work hours over the past 12 months, which was higher than the target of **8.2**, however lower than the previous financial year.
    - This is based on decreases in both our employee TRIFR (**down to 2.77**) and contractor-specific TRIFR (**down to 19.48, from 32.17 last year**).
    - As part of our overall improvement plan, we're working to enhance visibility of high-potential injuries before they result in a serious injury or fatality.
- **470 senior leader safety interactions** and conversations conducted against a target of 440, and we're looking to further improve on this in 2024–25.
- **79%** of our safety actions were closed out on time in our HSE4me platform**, up by 9%** compared to last year, however still slightly below the 85% target.
    - We've redefined this measure to make sure we prioritise closing out higher-risk actions over those that are lower-risk.
- Launched our first wellbeing framework, with an emphasis on fostering a positive, engaging and psychologically safe workplace, where we support employees and they're able to thrive.
    - Bolstered our mental health first aider program, with **25 newly-accredited members** of the team and a new mental health first aid procedure endorsed.
    - **250 of our people leaders**, mental health first aiders and safety and HR business partners completed Positive Safety Culture workshops (part of the Leading Together program).
    - Increased early intervention for people leaders and team members who may have sustained a work-related or non-work related injury or illness.
- Launched October Safety and Wellbeing month with 4 weeks of activities to encourage safety awareness for employees both in the office and field, including a Wellbeing Expo to promote the benefits of our Employee Assistance Program, on-site health checks, private health insurance reviews and massages from BUPA.

Table 28. Performance against our OHS indicators (based on employee data only)

Measure	KPI	2021–22	2022–23	2023–24
Incidents*	Number of reported incidents	9	6	4
	Rate for 100 FTE	1.19	0.72	0.48
Hazards**	Number of reported hazards	12	115	178
	Rate for 100 FTE	1.59	13.83	21.26
	Number of standard claims	5	8	0

Claims (WorkCover)	Number of lost time claims	2	6	0
	Rate per 100 FTE	0.27	0.72	0
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	$24,430	$27,513	$0
Management commitment	Management participation in planned safety observations	168	323	470
Consultation and participation	OHS committee meetings including employee elected and management representatives	12	8	12
Risk management	Safety management system audit actions closed	100%	100%	100%
Training	Safety compliance training completed within 10 days of commencement	90%	95%	93%

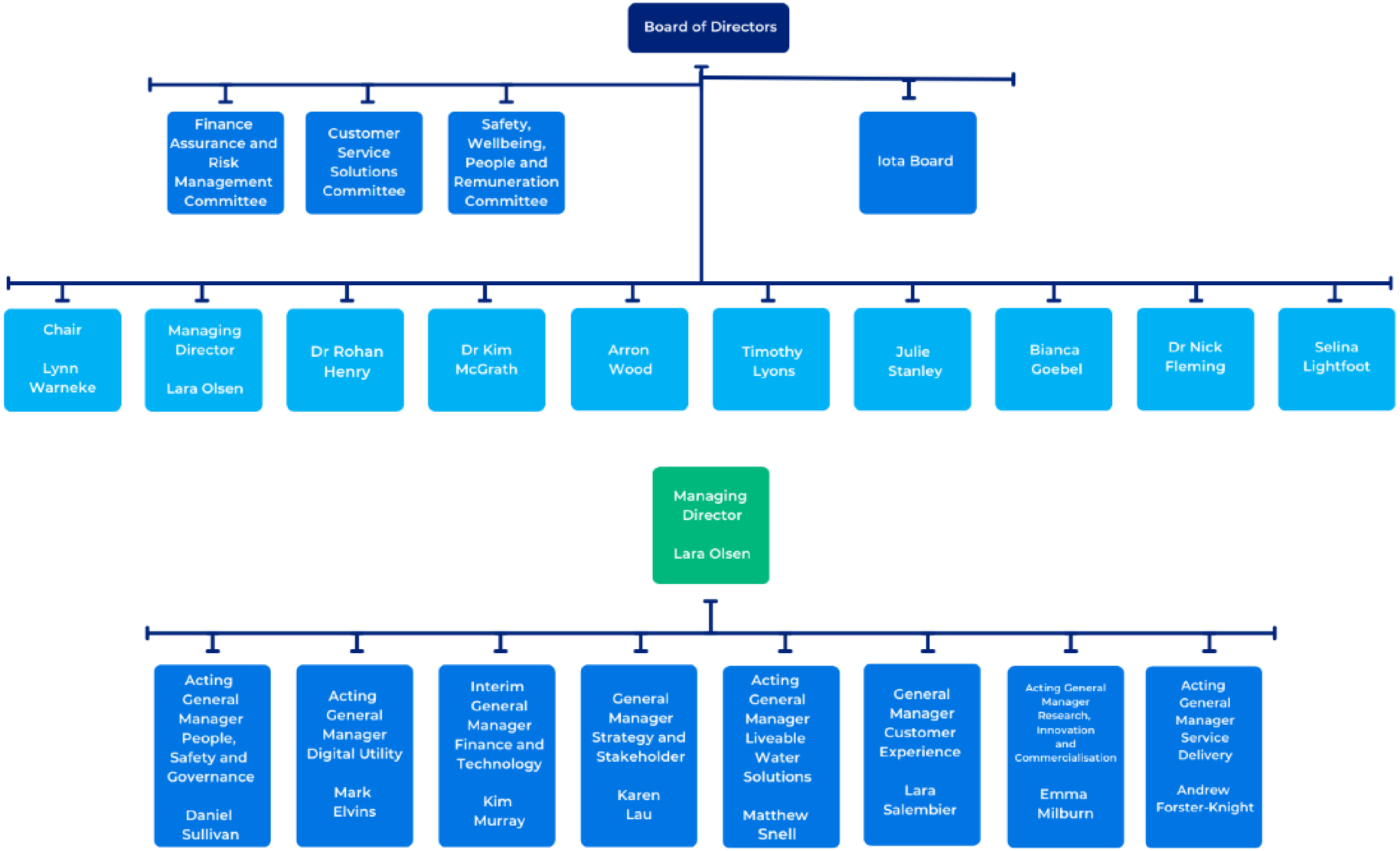
Note:

* 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.

Organisation and governance chart

As at 30 June 2024



Notes:

General Manager Finance and Technology, Kimberley Lamden and General Manager Liveable Water Solutions, Charlie Littlefair were on leave as at 30 June 2024.

Our Board of Directors

We have 9 non-executive directors (including the Chair), and a Managing Director on our board at 30 June 2024. They represent a diverse mix of skills, experience, and backgrounds. The Minister for Water appoints the Board of Directors in consultation with the Treasurer. The board's main role is to preside over all significant strategic, commercial, regulatory, financial, and risk-focused business decisions as well as safety, people and customer matters.

The board conducts an annual assessment of its performance and effectiveness as required under the *Water Act 1989*. The board and each of its directors recognise the importance of the annual review and are committed to it being a continuous improvement mechanism to ensure we deliver best practice governance and supports us in developing and achieving our corporate objectives.

Lynn Warneke

- Chair (from 1 October 2023)

Lara Olsen

- Managing Director

Dr Rohan Henry

- Director
- Deputy Chair (from 23 October 2023)

Dr Kim McGrath

- Director
- Deputy Chair (until 23 October 2023)
- Chair of Safety, Wellbeing, People and Remuneration Committee

Arron Wood

- Director

Timothy Lyons

- Director

Julie Stanley

- Director
- Chair of Finance, Assurance and Risk Management Committee *(from 23 October 2023)*

Bianca Goebel

- Director

Dr Nick Fleming

- Director
- Chair of Customer Service Solutions Committee (from 23 October 2023)

Selina Lightfoot

- Director
- Chair of Iota Board (from 23 October 2023)

Iota

Iota, a wholly owned subsidiary of South East Water, has a board to fulfil its functions effectively and to ensure it complies with its governance framework. Iota is accountable to the South East Water Board.

Iota Board

Selina Lightfoot

Chair

Lynn Warneke

Dr Nick Fleming

Dr Kim McGrath

Lara Olsen

Andrew Forster-Knight

In May 2023, Iota signed an agreement with Barwon Water to deploy our enterprise IoT platform Lentic® in the rollout of **41,000 digital meters** across their network. Lentic® will help manage devices and streamline alarms. Barwon Water plans to expand this program to its entire customer base over coming years, expecting to save around **5 billion litres** of water over 10 years. In collaborating with Iota, Barwon Water is drawing on its managed service offerings, plus know-how and learnings from South East Water.

In May 2023, Iota partnered with Spark NZ to introduce Lentic® to local councils and water utilities in New Zealand.

By June 2024, **50% of the 68,000** Iota supplied Ultrasonic Cura digital meters and Lentic technology had been deployed across Toowoomba, Queensland. The rollout of the remaining meters will continue through to the end of 2025, including **3,500 meters** for business customers.

In advancements in wastewater management, Iota signed an exclusive agreement with RMIT university to commercialise PYROCO (see Biosolids to Biochar project) with the project moving to the development of a demonstration plant for continual operation in 2025–26.

OneBox® technology enables the remote monitoring and control of low-pressure sewer networks in near real time. Iota is currently rolling out the technology in Western Sydney, Christchurch, New Zealand and in informal settlements in Fiji and Indonesia, through the RISE Program, modifying how it works to suit local needs.

Included in the Iota portfolio is the management of its Priority Plumbing business that provides comprehensive civil, commercial and residential plumbing services across Melbourne's south-east. In June, South East Water appointed Priority Plumbing to manage the New Connections program. Through this arrangement, we'll enhance customer experience, improve quality and increase safety.

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

Board meeting attendance

Table 29. Board attendance at meetings in 2023–24

Name	South East Water Board		Finance Assurance and Risk Management		Customer Service Solutions		Safety, Wellbeing, People and Renumeration		Iota Board	
	Eligible attendance	Attendance	Eligible attendance	Attendance	Eligible attendance	Attendance	Eligible attendance	Attendance	Eligible attendance	Attendance
Lynn Warneke	6	6	N/A	3	3	3	N/A	2	3	3
Rohan Henry	8	8	4	4	4	4	N/A	N/A	N/A	N/A
Kim McGrath	8	8	N/A	N/A	N/A	N/A	4	4	5	4
Arron Wood	8	8	N/A	N/A	4	3	4	3	N/A	N/A
Timothy Lyons	8	7	4	4	N/A	N/A	4	4	N/A	N/A
Julie Stanley	8	8	4	4	4	4	N/A	N/A	N/A	N/A
Bianca Goebel	6	6	N/A	N/A	N/A	N/A	3	3	N/A	N/A
Nick Fleming	6	6	N/A	N/A	3	3	N/A	N/A	3	3
Selina Lightfoot	6	6	4	4	N/A	N/A	N/A	N/A	3	3
Andrew Forster-Knight	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	5
Lara Olsen	8	8	N/A	N/A	N/A	N/A	N/A	N/A	5	5
Lucia Cade	2	2	1	1	1	1	1	1	2	2
Gabrielle Bell	2	2	N/A	N/A	1	1	N/A	N/A	2	2
Jason Kambovski	2	2	1	1	N/A	N/A	N/A	N/A	2	2
The Hon. Louise Asher	2	1	N/A	N/A	1	0	1	1	N/A	N/A

Board meeting attendance notes

- Lucia Cade ceased being South East Water Chair and Iota director on 30 September 2023.
- Gabrielle Bell ceased being a South East Water and Iota director on 30 September 2023.
- Jason Kambovski ceased being a South East Water and Iota director on 30 September 2023.
- Louise Asher ceased being a South East Water director on 30 September 2023.
- Lynn Warneke was appointed as South East Water Board Chair from 1 October 2023, attends Finance Assurance and Risk Management and Safety, Wellbeing, People and Remuneration Committees *ex officio*, is a member of the Customer Service Solutions Committee and a director of Iota Services Pty Ltd from 23 October 2023.
- Selina Lightfoot was appointed as a South East Water director from 1 October 2023, appointed as a member of Finance Assurance and Risk Management committee and Chair of Iota Services Pty Ltd from 23 October 2023.
- Dr Nick Fleming was appointed as a South East Water director from 1 October 2023, appointed as the Customer Service Solutions Committee Chair and director of Iota Services Pty Ltd from 23 October 2023.
- Bianca Goebel was appointed as a South East Water director from 1 October 2023 and was appointed as a member of the Safety, Wellbeing, People and Remuneration Committee and as the Board Delegate to Customer and Community Advisory Council from 23 October 2023.
- Julie Stanley was appointed as the Finance Assurance and Risk Management Committee Chair from 23 October 2023 and continued as a member of the Customer Service Solutions Committee.
- Dr Kim McGrath continued as Safety, Wellbeing, People and Remuneration Committee Chair and as an Iota Director.
- Dr Rohan Henry was appointed as Deputy Chair of South East Water, continued as a member of the Finance Assurance and Risk Management and Customer Service Solutions Committees, and resigned as the Board Delegate to the Customer and Community Advisory Council from 23 October 2023.

Our Executive team

Lara Olsen	Managing Director
Daniel Sullivan	Acting General Manager People, Safety and Governance
Andrew Forster-Knight	Acting General Manager Service Delivery
Kim Murray	Interim General Manager Finance and Technology
Karen Lau	General Manager Strategy and Stakeholder
Matthew Snell	Acting General Manager Liveable Water
Lara Salembier	General Manager Customer Experience
Emma Milburn	Acting General Manager Research, Innovation and Commercialisation
Mark Elvins	Acting General Manager Digital Utility

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 30. Full-time equivalents (FTE), including ongoing, fixed term and casual employees 2019–24

Year	2024	2023	2022	2021	2020	2019
FTE	837.4	791.0	710.5	683.5	656.0	645.7

Table 31. Employment levels in June for 2019–24

Year	Ongoing employees				Fixed term and casual
	Total	Full-time	Part-time	FTE	FTE
June 2024	801	705	96	776.9	60.5
June 2023	747	649	98	720.0	71
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
June 2019	653	541	112	620.2	25.5

Table 32. Details of employment levels at 30 June 2024

	All employees		Ongoing			Fixed term and casual	
Gender	**Number**	**FTE**	**Full time**	**Part time**	**FTE**	**Number**	**FTE**
Female	443	440.3	407	11	415.3	25	25.0
Male	415	392.1	295	85	358.6	35	33.5
Self-described	5	5.0	3	0	3.0	2	2.0
Age							
15-24	19	19.0	12	0	12.0	7	7.0
25-34	188	184.1	156	13	165.6	19	18.5
35-44	278	265.9	219	43	250.6	16	15.3
45-54	223	216.2	179	29	201.2	15	15.0
55-64	133	130.5	120	9	126.8	4	3.7
65+	22	21.7	19	2	20.7	1	1.0
Classification							
Executive	8	8.0	8	0	8.0	0	0

Senior Officers	272	266.5	228	28	250.5	16	16.0
Officers	583	562.9	469	68	518.4	46	44.5
TOTAL	863	837.4	705	96	776.9	62	60.5

Of the 8 Executives, 1 is classified as Senior Executive Service 3 (SES-3) and 7 are classified as Senior Executive Service 2 (SES-2).

Chapter 6.
Performance and financial management

Financial performance indicators

Table 33. Financial performance indicators and variances

Key performance indicator	2023–24 Result	2022–23 Result	Variance to prior year	2023–24 Target	Variance to target
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	2.2 times	3.3 times	-33.3% (1)	2.2 times	0.0%
Gearing Ratio Total debt (including finance leases)/ total assets	51.8%	47.7%	8.6%	54.6%	-5.1%
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure	11.2%	63.0%	-82.2% (2)	17.5%	-36.0% (3)
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	119.2%	189.5%	-37.1% (4)	100.0%	19.2% (5)
Return on Assets Earnings before net interest and tax / average assets	4.0%	3.7%	8.1%	3.6%	11.1% (6)
Return on Equity Net profit after tax / average total equity	3.8%	3.4%	11.8% (7)	2.8%	35.7% (7)
EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation / total revenue	29.8%	29.1%	2.4%	28.9%	3.1%

Notes:

1. The **cash interest cover** was unfavourable compared to the prior year due to lower net operating cash flows 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. The Group's lower net operating cash flows was largely attributed to an increase in maintenance costs across the network, transition costs of the integrated planning and delivery program and an uplift in resourcing to support our five year Price Submission 2023 commitments. Further contributing to the result, the Group paid five quarterly instalments of the environmental contribution levy in 2023–24, with the previous year's quarter 4 levy paid in early July 2023.

2. The **internal financing ratio** was unfavourable compared to prior year, representing a lower amount of the Group's net capital expenditure financed through the Group's net operating cash flows. This was due to the lower net operating cash flow as noted above, an increase to dividends paid in 2023–24, and a significant increase in capital costs this year compared to prior year as a result of a land purchase in the Fisherman's Bend precinct.

3. The **internal financing ratio** was unfavourable against target as capital expenditure was lower than budget, despite the land acquisition in the current year. The capital program was impacted by developer reimbursements reaching acceptance of works later than planned and delays experienced with third party approvals relating to the water and sewer growth projects. Net operating cash flows was also lower against target largely driven by higher interest charges, tax and levies, and dividends paid during the year.
4. The **current ratio** was unfavourable compared to prior year due to the Group holding cash at bank of $91.6 million and repaying all short-term borrowings at 30 June 2023 to fund the capital repatriation payment of $97.2 million back to State Government in July 2023. This was a one-off abnormal occurrence, with the current ratio as at 30 June 2024 reverting back to target levels.
5. The **current ratio** was favourable against target largely due to higher unearned revenue from receipt of Government grant funding for the Dingley Recycled Water Scheme capital project in late June 2024 to be spent in 2024–25.
6. The **return on assets** metric was favourable due to an increase in revenue from developer contributions of $17.8 million against target of $47.9 million. This is mainly due to a 20 per cent increase in projects reaching completion compared to target, as well as completion of larger projects including multiple level crossing removal, major road upgrades and the suburban rail loop projects.
7. The **return on equity** metric was favourable also largely due to the increase in revenue from developer contributions, as noted above, compared to both prior year and against target. Further, the average total equity compared to both prior year and against target decreased as a result of the capital repatriation payments back to State Government in 2023–24, thereby increasing return on equity.

Operational performance indicators

Table 34. Operational performance indicators and variances

Key performance indicator	2023–24 Result	2022–23 Result	Variance to prior year	2023–24 Target	Variance to target
Water and Sewerage Network Reliability					
Water service – minutes off supply (planned and unplanned) Minutes on average a customer was without water supply during a year	22.5	21.3	6.0% (8)	23.0	-2.0%
Unplanned water supply interruptions Percentage of customers receiving 6 or more unplanned interruptions in the year	0.021%	0.013%	62.7% (9)	0.045%	-95.3% (10)
Sewerage service – sewer blockages Number of sewer blockages reported per 100 kilometres of sewer main	14.7	14.3	2.8%	17.0	-13.4% (11)
Sewerage service – sewer spills Number of sewer spills reported per 100 kilometres of sewer main	7.1	6.3	11.5% (12)	8.0	-11.7% (13)
Sewerage service - containment of sewer spills Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	98.6%	99.1%	-0.5%	100.0%	-1.4%
Customer Responsiveness					
Water bills - customers on flexible payments plans Number of customers with instalment plans	38,892	35,406	9.8% (14)	N/A	N/A
Water bills - customers awarded hardship grants Number of customers awarded hardship grants	3,323	3,399	-2.2%	N/A	N/A
Customer responsiveness - water quality complaints Number of complaints per 100 customers	0.28	0.29	-3.0%	0.18	56.4% (15)
Customer responsiveness – number of payment issue complaints Number of complaints per 100 customers	0.18	0.16	14.9% (16)	0.65	-71.8% (17)
Customer responsiveness – total complaints Number of complaints per 100 customers	0.75	0.65	15.3% (18)	1.10	-31.9% (19)

Key performance indicator	2023–24 Result	2022–23 Result	Variance to prior year	2023–24 Target	Variance to target
Water Re-use					
Recycled water – effluent treatment and reuse Proportion of water recycled as a percentage of effluent produced	28.3%	20.2%	40.1% (20)	23.0%	23.0% (20)

Notes:

Water and Sewerage Network Reliability

8. The **number of minutes a customer was without water supply** was unfavourable against the prior year due to the implementation of a new Water Mains Cleaning Program. 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 20 kilometres of mains during May and June, contributing to an increase in planned minutes off over 2023-24 compared to the prior year.

9. The **percentage of customers receiving 6 or more unplanned interruptions** was unfavourable compared to the prior year following a 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.

10. The **percentage of customers receiving 6 or more unplanned interruptions** was favourable to target as a result of wetter than average conditions. Above average rainfall reduces the likelihood of burst and leaks in the water network resulting in fewer incidents that can be managed more efficiently by crews.

11. The **number of sewer blockages** was favourable against target as a result of above average rainfall. Based on the previous 10-year trend, there is a direct correlation between above average rainfall and a decrease in blockages. Monitoring of blockages via our blokaid data, along with continued investment in proactive sewer cleaning and inspection programs, continues to further contribute to the reduction in sewer blockages.

12. The **number of sewer spills** was unfavourable against prior year. Process improvements were implemented in 2023-24, which increased the number of Priority 2 spill events captured and reported. This has resulted in an uplift in the number of overall sewer spills reported.

13. 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.

Customer Responsiveness

14. The **number of customers on flexible payment plans** was greater than prior year, which can be attributed to current economic and financial challenges posing significant pressure on customers propensity to pay their bills. The rising cost of living and inflation pressure has led to an increase in debt levels, driving the increased need for flexible payment plans. As a result, there has been a higher than expected number of customers on flexible payment plans. South East Water is continuously monitoring customer affordability issues and offering various support options for customers to manage their water bills.

    An increase in customers provided with hardship assistance in these indicators has been interpreted to be a favourable variance, as this indicator is based on customer focus rather than financial factors and reflects the position that customers consistently support greater help for vulnerable customers. This is also consistent with government policy.

15. The **number of customer complaints regarding water quality** was unfavourable to target due to enhanced tracking of complaint volumes across the organisation, enabling greater insights. The target of 0.18 complaints per 100 customers pertains solely to customer complaints, whereas the actual figure of 0.28 includes both customer complaints and customer enquiries related to water quality. If we consider only customer complaints, the actual result would improve and be favourable at 0.14 complaints per 100 customers.
16. The **total number of payment issue complaints** was unfavourable compared to prior year which was attributed to an increase in payment issue complaint volumes. The new regulatory period commenced in 2023-24 which included changes to the tariff structure whereby the residential Service Disposal Charge (SDC) was removed and reallocated to the water usage charge on customer's bills. This change, whilst communicated on the customer's first bill, resulted in additional enquiries requesting an explanation of the change.
17. The **total number of payment issue complaints** was favourable against target, largely influenced by the implementation of our Complaints Management Framework. The Complaints Management Framework forecast a number of inbound calls to be recategorised as payment related complaints, previously treated as general enquiries. This forecast uplift in volumes supported the target being set at a higher level than historical results to allow time for customer pain-points to be identified. Whilst we continue with the implementation of our Complaints Management Framework the expected full extent of the uplift in complaint volumes has not yet been realised.
18. The **total number of customer complaints** was unfavourable compared to prior year as a result of the reporting of water quality enquiries in the calculation of the 2022-23 result. The 2022-23 result of 0.65 included water quality complaints only. Should the actual result for 2022-23 include both customer complaints and customer enquiries, the actual result would be 0.78. This would represent a favourable variance for 2023-24, with a reduction in overall complaints contributing to a reduced result of 0.72 complaints per 100 customers for 2023-24.
19. **The total number of customer complaints** was favourable against target, following the implementation of our Complaints Management Framework. This framework has increased the target for complaint volumes over the coming years. Whilst we continue with the implementation of our Complaints Management Framework the expected full extent of the uplift in complaint volumes has not yet been realised.

Water Re-use

20. The **percentage of effluent produced for re-use** was favourable against both prior year and target, which can be attributed to significantly higher usage at Boneo Water Recycling Plant with the Class A Plant in operation from January 2024, as well as higher on-site reuse at our Mount Martha Treatment Plant.

Certification of performance report for 2023–24

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2023–24 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 2023–24 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 2024.

Lynn Warneke
Chair

Lara Olsen
Managing Director

Kim Murray
Chief Financial Officer

Independent Auditor's Report (performance)

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of the South East Water Corporation

Opinion	I have audited the performance report of the South East Water Corporation (the corporation) for the year ended 30 June 2024, which comprises the: • financial performance indicators • water and sewerage network reliability performance indicators • customer responsiveness performance indicators • water re-use performance indicator • certification of performance report. In my opinion, the performance report of the South East Water Corporation for the year ended 30 June 2024 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the performance report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
29 August 2024

Paul Martin
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.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at $3 million or more in Metropolitan Melbourne or for state-wide projects, or $1 million or more for projects in regional Victoria.

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

Local Jobs First Standard projects

For 2023–24, we started **8 Local Jobs First Standard projects** totalling **$309 million**. The MPSG doesn't apply for any of these projects.

Social procurement

For 2023–24 we spent a total of **$811,083 with 14 social benefit suppliers** and organisations, a decrease from the previous year.

- **$207K** was with Aboriginal businesses and associations (total of **10 entities**).
- **$604K** was spent across disability enterprises, with the remainder of spend with other social benefit suppliers.

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 2023–24.

Expenditure disclosures

Consultancy expenditure

We've outlined details of individual consultancies on our website www.southeastwater.com.au

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

- Engaged consultants for **30 projects** where the total fee payable was $10,000 or greater (GST exclusive).
- Total expenditure incurred during the reporting period in relation to these consultants was **$2.6 million** (GST exclusive).

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

- Engaged **13 consultants** for projects where the total fees payable were less than $10,000 (GST exclusive).
- Total expenditure incurred for these consultants was $0.1 million (GST exclusive).

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 2023–24.

Information Communication Technology (ICT) expenditure

ICT refers to our costs in providing business-enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non-business as usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending and enhancing 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. We had a total

ICT expenditure of $20.8 million, with details shown below.

Table 35: **ICT Expenditure 2023–24**

($'000s)			
BAU ICT expenditure (Total)	Non-BAU ICT expenditure (Total = Operational expenditure and Capital expenditure)	Non-BAU ICT expenditure	
$20,796	$17,424	Operational expenditure	Capital expenditure
		$4,135	$13,289

Reviews and studies expenditure

In 2023–24, there were 8 reviews and studies undertaken which weren't commercially sensitive, with the total cost of around $873,000. Please refer to table 36 for details.

Note: 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 2023–24 and that were above $10,000.

Table 36. Review and studies expenditure disclosures

Review name	Reasons for review / study	Terms of reference / scope	Timeline	Anticipated outcomes	Costs for 2023–24 (ex. GST): $ thousand	Publicly available and URL
Internal audit program *(conducted by RSM)*	Provide independent advice and assessment of our systems of internal control and assurance over how we achieve our organisational objectives.	Internal audit charter Rolling 3- year Internal Audit Plan	Scheduled during each financial year Results reported on to the Executive team and to board sub-committees	• Improved internal controls • Risk mitigation • Operational efficiency • Compliance Assurance • Enhanced decision-making.	303 (final)	N
Management systems audit *(conducted by Assured Health & Safety, IQ-AM, 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	Scheduled during each financial year Results reported on to the Executive team and to board sub-committees	• Provide a framework for the establishment, maintenance and continuous improvement of internal quality processes • Obtain or maintain certifications for relevant management systems.	106 (final)	N
Enforceable undertaking	Review of policies and processes related to family and domestic violence. *(conducted by Safe and Equal and Ashurst)*	Enforceable undertaking	Our 24-month Enforceable Undertaking started on 15 June 2023.	• Meet our compliance obligations and commitments to our customers and the Essential Services Commission • Improved policies and processes.	88 (final)	Y - Enforceable undertaking | South East Water was publicly made available in June 2023

Review name	Reasons for review / study	Terms of reference / scope	Timeline	Anticipated outcomes	Costs for 2023–24 (ex. GST): $ thousand	Publicly available and URL
Price submission post-implementation review *(conducted by Deloitte)*	Review of our approach to the 2023 price submission.	Review of price submission journey across different stages, milestones and decision points	Once-off (at conclusion of price review process)	• Recommendations to strengthen our 2028 price submission, including internal processes and external engagement	40 (final)	N
Regulatory audit *(conducted by independent auditor)*	Annual audit by the Essential Services Commission	Verification of key performance information and compliance with the Water Industry Standard	Annual	• Assessment on the accuracy and reliability of performance data • Assessment of compliance with specific regulatory obligations.	27 (final)	N
Health and safety audit *(conducted by R4Risk)*	Safety management system gap assessment to identify areas for improvement against a Process Safety Management (PSM) system framework	PSM framework provided more detailed criteria than under ISO45001 to determine if the safety management system element was implemented and functional Identifying improvements to address any gaps found.	Once-off	• Recommendations to improve the performance of the safety management system	129 (final)	N

Review name	Reasons for review / study	Terms of reference / scope	Timeline	Anticipated outcomes	Costs for 2023–24 (ex. GST): $ thousand	Publicly available and URL
South East Large Scale Alternative Water Network investigation *(conducted by GHD)*	Identify opportunities for increased use of alternative water as required by the Central & Gippsland Sustainable Water Strategy	Identify and assess feasibility of new/expanded recycled water and stormwater re-use networks	Once-off scheduled for completion in 2024–25	• High-level water balance for alternative water in Western Port • Feasibility assessment of new re-use networks' supply demands east of Melbourne's growth corridor and into Gippsland	63 (final)	N
Review of biosolids thermal treatment technologies *(conducted in-house)*	Identify fit-for-purpose thermal treatment technologies that destroy PFAS and contribute to emissions reduction in biosolids.	Desktop audit Shortlisting process to identify 5-6 technologies so we could start a procurement process. Research and development travel/education opportunity to meet with shortlisted companies.	Once-off: November 2023 – February 2024 audit and education. March 2024 onwards – market analysis and assessment	• Provide treatment options for biosolids that destroy PFAS and contribute to emissions reduction • Create circular economy opportunities.	17 (final)	N
Ultra filtration (UF) membrane water recycling plant trial *(conducted by CMP Consulting Group)*	With current UF membrane supplier ceasing support offerings in Australia, trial the application of identified alternative suppliers' membranes in 2 of our plants.	Conduct trials into use of 2 new membrane brands at Lang Lang and Pakenham water recycling plants.	Lang Lang and Pakenham trials (March-August 2024), then potentially extended to other sites.	• Continue to meet our environmental and other obligations. • Improve operational robustness and flexibility.	41 (final)	N

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 2024.

- Meter Reading Services ($15 million)
- Meter Exchange Services ($33.7 million)
- Telco-SIMS ($12.3 million)

We've disclosed details of contracts in the Victorian Government Contracts Publishing System at **tenders.vic.gov.au**

Chapter 7.
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.

Our reporting requirements	Greater Yarra System – Thomson River Pool[1,2]	Desalinated Water[7,8]	Goulburn River[10]	Murray River[14]
The annual volume of water taken	Clause 16.1 (a) 164,156.0 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 182,511.066 ML[3]	Clause 13.1 (a) 0 ML	Clause 13.1 (c) 9,967.3 ML	Clause 10.1 (a) 19,529.9 ML
The volume of carry over	282,270.682 ML	Clause 13.1 (a) 0 ML	6,155.5 ML[11]	6,532.770 ML[15]
Compliance with the entitlement volume	Clause 16.1 (c) Yes[4]	Clause 13.1 (e) Yes[9]	N/A	N/A
Any temporary assignment or permanent transfer of all or part of entitlement	Clause 16.1 (d) 0 ML	Clause 13.1 (b) 0 ML	Clause 13.1 (d) -6,647.300 ML[16] Clause 13.1 (e) 0 ML	Clause 10.1 (b) -18,734.100 ML[16] 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) Yes[6]	Clause 13.1 (c) No	Clause 13.1 (f) Yes[12]	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 action take or proposed	Clause 16.1 (h) None	Clause 13.1 (f) None	Clause 13.1 (g) None	Clause 10.1 (e) None

Any difficulties experienced or anticipated in complying with this entitlement and any remedial action take or proposed	Clause 16.1 (i) None	Clause 13.1 (g) None	Clause 13.1 (h) None	Clause 10.1 (f) None
Annual amount of water taken from the waterway	N/A	N/A	Clause 13.1 (b) N/A[13]	N/A

Notes for compliance with bulk entitlements

Greater Yarra System - Thomson River Pool

1. South East Water holds Bulk Entitlement (Greater Yarra System-Thomson River Pool - South East Water) Order 2014 – WSE000077.
2. South East Water is a primary entitlement holder with a delivery bulk entitlement to 206,281.0 ML.
3. The Storage Manager – Melbourne Water makes seasonal allocations monthly.
4. Compliance with the entitlement volume is measured by compliance with the overall Cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water). The caps were complied with. Further, South East Water understands that Melbourne Water has met all minimum environmental flow obligations contained in its source entitlements.
5. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between South East Water and Melbourne Water and System Management Rules established by Melbourne Water.
6. On 21 September 2023, Minister for Water, the Hon Harriet Shing made a complementary administrative minor amendment to South East Water's Bulk Entitlement (Greater Yarra System – Thomson River Pool – South East Water) Order 2014 to reflect the transfer of Greater Yarra System – Thomson River Pool bulk entitlement from Yarra Valley Water to Gippsland Water.

Victorian Desalination Project

7. South East Water holds Bulk Entitlement (Desalinated Water – South East Water) Order 2014 – WSE000053.
8. 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.
9. 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

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

11. South East Water's commencement volume on 1 July 2023 was 4006.7 ML. At 30 June 2024, South East Water held 6,155.5 ML (5,107.9 ML in Zone 1a and 1,047.6 ML in Zone 1b).
12. On 11 March 2024, the Hon Harriet Shing, Minister for Water amended the Bulk Entitlement (Goulburn System – South East Water) Order 2022 to make necessary changes required following the appointment of Melbourne Water as Storage Manager for the Melbourne Headworks System (including the North-South Pipeline).
13. 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

14. South East Water holds Bulk Entitlement (Murray River – South East Water) Order 2022 – WSE020021.
15. South East Water's commencement volume on 1 July 2023 was 6,252.0 ML. At 30 June 2024, South East Water held 6,532.8 ML (3,221.0 ML in Zone 6 and 3,311.8 ML in Zone 7).

General

16. 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.

Compliance with acts

Commercial ventures and partnership activities

In 2023–24 we participated the following activities in accordance with the *Water Act 1989.*

- Australian Research Council's (ARC) 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 (ARC) Training Centre in Transforming Biosolids: *undertaking research and training to ensure effective management and reuse of our biosolids produced from treatment plants.*
- Australian Research Council's (ARC) 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 (ARC) 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.*
- SmartCrete Cooperative Research Centre: *collaborative research project to investigate novel technology for sewerage concrete infrastructure condition assessment.*
- 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.*
- 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.*

Freedom of Information Act 1982

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

Requests for access to our documents under the *Freedom of Information Act 1982* must be made either by email to foi@southeastwater.com.au or in writing to:

Freedom of Information Officer

South East Water

PO Box 2268, Seaford, 3198

Each application must be accompanied by an application fee of $32.70 (as of 1 July 2024) and clearly identify the documents sought.

If an applicant isn’t satisfied by a decision made by South East Water, they have the right to seek a review by the Victorian Information Commissioner. More information regarding the Freedom of Information process can be found at the Office of the Victorian Commissioner's (OVIC) website: ovic.vic.gov.au.

During 2023–24, South East Water:

- Received **26 requests** to access documents.
- Finalised **24 requests** and granted access to documents in each of these.
- Received **1 request** where no documents were found.
- **92% of requests** were finalised within the statutory timeframe.
- No requests were the subject of an application to VCAT.

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
Ibac.vic.gov.au
1300 735 135

Compliance with the *Building Act 1993*

We own our headquarters in Frankston (WatersEdge). We also own and operate warehousing facilities in Heatherton and Lynbrook and buildings 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 the buildings' assets are efficiently maintained and the workplace is safe for our people.

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

During 2023–24, we completed **2 new major projects** across our headquarters and water recycling plants at a sum greater than $50,000.

- Stage 1 upgrade to Pakenham Water Recycling Plant office
- Research and design laboratories at WatersEdge.

There were **2 building permits issued**, both for construction purposes.

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.

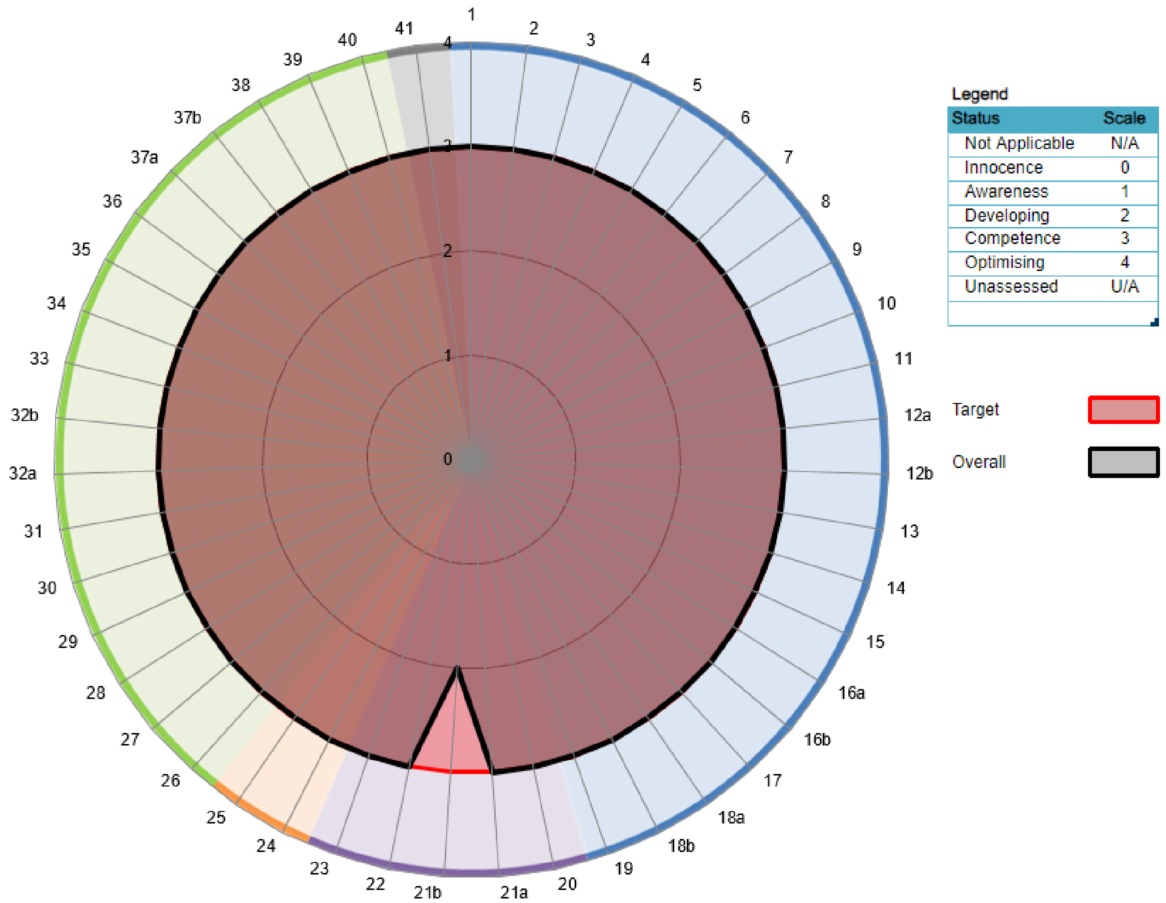
Governance and assurance

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 apply ISO 31000 (Risk Management), ISO 37301 (Compliance Management System) and ISO 27001 (Information Security Management including Victorian Protective Data Security Standards) to our operations.

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 against most of the requirements in this category, however we didn’t fully comply with a requirement around asset management strategy.
- Our Asset Management Strategy is required to be reviewed every 2–3 years (twice per 5-year water pricing period). As it was last reviewed and approved by our board in 2019, we’ll ensure that it’s reviewed during 2024–25 by our Strategic Asset Management Committee and endorsed by end of the financial year.

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 8.
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 of the Assistant Treasurer 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 2024 and the financial position of the Group as at 30 June 2024.

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 2024.

Lynn Warneke
Chair

Lara Olsen
Managing Director

Kim Murray
Chief Financial Officer

Independent auditor's report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of South East Water Corporation

Opinion	I have audited the consolidated financial report of South East Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the: • consolidated balance sheet as at 30 June 2024 • 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 significant accounting policies • 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 2024 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

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Independent auditor's report

Key audit matter	How I addressed the matter
Revenue from service and usage charges *Note 2.1 – Revenue from contracts with customers*	
Revenue from service and usage charges: $943 million 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 for unbilled water and sewerage services at year end • the applicable accounting standard AASB 15 *Revenue from Contracts with Customers* 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 2024 • 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, compared 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 *Revenue from Contracts with Customers*.
The fair value estimate of infrastructure assets *Note 4.1 – Infrastructure, property, plant and equipment*	

Fair value estimate of infrastructure assets: $4.409 billion
 	
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• the applicable accounting standard AASB 13 *Fair Value Measurement* (AASB 13) 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:
	  o the appropriateness of using an income-based valuation approach
	  o the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions
	  o the reasonableness and consistency of all the assumptions used in the DCF model
	  o the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation
	  o the DCF model's computational accuracy
	• evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit
	• assessing the completeness and adequacy of the financial report disclosures with regard to AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

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Independent auditor's report

Board's responsibilities for the financial report	The Board of the corporation is responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of 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 *Audit Act 1994*, my responsibility is to express an opinion on the consolidated financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's 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 company 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 company 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
29 August 2024

Paul Martin
as delegate for the Auditor-General of Victoria

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Consolidated statement of comprehensive income

For the year ended 30 June 2024

Consolidated entity	Note	2024 $'000	2023 $'000
Revenue from contracts with customers	2.1	1,140,511	1,057,970
Other income	2.2	2,926	2,106
Total revenue and income		**1,143,437**	**1,060,076**
Operating expenses	3.1	(679,105)	(633,105)
Employee benefits	3.2.1	(80,061)	(74,841)
Depreciation and amortisation	4.2, 4.3, 5.5	(127,316)	(123,684)
Finance costs	6.2	(107,073)	(89,177)
Environmental contribution	7.3	(43,461)	(43,461)
Total expenses		**(1,037,016)**	**(964,268)**
Net profit before income tax		**106,421**	**95,808**
Income tax expense	7.1	(32,099)	(29,363)
Net profit after income tax		**74,322**	**66,445**
Other comprehensive income			
Items that will not be reclassified to net profit			
Change in asset revaluation surplus - infrastructure assets	4.2	85,561	68,872
Change in asset revaluation surplus - land & buildings assets	4.2	10,910	-
Actuarial gains/(losses) on defined benefit fund	9.3	759	3,531
Deferred income tax relating to other comprehensive income	7.1	(30,663)	(21,719)
Other comprehensive income		**66,567**	**50,684**
Total comprehensive income		**140,889**	**117,129**

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

Consolidated balance sheet

As at 30 June 2024

Consolidated entity	Note	2024 $'000	2023 $'000
CURRENT ASSETS			
Cash		5,546	91,141
Receivables	5.1	111,886	84,585
Contract assets	5.3	80,713	77,797
Other assets	5.6	13,594	12,140
Total current assets		**211,739**	**265,663**
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	5,113,931	4,751,780
Intangible assets	4.3	158,147	153,833
Right-of-use assets	5.5	9,121	7,806
Other financial assets	5.7	15	15
Defined benefit superannuation asset	9.3	14,557	13,443
Total non-current assets		**5,295,771**	**4,926,877**
TOTAL ASSETS		**5,507,510**	**5,192,540**
CURRENT LIABILITIES			
Payables	5.2	120,981	126,724
Interest bearing liabilities	5.5, 6.1	44,397	894
Employee benefits provision	3.2.2	23,383	23,775
Income tax payable	7.1	3,794	2,575
Contract liabilities	5.3	44,761	40,069
Deposits and income in advance	5.4	36,639	27,173
Other provisions		979	48
Total current liabilities		**274,934**	**221,258**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	5.5, 6.1	2,808,545	2,475,338
Deferred tax liabilities	7.1	500,497	472,492
Employee benefits provision	3.2.2	3,601	3,113
Other financial liabilities	5.7	1,542	1,759
Total non-current liabilities		**3,314,185**	**2,952,702**
TOTAL LIABILITIES		**3,589,119**	**3,173,960**
NET ASSETS		**1,918,391**	**2,018,580**
EQUITY			
Contributed equity		94,607	288,967
Reserves		956,062	890,027
Retained profits		867,722	839,586
TOTAL EQUITY		**1,918,391**	**2,018,580**

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 2024

Consolidated entity	Note	Contributed equity $'000	Asset revaluation surplus: Land and buildings $'000	Asset revaluation surplus: Infrastructure assets $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022		**288,967**	**342,917**	**498,899**	**792,375**	**1,923,158**
Total comprehensive income for the year						
Net profit after income tax		-	-	-	66,445	**66,445**
Other comprehensive income		-	-	48,210	2,474	**50,684**
Total comprehensive income		**-**	**-**	**48,210**	**68,919**	**117,129**
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(21,707)	**(21,707)**
Return of capital to owners	7.2	-	-	-	-	**-**
Total transactions with the State in its capacity as owner		**-**	**-**	**-**	**(21,707)**	**(21,707)**
Balance at 30 June 2023		**288,967**	**342,917**	**547,109**	**839,587**	**2,018,580**
Balance as 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/payable	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**

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 2024

Consolidated entity	Note	2024	2023
		$'000	**$'000**
Cash flows from operating activities			
Receipts from customers		1,008,623	982,591
Interest received		402	117
GST refunded from the ATO [(a)]		27,716	27,024
Payments to suppliers and employees		(813,350)	(724,482)
Interest and other costs of finance paid		(103,116)	(86,401)
Income tax paid		(33,539)	(40,357)
Net cash inflow from operating activities	6.3.1	**86,736**	**158,492**
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		2,660	1,368
Payments for infrastructure, property, plant and equipment, and intangibles		(301,053)	(228,757)
Net proceeds from joint operations		-	(266)
Net cash (outflow) from investing activities		**(298,393)**	**(227,655)**
Cash flows from financing activities			
Proceeds from borrowings [(b)]		608,600	372,600
Repayment of borrowings [(c)]		(233,725)	(198,500)
Payment of principal element of lease liabilities		(1,136)	(1,097)
Capital repatriation		(194,360)	-
Dividends paid		(53,317)	(15,108)
Net cash inflow from financing activities		**126,062**	**157,895**
Net increase/(decrease) in cash held		**(85,595)**	**88,732**
Cash at the beginning of the financial year		91,141	2,409
Cash at the end of the financial year		**5,546**	**91,141**

[(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 2024. 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. In addition, South East Water adopted the amendments to AASB 101 *Presentation of Financial Statement* effective 1 July 2023 which require the disclosure of 'material', rather than 'significant', accounting policies. This adoption has not resulted in any changes to the accounting policies and disclosures.

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. Whilst our current ratio is 0.8, South East Water is able to meet short term working capital needs and the financing of new and maturing debt as they fall due. South East Water has access to additional loan facilities through TCV should they be required to meet current obligations. 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 2024 was authorised for issue in accordance with a resolution of the directors on 26th August 2024.

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 5.7, 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**	**2024**	**2023**
		$'000	**$'000**
Revenue from service and usage charges	2.1.1	943,161	885,667
Revenue from developer contributions	2.1.2	141,714	123,905
Other revenue	2.1.3	55,636	48,398
Total revenue from contracts with customers		**1,140,511**	**1,057,970**

2.1.1 Revenue from service and usage charges

Consolidated entity	**Service charges**		**Usage charges[(a)]**		**Total**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Major services						
Water [(a)]	68,544	65,651	513,186	399,957	**581,730**	**465,608**
Sewerage [(a)]	295,152	284,117	26,424	98,783	**321,576**	**382,900**
Trade waste	6,887	6,760	25,127	23,943	**32,014**	**30,703**
Recycled water	1,112	1,030	6,729	5,426	**7,841**	**6,456**
Total	**371,695**	**357,558**	**571,466**	**528,109**	**943,161**	**885,667**

(a) As part of South East Water's 2023–28 Price Submission that commenced on 1 July 2023, the sewerage usage charge for residential customers formed part of a new water usage charge.

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	**2024**	**2023**
	$'000	**$'000**
Developer contributed assets	104,755	91,715
New customer contributions	36,959	32,190
Total developer contributions	**141,714**	**123,905**

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	2024	2023
	$'000	$'000
Sale of goods and services - Iota	11,732	10,449
Other services rendered	30,021	26,510
Net gain on sale of non-current physical assets	1,066	548
Net gain arising from derivatives for ZEW transactions	59	-
Miscellaneous revenue	12,757	10,891
Total other revenue	**55,635**	**48,398**

Sale of goods and services (Iota) relate to the sale of Iota's products, such as OneBox® products, digital meters, 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). Refer Note 5.7 for further details on the arrangement.

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	2024	2023
	$'000	$'000
Total revenue recognised over-time [(a)]	960,442	893,810
Total revenue recognised at a point in time	180,069	164,160
Total revenue from contracts with customers	**1,140,511**	**1,057,970**

[(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	2024	2023
	$'000	$'000
Rent income	2,524	1,989
Interest income	402	117
Total other income	**2,926**	**2,106**

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 mobile telephone tower rental income on the Group's land and infrastructure, 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	2024	2023
	$'000	$'000
Not later than 1 year	1,809	1,790
Later than 1 year and not later than 5 years	5,719	5,592
Later than 5 years	6,071	5,913
Total lease receivables (inclusive of GST)	**13,599**	**13,295**
Less GST payable to Australian Taxation Office	(1,236)	(1,209)
Total lease receivables (exclusive of GST)	**12,363**	**12,086**

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	2024	2023
	$'000	$'000
Bulk water and sewerage charges	530,274	499,023
Operating contracts	101,061	86,419
Taxes, fees and charges	5,201	6,025
Bad debts and expected credit losses	8,951	5,376
Asset write-offs	700	1,205
Net loss arising from derivatives for ZEW transactions	-	2,624
Other expenses [(a)]	32,918	32,433
Total operating expenses	**679,105**	**633,105**

(a) There has been a prior year reclassification of $5.3 million from other expenses to salary and wages under Note 3.2 to reflect the labour expenses of the subsidiary accordingly.

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.

A **net loss arising from derivatives for ZEW transactions** relates to the Group's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.7 for further details on the arrangement.

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 loss represents the movement in the fair value of the financial instrument compared to the carrying value of the derivative. Any gain or loss 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.

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	2024	2023
	$'000	$'000
Salaries and wages, annual leave and long service leave[(a)]	66,100	64,212
Termination benefits	2,420	567
Defined benefit superannuation expense	198	723
Defined contribution superannuation expense	11,343	9,339
Total employee benefits cost	**80,061**	**74,841**

(a) There has been a prior year reclassification of $5.3 million from other expenses under 3.1 to salary and wages to reflect the labour expenses of the subsidiary accordingly.

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	**2024 $'000**	**2023 $'000**
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	5,611	5,499
Unconditional and expected to settle after 12 months	997	1,269
Long service leave:		
Unconditional and expected to settle within 12 months	1,438	1,447
Unconditional and expected to settle after 12 months	11,249	11,439
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,460	1,473
Unconditional and expected to settle after 12 months	2,628	2,648
Total current employee benefits provision	**23,383**	**23,775**
Non-current		
Long service leave - conditional	2,963	2,577
On-costs	638	536
Total non-current employee benefits provision	**3,601**	**3,113**
Total employee benefits provision	**26,984**	**26,888**

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	**2024** **$'000**	**2023** **$'000**
Not later than one year	34,133	30,421
Later than 1 year and not later than 5 years	88,876	65,187
Later than 5 years	3,694	12,057
Total expenditure (inclusive of GST)	**126,703**	**107,665**
Less GST recoverable from Australian Taxation Office	(11,518)	(9,788)
Total expenditure (exclusive of GST)	**115,185**	**97,877**

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Infrastructure assets at fair value	4,408,700	4,183,999	-	-	**4,408,700**	**4,183,999**
Land at fair value	383,503	324,522	-	-	**383,503**	**324,522**
Buildings at fair value	107,432	95,712	(9,365)	(5,552)	**98,067**	**90,160**
Plant and equipment at fair value	86,723	82,099	(51,784)	(48,191)	**34,939**	**33,908**
Leasehold improvements at fair value	2,188	2,188	(2,154)	(2,132)	**34**	**56**
Capital works in progress at cost	188,688	119,135	-	-	**188,688**	**119,135**
Total	**5,177,234**	**4,807,655**	**(63,303)**	**(55,875)**	**5,113,931**	**4,751,780**

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 2024, the fair value of land and buildings were assessed using VGV indices, resulting in a movement of more than 10%. As required by FRD 103, the Group has recognised a valuation increment to the carrying value of the buildings by $10.9 million. No adjustment was made to the carrying value of land as it is not considered material, less than 10% of the last valuation.

If land and buildings were measured at historical cost, the carrying amount would be $151 million. The carrying amount for infrastructure assets would be $3,749 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 2024, 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

2024 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	4,183,999	324,522	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**

2023 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3,929,844	315,396	92,895	29,231	74	125,681	**4,493,121**
Additions	-	9,126	71	14,050	-	270,810	**294,057**
Fair value of assets received from developers	90,708	-	-	-	-	(90,708)	**-**
Transfers between asset classes	186,648	-	-	-	-	(186,648)	**-**
Disposals	(691)	-	(28)	(910)	-	-	**(1,629)**
Gain / (loss) on revaluation	68,872	-	-	-	-	-	**68,872**
Depreciation expense	(91,382)	-	(2,778)	(8,463)	(18)	-	**(102,641)**
Balance at 30 June	**4,183,999**	**324,522**	**90,160**	**33,908**	**56**	**119,135**	**4,751,780**

4.3 Intangible assets

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	-	-	-	(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**

2023 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	193,690	8,410	96,916	223	856	**300,095**
Additions	416	20,268	-	217	-	**20,901**
Transfers between asset classes	6,528	(6,683)	-	-	155	**-**
Disposals [(a)]	(33,915)	-	-	(143)	-	**(34,058)**
Balance at 30 June	**166,719**	**21,995**	**96,916**	**297**	**1,011**	**286,938**
Accumulated amortisation						
Balance at 1 July	(146,696)	-	-	-	(52)	**(146,748)**
Amortisation	(19,976)	-	-	-	(67)	**(20,043)**
Amortisation write back against disposal [(a)]	33,686					**33,686**
Balance at 30 June	**(132,986)**	**-**	**-**	**-**	**(119)**	**(133,105)**
Net book value at 30 June	**33,733**	**21,995**	**96,916**	**297**	**892**	**153,833**

(a) Intangible IT software disposal in 2022-23 Financial Statements was previously reported on a net basis, now separately disclosed.

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	**2024** **$'000**	**2023** **$'000**
Not later than one year	82,759	47,774
Later than 1 year and not later than 5 years	58,914	5,658
Later than 5 years	372	579
Total capital expenditure (inclusive of GST)	**142,045**	**54,011**
Less GST recoverable from the Australian Taxation Office	(12,913)	(4,910)
Total capital expenditure (exclusive of GST)	**129,132**	**49,101**

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

Consolidated entity	**2024**	**2023**
	$'000	**$'000**
Contractual		
Trade debtors (service and usage charges)	115,541	85,947
Allowance for expected credit losses	(13,384)	(8,519)
Total contractual receivables	**102,157**	**77,428**
Statutory		
GST input tax credits receivable	9,729	7,157
Total statutory receivables	**9,729**	**7,157**
Total receivables	**111,886**	**84,585**

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 1 July 2024	Current $'000	More than 30 days past due $'000	More than 90 days past due $'000	Total $'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**

Consolidated entity 1 July 2023	Current $'000	More than 30 days past due $'000	More than 90 days past due $'000	Total $'000
Expected loss rate	1.81%	12.98%	14.73%	
Gross carrying amount - trade debtors	30,304	12,970	42,673	**85,947**
Loss allowance	**548**	**1,684**	**6,287**	**8,519**

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	2024 $'000	2023 $'000
Balance at 1 July	**(8,519)**	**(7,000)**
(Increase)/decrease in provision recognised in the net result	(8,951)	(5,795)
Receivables written off during the year as uncollectible	4,086	4,290
Reversal of unused provision recognised in the net result	-	(14)
Balance at 30 June	**(13,384)**	**(8,519)**

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

5.2 Payables

Consolidated entity	2024 $'000	2023 $'000
Contractual		
Trade creditors	11,476	4,872
Accrued expenses	102,565	101,631
Total contractual payables	**114,041**	**106,503**
Statutory		
Taxes payable	6,940	2,757
Other payables	-	17,464
Total statutory payables	**6,940**	**20,221**
Total payables	**120,981**	**126,724**

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 30 business days, with all payables are due and payable within 12 months.

5.3 Contract assets and contract liabilities

Consolidated entity	**2024**	**2023**
	$'000	**$'000**
Accrued revenue – water and sewerage services	77,965	75,019
Developer contributed assets	2,067	2,165
Other revenue	681	613
Total contract assets	**80,713**	**77,797**
Developer contributed assets	6,536	5,098
New customer contributions	31,606	27,565
Other revenue	6,619	7,406
Total contract liabilities	**44,761**	**40,069**

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.

2024 Consolidated entity	Developer contributed assets $'000	New customer contributions $'000	Other income $'000	Total $'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**

2023 Consolidated entity	Developer contributed assets $'000	New customer contributions $'000	Other income $'000	Total $'000
Balance at 1 July	**2,100**	**19,961**	**4,197**	**26,258**
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(1,776)	(13,930)	(2,722)	**(18,428)**
Add: Receipts or consideration for performance obligations yet to be completed during the period	4,774	21,534	5,931	**32,239**
Balance at 30 June	**5,098**	**27,565**	**7,406**	**40,069**

5.4 Deposits and income in advance

Consolidated entity	2024 $'000	2023 $'000
Deposits	15,449	12,755
Unearned income	990	785
Deferred government grant income	20,200	13,633
Total deposits and advances	**36,639**	**27,173**

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

2024 Consolidated entity	Land and infrastructure	Buildings	Equipment	Total
	$'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**

2023 Consolidated entity	Land	Buildings	Equipment	Total
	$'000	$'000	$'000	$'000
Balance at 1 July	**888**	**7,601**	**191**	**8,680**
Modification adjustments	-	126	-	**126**
Depreciation expense	(67)	(837)	(96)	**(1,000)**
Balance at 30 June	**821**	**6,890**	**95**	**7,806**

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 right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

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 2024.

5.5.2 Lease liabilities

The following table represents the movement of lease liabilities:

Consolidated entity	2024	2023
	$'000	$'000
Opening Balance	8,682	9,397
Additions	-	-
Modification adjustments	2,678	127
Interest expense	293	255
Payment of principal element of lease liabilities	(1,136)	(1,097)
Total lease liabilities	**10,517**	**8,682**

The following amounts were recognised in the consolidated statement of comprehensive income for the year ending 30 June 2024 in respect of leases where the Group is the lessee:

Consolidated entity	2024	2023
	$'000	$'000
Interest expense	292	255
Expenses relating to short term leases [a]	159	101
Expenses relating to leases of low-value assets [a]	50	29
Income from sub leasing right-of-use assets	(61)	(57)
Depreciation expense of right of use asset	1,363	1,000
Total amounts recognised in consolidated statement of comprehensive income	**1,803**	**1,328**

[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 2024. the Group was committed to short term and/or low value leases and total commitment at that date was $0.1 million (2022–23: $0.1 million).

5.6 Other assets

Consolidated entity	**2024**	**2023**
	$'000	**$'000**
Inventories	5,313	5,169
Prepayments	8,281	6,971
Total other assets	**13,594**	**12,140**

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	2024 $'000	2023 $'000
Other financial assets		
Investment in ZEW	15	15
Total other financial assets	**15**	**15**
Other financial liabilities		
Derivative financial instrument	1,542	1,759
Total other financial liabilities	**1,542**	**1,759**

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.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement established the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement, South East Water Corporation's liability as a member is limited to $10 in the event of a wind up. As required by Australian Accounting Standards, management has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. South East Water Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 *Financial Instruments.* ZEW is a related party of South East Water Corporation.

The Members' Agreement specifies that ZEW may call on the South East Water Corporation to make a loan available to ZEW amounting to $233,000. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. In 2020–21, ZEW requested and received a loan payment of $14,500. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW also entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator whereby ZEW acts as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CfD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility.

On 22 January 2021, the conditions precedent in the PPA was completed and the CfD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised in profit and loss. 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

Consolidated entity	2024 $'000	2023 $'000
Current		
Borrowings	43,600	-
Lease liabilities	797	894
Total current interest bearing liabilities	**44,397**	**894**
Non-current		
Borrowings	2,798,825	2,467,550
Lease liabilities	9,720	7,788
Total non-current interest bearing liabilities	**2,808,545**	**2,475,338**
Total interest bearing liabilities	**2,852,942**	**2,476,232**

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 2024				
Borrowings – floating interest rate	43,600	-	-	**43,600**
Borrowings – fixed interest rate	240,850	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**
30 June 2023				
Borrowings – floating interest rate	-	-	-	**-**
Borrowings – fixed interest rate	233,730	988,620	1,245,200	**2,467,550**
Lease liabilities	894	3,904	3,884	**8,682**
Total interest bearing liabilities	**234,624**	**992,524**	**1,249,084**	**2,476,232**

6.2 Finance costs

Consolidated entity	2024 $'000	2023 $'000
Interest expense from financial liabilities at amortised cost	79,318	63,907
Financial accommodation levy	27,436	24,992
Interest expense from lease liabilities	293	255
Bank charges	26	23
Total finance costs	**107,073**	**89,177**

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	2024 $'000	2023 $'000
Net result after income tax	**74,322**	**66,445**
Depreciation and amortisation	127,316	123,676
Write-off of non-current assets	700	1,205
Net (profit) / loss on sales of assets	(1,066)	(157)
Developer contributed assets (received free of charge)	(104,755)	(91,715)
Defined benefit (income) / expenses	355	572
Net (gain) / loss on financial instruments	4,027	9,500
Other non-cash movements	(400)	255
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(31,387)	10,274
(Increase) / decrease in contract assets	(2,916)	(2,430)
(Increase) / decrease in other assets	(1,454)	(2,490)
Increase / (decrease) in payables	(1,594)	19,538
Increase / (decrease) in contract liabilities	4,691	13,811
Increase / (decrease) in income tax payable	1,219	(6,817)
Increase / (decrease) in net deferred tax liabilities	(2,659)	(4,178)
Increase / (decrease) in provisions	1,030	1,920
Increase / (decrease) in deposits and advances	15,800	13,756
Increase / (decrease) in derivative financial instrument	(157)	2,806
Increase / (decrease) in accrued interest payable	3,664	2,521
Net cash inflow from operating activities	**86,736**	**158,492**

7. Statutory obligations

Introduction:

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

Structure:

7.1 Income tax

Consolidated entity	2024 $'000	2023 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	34,758	33,540
Deferred tax expense / (income) relating to timing differences	(2,659)	(4,177)
	32,099	**29,363**
(b) Deferred income tax recognised in other comprehensive income		
Gain / (loss) on revaluation of infrastructure assets	27,162	20,660
Gain / (loss) on revaluation of land and buildings	3,273	-
Gain / (loss) on defined benefit superannuation plan actuarial	228	1,059
	30,663	**21,719**
(c) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	**106,421**	**95,808**
Income tax calculated @ 30%	31,926	28,742
Add		
Non-assessable gain from the sale of pre-CGT land	-	-
Non-deductible expenses	94	72
Other adjustments	79	549
	32,099	**29,363**
(d) Income tax position		
Current tax payable	**3,794**	**2,575**
(e) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	4,367	4,033
Contract assets	825	833
Land and buildings	20,885	17,743
Infrastructure assets [(a)]	504,835	478,088
Total deferred tax liabilities	**530,912**	**500,697**
Recognised directly in equity	347,235	316,572
Recognised directly in net profit	183,677	184,125
Total deferred tax liabilities	**530,912**	**500,697**

[(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	2024 $'000	2023 $'000
Deferred tax assets		
Provisions	(4,292)	(2,558)
Contract liability	(12,089)	(10,091)
Employee benefits	(8,095)	(8,066)
Property, plant and equipment	(4,581)	(6,229)
Leasehold improvements future deductible amounts	(301)	(309)
Lease liability under AASB 16	-	(264)
Other	(1,057)	(688)
Total deferred tax assets	**(30,415)**	**(28,205)**
Recognised directly in net profit	(30,415)	(28,205)
Total deferred tax assets	**(30,415)**	**(28,205)**
Net deferred tax liabilities	**500,497**	**472,492**

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.

The Group applied Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112) from 1 July 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

7.2 Dividends and capital repatriation

7.2.1 Dividends

Consolidated entity	2024 $'000	2023 $'000
Final dividend paid during 2022–23 in respect of 2021–22	-	15,108
Interim dividend paid/payable during 2022–23 in respect of 2022–23	-	6,599
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	-
Efficiency dividend for 2023–24	1,890	-
Total dividends	**46,718**	**21,707**

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 financial 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	2024 $'000	2023 $'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	2024 $'000	2023 $'000
Environmental contribution levy	43,461	43,461
Total environmental contribution levy	**43,461**	**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	2024 $'000	2023 $'000
Not later than one year	44,276	43,461
Later than 1 year and not later than 5 years	132,827	-
Total environmental contribution levy commitment	**177,103**	**43,461**

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. As a result, the Group has adjusted the credit risk profile in assessing the expected loss allowance in 2023–24 (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 2024, the Group has no other material credit risk. There has been no material change to the Group's credit risk profile in 2023–24.

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 2024 and 30 June 2023 are:

	2024	**2023**
Gearing - Net Debt/(Net Debt + Equity)	59.7%	54.2%
FFO net interest cover (times)	1.8	2.8

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.

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)**

2023	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	2.99%	91,141	-	91,141	-
Receivables		77,428	-	-	77,428
Investment in ZEW		15	-	-	15
Total financial assets		**168,584**	**-**	**91,141**	**77,443**
Financial Liabilities					
Payables		(106,503)	-	-	(106,503)
Deposits and advances		(27,173)	-	-	(27,173)
Derivative financial instrument		(1,759)	-	-	(1,759)
Borrowings - fixed interest rate	2.52%	(2,467,550)	(2,467,550)	-	-
Lease liabilities	2.85%	(8,682)	(8,682)	-	-
Total financial liabilities		**(2,611,667)**	**(2,476,232)**	**-**	**(135,435)**

Interest rate risk sensitivity

As at 30 June 2024, 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 $2.330 million lower / higher (2022–23: $1.928 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 2024		30 June 2023	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities				
Borrowings	2,842,425	2,698,871	2,467,550	2,306,138

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.

Derivative financial instruments
The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires material judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Group's CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DEECA's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the current economic climate. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the material inputs are unobservable, the Group categories these derivatives as Level 3 within the fair value hierarchy.

Reconciliation of Level 3 fair value

Consolidated entity	**Financial asset / (liability) at fair value through profit or loss**	
	2024	**2023**
	$'000	**$'000**
Balance at 1 July	**(1,759)**	**1,047**
Gains/(losses) recognised in profit or loss	60	(2,624)
Net cash settlements paid/(received)	157	(182)
Balance at 30 June	**(1,542)**	**(1,759)**

Description of material unobservable inputs to Level 3 valuations for 2024 and 2023

Consolidated entity	**Valuation technique**	**Material unobservable inputs**	**2024 range (weighted average)**	**2023 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:

Fair value measurement hierarchy

2024	**Carrying amount at 30 June 2024**	**Fair value measurement at end of reporting period using:**		
Consolidated entity		**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Infrastructure assets	4,408,700	-	-	4,408,700
Specialised land	300,307	-	-	300,307
Non-specialised land	83,196	-	83,196	-
Specialised buildings	98,067	-	-	98,067
Plant and equipment	34,939	-	-	34,939
Leasehold improvements	34	-	-	34
Total	**4,925,243**	**-**	**83,196**	**4,842,047**

2023	**Carrying amount at 30 June 2023**	**Fair value measurement at end of reporting period using:**		
Consolidated entity		**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Infrastructure assets	4,183,999	-	-	4,183,999
Specialised land	300,307	-	-	300,307
Non-specialised land	24,215	-	24,215	-
Specialised buildings	90,160	-	-	90,160
Plant and equipment	33,908	-	-	33,908
Leasehold improvements	56	-	-	56
Total	**4,632,645**	**-**	**24,215**	**4,608,430**

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 firm 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 firm.
- calculating a terminal value at the end of the 10 year forecast period. The terminal value is calculated by applying an exit multiple to the terminal year regulated asset base (RAB).
- any taxation amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple.
- discounting the cash flows and terminal value to the valuation date using selected high and low weighted average cost of capital (WACC) estimates.
- deducting non-infrastructure related assets and liabilities to derive the implied water infrastructure assets valuation.

The valuation resulted in an increment of $85.6 million (2022–23: $68.8 million decrement). The effective date of the valuation is 30 June 2024.

The Group engaged KPMG to independently perform both the 30 June 2024 and 2023 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 2024 showed that there was no material movement in the fair value of land. However, the building indices showed a material movement since 2021, resulting in a valuation increment of $10.9 million as at 30 June 2024.

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 2024.

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

Reconciliation of Level 3 fair value

Reconciliations of the carrying amounts of each class of infrastructure, property, plant and equipment between the beginning and the end of the current financial year are set out in the following table.

2024 Consolidated entity	Infrastructure assets	Specialised land	Specialised buildings	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	4,183,999	300,307	90,160	33,908	56	**4,608,430**
Transfers from work in progress	237,405	-	139	11,313	-	**248,857**
Disposals	(334)	-	-	(1,467)	-	**(1,801)**
Depreciation	(97,931)	-	(3,142)	(8,815)	(22)	**(109,910)**
Sub total	**4,323,139**	**300,307**	**87,157**	**34,939**	**34**	**4,745,576**
Gain / (loss) on revaluation	85,561	-	10,910	-	-	**96,471**
Sub total	**85,561**	**-**	**10,910**	**-**	**-**	**96,471**
Balance at 30 June	**4,408,700**	**300,307**	**98,067**	**34,939**	**34**	**4,842,047**

2023 Consolidated entity	Infrastructure assets	Specialised land	Specialised buildings	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3,929,844	300,307	92,895	29,231	74	**4,352,351**
Transfers from work in progress	277,356	-	71	14,050	-	**291,477**
Disposals	(691)	-	(28)	(910)	-	**(1,629)**
Depreciation	(91,382)	-	(2,778)	(8,463)	(18)	**(102,641)**
Sub total	**4,115,127**	**300,307**	**90,160**	**33,908**	**56**	**4,539,558**
Gain / (loss) on revaluation	68,872	-	-	-	-	**68,872**
Sub total	**68,872**	**-**	**-**	**-**	**-**	**68,872**
Balance at 30 June	**4,183,999**	**300,307**	**90,160**	**33,908**	**56**	**4,608,430**

Description of material unobservable inputs to Level 3 valuations for 2024 and 2023

Consolidated entity	Valuation technique	Material unobservable inputs	2024 range (weighted average)	2023 range (weighted average)	Sensitivity of fair value measurement to changes in material unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	5.6% to 6.0% (5.8%)	5.5% to 5.9% (5.7%)	An increase / (decrease) of 25 bps in the discount rate would result in a decrease of ($157.7) million or an increase of $107.9 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 $265.0 million increase / (decrease) to the fair value.
Specialised land	Market approach	Community service obligation adjustment	0% – 30% (20%)	0% – 30% (20%)	The range of the unobservable input ranges between 0% to 30% (10% to 40% in 2020-21). 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	$3,023 – $54,220,863 ($4,086,128)	$3,025 – $49,385,325 ($4,293,355)	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)	20 – 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	$933 – $11,218 ($4,812)	$2,028 – $23,611 ($7,848)	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)	4 – 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 - $4,253,160 ($11,694)	$1 – $5,266,894 ($10,572)	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 (10 years)	3 – 25 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

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 2024, various developers have agreed to construct water and sewerage infrastructure assets to the value of $107.8 million (2022–23 $141.9 million). This value relates to $79.9 million of assets which are under construction (2022–23 $93.5 million) and $27.9 million of assets which have not commenced construction (2022–23 $47.6 million).

Contingent liabilities

Contingent on the construction of assets, the Group is liable to reimburse developers a total amount of $25.8 million (2022–23 $33.6 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 2023 (for the 2023–24 year).

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

9. Other disclosures

Introduction:

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

Structure:

9.1 Responsible persons and executive officer disclosures

9.1.1 Responsible persons

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 2023–24 reporting period was The Hon Harriet Shing, Minister for Water. Remuneration paid to the responsible Minister is shown in the State's Annual Financial Report.

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

Ms L Cade	1/07/2023 – 30/09/2023	Chair
Ms L Warneke	1/10/2023 – 30/06/2024	Chair
Ms G Bell	1/07/2023 – 30/09/2023	Director
Mr J Kambovski	1/07/2023 – 30/09/2023	Director
Hon L Asher	1/07/2023 – 30/09/2023	Director
Mr N Fleming	1/10/2023 – 30/06/2024	Director
Ms B Goebel	1/10/2023 – 30/06/2024	Director
Dr R Henry	1/07/2023 – 30/06/2024	Director
Ms S Lightfoot	1/10/2023 – 30/06/2024	Director
Mr T Lyons	1/07/2023 – 30/06/2024	Director
Dr K McGrath	1/07/2023 – 30/06/2024	Director
Ms J Stanley	1/07/2023 – 30/06/2024	Director
Mr A Wood	1/07/2023 – 30/06/2024	Director
Ms L Olsen	1/07/2023 – 30/06/2024	Managing Director and Accountable Officer

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

			2024	2023
			No	**No**
$10,000	–	$19,999	3	-
$20,000	–	$29,999	1	-
$40,000	–	$49,999	3	-
$50,000	–	$59,999	5	8
$80,000	–	$89,999	1	-
$100,000	–	$109,999	-	1
$460,000	–	$469,999	-	1
$490,000	–	$499,999	1	-
Total			**14**	**10**

9.1.2 Executive officers

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

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

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

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

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

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

	2024	2023
	$'000	**$'000**
Short-term employee benefits	2,469	1,995
Post-employment benefits	246	196
Other long-term benefits	45	43
Termination benefits	34	41
Total remuneration	**2,794**	**2,275**
Total number of executives	**12**	**10**
Total annualised employee equivalents [(a)]	**8.3**	**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.

	2024	**2023**
	$'000	**$'000**
Short-term employee benefits	960	924
Post-employment benefits	83	77
Other long-term benefits	12	10
Total remuneration [(a)]	**1,055**	**1,011**

[(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	2024	2023
	$'000	$'000
Payments		
Parks charge collected on behalf of DEECA	74,972	71,585
Environmental contribution levy	54,326	32,596
Receipts		
Administration fees for collection of Parks Victoria charges	2,041	2,270
Payable at 30 June		
Parks charge collected on behalf of DEECA	869	30
Environmental contribution levy payable	-	10,865
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	365	74

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	2024	2023
	$'000	$'000
Payments		
Dividend payments	53,317	15,108
Capital repatriation	194,360	-
Taxes and levies	60,542	65,679
Payable at 30 June		
Dividend	-	6,599
Taxes and levies	11,782	9,632

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	2024	2023
	$'000	$'000
Payments		
Bulk water and sewage charges	524,881	498,127
Drainage charges collected on behalf of Melbourne Water	108,090	104,177
Receipts		
Administration fees for collection of drainage and other charges	6,129	5,701
Payable at 30 June		
Bulk water and sewage charges and drainage charges	1,585	4,101

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	**2024**	**2023**
	$'000	**$'000**
Payments		
Finance and interest costs	79,314	63,907
Receipts		
Proceeds from borrowings	328,096	174,100
Payable at 30 June		
Total borrowings and accrued interest expense	2,532,600	2,483,336

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	**2024**	**2023**
	$'000	**$'000**
Receipts		
Customer rebate reimbursements	46,246	49,614
Receivable at 30 June		
Customer rebate reimbursements	86	1,304

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 2024, 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 2023–24, Iota borrowed $2.0 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	**2024**	**2023**
	$'000	**$'000**
Payments	46	230
Receipts	348	151
Investment in ZEW	15	15

Water and sewerage services

Water and sewerage services were provided to related parties for properties within the Group's boundary on the same terms and conditions that apply to all other customers.

Other transactions

All other transactions with Victorian Government related party entities were made on normal commercial terms and conditions.

No provision for doubtful debts has been raised in relation to any of the above outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

Guarantees given/received

The State Government of Victoria has provided a guarantee on loans sourced from the Treasury Corporation of Victoria (*Borrowing and Investment Powers Act 1987*). There were no other guarantees given to or received from any related parties.

9.3 Defined benefit superannuation

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members have the option of a pension benefits in certain circumstances. The defined benefit section of the Equipsuper Plan is closed to new members. All new members receive accumulation only benefits.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date.

Actuarial gains and losses arising from the Group's defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income in the year in which they occur.

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- administration of the Plan and payment to beneficiaries from Plan assets when required in accordance with the Plan rules;
- management and investment of the Plan assets; and
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

There are a number of risks to which the Plan exposes the Group. The more material risks relating to the defined benefits are:

- **investment risk** – The risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.
- **salary growth risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- **pension risks** – The risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.
- **inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

The defined benefit assets are invested in the Equipsuper Defined Benefit and Cash investment options. The assets are diversified within these investment options and therefore the Plan has no material concentration of investment risk.

Description of significant events
There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

Movement reconciliation

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**

2023	Fair value of plan assets $'000	Defined benefit obligation $'000	Net defined benefit asset/ (liability) $'000
Balance at 1 July	**59,319**	**48,835**	**10,484**
Current service cost	-	1,116	(1,116)
Interest income	2,431	-	2,431
Interest expense	-	2,038	(2,038)
Actual return on plan assets less interest income	1,899	-	1,899
Employer contributions	151	-	151
Contributions by plan participants	339	339	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	236	(236)
Actuarial gains/(losses) arising from changes in financial assumptions	-	(2,847)	2,847
Actuarial gains/(losses) arising from liability experience	-	979	(979)
Benefits paid	(4,279)	(4,279)	-
Taxes, premiums and expenses paid	(309)	(309)	-
Balance at 30 June	**59,551**	**46,108**	**13,443**

The asset ceiling has no impact on the net defined benefit liability/(asset).

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 2024	**$'000**	**$'000**	**$'000**	**$'000**
Asset category				
Investment funds	61,384	-	61,384	-
Total	**61,384**	**-**	**61,384**	**-**

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

As at	30 June 2024	30 June 2023
Australian equity	16%	16%
International equity	21%	20%
Fixed income	16%	15%
Property	6%	6%
Growth alternatives	18%	19%
Defensive alternatives	13%	13%
Cash	10%	11%

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 2024	30 June 2023	30 June 2024	30 June 2023
Discount rate	5.6%	4.4%	5.5%	5.6%
Expected salary increase rate	3.0%	2.0%	3.0%	3.0%
Expected pension increase rate	2.5%	2.5%	2.5%	2.5%

Use of corporate bond rates to discount defined benefit superannuation

AASB 119 *Employee Benefits* requires the Group to use high quality corporate bonds to discount its post-employment benefit obligations, where there is a deep market in such bonds. Otherwise, the government bond is applied.

Since 30 June 2022, the Department of Treasury and Finance is satisfied that there is a deep market in corporate bonds and therefore the Group has applied the corporate bond rates to discount its defined benefits obligation for the year ended 30 June 2024. This reduces the defined benefit obligation as at 30 June 2024.

Sensitivity analysis

The defined benefit obligation as at 30 June 2024 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	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
		-0.5%p.a. discount rate	+0.5%p.a. discount rate	-0.5%p.a. salary increase rate	+0.5%p.a. salary increase rate	-0.5%p.a. pension increase rate	+0.5%p.a. pension increase rate
Discount rate	5.5%	5.0%	6.0%	5.5%	5.5%	5.5%	5.5%
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)	46,827	48,909	44,903	46,043	47,638	45,682	48,071

[(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 Equipsuper Contribution and Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the Group's contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent.

The target funding ratio reflects the proportion of salary and pension related benefits and the allocation to "growth" assets for the Plan. The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

Where the funding ratio is greater than 100 per cent the financing objective is to achieve the target funding ratio over five years. Where the funding ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and the target funding ratio over five years.

In the most recent review of the financial position as at 31 December 2023, the actuary recommended a Group contribution rate of nil. However, the Group has continued to pay 11 per cent in respect of defined benefit members to 30 June 2024. The next review of the financial position and Group contribution rate is due as at 30 June 2024.

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 2025 is $0.5 million.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2024 is eight years (2023: nine years).

Expected benefit payments for the financial year ending on:	**$'000**
30 June 2025	5,112
30 June 2026	5,394
30 June 2027	4,858
30 June 2028	4,917
30 June 2029	4,709
Following 5 years	21,290

9.4 Ex-gratia expenses

Consolidated entity	**2024**	**2023**
	$'000	**$'000**
Forgiveness or waiver of debt [a]	341	462
Termination payments [b]	109	52
Closing balance	**450**	**514**

[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	2024 $'000	2023 $'000
Victorian Auditor-General's Office - audit of the Group's financial statements	329	287

9.6 Controlled entities

The consolidated financial statements at 30 June 2024 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 2023–24, Iota borrowed $2.0 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	2024 $'000	2023 $'000
Current assets	204,655	262,433
Non-current assets	5,301,571	4,930,664
Total assets	**5,506,226**	**5,193,097**
Current liabilities	272,016	220,956
Non-current liabilities	3,314,184	2,952,702
Total liabilities	**3,586,200**	**3,173,658**
Contributed equity	94,607	288,968
Reserves	956,062	890,027
Retained earnings	875,978	840,444
Total equity	**1,926,647**	**2,109,439**
Net profit after tax of parent entity	81,721	68,844
Total comprehensive income	148,288	119,528

9.7 Changes in accounting policies

No change in accounting policies impacting the group for the year ending 30 June 2024.

9.8 Events occuring after balance date

There are no 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 2024.

Standard / Interpretation	Summary	Effective date	Estimated impact
AASB 2022-6 Non-current Liabilities with Covenants	This Standard requires a liability to be classified as a non-current liability if at the end of the reporting period the entity has a right to defer settlement of the liability for at least twelve months after the reporting period.	1 January 2024	The standard is not expected to have a material impact on the Group.
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sales and Leaseback	Requires a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retains. The Group does not currently have sale and leaseback arrangements. The Group will apply the amendments if sale and leaseback arrangements are entered into in the future.	1 January 2024	The standard is not expected to have a material impact on the Group.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Amendments to AASB101	Amends AASB 101 Presentation of Financial Statements to clarify the reporting requirement of Liabilities as current or non-current. The reporting requirement give rise to classification of liability as non-current if an entity has the right to defer settlement for at least 12 months after the reporting period.	1 January 2024	The standard is not expected to have a material impact on the Group.
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 2022-8 Amendments to Australian Accounting Standards –	AASB 2022-8 applies to annual periods beginning on or after 1 January 2023, 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.	1 January 2027	The standard is not expected to have a material

Standard / Interpretation	Summary	Effective date	Estimated impact
Insurance Contracts: Consequential Amendments	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 1023 General Insurance Contracts until annual periods beginning on or after 1 July 2026.		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.

Lynn Warneke

Chair, South East Water Corporation

26 August 2024

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Image captions

Cover page: Launch Housing has created a communal indigenous food and medicinal garden at Viv's Place in Dandenong, which provides safe, purpose-built housing and support services for women and children escaping domestic violence and homelessness. The design and installation of the communal garden was made possible through our Annual Community Grants program.

Chapter 1 About us: In May our team participated in Chisholm Institute's Join the Dots event to celebrate Aboriginal culture and connect with our local community. This provided an opportunity for students to immerse themselves and learn more about Aboriginal and Torres Strait Islander culture, how we can support them with their bills and career opportunities.

Chapter 2 Delivering for our customers and community: Minister for Water, Harriet Shing joined us to announce the successful community grant recipients for 2024, with $140,000 awarded to 22 community groups across Melbourne's south-east. The Rotary Club of Cranbourne will use their funding to deliver the *Water Wise Wallies* project in partnership with Cranbourne West Primary School.

Chapter 3 Protecting our environment: We worked in partnership with the City of Casey, under their Domestic Wastewater Management Plan, to identify Harkaway as an area where failing septic tanks are polluting the groundwater and the environment. Construction of a 2.75 km pressure sewer network is now complete, with over 100 residents in the area connected to the $3.9 million Harkaway Pressure Sewer Scheme.

Chapter 4 Climate change and energy: We're upgrading an existing wastewater lagoon at the Boneo Water Recycling Plant to manage increased flows during wet weather events. The new emergency storage lagoon will allow storage of up to 8.9 million litres of wastewater to come through the southern Mornington Peninsula sewer network.

Chapter 5 Empower our people: Participants in our first innovation summit and hackathon in June 2024. The events saw 100 of our people come together across 2 days, inspired to think beyond conventional boundaries to together develop innovative solutions to the challenges we face. We hope to build on these events in the future.

Chapter 6 Performance and financial management: We’ve installed almost 100,000 digital meters throughout Melbourne’s south-east so customers can detect costly leaks and track their water use in real-time, saving money on their water bills. The rollout aims to replace around 1 million traditional water meters with upgraded digital meters by 2029.

Chapter 7 Compliance and enforcement: We’ve been upgrading our water and sewer network throughout the Mornington Peninsula to deliver safe and reliable services for customers and communities now and into the future.

Chapter 8 Financials: Together with our Victorian Government, water sector and academic partners, we’re trialling next generation pyrolysis technology to transform biosolids generated from wastewater treatment plants into biochar, a safe and nutrient-rich material sought after in agriculture and construction.

Appendices: Our annual Employee Christmas Giving Appeal raised more than $9,100 and provided gift and food hampers to three charities: Mums Supporting Families in Need (MSFIN); Food for Change; and Purple House. These community partners share our values and are committed to providing access to essential food, clothing, clean drinking water and healthcare for those most vulnerable.

Healthy Water.
For Life.

How to get in touch

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Hearing and speech impaired services
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