

2025 2026 Annual Report

South Gippsland Water

START SAFE
WORK SAFE
HOME SAFE



Acknowledgement of Country

South Gippsland Water acknowledges Aboriginal and Torres Strait Islander Peoples as Australia's First Peoples. We acknowledge the local Traditional Owners, Gunaikurnai and Bunurong, as the original custodians of the land and water on which we rely. We pay our deepest respects to their Elders, past and present.

We acknowledge the continued cultural, social and spiritual connections that Aboriginal and Torres Strait Islander Peoples have with the lands and waters. We recognise and value that the Traditional Owner groups have cared for and protected them for thousands of generations.

In the spirit of reconciliation, we remain committed to working in partnership with the Gunaikurnai and Bunurong to ensure their ongoing contribution to the future of the water management landscape while maintaining their cultural and spiritual connections.

This artwork is proudly featured on our Yarram Water Tower. It was designed by Gunaikurnai Elder Sandra Patten. It as a visual expression of 'Sitting On Country' where she feels at home and connected.

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The Corporation

The South Gippsland Region Water Corporation (South Gippsland Water) is a Victorian Government-owned entity. We provide water and wastewater services to communities and businesses across a 4,000 square kilometre area of south-eastern Victoria.

The Minister responsible for South Gippsland Water for the period 1 July 2025 to 14 April 2026 was the Hon. Gayle Tierney MP, Minister for Water. For the period 15 April 2026 to 30 June 2026 the Minister responsible was the Hon. Harriet Shing MLC, Minister for Water.

We operate in accordance with the Statements of Obligations issued by the Minister for Water pursuant to the *Water Industry Act 1994* (Vic). We are responsible to the Department of Energy, Environment and Climate Action (DEECA) and are regulated by the Department of Health, Environment Protection Authority (EPA) and the Essential Services Commission (ESC).

About this report

This annual report details the operational and financial performance of South Gippsland Water during 2025–26. It has been prepared in accordance with the relevant Ministerial Reporting Directions, Financial Reporting Directions and Financial Reporting Directions (FRD30D – Standard Requirements for the Publication of Annual Reports).

South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement

I, Nicola Hepenstall, on behalf of the South Gippsland Region Water Corporation certify that the South Gippsland Region Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and its Instructions.



Nicola Hepenstall
Chair
South Gippsland Region Water Corporation

28 September 2026

Responsible Body declaration

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



Nicola Hepenstall
Chair
South Gippsland Region Water Corporation

28 September 2026

Year in review



Vision

In 2023–24 the South Gippsland Water Board adopted a new 2040 Vision and Strategy, reinforcing our commitment to our customers and communities to provide high quality services.

Our vision

We are a trusted partner, advancing water services to support customer and community aspirations.

Our purpose

Making our community and environment better together.

We demonstrate this by the values our people display in proudly providing safe and sustainable water and wastewater services.

Our values

Our values are inclusive, respectful, reliable, innovative and sustainable.

These values are reinforced by our commitment to workplace safety, represented by:
Start safe. Work safe. Home safe.



Four strategic focus areas

Our strategic focus areas demonstrate our strategic priorities and the connections to the Minister's Letters of Expectation. Together, the focus areas ensure we are delivering for our staff, customers and stakeholders:

1. Trusted people and partners
2. A modern and future-fit organisation
3. Sustainable products and services
4. Affordability and financial sustainability

Trusted people and partners

- Our highly capable people and strong vibrant culture
- Trusted partner to community and regulators, enhancing regional value
- Valued engagement with Traditional Owners
- Fit for purpose, welcoming and inclusive facilities

Sustainable products and services

- Balancing our water resources
- Supporting a circular economy
- Optimised asset management



A modern and future-fit organisation

- Easy to use efficient processes, systems and data
- Modernised technology
- Innovation and technology for growth
- Improved security systems

Affordability and financial sustainability

- Grow revenue streams
- The value of water is reflected in our pricing
- Supporting major customers

Statement by the Chair and Managing Director

We are pleased to present our Annual Report for 2025–26.

This year marks the third year of delivering our commitments under the 2023 price determination, focusing on providing reliable services while delivering value to our customers and community.

In a year where we were faced with disruptive global events and uncertainty, ongoing cost-of-living pressures and continued dry conditions we have continued to provide safe water and wastewater services, demonstrating our adaptability, resilience and responsiveness.

The Board actively drove operational and financial performance, balancing immediate challenges with future opportunities by applying the strategic foresight necessary to anchor our long-term financial sustainability. The Board also focused on strategic investment in new infrastructure and the renewal of our assets and existing networks to secure the future of our services.

A significant milestone this year has been the completion of the temporary overland pipeline from Korumburra to Leongatha, allowing us to boost Leongatha water storages when needed. This important project has improved the resilience of Leongatha's water supply as we continue to experience lower than average rainfall in the area. The project's success was made possible by working with 12 local landowners who partnered with us to allow the overland pipeline to traverse their properties. We sincerely thank them for their collaboration and we acknowledge their support.

Our capital investment program has continued to improve the reliability and capacity of our water network. A new 4.5 megalitre clear water storage at Lance Creek has increased our water storage capacity. We replaced over 4,900m of water mains, updated the pumping stations at Waratah Bay and Port Welshpool and completed major upgrades and renewal of distribution mains in Leongatha and Poowong.

Together, these projects have supported growth, maintained reliability and service standards while securing our water services into the future.

We recognise that we operate on the lands of the Gunaikurnai and Bunurong Traditional Owners. This year we proudly received endorsement from Reconciliation Australia for our first *Reflect Reconciliation Action Plan* and established a Reconciliation Action Plan Working Group to guide its implementation. This is a significant step in embedding reconciliation and strengthens our relationships with Traditional Owners of the lands on which we operate.

Environmental sustainability remains central to how we deliver our services. Our commitment to the environment has seen us transition to sourcing 100 per cent renewable electricity for our operations this year while reducing our emissions by 45 per cent. We have safely treated and returned 3,685 megalitres of water back into the environment, progressed habitat restoration projects to support native species such as lace monitors and koalas, and expanded our ground water monitoring program to monitor our impact.

Our customers remain at the centre of all that we do. During 2025–26, we provided water services to 22,875 customers (connections) and wastewater services to 21,135 customers (connections). Recognising the financial pressures experienced by many households, we have continued to support vulnerable customers and people experiencing payment hardship through $1.98 million in water and sewerage concessions and facilitated almost $139,000 in Utility Relief Grant Scheme payments. We have also provided additional support to customers through the *Pay and Save* co-payment program and a range of flexible payment arrangements.

Digital transformation continued to be a key focus. This was our first year operating our new Enterprise Resource Planning (ERP) platform which included replacing our billing system along with finance, asset and works management. The ERP implementation was successfully delivered, positioning South Gippsland Water to improve operational efficiency, customer service and long-term value.



...we have continued to provide safe water and wastewater services, demonstrating our adaptability, resilience and responsiveness.

The implementation of the new billing system enabled us to move to quarterly billing and overall provides us with modern flexible technology to support our organisation into the future.

In October 2025, the South Gippsland Board welcomed four new Board members appointed by the Victorian Government. The new members have bought a broad range of skills, backgrounds and interests to our Board. We continue to focus on our role of ensuring delivery of water services whilst also focusing on the strategic and future direction, sustainability and obligations of South Gippsland Water.

Finally, none of these achievements would be possible without our amazing staff who have continued to deliver high-quality services across the year. The organisation has continued to focus on the safety and wellbeing of our staff, improving workplace health and safety performance, with the rate of recordable injuries reducing to 3.7 injuries per million hours worked. We have also negotiated in good faith a new Enterprise Bargaining Agreement with staff and anticipate the implementation of the agreement early in the 2026–27 financial year.

As we look ahead, we remain focused on delivering reliable services, investing wisely in our infrastructure, protecting our natural environment and creating lasting value for our customers and communities. We thank our customers, employees, Board, partners and stakeholders for their continued trust, support and contribution throughout the year.

Nicola Hepenstall
Chair

Robert Murphy
Managing Director

Purpose and functions

South Gippsland Water is an urban water corporation that provides reliable, environmentally sustainable water and wastewater services in the south-eastern region of Victoria.

We are fortunate to work across a region of rolling green hills, picturesque coastal areas and passionate communities. Servicing 21 townships and their residents, we operate eight separate water systems and 11 wastewater treatment plants.

Our non-residential customers consist of large and small rural industries including a range of farming and horticultural enterprises and their associated processing plants.

We have two internationally recognised national parks – Tarra-Bulga National Park and Wilsons Promontory National Park. Our coastline is one of the most highly sought-after getaway locations for Melbournians, resulting in our townships, parks and beaches swelling with visitors during summer and holiday periods.

Service summary

Headworks

Water catchments with a total area of 1,234 square kilometres

Water services

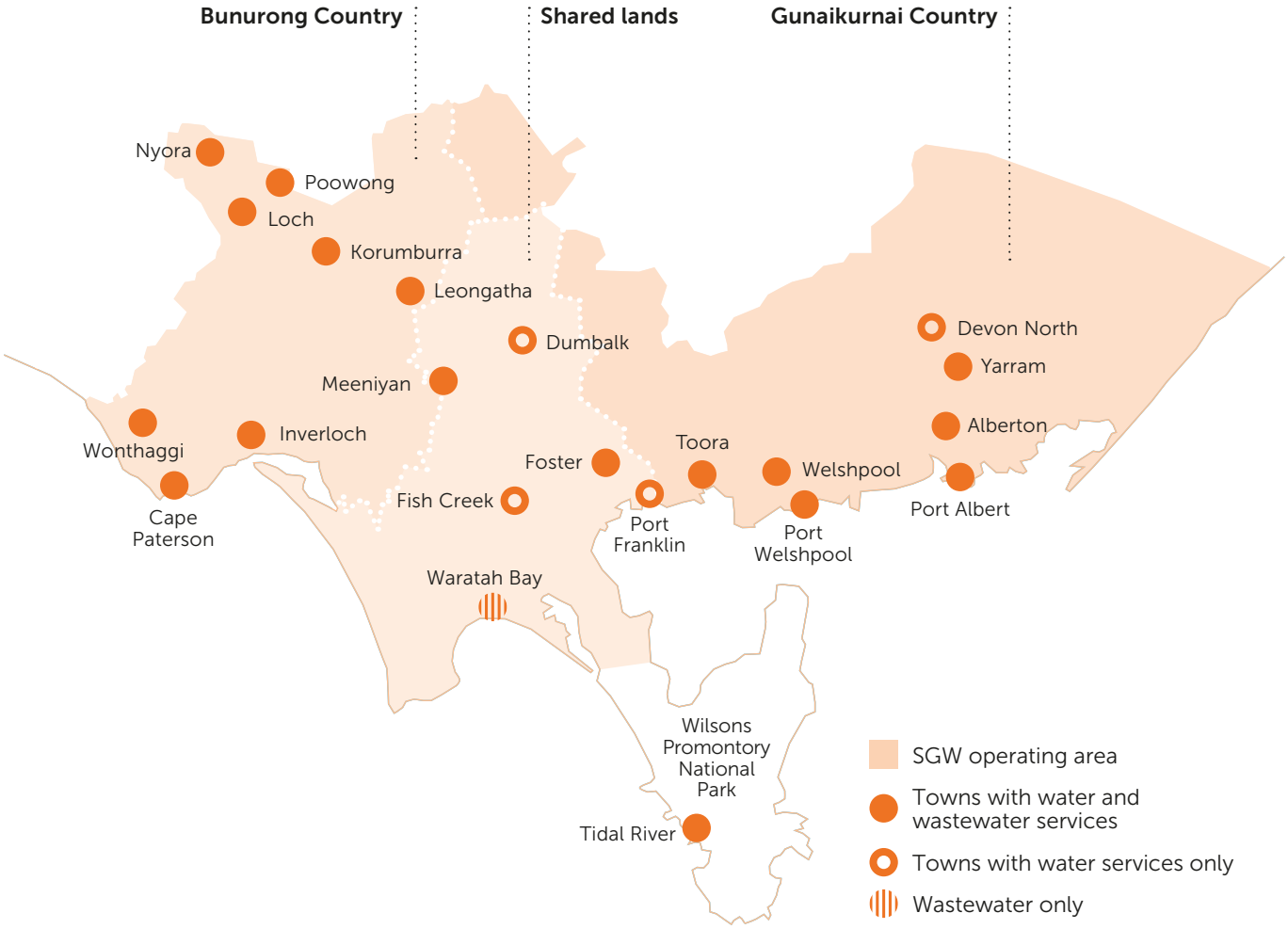
- Eight separate water supply systems
- Eight water treatment plants
- 767 km of water mains
- 13 reservoirs and 18 service storages
- 5,573 million litres (ML) annual volume of drinking water supplied to customers
- Servicing 22,900 customers over 22 rural centres

Wastewater services

- 10 conventional wastewater collection systems
- One vacuum wastewater system
- Two pressure sewer systems
- 11 sewerage treatment plants
- One dedicated saline trade waste system
- 522 km of wastewater mains
- Five marine environment outfalls
- Three inland water discharge points
- Collecting 4,465 ML and treating around 3,685 ML of wastewater
- Servicing 21,100 wastewater customers in 16 townships and surrounding districts



Our region


Bunurong Country
Shared lands
Gunaikurnai Country
Nyora
Poowong
Loch
Korumburra
Leongatha
Dumbalk
Meeniyan
Inverloch
Wonthaggi
Cape Paterson
Foster
Fish Creek
Toora
Port Franklin
Welshpool
Port Welshpool
Devon North
Yarram
Alberton
Port Albert
Waratah Bay
Wilsons Promontory National Park
Tidal River
SGW operating area
Towns with water and wastewater services
Towns with water services only
Wastewater only



Customer Outcomes

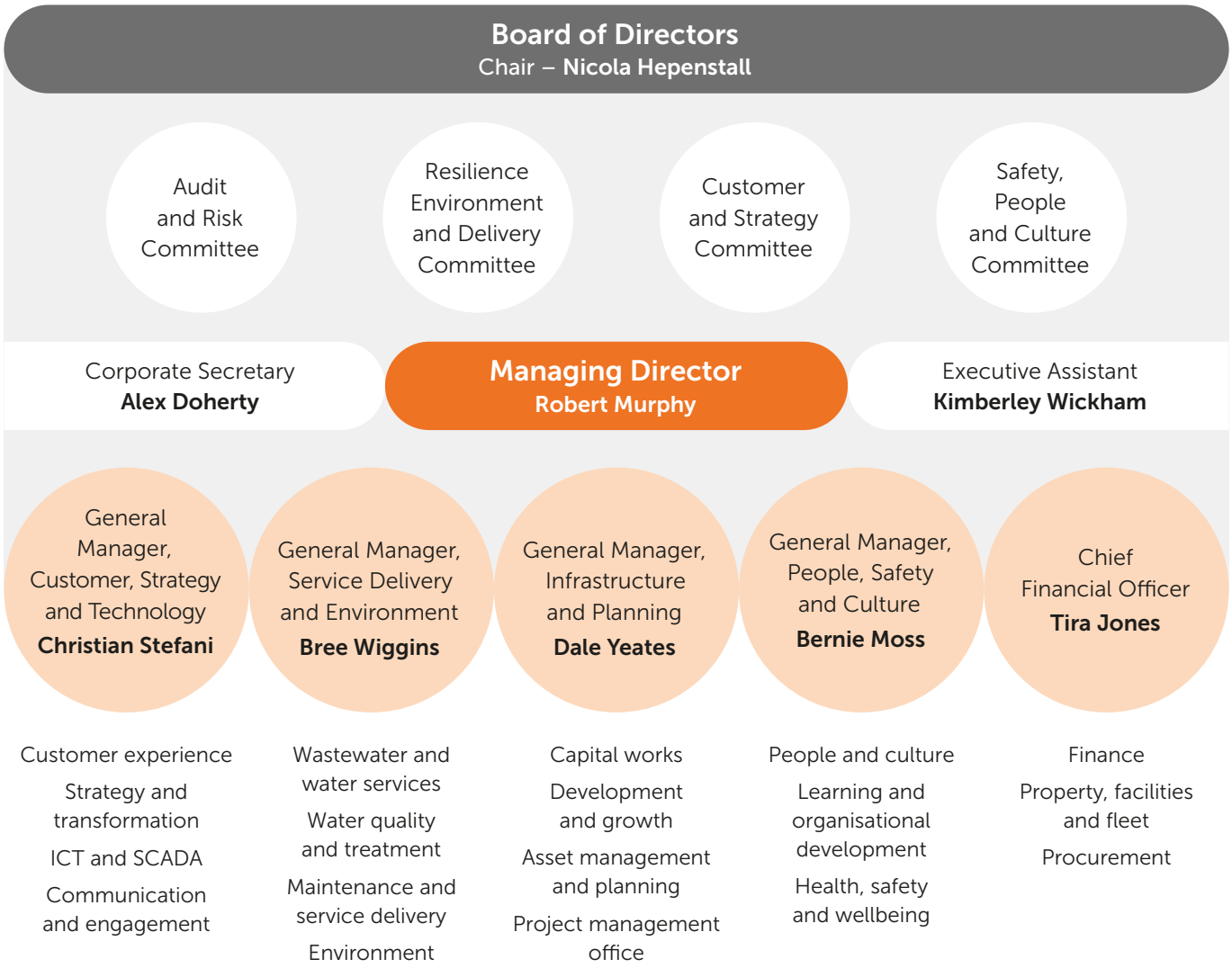
Our Customer Outcomes were tested in 2022 as part of the Essential Services Commission Price Submission process. An extensive engagement program was undertaken and customers confirmed the five areas of our organisation they value most were:

Reliability	We will plan for the future, be reliable and minimise unplanned interruptions to services
Integrity	We will act with honesty, respect and strive to balance affordability, value-for-money and fairness
Environment	Be environmentally sustainable and adapt to a future impacted by climate variability
Water	Provide safe, clean drinking water
Wastewater	Provide a safe wastewater service that contributes to the liveability of our communities



About us

Organisation structure



The Board

Our Board members as at 30 June 2026.



Nicola Hepenstall

Appointed 1 October 2019 (Chair)

Nicola is a highly skilled strategist with extensive experience in C-suite leadership roles, holding Executive Director and Non- executive Director positions spanning marketing services, research, education and member organisations.

With over 25 years' experience in evidence-based consulting, she has worked with State and Federal Government departments and many of Australia's largest companies helping them navigate the complexity of the communications environment and developing strategies.

Nicola is also on the board of VicWater. She has previously held directorships of The Front Project and of Haileybury College, Clemenger Group Limited and Chair of the Association of Market & Social Research Organisations. Nicola holds a Bachelor of Arts (Honours in Psychology) and is a Graduate of the Australian Institute of Company Directors. She was the Australian Marketing Institute's Certified Practising Marketer of the Year 2018.



Robert Murphy

Appointed May 2022 (Managing Director)

Robert is the Managing Director of South Gippsland Water and renowned for his collaborative leadership and large infrastructure program delivery skills.

Rob's previous executive appointments include Executive Director Transport Assets, Victorian Department of Transport and General Manager Planning and Capital Delivery, Western Water.

Rob is responsible for the direction of South Gippsland Water's Management Team and the corporate and strategic functions of the organisation. Rob is a Graduate of the Australian Institute of Company Directors and holds a Masters of Business Administration, Post Graduate Diploma in Construction Law and Contract Administration, and a Bachelor of Civil Engineering.

Rob joined the Board of Inverloch District Financial Enterprises Limited in October 2023.



Diana Nestorovska

Appointed 1 October 2021 (Deputy Chair)

Diana Nestorovska has extensive experience as a non-executive director and legal professional, with strengths in commercial and technology law, governance, risk and compliance, and stakeholder relations at the State, Commonwealth, and international levels.

Diana is a former Australian diplomat and has represented Australian interests in the United Arab Emirates and Qatar. She has previously served on government and non-profit boards and committees in the language services, health and disability sectors. Diana holds a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors.



Christopher Rose

Appointed 1 October 2017

Christopher is a Director and Founder of Three Pipe Consulting Pty Ltd, a small consulting firm specialising in delivering economic development through sustainable tourism. He has more than 30 years' experience in public land management, 11 years' executive management experience and acted as Chief Executive Officer of Parks Victoria for one year.

Chris is currently a Director of the Game Management Authority and has previously held directorships Victorian Fisheries Authority, Alpine Tourism (Deputy Chair), Destination Gippsland, the Gippsland Coastal Board and the Alpine Resorts Coordinating Council. Chris holds a Bachelor of Forest Science. He is a Graduate of the Australian Institute of Company Directors and a Fellow of the Williamson Community Leadership Program.



Susan Lloyd

Appointed 1 October 2025

Susan is a corporate governance specialist and professional non-executive director who brings more than 25 years of leadership experience, including CEO-level, across local and state government sectors, mining, and healthcare. Susan is skilled in risk management, strategic development, and company transitional change management.

Susan was awarded the Victorian Women's Leadership Bursary in 2004 and the Municipal Association of Victoria International Fellowship in 2007 to research leadership internationally. She is a Fellow of the Australian Institute of Company Directors.

Susan was elected to Latrobe City Council from 2005 to 2008 and maintains strong personal and professional involvement in Gippsland and is a member of the Waratah Bay Community Association.



Jennifer Ryan

Appointed 1 October 2019

Jennifer is a Civil Engineer with a background in construction and project management with more than 25 years' experience in the water industry. She has held senior leadership positions in both government utility and private construction sectors, delivering multi-million-dollar capital works programs throughout Victoria and ACT.

Jennifer has achieved project and industry awards during her career, including the Civil Contractors Federation Training Awards 2017 Women in Civil Excellence Award, and the NAWIC Awards 2012 (Vic & Tas) for Outstanding Achievement in Construction. She holds a Master of Business Administration (Technology Management), a Bachelor of Civil Engineering and Computing, and is a Graduate of the Australian Institute of Company Directors.



Ian Maxfield

Appointed 1 October 2025

Ian is a highly experienced governance professional and community advocate with an extensive career spanning public office, board leadership, and industrial relations. A former Member of the Victorian Legislative Assembly from 1999 to 2006, Ian brings skills in industrial relations, human resource management, governance, and deep expertise in stakeholder engagement, strategic regional development, and government relations with a particular focus on health, welfare, and natural resource management.

Ian is passionate about regional Victoria and is strongly connected to Gippsland both personally and professionally through having represented the seat of Narracan in the State Parliament.



Mark Nicholls

Appointed 1 October 2025

Mark is a successful senior Financial Services business leader with over 25 years' experience working in Australia, Singapore, Hong Kong and internationally. Mark has held senior leadership positions in major financial institutions across Asia Pacific developing and implementing business strategy through engagements with business partners, clients, and stakeholders. Mark brings significant expertise in strategic account management and leadership of teams to deliver successful outcomes, change and growth within a sound framework of risk and compliance. Highly adaptable and respected by customers and colleagues and well qualified with an MBA, Master of Management, Master of Applied Finance and Economics degree.

Mark is also a Founding Director of the Flicker of Hope Foundation and passionate about raising funds for research into Neurofibromatosis.



Leonie Valentine

Appointed 1 October 2025

Leonie Valentine is an experienced ASX-listed board director and group sales and operations executive, bringing over 20 years' experience as a C-level executive and 10+ years board experience across ASX-listed, global not-for-profits, state government and community organisations. Leonie has led large Customer Experience, Sales, Marketing, Operations and Technology teams at Telstra, Google, and Australia Post.

Leonie holds graduate and post-graduate qualifications in Science, Communications and Entrepreneurship, and non-executive director certificates from FT Asia and AICD.

Board changes between 1 July 2025 and 30 June 2026

During the reporting period there were several changes to the Board:

Nicola Hepenstall

- Chair: 1 October 2025 – 30 June 2026
- Acting Chair: 1 July 2025 – 30 September 2025

Sumi Prabhakaran

- Director: 1 July 2025 – 30 September 2025

Susan Lloyd

- Director: 1 October 2025 – 30 June 2026

Ian Maxfield

- Director: 1 October 2025 – 30 June 2026

Leonie Valentine

- Director: 1 October 2025 – 30 June 2026

Mark Nicholls

- Director: 1 October 2025 – 30 June 2026

Further detail on board operations can be found on page 73 of this report.

The Executive Team



General Manager Service Delivery and Environment

Bree Wiggins

Bree leads the team that ensures efficient and effective operation and maintenance of our assets, delivering safe, high-quality water and recycled water services to our customers.

Bree's responsibilities include preventing harm to our environment through delivery of our water and wastewater operational services, network maintenance, environment and catchment management, circular economy, and trade waste services.



General Manager Customer, Strategy and Technology

Christian Stefani

Christian is responsible for leading the communication, customer service, strategy, risk, governance and Information, Communications and Technology (ICT) functions.

This includes leading our customer-centric culture including customer service and call centre, and community relations including education programs and engagement. Christian also oversees risk and governance and ICT programs including the Supervisory Control and Data Acquisition (SCADA) system.

Leading our short and long-term strategic planning, risk and emergency management, corporate planning, price submission and customer outcomes are within this portfolio.



General Manager People, Safety and Culture

Bernie Moss

Bernie is responsible for the people and culture functions including our Equity, Inclusion, and Diversity Strategy. Bernie's role extends to the Health, Safety and Wellbeing functions, supporting capability, safety and wellbeing across the business. Bernie's responsibilities also include providing strategic advice and overseeing training programs, organisational development and payroll.



General Manager Infrastructure and Planning

Dale Yeates

Dale is responsible for service and infrastructure planning, including planning for future water resources and upgrade of water treatment plants and distribution networks. He is also responsible for wastewater service planning, including future upgrades to wastewater treatment and re-use infrastructure. Dale's responsibility also covers working with councils, consultants and developers to ensure that development in our region is supported with water and sewer services. His team has responsibility for delivery of capital investment to renew, expand and upgrade South Gippsland Water's infrastructure.



Chief Financial Officer

Tira Jones

Tira is the Chief Financial Officer, overseeing various corporate and commercial functions within the organisation, including commercial services, finance and procurement

As Chief Financial Officer, Tira acts as the custodian of South Gippsland Water's valuable assets and financial resources on behalf of all stakeholders. Tira is accountable for ensuring the maintenance of proper accounting records and systems, as well as other relevant records, in strict accordance with the Standing Directions 2018 under the *Financial Management Act 1994*. By adhering to these regulatory guidelines, Tira ensures transparency, accountability, and sound financial management practices within the organisation, thereby safeguarding the interests of all stakeholders.



Achievements in 2025–26

South Gippsland Water has continued to deliver on the things our customers value:

Reliability

We will plan for the future, be reliable and minimise unplanned interruptions to services

- Completed major upgrades and renewal of distribution mains in Leongatha and Poowong to support growth and to maintain service standards.
- Replaced 3km of water mains as part of our multi-year water main renewal program.
- Provided water services to 22,875 customers (connections) and wastewater services to 21,135 customers (connections).
- Supported Parks Victoria in the delivery of water and sewer services to Tidal River in the iconic Wilsons Promontory National Park.

Environment

Be environmentally sustainable and adapt to a future impacted by climate variability

- 2025–26 was our first full year operating on 100% renewable electricity, eliminating all Scope 2 greenhouse gas emissions and reducing total organisational emissions by 45%, from 6,211 tonnes CO_2-e to 3,385 tonnes CO_2-e. This represents a significant milestone towards our commitment to achieve net zero emissions by 2035.
- Delivered biodiversity projects across multiple sites including planting 11,000 trees at Inverloch Wastewater Treatment Plant.
- Processed 206 dry tonnes of biosolids, achieving a 100% reuse rate for all biosolids produced in 2025–26 and processing a further 172 dry tonnes of stockpiled material from previous years.
- Recycled 170 ML of wastewater for recreational and agricultural uses.
- Treated and safely returned 3,685 ML of wastewater to the environment.

Integrity

We will act with honesty, respect and strive to balance affordability, value for money, and fairness

- Our Customer Experience team continued to support customers through a period of significant organisational and billing-system change, while maintaining a strong focus on responsiveness, accessibility and personalised assistance.
- During the year, we:
  - provided $1,982,606.80 in water and sewerage concessions to 6,227 customers
  - assisted 342 customers through 482 Utility Relief Grant Scheme applications
  - facilitated $138,845.96 in Utility Relief Grant Scheme payments
  - supported 20 customers through the Pay and Save co-payment program
  - maintained flexible payment arrangements for 461 customers
  - introduced quarterly billing to spread annual charges across four smaller bills.
- Improved digital customer experiences by making information easier to find and services simpler to access online.
- Supported communications for major infrastructure and capital works projects to keep customers informed and minimise disruption.
- Engaged customers and stakeholders in the design and improvement of services, ensuring customer feedback continues to shape future service delivery.

Achievements in 2025–26

Water

Provide safe clean drinking water

- Installed two new public drinking water fountains in Meeniyan and Leongatha, improving access to free, healthy drinking water while encouraging the use of reusable water bottles.
- Completed construction of a new 4.5 ML clear water storage tank for the Lance Creek water supply system.
- Completed the replacement of clear water storage cover and liner works at the Foster water treatment plant.
- Supported Parks Victoria in the delivery of water services to Tidal River in the iconic Wilsons Promontory National Park.
- Delivered the Wonthaggi air scouring program, to improve water quality and assist with maintenance, earlier than scheduled.

Waste water

Provide a safe wastewater service that contributes to the liveability of our communities

- Completed major sewage pumping station upgrade works at Waratah Bay and Port Welshpool
- Supported Parks Victoria in the delivery of sewer services to Tidal River.
- Successfully delivered an expanded groundwater monitoring program across 11 Wastewater Treatment Plants as part of South Gippsland Water's Groundwater Investigation Plan.
- Successfully managed taking the Leongatha Wastewater Treatment Plant digester offline without impact to treatment performance or the environment.
- Progressed investigations for the Wonthaggi, Inverloch and Cape Paterson (Baxters Beach System) Sewerage Master Plan to identify the most cost-effective long-term solutions that balance environmental, social and financial outcomes.



Korumburra to Leongatha temporary pipeline

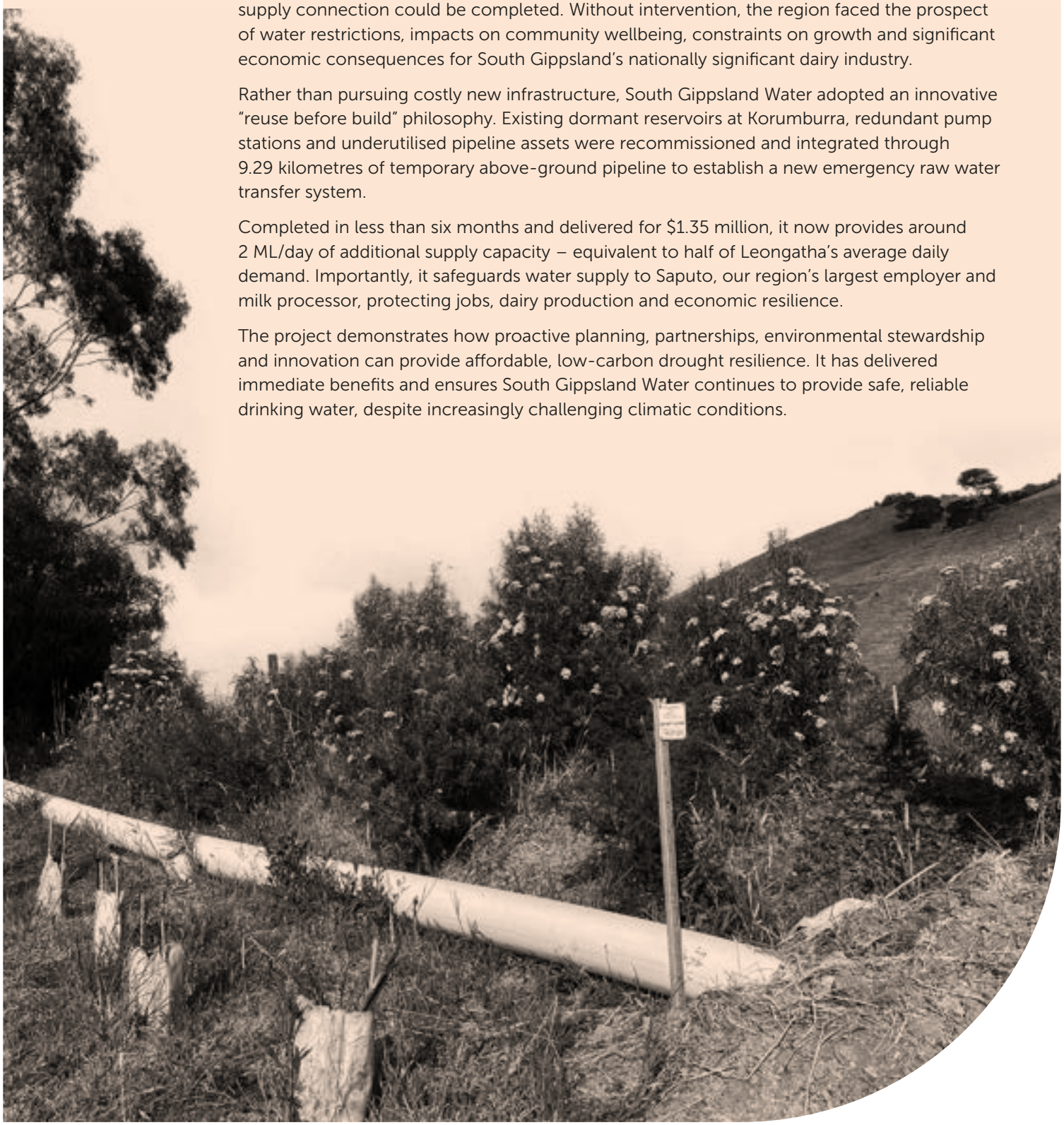
The Leongatha Temporary Water Supply Augmentation Project, also known as the 'Leongatha Pipeline', demonstrates how innovative thinking, rapid delivery and sustainable infrastructure planning can strengthen regional water security in the face of increasing climate variability.

Following two consecutive years of below-average rainfall, water storage levels supplying Leongatha declined from 96 per cent to 35 per cent during 2025. Forecast modelling indicated existing supplies could be critically depleted by late autumn 2026 – well before a permanent supply connection could be completed. Without intervention, the region faced the prospect of water restrictions, impacts on community wellbeing, constraints on growth and significant economic consequences for South Gippsland's nationally significant dairy industry.

Rather than pursuing costly new infrastructure, South Gippsland Water adopted an innovative "reuse before build" philosophy. Existing dormant reservoirs at Korumburra, redundant pump stations and underutilised pipeline assets were recommissioned and integrated through 9.29 kilometres of temporary above-ground pipeline to establish a new emergency raw water transfer system.

Completed in less than six months and delivered for $1.35 million, it now provides around 2 ML/day of additional supply capacity – equivalent to half of Leongatha's average daily demand. Importantly, it safeguards water supply to Saputo, our region's largest employer and milk processor, protecting jobs, dairy production and economic resilience.

The project demonstrates how proactive planning, partnerships, environmental stewardship and innovation can provide affordable, low-carbon drought resilience. It has delivered immediate benefits and ensures South Gippsland Water continues to provide safe, reliable drinking water, despite increasingly challenging climatic conditions.



Technology

During 2025–26, South Gippsland Water successfully implemented a new cloud-based Enterprise Resource Planning (ERP) platform, representing one of the most significant digital transformations undertaken by the organisation.

The implementation of the Infor CloudSuite platform brought together customer, billing, asset management, work management and finance systems into a single, integrated enterprise solution.

Replacing multiple legacy systems with a modern platform has improved organisational efficiency by providing staff with consistent, real-time information across the organisation. For the first time, customer service staff, maintenance crews and asset managers are all working from the same integrated source of information, improving collaboration, decision-making and customer service.

The transformation also introduced quarterly billing, replacing the previous three-bill annual cycle. More frequent billing provides customers with smaller, more manageable bills, reducing the likelihood of bill shock while making household budgeting easier.

As part of the project, South Gippsland Water also redesigned its customer bills to improve readability and transparency. The refreshed design provides clearer information about charges, water consumption and available customer support, making it easier for customers to understand and manage their accounts.

The successful delivery of the ERP program reflects the strong collaboration between South Gippsland Water staff and delivery partners and establishes a modern digital foundation that will support improved services for customers well into the future.





Report of operations

Operational Performance Overview

South Gippsland Water's key performance indicators are informed by targets established in our 2023 Price Submission to the Essential Services Commission, standards set for water quality by the Department of Health, and requirements from the Minister for Water's Letters of Expectation.

Our 2025–26 results showed continued high performance in water quality measures. We continue to respond promptly to sewer spills and blockages, and water bursts and leaks. Despite some challenges with upgrades to our billing systems, we have worked hard to maintain trust with our customers and community.

In response to the extended dry period of 2025, South Gippsland Water focused on water resilience and security for some of our most vulnerable water systems. We were able to deliver projects to enhance system resilience during and after major weather events and invest in ways to better manage operations to reduce our impact on the environment.

We saw a 45% drop in greenhouse gas emissions in 2025–26 compared to 2024–25 as we moved to 100% renewable electricity. We continue to progress projects to further reduce emissions as we head towards our net zero target.

We invested in projects to renew ageing infrastructure and established new partnerships with the community to improve biodiversity on our sites. We invested in upgrades to our information systems to address technology obsolescence and ensure we meet the legislative and operational requirements expected of a State Government entity.

Water quality

South Gippsland Water maintained our water quality monitoring program consistent with requirements of the *Safe Drinking Water Act 2003* and the Safe Drinking Water Regulations 2025. Compliance outlined in the table below is based on the number of drinking water samples collected in the reporting period of 1 July 2025 to 30 June 2026 that complied with drinking water quality standards defined in the Safe Drinking Water Regulations 2025. Details of drinking water compliance are reported separately in our annual Drinking Water Quality Report. This report is submitted to the Department of Health and published on our website by 1 November every year.

Compliance with drinking water quality standards

Table 1: 2025–26 compliance with drinking water quality standards[1]

Parameter	Drinking water quality standard	Compliant samples
Escherichia coli (E. coli)	All samples of drinking water collected to contain no *E. coli* per 100 millilitres of drinking water with the exception of any false positive sample[1]	100%
Turbidity	The 95th percentile of results for samples in any 12-month period must be less than 5.0 Nephelometric Turbidity Units (NTU)	100%
Trihalomethanes (total)	Less than or equal to 0.25 milligrams per litre (mg/L) of drinking water	100%
All other parameters as detailed in South Gippsland Water's risk-based drinking water quality monitoring program	Drinking water is not to contain an algal toxin, pathogen, or any substance or chemical in such amounts as may pose a risk to human health	100%

1 As defined in the Safe Drinking Water Regulations 2015

Essential Services Commission Outcomes

The following key performance indicators relate to the Essential Services Commission's annual outcomes measures covering reliability, water, wastewater, environment and integrity.

Reliability

South Gippsland Water's commitment to being a trusted service provider is demonstrated in our operational performance across 2025–26. Average duration of water supply interruptions for unplanned works were within our target range as our team were able to respond and rectify interruptions in a timely manner. Our Maintenance and Service Delivery Teams have shown consistency in responding to and rectifying interruptions.

Table 2: ESC Outcomes – Reliability

Output	Unit		2023–24	2024–25	2025–26
Average response time to sewer spills and blockages	Response time (minutes)	Target	≤30	≤30	≤30
		Actual	85	25	21
Average response time to water bursts and leaks (Priority 1)	Response time (minutes)	Target	≤30	≤30	≤30
		Actual	23	18	14
Average duration of unplanned water supply interruptions (per customer interruption)	Duration (minutes)	Target	110	110	110
		Actual	85	67	98

Water

South Gippsland Water takes a minimal-risk approach to drinking water safety and public health protection, issuing precautionary drinking water advisories when required. There were no drinking water non-compliances recorded for 2025–26.

We have an ambitious target when it comes to the percentage of customers who drink tap or filtered water. Insights from customers are provided on an annual basis, with the latest survey conducted in October 2025. The survey showed a significant increase in the number of customers who prefer to drink tap water, achieving our target of 91%.

Table 3: ESC Outcomes – Safe Drinking Water Regulations

Output		2023–24	2024–25	2025–26
Number of non-compliances with the Safe Water Drinking Regulations	Target	0	0	0
	Actual	3	0	0
Percentage of customers who state their preference is to drink tap or filtered water*	Target	≥91%	≥91%	≥91%
	Actual	78%	82%	91%

* Annual customer satisfaction survey (Tingwall survey 2025)

Wastewater

South Gippsland Water continues to focus on improving EPA licence compliance and reducing incidents requiring EPA notification. During the 2025–26 reporting period, there was one notification of EPA licence non-compliance. This occurred in July 2025 and involved an exceedance of the maximum allowable ammonia concentration in treated effluent discharged from the Leongatha Wastewater Treatment Plant. South Gippsland Water worked with the EPA to resolve the issue without further investigation.

The number of reported environmental incidents and number of incidents requiring EPA notification for 2025–26 are all within target ranges.

Table 4: ESC Outcomes – Wastewater

Output	Unit		2023–24	2024–25	2025–26
Number of non-compliance incidents associated with EPA licence compliance	Number	Target	0	0	0
		Actual	3	1	1
Number of reported environmental incidents (annual)	Number	Target	≤75	≤75	≤75
		Actual	116	54	52
Number of incidents requiring EPA notification (annual)	Number	Target	≤10	≤10	≤10
		Actual	6	4	7

Environment

In 2025–26 South Gippsland Water achieved a 45% reduction in our total greenhouse gas emissions after transitioning to 100% renewable electricity. This is well below our target for this period.

We achieved 100% reuse of the 206 dry tonnes of biosolids mass produced during 2025–26, as well as processing 172 dry tonnes of stockpiled material from previous years.

Table 5: ESC Outcomes – Environment

Output	Unit		2023–24	2024–25	2025–26
Annual greenhouse gas emissions	Tonnes CO_2-e	Target	7,500	6,500	3,800
		Actual	7,108	6,211	3,385
Annual reuse of biosolids produced	Percentage	Target	55%	70%	85%
		Actual	109%	100%	100%

Integrity

In 2025–26, South Gippsland Water saw material increases in *"percentage of customer survey respondents satisfied or very satisfied with South Gippsland Water as a service provider"* and *"Customers responding 'yes', they receive value for money for the services that are provided."* These results were achieved over a time when customers experienced some disruption and inconvenience, as we implemented our new billing system.

South Gippsland Water is working to establish a process for capturing feedback from customers who require support for payments. These changes will be implemented in 2026–27.

Table 6: ESC Outcomes – Integrity

Output	Unit		2023–24[2]	2024–25[2]	2025–26[3]
Percentage of customer survey respondents satisfied or very satisfied with South Gippsland Water as a service provider.[1]	Percentage	Target	≥85%	≥85%	≥85%
		Actual	85%	72%	77%
Customers responding 'yes', they receive value for money for the services that are provided.	Percentage	Target	≥73%	≥73%	≥73%
		Actual	72%	56%	75%
Customers in the Customer Support Program who report they agree or strongly agree the program has helped them with payment difficulties	Percentage	Target	In development	In development	In development
		Actual	N/A	N/A	N/A

1 Rated 4 & 5 out of 5, reference ESC annual customer satisfaction survey
2 Insync Regional Water Alliance Customer Survey 2023, 2024
3 Tingwell survey 2025



Minister for Water Letters of Expectation key performance indicators

As an Urban Water Corporation, South Gippsland Water is required to demonstrate progress against the eight components from the Minister for Water Letters of Expectation (LoE):

LoE 1: Climate change and energy

LoE 2: Customer, Community and Engagement

LoE 3: Recognise Aboriginal Values

LoE 4: Recognise Recreational Values

LoE 5: Resilient and Liveable Cities and Towns

LoE 6: Leadership, Diversity and Culture

LoE 7: Performance and Financial Management

LoE 8: Compliance and Enforcement
(in relation to bulk entitlement reporting for annual reports only)

A summary of progress for each of the eight components is provided below. Detailed reporting requirements for each LoE are provided in the performance reporting section of this report.

LoE 1: Climate change and energy

We continued to make significant progress in addressing climate change through emissions reduction, renewable energy, energy efficiency and climate adaptation initiatives.

The 2025–26 financial year marked our first full year operating on 100% renewable electricity, eliminating all Scope 2 greenhouse gas emissions. This reduced total organisational emissions by 45%, from 6,211 tonnes CO_2-e to 3,385 tonnes CO_2-e, representing a significant milestone towards our commitment to achieve net zero emissions by 2035. While Scope 1 emissions increased slightly (3.2%) due to higher wastewater inflows and a modest increase in operational fuel use, emissions reduction opportunities continue to be identified and implemented across our operations.

We continue to explore and invest in renewable energy and energy resilience, with solar photovoltaic systems already installed across nine operational sites and depots, providing a combined generation capacity of 1.17 MW. During the year, energy efficiency and optimisation assessments were completed at our highest energy-consuming facilities, identifying operational improvements together with opportunities to expand solar generation and battery storage. These findings will guide future investment to reduce energy consumption, improve resilience and maximise the use of renewable energy generated on-site.

Collaboration also remains a key component of our decarbonisation strategy. Through our participation in the Zero Emissions Water (ZEW) partnership, South Gippsland Water secured 596 Large-scale Generation Certificates (LGCs) from the Kiamal Solar Farm, supporting renewable energy generation across the sector and reinforcing our Net Zero Emissions Plan.

To strengthen our long-term climate resilience, we are about to finalise our first Climate Change Adaptation Plan. The Plan establishes a structured framework for identifying and managing climate-related risks and opportunities, embedding climate resilience into decision-making, operational planning and long-term investment while aligning with the latest climate science and Victorian Government policy objectives.

LoE 2: Customer, Community and Engagement

South Gippsland Water continued to strengthen support for customers experiencing financial hardship and vulnerability during 2025–26. We continued our 'Pay and Save' program for vulnerable customers, including support for small businesses experiencing economic stress.

Our Customer Support Program remained available to residential customers and small businesses experiencing economic stress. We also increased the capacity of our Customer Support Team to ensure customers could access timely and appropriate assistance during the transition to the new billing platform.

The introduction of quarterly billing and redesigned customer bills provided customers with clearer information about charges, water consumption and payment options. More frequent billing also spreads annual costs across four bills, reducing the size of each bill and supporting household budgeting.

South Gippsland Water maintained a strong community presence through participation in local events, educational activities and regional partnerships. Further information about our community involvement is provided on page 40.

LoE 3: Recognise Aboriginal Values

South Gippsland Water is committed to strengthening relationships with Traditional Owners and ensuring Aboriginal values, knowledge and perspectives are recognised in the way we plan, operate and care for water and Country.

South Gippsland Water's service region includes two Registered Aboriginal Parties:

- Bunurong Land Council Aboriginal Corporation, covering the western region of our service area
- Gunaikurnai Land and Waters Aboriginal Corporation, covering the eastern region

Bunurong Land Council Aboriginal Corporation

South Gippsland Water is developing a closer relationship with Bunurong Land Council Aboriginal Corporation, with one of their water policy officers now based in Wonthaggi. We look forward to continuing to work with Bunurong on our Reconciliation Action Plan actions.

Gunaikurnai Land and Waters Aboriginal Corporation

South Gippsland Water is part of the Gippsland Environmental Agencies (GEA). The GEA is supporting strategies to improve Aboriginal employment in Gippsland. South Gippsland Water is engaging with Gunaikurnai Land and Waters Aboriginal Corporation on cultural training, with sessions on Country at the Den of Nargun, a site of cultural significance for Gunaikurnai women. We also look forward to continuing to work with Gunaikurnai on our Reconciliation Action Plan actions.

During 2025–26, South Gippsland Water continued to build stronger and more respectful partnerships with both Traditional Owner organisations through reconciliation, cultural learning, environmental planning and collaboration on water-related priorities.

Further details of our engagement with Traditional Owners are provided on page 38.

LoE 4: Recognise Recreational Values

Due to vulnerability of our water systems, South Gippsland Water provides limited access to our reservoirs for recreational fishing. South Gippsland Water works with Parks Victoria in the provision of water and wastewater services for visitors to Wilson's Promontory, a popular recreational site for local and international visitors to Victoria. Further information is outlined on page 40.

LoE 5: Resilient and Liveable Cities and Towns

South Gippsland Water plays an active part in the Gippsland Region and Westernport Integrated Water Management (IWM) Forums to progress strategic outcomes in urban water, sustainability, waterways and catchment management strategies.

In 2025–26 our project work included the delivery of the 9km temporary pipeline between Korumburra and Leongatha, detailed planning and investigations on the Wonthaggi Wastewater Treatment Plan Environment Improvement program, reuse schedules for Cape Paterson, Inverloch and Wonthaggi, and planning work for reuse opportunities at Meeniyan WWTP. Further detail on our work is outlined on page 56.

We continue to lead work on water efficiency initiatives and community programs. These include water main renewal work, which resulted in the upgrade and replacement of 3.0km of water mains in 2025–26. Community programs (table 13) include National Water Week, where we support local schools in education materials around water efficiency. Information on water consumption in 2025-26 is provided on page 31.

In 2025–26, 206 dry tonnes of (100%) biosolids were processed for reuse into Australian Standard compost. We also processed 172 dry tonnes of stockpiled biosolids produced from previous years.

South Gippsland Water continues to strengthen our commitment to environmental protection and operational sustainability through a wide range of programs and initiatives. Our efforts in 2025–26 delivered strong outcomes in emissions reduction, circular economy initiatives and biodiversity protection including protection for local fauna and flora. Further details on our strategic initiatives and delivery of projects can be found in Part 2: Sustainable products and services (page 45).

LoE 6: Leadership, Diversity and Culture

During 2025–26, the organisation approved its Equity, Inclusion and Diversity Strategic Plan 2025–2028 and Gender Equality Action Plan 2026–2030.

Together, these plans provide a clear framework for continuing to strengthen equity, inclusion, representation and belonging across the organisation. They also support our 2040 Vision and Strategy's focus on highly capable people, a strong organisational culture, and welcoming and inclusive workplaces.

South Gippsland Water delivered the final year of our Safe and Well Plan 2024–2026, a strategic plan for improvement of the health, safety and wellbeing of our people. We have commenced work to refresh our People and Culture Strategic Plan and develop the next Safe and Well Plan for 2027–2030.

Bargaining for a replacement Enterprise Agreement progressed during 2025–26, culminating in an in-principle agreement being reached with employee bargaining representatives. At 30 June 2026, the proposed agreement had not yet been put to an employee vote or progressed through the Fair Work Commission approval process. These formal processes will continue during 2026–27.

LoE 7: Performance and Financial Management

The full year operating result for 2025–26 was a loss before tax of $20.7m. Total revenue received for the period was $46.4m, an increase of $3.9m on the prior year. Total expenditure for the year increased by $0.8m to $67.2m due to an increase in borrowing costs . The Corporation achieved 79% of the planned capital expenditure, with $26.0m spent, relative to the $33.1m in the Corporate Plan. Net Cash Flow from Operations was – $8.9m, which was $14.6m below budget but $8.1m lower than last year.

Financial reporting as set out in FRD 27 – Presentation and Reporting of Performance Information is provided in the Financial Report on page 85. The financial performance overview can be found on page 64.

LoE 8: Compliance and Enforcement

South Gippsland Water holds 11 Bulk Entitlement Conversion Orders that define our legal rights to extract water to supply our water systems. We have systems in place to monitor usage, as well as reciprocal water trading agreements with South East Water. In 2025–26 a reciprocal trade of 799 ML was undertaken, with South Gippsland Water exchanging equivalent volume of our Greater Yarra-Thomson Pool bulk entitlement for South East Water's Desalinated Water bulk entitlement.

In December 2025 the Minister for Water approved a trade of 3,000 ML of allocation from Barwon Water's Greater Yarra System-Thomson River Pool bulk entitlement to South Gippsland Water, of which 233 ML was utilised by South Gippsland Water to the 30th of June 2026. This was completed to guarantee Melbourne Water grid availability to South Gippsland Water following poor refilling during winter 2025.

All bulk entitlement conditions were met and no difficulties were experienced in meeting these conditions.

Part 1:
Trusted people and partners

Water services

In 2025–26 South Gippsland Water provided 2,513 ML of potable water to 19,914 residential connections and 3,060 ML to 2,956 non-residential connections. The total recycled volume we provided for agricultural use was 170 ML. Total water sold to customers continued to increase in 2025–26, up 11% from 2024–25, as a result of continued population and business growth in our region, and periods of drier than usual conditions in both winter and summer.

Reported non-revenue water volumes have decreased significantly in 2025–26 when compared to 2024–25. This is the first year of reporting from our new ERP platform, and we are continuing to review and ensure accuracy of our reporting data in calculating non-revenue water. Improvements made during 2025–26 include targeted capital projects to address long standing leaks, meter replacements of key customers, and more frequent reading of water meters.

Table 7: Reporting water consumption for residential and non-residential connections (RLC_A R_WER4)

Water Consumption Report 2025-26 Volumes in ML/yr (unless otherwise stated)			
Residential connections	Number of residential connections.		19,914 No.
	Potable water volume consumed by residential connections.		2,513
	Per capita daily residential potable water consumption.		346L/day
	Recycled water volume used by residential connections.		N/A
	Treated stormwater volume used by residential connections.		N/A
Non-residential connections	Number of non-residential connections.		2,956 No.
	Potable water volume consumed by non-residential connections.[1]		3,060
	Recycled water volume (end use) used by non-residential connections. It is mandatory to provide the split below (per ESC performance indicators)	Commercial purposes	0
		Industrial purposes	0
		Agricultural purposes	170
		Municipal purposes	7
		Total	177
	Treated stormwater volume (end use) or harvested stormwater for beneficial use used by non-residential connections	Total	N/A
	Total number of connections		22,870 No.
	Total potable water consumed[2]		5,573
	Total recycled water and stormwater volume		177
	Total volume of water used by connections[3]		5,750
	Average annual water consumption		4,962
Non-revenue water	Leakage[4]		268
	Firefighting[5]		N/A
	Other		177
	Total non-revenue water[6]		445
	Total volume of water from all sources[7]		**6,228**

1 Excludes standpipes.
2 Billed authorised consumption, including standpipes (32 ML).
3 Billed authorised consumption plus recycled water use.
4 Real losses. At the time of writing this is a preliminary result and is under review due to a change in our platforms.
5 Reliable data not readily available.
6 Non-revenue water by ESC definition.
7 Total system throughput plus recycled water use.

Water consumption

Table 8 details how water was consumed across the communities we serve. Wonthaggi, Inverloch and Cape Paterson remain our largest servicing area by population and volume, comprising 51% of our customer base and 35% of total water consumption in 2025–26.

Regional water consumption

Table 8: Total potable water consumption (ML) by location

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Alberton/Port Albert Yarram/Devon North	362	356	330	344	348	347	371
Dumbalk	13	12	14	13	13	13	23
Fish Creek	59	57	76	59	61	67	84
Foster	128	133	129	137	132	147	141
Korumburra	698	715	735	727	724	843	906
Wonthaggi/Cape Paterson/Inverloch	1,307	1,364	1,424	1,476	1,520	1,780	1,985
Leongatha/Koonwarra	1,593	1,507	1,567	1,445	1,259	1,328	1,353
Meeniyan	44	44	42	41	40	49	46
Poowong/Loch/Nyora	168	151	182	153	141	187	355
Toora/Welshpool/Port Welshpool/ Port Franklin	317	292	252	261	272	306	349
Total	**4,689**	**4,631**	**4,751**	**4,656**	**4,508**	**5,067**	**5,613**

Major non-residential water users

South Gippsland Water services four major customers, defined as a non-residential water user consuming equal or greater than 50 ML over a 12-month period.

Table 9: Major non-residential water users volumetric range (RLC_AR_WER2)

Volumetric Range – ML per year	Number of customers
Equal to or greater than 50 ML and less than 100 ML	0
Equal to or greater than 100 ML and less than 200 ML	1
Equal to or greater than 200 ML and less than 300 ML	1
Equal to or greater than 300 ML and less than 400 ML	0
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1000 ML	0
Greater than 1000 ML	0
Total no. customers	**4**

Our four largest water consumers (consuming more than 100 ML in 2025–26), Saputo Dairy Australia Ltd (Saputo), Burra Foods Pty Ltd (Burra), Tabro Meat Pty Ltd and GBP Products Pty Ltd, engage with South Gippsland Water on matters relating to water efficiency, trade waste and future requirements.

All organisations are actively participating in water conservation programs.

Table 10: Major non-residential water users' participation in water efficiency programs (RLC_AR_WER3)

Name of customer	Participation in water efficiency program (Y/N)	Water Management Plan developed (Y/N)
Saputo Dairy Australia Ltd.	Y	Not available
Burra Foods Pty Ltd.	Y	Not available
Tabro Meat Pty Ltd.	Y	Not available
GBP Products Pty Ltd	Y	Not available

Other non-residential service support

South Gippsland Water is proud to support Parks Victoria in the operation of the water and wastewater treatment plants at Tidal River, the main visitor hub for Wilsons Promontory, one of Victoria's most popular National Parks. The treatment plants provide essential water and sewage services to the accommodation, camp sites, offices, ranger facilities and toilet blocks at Tidal River.

New developments, connections and referrals

In 2025–26 South Gippsland Water facilitated 167 new connections to our water supply services. Our source water requirements for our different water supply systems mean we have a large Special Water Supply Catchment Area (SWSCA). We receive many pre-planning permit development servicing queries that relate to developments falling within the SWSCA. We have also provided preliminary servicing advice to major new developments when requested.

We currently do not have systems in place to track broad residential lot creation information or lots available for connection within the reporting year.

Developer engagement

South Gippsland Water is proactive in our engagement with developers, development consultants and local Councils for residential planning applications prior to and throughout the planning application process.

Our website is a source of information and resource for developers on the requirements for development in our region, including our Land Development Manual along with addendums to industry standards and network and system master plans.

Bulk Entitlement compliance

South Gippsland Water holds 11 Bulk Entitlement Conversion Orders that define our legal rights to extract water to supply our water systems.

On 1 July 2026, the South Gippsland Water Greater Yarra System – Thomson River Pool bulk entitlement was revoked and replaced with a new South-Central Pool bulk entitlement providing access to both surface and desalinated water. The new South-Central Pool arrangements provide South Gippsland Water with more flexibility to meet changing water needs.



A Bulk Entitlement Metering Plan is maintained to ensure repairs, replacements, operational processes and data control are conducted in accordance with bulk entitlement requirements.

A summary of our Bulk Entitlement Orders is provided below.

Table 11: Bulk entitlement order by location and water supply

Bulk Entitlement Order	Water supply	Towns serviced	BE ML/yr	Raw water volume taken ML[1]	Storages[2]	Volume in storages at 30/6/25 ML	Entitlement transfer from ML/yr	Entitlement transfer to ML/yr
Devon North Alberton, Yarram, Port Albert	Tarra River	Devon Nth, Alberton, Yarram, Port Albert	853	438	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	25	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	93	Battery Creek Reservoir	115	Nil	Nil
Foster	Deep Creek	Foster	326	178	Deep Creek Reservoir	215	Nil	Nil
Korumburra	Coalition Creek	Korumburra	1,000	See note 3	No. 1	see note 3	Nil	Nil
	Ness Creek				No. 2	see note 3		
	Bellview Creek				No. 3	see note 3		
Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,435	Reservoir 1	14	Nil	Nil
					Reservoir 2	73		
					Hyland Reservoir	474		
					Western Reservoir	243		
	Coalition Creek		800		N/A	see note 3		
Loch, Poowong, Nyora	Little Bass River	Loch, Poowong, Nyora	420	See note 3	Little Bass Reservoir	see note 3	Nil	Nil
Meeniyan	Tarwin River	Meeniyan	200	46	N/A	N/A	Nil	Nil
Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	570	Cooks Dam	58	Nil	Nil
Wonthaggi-Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600[6]	1,921[8]	Lance Creek Reservoir	2,664	Nil	Nil[4]
Greater Yarra System – Thomson River Pool – South Gippsland Water	Greater Yarra System – Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000[7]	1,535[5]	NA	0[7]	799[4]	3,799[4]

1 Annual amount of water taken in ML for 2025–26 reporting period.
2 Storages included under each bulk entitlement.
3 These water storages are no longer in active use for supplying raw water (supplied from the Lance Creek water system). Coalition Creek and Bellview Creek reservoirs were connected to the Ruby Creek supply system in June 2026, however no volume has been transferred as of July 2026. Little Bass, Coalition Creek and Bellview Creek Reservoir volumes are not actively measured.
4 3,000 ML of Greater Yarra System – Thomson River Pool allocation was traded from Barwon Water to South Gippsland Water in December 2025. 233 ML of this was utilised, with 2,767 ML written off on July 1 2026 due to cancellation of both entitlements under South-Central Reforms. Also see Reciprocal Water Trading between South Gippsland Water and South East Water (page 35)
5 Total includes 799 ML of desalinated water and 737 ML of reverse flow water.
6 Total of Lance Creek 3,800 ML/year and Powlett River 1,800 ML/year.
7 Total includes 798ML of carryover entitlement. This entitlement was revoked and replaced with a new South-Central Pool Bulk entitlement on July 1 2026, which provides access to both surface and desalinated water.
8 Not including supply to the Lance Creek system derived from Greater Yarra System – Thomson River Pool

General report requirements: bulk entitlements

South Gippsland Water complied with all system and condition requirements in 2025–26, as described in Table 12.

Table 12: Bulk Entitlement reporting requirements 2025–26

Amendments to bulk entitlements	No amendments to bulk entitlements in 2025–26.
New bulk entitlements	No new bulk entitlements in 2025–26.
Failure to comply with provisions of bulk entitlements	All systems complied with the provisions of bulk entitlements.
Difficulties experienced in complying with entitlement and remedial actions	No difficulties were experienced in meeting bulk entitlement conditions.
Compliance with making allowances	No proposals were submitted associated with making allowances.
Compliance with environmental obligations	Environmental obligations were in place for all bulk entitlements and no changes were made to the programs.
Compliance with metering obligations	Metering programs were in place for all bulk entitlements and no changes were made to the programs.

Reciprocal Water Trading between South Gippsland Water and South East Water

In 2025–26, South East Water and South Gippsland Water undertook reciprocal trades of 799 ML of water allocations. This administrative process enabled South Gippsland Water to continue to access, by substitution, our water from the Melbourne surface water system. This is via the offtake on the transfer pipeline while the transfer pipeline is pumping desalinated water from the Victorian Desalination Project to Cardinia Reservoir.

South East Water trades the required volume of desalinated water allocation to South Gippsland Water and South Gippsland Water trades the same volume of Melbourne surface water allocation (under its Greater Yarra System – Thomson River pool bulk entitlement) back to South East Water resulting in a net zero trade.

This arrangement was required because South Gippsland Water held no entitlement to desalinated water prior to the implementation of South-Central Pool bulk entitlements, on July 1 2026. The new South-Central Pool arrangements grant South Gippsland Water access to both surface and desalinated water supply from the Melbourne Water grid.

Water Trading between South Gippsland Water and Barwon Water

On 9 December 2025, the Minister approved a trade of 3,000 ML of allocation from Barwon Water's Greater Yarra System – Thomson River Pool bulk entitlement to South Gippsland Water. This was completed in order to guarantee water security within the Lance Creek System following poor winter inflows during 2025. 233 ML of this 3,000 ML allocation was utilised by South Gippsland Water to the 30th of June 2026.

As of 1 July 2026, the Greater Yarra System – Thomson pool bulk entitlement held by South Gippsland Water was revoked and replaced with a new South Central Pool bulk entitlement providing access to both surface and desalinated water.

Use of alternative water sources

There was no use of alternative water sources for potable water supply in the 2025–26 reporting period.

Regional Catchment Management Strategy

South Gippsland Water continues to support the Victorian Government's *Our Catchments, Our Communities* strategy via the Catchment Partnership Agreements with the West and East Gippsland Catchment Management Authorities. This association strengthens the commitments made by the Victorian Government in various documents, such as the *West Gippsland Regional Catchment Strategy 2021 to 2027*. The Strategy is an important overarching strategic document for managing land, water and biodiversity in our region. We support the West Gippsland Catchment Management Authority in project implementations, where applicable, within the South Gippsland water supply catchment areas.

South Gippsland Water supports the close link between catchment management and our goals to manage and provide environmentally sound, safe, high-quality drinking water to customers. As a key stakeholder in environment and catchment management initiatives, we continue to work with the West Gippsland Catchment Management Authority, Landcare and local councils in implementing programs to manage and protect catchment areas. There has been ongoing support of programs, including the

development and implementation of the Corner Inlet Connections project, Kugerungmome/Powlett ICM project Implementation Plan and the Tarwin Integrated Catchment Management Project.

Catchment risk management

South Gippsland Water is a strong advocate for catchment risk management and is represented in the Australian Water Association Catchment Management Specialist Network as a committee member.

We implement and practice the principles of the *Health-based Targets* approach to assessing catchment risks to drinking water. This approach to catchment risk provides comprehensive information to assess risk to water quality for all water supplies in the South Gippsland drinking water catchments.

Statutory planning permits continue to be assessed in line with the Ministerial Guidelines for planning permits in open potable water supply catchments. We work with the Municipal Shires of South Gippsland, Bass Coast, Baw Baw and Wellington in the management of Onsite Domestic Wastewater Management Plans.

Victorian Waterway Management Strategy

South Gippsland Water supports the *West Gippsland Regional Catchment Strategy 2021–2027* as a key planning document for river, estuary and wetland management where our service region overlaps.

South Gippsland Water continues to proactively ensure that compliance with our Bulk Entitlements and Environmental Watering Program is consistent with the *Victorian Waterway Management Strategy* and the *West Gippsland Waterway Strategy.* Ecological outcomes are supported through programs such as the availability of passing flows from reservoirs, as well as supporting the economic values of waterways, community use, participation, cultural values of Traditional Owners, and advocacy and stewardship in the region's waterways.

Water consumption method

Data on water consumption and losses are calculated from flowmeter data as recorded routinely over the course of the year.

Monthly log entries for a suite of water uses in each plant are tabulated to calculate monthly water production at each water treatment plant. This is tallied for the entire year, for all water systems, to calculate the total volume of potable water produced.

Estimated losses are recorded in transfer mains by water treatment operators and maintenance staff where differences/anomalies in flowmeter data can demonstrate a water loss.

The below water volumes are considered in calculating annual water consumption for each given system:

- Raw Water Inlet Meter total for the month.
- Backwash, Desludge & Online Monitoring Water.
- Sampling Water.
- Tank Overflows.
- Sludge Removal: sludge removable from site.
- Water Returned to Inlet of WTP / Water Returned to Reservoir (or Supernatant).
- Carry Water: to inlet of WTP (in some chemical processes).
- CWS Outlet Meter: total for the month.
- Main Breaks/Flushing/Air Scouring.
- Unbilled Metered (South Gippsland Water usage).
- Billed Unmetered (Commercial).
- Billed Metered Residential/Commercial/ Industrial usage.
- Billed Metered Standpipe/Hydrant usage.

Water and Sewerage Network Performance

South Gippsland Water's commitment to being a trusted service provider is demonstrated in our operational performance across 2025–26.

The average duration of water supply interruptions for unplanned works saw a decrease in the total minutes customers were without water supply, with our teams able to respond and rectify interruptions expeditiously.

This year we have reviewed our sewer spill reporting requirements. This has seen an increase in our annual figures for our priority 2 sewer spills as we better understand the impacts of sewer spills, and a subsequent decrease in priority 1 sewer spills. While thorough auditing took place, we found that some of our sewer spills should be captured as a priority 2 rather than sitting most of them in a priority 1.

Performance measures relating to our operational performance are set out in Table 41 of the Performance Report on page 81.



Social Sustainability

South Gippsland Water is committed to delivering positive social outcomes through our services, partnerships and investment decisions.

During 2025–26, we continued to support community programs, local initiatives and major projects designed to strengthen wellbeing, inclusion and resilience across our service region.

Our approach to social sustainability includes:

- listening to customers and communities
- supporting Traditional Owner economic participation
- considering cultural and community values in project planning
- investing in local partnerships and initiatives
- ensuring our services remain accessible and responsive to community needs.

By working collaboratively with customers, Traditional Owners, community organisations and regional partners, South Gippsland Water seeks to ensure our decisions deliver broader and more enduring benefits.

Social procurement provides an important opportunity to create broader economic and community value through South Gippsland Water's purchasing decisions. During 2025–26, South Gippsland Water procured $323,910.70 in goods and services from Aboriginal and Torres Strait Islander businesses.

This investment supports Aboriginal economic participation while helping South Gippsland Water build stronger relationships with Aboriginal suppliers and communities. Most recently we have done this by partnering with Bunurong to undertake a Cultural Values Assessment on our Wonthaggi Wastewater Treatment Plant project.

Community Advisory Committee

South Gippsland Water's Community Advisory Committee provides an important connection between the organisation and the communities we serve. The Committee offers advice on customer priorities, community expectations, service performance and major projects. It also assists South Gippsland Water to assess performance against the Customer Outcomes agreed with customers and approved by the Essential Services Commission.

During 2025–26, the Committee provided advice on community engagement and discussed several significant projects and strategic priorities, including:

- planning for the Wonthaggi Wastewater Treatment Plant
- the new clear water storage at Lance Creek
- long-term water security for Leongatha
- service reliability for major regional customers, including Saputo
- preparation of the Urban Water Strategy
- development of the 2028 Price Submission.

We regularly meet with the Committee, who are active in their representation of community views on issues around our services. The Committee has provided the following statement:

As South Gippsland Water's Community Advisory Committee, we enjoy ensuring our community's voices are heard in everything the organisation does.

South Gippsland Water has shown itself to be a transparent and honest organisation. They do not shy away from the many challenges our region is facing, including planning for climate change, supporting low-income, vulnerable customers and making sure our region's infrastructure is fit for purpose now and into the future.

South Gippsland Water's staff have proved themselves to be customer-focused, with a passion for making our region a better place to be for all.

In 2025–26 we have assisted South Gippsland Water to assess their performance against the Essential Services Commission Customer Outcomes agreed with customers.

We have also provided advice on how best to engage with our communities and discussed major projects including plans for the Wonthaggi Wastewater Treatment Plant, the new clear water storage at Lance Creek, and the need to look closely at Leongatha's water security to ensure the town, and its major employer Saputo, are well serviced.

South Gippsland Water's skilled staff are experts in their fields, friendly, helpful and always willing to take time to explain how they keep the taps running and the toilets flushing.

We look forward to working with South Gippsland Water in 2026–27, especially on the Urban Water Strategy, the 50-year plan to secure water supplies in our region, and the Price Submission, which aims to balance the cost of the infrastructure we need with fair prices to us, the customer base, who pay for that infrastructure.

Traditional Owner community engagement

Alongside Department of Premier and Cabinet, South Gippsland Water is discussing the *Natural Resources Agreement* with the Gunaikurnai Land and Waters Association (GLaWAC). This agreement is part of the Gunaikurnai Recognition and Settlement Agreement. South Gippsland Water also had an agreement with GLaWAC through the Gippsland Environmental Agencies forum, however this is now on hold.

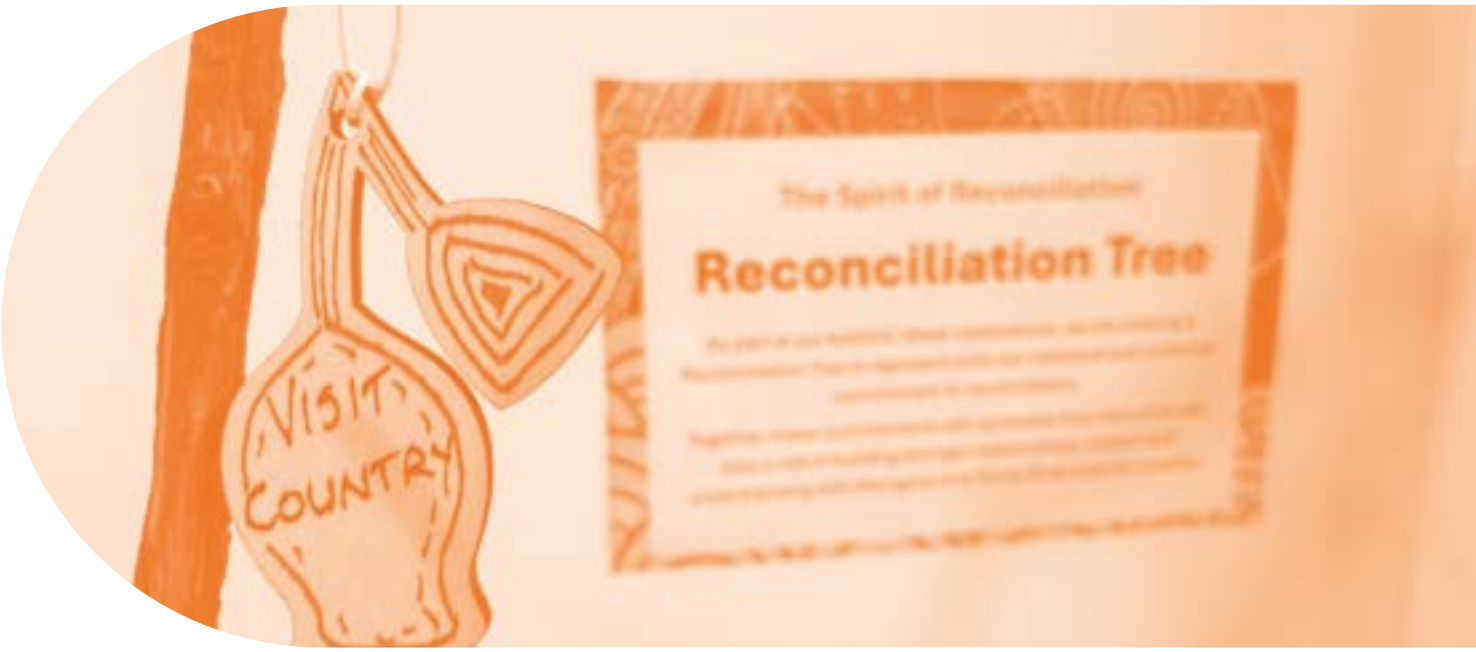
Alongside other relevant water corporations, South Gippsland Water is developing a Commitment of Understanding with Bunurong Land Council Aboriginal Corporation.

Reconciliation Action Plan

In January 2026, Reconciliation Australia endorsed South Gippsland Water's first Reflect Reconciliation Action Plan. The Plan provides a clear framework for strengthening relationships, building cultural understanding and creating meaningful opportunities for Aboriginal and Torres Strait Islander peoples.

Following endorsement, South Gippsland Water established a Reconciliation Action Plan Working Group to coordinate implementation and monitor progress. The group participated in an initial planning workshop in May 2026 and held its first formal meeting on 4 June 2026.





Progress during the year included:

- establishing the Reconciliation Action Plan Working Group
- increasing procurement from Aboriginal and Torres Strait Islander suppliers
- expanding cultural learning opportunities for employees
- strengthening engagement with Bunurong and Gunaikurnai representatives
- commencing work with a Bunurong/Boonwurrung artist on a mural project to support the development of our future Innovate Reconciliation Action Plan.

At the time of reporting, 60 per cent of South Gippsland Water employees had completed some form of cultural learning.

Regional Partnerships

South Gippsland Water continued participating in the Gippsland Environmental Agencies (GEA), which brings regional organisations together to support shared environmental and social objectives.

Through GEA, South Gippsland Water contributed to strategies aimed at improving Aboriginal employment and strengthening collaboration with Traditional Owners across Gippsland.

These regional partnerships help build shared capability, improve coordination and support more consistent approaches to reconciliation and caring for Country.

South Gippsland Water also supports the progression of the Powlett River / Kugerungmome Partnerships Strategic Directions Statement, led by the West Gippsland Catchment Management Authority, to help restore Country in accordance with the vision of the Bunurong Traditional Owners.

- Water Services Association of Australia (WSAA) addressing key issues of water security, customer value, resilient and regenerative futures, First Nations services and engagement and people, culture and capability.
- Gippsland Regional Water Alliance – Supporting collaboration across the five water corporations in the Gippsland region to share resources, knowledge and procurement opportunities to improve efficiency and service delivery.
- Integrated Land Developer Portal project – Lower Murray Water (LMW) and South Gippsland Water have partnered with Infor, a key technology partner within each of our organisations to standardise a consistent approval process. This will enable developers to submit, track and manage water services applications improving collaboration between industry and our water corporations.



Water is Life

South Gippsland Water understands the importance of working with the region's Traditional Owners to identify opportunities for delivering on *Water is Life,* the Victorian Government policy that increases Traditional Owners' access to water, and commitments around water rights.

In 2025–26 Bunurong Land Council Aboriginal Corporation worked with South Gippsland Water, alongside relevant water corporations, to progress a Statement of Commitment. The Statement is yet to be finalised.

South Gippsland Water also supports the progression of Gunaikurnai objectives to explore water rights and water entitlements in key locations such as the Agnes Falls Scenic Reserve, managed by Parks Victoria, and the Agnes River, which supplies water for the towns of Toora, Welshpool and Port Welshpool.

Recreational values

Our isolated water storages are vital to the water supply needs of communities in remote parts of South Gippsland and the protection of these water storage assets is a priority for South Gippsland Water. Under the Water Act (1989), South Gippsland Water reservoirs have not been included on the list of Determined Recreational Areas.

Limited recreational fishing is permitted at a small number of our water storage assets, including two reservoirs at Leongatha, utilised by the Leongatha Angling Club. The club facilitates access to members who must agree to access requirements as part of their membership. Reservoirs are stocked by the club and small fishing competitions are held utilising a 'catch and release' approach. Information on angling clubs in South Gippsland are available on our website.

Regional recreation opportunities

South Gippsland has an abundance of opportunities for water recreation along our magnificent coastline. The Victorian State Government has recognised this by investing in upgrades to coastal boat ramps in Inverloch, Port Welshpool and Mahers Landing at Anderson Inlet, with future upgrades planned for Port Albert, Toora and Walkerville South.

South Gippsland Water is collaborating with Parks Victoria on water supply and sewage service support for Tidal River in Wilson's Promontory National Park (the Prom). The Prom is one of the biggest holiday destinations in Victoria, attracting over 500,000 domestic and international visitors annually to hike, camp, surf and fish.

Giving back: community sponsorships

Supporting vibrant, healthy and resilient communities is an important part of South Gippsland Water's role as a regional water corporation. During 2025–26, we continued to invest in initiatives that promote healthy lifestyles, strengthen community resilience, improve water literacy and support local events across our service region.

Our investment included financial sponsorships, in-kind support, educational initiatives and community partnerships that create lasting value for the communities we serve.

Activities that took place in 2025–26 are summarised in the table below.

Table 13: Summary of community support in 2025–26

Name	Activities	Support type
Public water fountains	2 x public fountains installed at Meeniyan and Leongatha	$10,000 and in-kind support
South Coast Water Partnership	A key partnership to promote the health benefits of drinking water. The partnership meets quarterly and engages more often during the summer "Choose Tap" campaign	In-kind
National Water Week	Annual water literacy activity for primary school children	$3,000 and in-kind support
Water trailers for events	In 2025–26 South Gippsland Water supported 20 major community events with our free water trailers.	In-kind
Community events (careers and community expos, markets, AGMs)	In 2025–26 South Gippsland Water presented or attended at many events including	In-kind
Fish creek community resilience grant x 2	Fish Creek received two community resilience grants from South Gippsland Water in 2025-26 following Boil Water Advisories Recipients included Buckley Park Community Farm, Fish Creek Development Group, Fish Creek Kindergarten and the Fish Creek Primary School.	$20,000

Supporting our communities

Investing in healthier, more connected communities

South Gippsland Water is committed to creating lasting benefits for the communities we serve by investing in initiatives that improve public health, encourage sustainable behaviours and strengthen community wellbeing.

Public drinking water fountains

Public drinking water fountains provide a practical, long-term benefit for residents and visitors by encouraging healthy hydration while reducing single-use plastic waste.

During 2025–26, South Gippsland Water installed two new public drinking water fountains in Meeniyan and Leongatha, bringing the total number of fountains installed across our service region to 18. The program represents an investment of approximately $120,000 in community infrastructure and is delivered in partnership with Bass Coast and South Gippsland Shire Councils. Future installations will also include partnerships with Wellington Shire Council.

The program will continue during 2026–27, with additional installations planned across the region.

Community events

South Gippsland Water's free drinking water trailer program supported 20 community events throughout 2025–26, helping event organisers provide safe, accessible drinking water while encouraging the use of reusable drink bottles.

The organisation also distributed reusable water bottles at community events, careers expos and educational activities to promote the environmental and health benefits of drinking tap water.

Supporting recreation and tourism

South Gippsland Water's land and infrastructure support a range of recreational opportunities across the region.

The Meeniyan Wastewater Treatment Plant bird hide remains a popular destination for walkers and cyclists using the Great Southern Rail Trail, while the Ruby Creek Reservoir continues to support recreational fishing through the Leongatha Anglers Club.

During the year, South Gippsland Water also entered into an agreement with Parks Victoria to provide water and wastewater services to Wilsons Promontory National Park, supporting one of Victoria's most visited natural attractions and helping ensure a high-quality visitor experience.

Listening to our customers

South Gippsland Water places a strong emphasis on listening to our communities, taking on board their feedback, and tailoring our planning and programs accordingly.

Understanding our customers' expectations is fundamental to delivering services that meet community needs today and into the future.

South Gippsland Water uses a range of engagement and feedback mechanisms to understand customer priorities, evaluate performance and inform future planning. Customer feedback directly influences our service improvements, infrastructure investment and long-term strategic planning.

Through our Essential Services Commission-approved Customer Outcome targets, South Gippsland Water can show where our customers' expectations are met and where further efforts are required.

Since 2014, South Gippsland Water has partnered with independent research specialists Tingwall (formerly Insync) to undertake an annual customer satisfaction survey. These results are complemented by the Essential Services Commission's customer research, ongoing customer enquiries and complaints, social media engagement and direct feedback received through community consultation.

The organisation also applies the International Association for Public Participation (IAP2) engagement framework across major infrastructure projects and strategic planning activities. During 2025–26 this included consultation on the Wonthaggi Wastewater Treatment Plant project, where community feedback helped inform future recreational opportunities and broader project planning, including a bird hide or a fenced off community area.

Together, these engagement activities ensure customer and community perspectives remain central to decision-making across the organisation

Measuring our impact: community and customer engagement

South Gippsland Water's Customer Outcomes provide a clear framework for measuring the services that matter most to our customers.

Developed in partnership with our community and approved by the Essential Services Commission through the 2023 Price Submission, these measures establish shared expectations about the services customers receive and the value they expect from their water corporation.

The Customer Outcomes focus on three key measures:

- Customers who prefer to drink South Gippsland Water's tap water – target of 91 per cent or above.
- Overall customer satisfaction – target of 85 per cent or above.
- Customers who consider our services represent value for money – target of 73 per cent or above.

These measures are reviewed continuously through annual customer research and ongoing community engagement. Every five years, the Customer Outcomes framework is reviewed to ensure it continues to reflect changing community expectations.

Performance against these measures is reported quarterly to:

- Community Advisory Committee
- Executive Leadership Team
- Board Customer and Strategy Committee
- South Gippsland Water Board

Results are also published on South Gippsland Water's website and communicated to customers through a range of engagement channels.

Listening to our customers and acting on their feedback remains central to delivering better services and building community trust.

Water literacy

Building water literacy helps create resilient communities that understand the value of water and use it wisely.

During 2025–26, South Gippsland Water continued to deliver education programs that encouraged water conservation, promoted careers in the water industry and strengthened environmental awareness across our region.

Highlights included:

- achieving a record more than 300 entries in the National Water Week poster competition;
- supporting 23 schools through the Schools Water Efficiency Program (SWEP);
- establishing WaterSmart partnerships with Ambulance Victoria, Bass Coast Shire Council and South Gippsland Shire Council to improve water efficiency across key facilities;
- partnering with Inverloch–Koonwarra Primary School on a community tree planting project;
- presenting at schools, careers expos and apprenticeship events to promote careers in the Victorian water industry; and
- promoting Victoria's Permanent Water Saving Rules through social media and public education campaigns.

These initiatives continue to build community understanding of water conservation while encouraging the next generation to consider careers in the water sector.

Collaboration within the water sector

South Gippsland Water collaborates with our colleagues in several forums to ensure agencies are taking a holistic approach when it comes to managing our land and water.

We support the implementation of the *Central and Gippsland Region Sustainable Water Strategy*, as part of our work to mitigate the effects of climate change and plan for reliable water services into the future.

Table 14: Collaboration within the water sector

Organisation	Engagement	Type of support
Water Industry Operators' Conference	Staff attendance Program sponsors Participation in water tasting competition	$45 contribution per staff member
WaterSmart program (DECCA)	Working with Ambulance Victoria to monitor water use and audit through VicFacilities Working with Bass Coast and South Gippsland Shire Councils on water use reduction	$105,000 and in-kind support
WaterAid (Silver Membership in 2025–26)	Charity focused on overseas – provision of clean water	$12,000
The Water Conservancy (previously Smart Water)	Focused on water efficiency programs and communications	$7,000
Schools Water Efficiency Program (SWEP)	23 schools in Bass Coast and South Gippsland	In-kind support
Gippsland Environmental Agencies	Annual contribution to co-ordinator role	$10,000 and in-kind support
Australian Water Association OzWater Conference	Key industry forum Staff attendance *Silver membership. AWA number is 7041994384* OzWater, annual awards, industry events	$1,585
Intelligent Water Networks	Staff champion Staff attendance at annual conference Member of the IWN executive	$69,388
Water Services Association of Australia	Staff development opportunities Industry and technical forums Annual conference	N/A
Institute of Water Administration	Representative on Board Special Interest Groups Annual conference	In-kind support
West Gippsland Catchment Management Authority	Ongoing collaboration with West Gippsland Catchment Management Authority to improve catchment health across our region	$50,000
Integrated Water Management	Forum Funding contribution for coordinator role	$10,000
VicWater	Peak industry association Annual conference	$55,301
Gippsland Regional Water Alliance	Association of regional water corporations Engages in efficiencies and service provision	In-kind support



Other cross-industry collaboration and partnerships

Victoria's water sector, comprising 18 water corporations, has a strong track record of collaboration and practical partnerships to achieve greater efficiencies, reduce duplication, foster innovation, build capability and improve resilience.

Some further examples of how South Gippsland Water is working with other water corporations to achieve better outcomes for customers include:

- Zero Emissions Water Carbon Offsets (ZEWCO) jointly procuring ACCUs to meet our 2035 net zero emissions targets, reducing risk and transaction costs.
- Optimising our billing system with water corporations (Central Highlands Water and Lower Murray Water) using the same platform – Infor.
- *Choose Tap* water education program and *South Coast Water Partnership* - increasing tap water consumption and improving community health.
- Integrated Land Developer Portal project – Lower Murray Water (LMW) and South Gippsland Water have partnered with Infor, a key technology partner within each of our organisations to standardise a consistent approval process. This will enable developers to submit, track and manage water services applications improving collaboration between industry and our water corporations.

Part 2:

Sustainable products and services

Environment and sustainability

In 2025–26, South Gippsland Water continued to strengthen our commitment to environmental protection and operational sustainability through a wide range of programs and initiatives. Our efforts delivered strong outcomes in emissions reduction, circular economy and biodiversity protection.

Greenhouse gas emissions and energy consumption

The 2025-26 financial year marked South Gippsland Water's first full year operating on 100% renewable electricity, eliminating all Scope 2 greenhouse gas emissions. As a result, total organisational emissions decreased from 6,211 tonnes CO_2-e to 3,385 tonnes CO_2-e, a reduction of 45%. This represents a significant milestone in our decarbonisation journey and demonstrates strong progress towards our commitment to achieve net zero emissions by 2035.

Scope 1 emissions increased by 3.2% during the year, primarily due to higher wastewater inflows associated with continued population growth across the region. We also saw a modest increase in fuel consumption from operational activities.

South Gippsland Water currently operates solar photovoltaic systems across nine operational sites and depots, with a combined installed capacity of 1,171 kW. These systems continue to reduce grid electricity demand while improving energy resilience.

During 2025, energy efficiency and optimisation assessments were completed at our highest energy-consuming sites. The assessments identified opportunities to reduce electricity consumption through operational improvements, as well as options to expand solar generation and install battery storage to maximise the use of renewable electricity generated on-site. These recommendations will help inform future capital investment and support ongoing improvements in energy efficiency and resilience.

Our participation in the Zero Emissions Water (ZEW) partnership, comprising 12 Victorian water corporations, continues to deliver positive outcomes. Through this collaboration, South Gippsland Water secured 596 Large-scale Generation Certificates (LGCs) from the Kiamal Solar Farm, supporting renewable electricity generation and reinforcing our Net Zero Emissions Plan.

Table 15: Total scope 1 and 2 emissions reporting (CLM_AR_EMR1)

Service delivery category	Scope 1 and 2 emissions (t CO_2-e)				Variance (%) between 2024–25 and 2025–26	Commentary
	2024–25 total scope 1 and 2 emissions	2025–26 scope 1 and 2 emissions				
		Scope 1 emissions	Scope 2 emissions	Total emissions		
Water treatment and supply	1,727	28.1	1,779	1,807	4.6%	
Sewage collection, treatment and recycling	4,348	2,719.3	1,747	4,467	-1.14%	
Transport	570	636.2		636	11.5%	This was our first full year operating on 100% renewable electricity, eliminating Scope 2 emissions and reducing our total greenhouse gas emissions by almost half. This represents a significant step forward in our journey towards achieving our net zero target
Other (e.g. offices, depots, etc.)	113	1.5	144	145	28.3%	
Total emissions (after REC retirement)	6,211	3,385	0	3,385	-45.4%	
Carbon offsets (self-generated) retired	-	-		-	-	-
Net emissions (after offset retirement)	**-**	**-**	**-**	**-**	**-**	No offsets were retired in 2025–26

Figure 1: Baseline, actual and projected scope 1 and 2 greenhouse gas emissions (CLM_AR_EMR4)

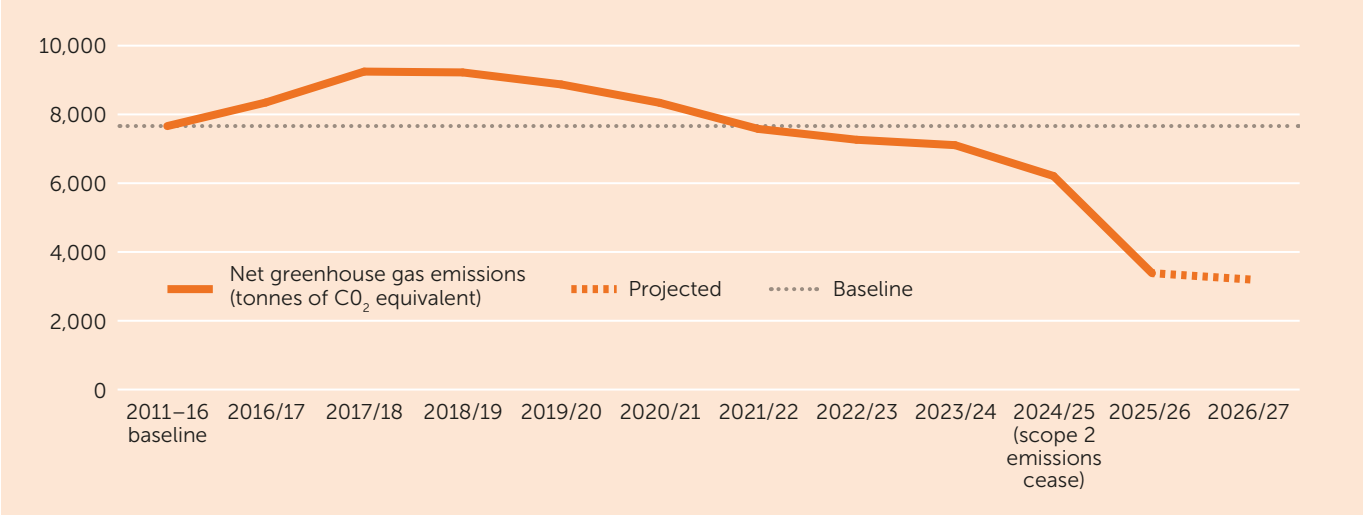


Table 16: Full breakdown of scope 1 emissions by greenhouse gas (CLM_AR_EMR5)

Service delivery category	Scope 1 emissions by greenhouse gas (source greenhouse gas reported in t CO_2-e)			
	Carbon dioxide (CO_2)	Methane (CH_4)	Nitrous oxide (N_2O)	Other
Water treatment and supply	28	0	0	0
Sewage collection, treatment and recycling	25	2,204	323	0
Transport	631	0	4	0
Other (e.g. offices, depots, etc.)	2	0	0	0
Total	**685**	**2,204**	**327**	

In 2025–26, South Gippsland Water voluntarily collected data and reported our scope 3 emissions from air travel.

Table 17: Reporting Scope 3 emissions (CLM_AR_EMR6)

Scope 3 emissions source	Scope 3 emissions (in t CO_2-e)	Commentary
Commercial air travel	5.22	More flights in 2025–26 lead to an increase in scope 3 emissions.

Table 18: Total electricity consumption reporting (service delivery categories) (CLM_AR_IRE1)

Service delivery category	2024–25 Total electricity consumption (MWh)[1]	2025–26 Total electricity consumption (MWh)	Commentary
Water treatment and supply	2,769	2,826	Electricity consumption at water treatment sites has continued to increase, reflecting growing water demand across the service area and the associated increase in treatment requirements
Sewage collection, treatment, and recycling	2,558	2,527	
Other (e.g. offices, depots, etc.)	155	192	In 2026, we relocated to a larger office in Leongatha to accommodate growth and operational needs
Total (by service delivery category)	**5,482**	**5,546**	Electricity consumption remained relatively stable, increasing by 1.1% in 2025–26

Table 19: Total electricity consumption reporting (by source) (CLM_AR_IRE2)

Electricity source	2024–25 Total electricity consumption (MWh)[1]	2025–26 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	4,519	4,705	-
Not directly purchased but sourced from outside the organisation	-	-	-
Water Corporation led/self-sourced activities and initiatives	963	841	-
Total (all by source)	**5,482**	**5,546**	After a 5.5% decrease in 2024–25, electricity consumption increased by 4.1% in 2025–26, consistent with increased energy requirements at water treatment sites

Table 20: Total renewable electricity consumption reporting (CLM_AR_IRE3)

Renewable electricity consumption categories	2024–25 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (% of total consumption)	Variance (%) between 2025–26 and 2024–25	Commentary
Total renewable electricity consumption from grid-sourced electricity South Gippsland Water reported because of the Commonwealth Government's LRET					
Total grid-sourced	822	814	14.7%	-0.97%	-
Total renewable electricity consumption from Corporation led/self-sourced activities and initiatives					
Biogas	-	-	-	-	-
Hydroelectric	-	-	-	-	-
Solar	963	841	15.2%	-12.6%	This year marked our transition to being powered by 100% renewable electricity. All Large-scale Generation Certificates (LGCs) generated or procured were retired by the SEC on our behalf for our large market sites, while AGL continues to provide GreenPower for our small market sites.
Wind	-	-	-	-	
Other renewable	711	3,891	70.2%	447.3%	
Total renewable electricity consumption	**2,496**	**5,546**	**100%**	**122%**	

Table 21: Total on-site renewable electricity generation capacity and generation reporting (CLM_AR_IRE4)

Renewable electricity source	2025–26 total on-site renewable electricity generation capacity (MW)	2025–26 total on-site renewable electricity generated (MWh)			Total generated KW (by source)
		Consumed on-site	Exported	Other purposes	
Biogas	-	-	-	-	-
Hydroelectric	-	-	-	-	-
Solar	1.17 MW	841	556	-	1,397
Wind	-	-	-	-	-
Other renewable	-	-	-	-	-
Total (renewable)	**1.17 MW**	**841**	**556**	**-**	**1,397**

Tables CLM_AR_IRE5, CLM_AR_IRE6 and CLM_AR_EMR3 were not applicable to South Gippsland Water in 2025–26 and have not been included in this report. South Gippsland Water does not produce non-renewable on-site electricity. We do not have energy storage systems on our sites. We did not have climate active eligible carbon offset units retired to reduce scope 1 emissions in 2025–26.

Table 22: Total Renewable Energy Certificate (REC) retirement reporting to reduce scope 2 emissions

(CLM_AR_IRE7)

REC retirement method	2025–26 RECs retired*	Commentary
Voluntarily retired by South Gippsland Water	-	LGCs generated by South Gippsland Water are now transferred to the SEC for retirement on our behalf
GreenPower	663	GreenPower purchases for our small sites increased slightly compared with the previous year
Certified carbon neutral electricity purchased	-	-
Voluntarily retired on South Gippsland Water's behalf	4,041	This was the first year our large market sites were supplied under the SEC contract, with all electricity matched by equivalent LGCs
Mandatorily retired or conveyed to South Gippsland Water's electricity retailer for mandatory retirement (if applicable)	-	-
Total RECs retired to reduce scope 2 emissions	**4,705**	This was our first full year powered by 100% renewable electricity

* 1 REC = 1 MWh renewable electricity

Table 23: Total energy usage from fuels and electricity segregated by energy source (CLM_AR_IRE8)

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	Total (in GJ)
From fuels	-	9,437	9,437
From electricity	16,937	-	16,937
Total	**16,937**	**9,437**	**26,374**

Table 24: Total energy usage per Corporation Full Time Equivalent (FTE) employee (CLM_AR_IRE9)

Total energy usage (fuels and electricity) in GJ	Total FTE employees	Energy usage (GJ) per FTE employee
26,374	164	161

Table 25: Total stationary fuel use in buildings and machinery (CLM_AR_IRE10)

	Total stationary fuel use (buildings and machinery)		
Fuel type	in GJ	in t CO_2-e	Commentary
Fossil gas	3	0	The Leongatha WWTP digesters, which produce biogas, were taken offline in 2025. The biogas produced is supplemented with natural gas, however this has now ceased.
Biogas	-	-	-
Diesel	332	23	
LPG	24	1	-
Petrol	32	2	-
Other	-	-	-
Total	**391**	**27**	The combination of the Leongatha WWTP digesters being taken offline and the reduced power outages significantly decreased our stationary fuel use and emissions.

Table 26: Number of transportation vehicles by engine/fuel type and category (CLM_AR_TP1)

Transportation vehicle category	Transportation vehicle engine/fuel type							Commentary
	Petrol	Diesel	LPG	Petrol Hybrid	Diesel Hybrid	Battery Electric	Other	
Passenger vehicles	5	6	0	3	0	2	0	We reduced the number of petrol passenger vehicles in 2025–26. Plug in hybrid and EV options will be explored further following our facilities upgrades which will include the installation of charging stations.
Goods vehicles	0	81	0	0	0	0	0	
Category total	**5**	**87**	**0**	**3**	**0**	**2**	**0**	

Table 27: Total distance travelled by commercial air travel

Commercial air travel	Passenger kilometres (kms)	Greenhouse gas emissions (t CO_2-e)[2]	Commentary
Commercial air travel	29,000	5.22	

Circular economy

We continued progressing initiatives under our Circular Economy Plan throughout 2025–26, with a focus on identifying opportunities to maximise resource recovery and reuse across our operations.

A feasibility assessment was completed for a waste recovery facility as part of the Wonthaggi Wastewater Treatment Plant upgrade. Significant engagement was undertaken with local businesses and waste recycling providers to understand potential feedstock availability, recovery opportunities and suitable treatment technologies. The assessment identified several potential opportunities, with further investigation to occur as the project progresses.

A separate assessment was completed to explore opportunities for recycled water use in the Wonthaggi region. Potential applications, including agricultural irrigation and the installation of a recycled water standpipe, have been identified and will be further explored to support regional water resilience and reduce pressure on potable water supply.

Circular economy principles continued to be embedded into our capital projects, with 1,238 metres of recovered black poly pipe reused as part of the Korumburra to Leongatha Pipeline project. This initiative reduced waste generation and is estimated to have saved South Gippsland Water approximately $49,000 in pipe supply costs.

We also recycled 177 ML of treated wastewater for recreational and agricultural use, supporting regional water resilience and responsible resource management

These initiatives demonstrate our ongoing commitment to reducing waste, improving resource efficiency and finding innovative ways to keep valuable materials and resources in use.

Biosolids reuse

In 2025–26, South Gippsland Water achieved 100% beneficial reuse of 206 dry tonnes of biosolids produced from wastewater treatment. An additional 172 dry tonnes of stockpiled material from previous years were also processed for reuse.

All biosolids were transported to the Gippsland Regional Organics facility, where they were processed into Australian Standard compost. This valuable product is returned to the land to improve soil health, closing the loop on waste and supporting Victoria's transition to a circular economy.



Environment Management System

South Gippsland Water's certified ISO 14001 Environmental Management System (EMS) continues to be a cornerstone of our commitment to responsible, transparent and proactive environmental management.

In 2025, our Environment Management System (EMS) underwent a full external recertification audit, with no major non-conformances identified. This outcome confirmed that our EMS remains compliant with the requirements of ISO 14001 and continues to support a culture of continual improvement across the organisation.

During 2025–26, we increased our environmental auditing program across our operations to strengthen compliance, identify improvement opportunities and ensure environmental risks are proactively managed across the business.

We also continued to improve our environmental reporting capability through technology enhancements. Improvements to incident reporting systems have enabled more accurate data capture, improved trend analysis and greater visibility of environmental performance through tools such as Power BI.

Building capability across our workforce remained a priority, with staff completing recognised EMS training to strengthen environmental awareness, compliance knowledge and the organisation's ability to manage environmental risks effectively.

In 2025–26, the number of environmental incidents reported was similar to the previous year, reflecting continued operational performance across Service Delivery. We remain committed to fostering a strong reporting culture, encouraging staff to promptly report environmental incidents and near misses. This enables us to investigate causes, implement corrective actions and continuously improve our EMS to minimise the risk of future incidents.

Biodiversity and natural environment

Our commitment to protecting biodiversity and the natural environment remained strong throughout 2025–26, with continued investment in habitat restoration, invasive species management and catchment protection initiatives.

Guided by the *Catchment and Land Protection Act 1994,* we continued our invasive weed management program across 13 reservoirs, 18 service storages and 11 wastewater treatment plants, targeting declared noxious weeds and environmental weed species that threaten biodiversity values. A pest animal control program also commenced, focusing on foxes and deer, which are listed pest species under the Act and can significantly impact native fauna, vegetation and water quality.

Revegetation remained a key focus, with 11,000 native plants established at our Inverloch Wastewater Treatment Plant site across three projects. These included staff and community planting days involving South Gippsland Water employees, Bass Coast Landcare Network, Bass Coast Shire Council, South Gippsland Conservation Society and Andersons Inlet Landcare, as well as a dedicated planting day involving students from Inverloch Kongwak Primary School. The revegetation works are helping strengthen habitat connectivity by linking remnant vegetation and creating improved habitat for local species including koalas and lace monitors, while supporting vulnerable species such as the swamp antechinus and swamp skink. Ongoing weed control, pest animal management and sustainable land management practices will continue to support the long-term success of these projects.

Catchment management was also a significant focus, with work undertaken alongside Bass Coast Landcare Network to develop a Lance Creek catchment management plan. The plan aims to improve water quality by reducing nutrient runoff impacts on the reservoir, enhance biodiversity outcomes and support invasive species control. This work contributes to the broader Kugerungmome/Powlett Integrated Catchment Management Project Implementation Plan led by the West Gippsland Catchment Management Authority.



Climate Change Adaptation

Our commitment to addressing climate change continued throughout 2025–26, with the development of our *Climate Change Adaptation Plan* progressing. The Plan establishes a structured approach to managing climate-related risks and opportunities through mitigation, adaptation and risk management. Informed by the latest climate science and aligned with regulatory and strategic obligations, it embeds climate resilience and sustainability into our decision-making, operational planning and long-term investment priorities.

Building climate resilience into our infrastructure remained a key focus. The newly constructed Korumburra to Leongatha Pipeline has improved water security and operational flexibility, providing additional reliability during dry periods, including the extended dry conditions experienced across the region over the past 18 months.

Our *Climate Change Adaptation Plan* focuses on six key areas: resilient infrastructure, secure water supplies, healthy catchments and biodiversity, lower emissions, strong communities and climate-informed decision-making. These focus areas guide how we prepare for changing climate conditions while continuing to deliver safe and reliable water and wastewater services.

We also continued our transition towards a low emissions future, achieving 100% renewable electricity supply during 2025–26. This important milestone has eliminated our Scope 2 emissions and represents a significant step towards achieving our long-term net zero emissions target.

Urban Water Strategy

Our *Urban Water Strategy* provides a 50-year forecast of water supply and outlines how South Gippsland Water plans to balance supply and demand in an increasingly variable climate. We are in the process of developing our new *Urban Water Strategy* to address key areas including demand and supply forecasting, water security, alternative water sources, recycled water use, climate change impacts, water efficiency, catchment management, community engagement, infrastructure planning and investment with governance requirements.

South Gippsland Water is committed to ensuring the resilience of our water supply systems in the face of challenges such as climate change, extreme events (e.g., drought and bushfires), raw water quality issues

(such as blue-green algal blooms) and power outages. To improve water security for our customers, the following actions are being undertaken under the *Urban Water Strategy* action plan:

- Construction of a temporary raw water pipeline linking unused dams in Korumburra to Leongatha reservoirs, a significant step in improving supply reliability for Leongatha customers.
- A water allocation has been secured from the Melbourne system to help manage water security during dry periods.
- Community and Traditional Owner engagement is underway to address community and stakeholder requirements.
- Our *Annual Water Outlook* across the all water supply systems and quarterly water outlook for river-based systems are updated and provided to DEECA, exploring opportunities to enhance water security.
- Upgrades to ageing infrastructure are underway, aimed at improving system resilience and enabling more accurate monitoring of operational efficiency.
- Water leakage reduction target studies are continuing.
- Our annual water main renewal program is continuing to be informed by water efficiency initiatives and target leak reduction.

Integrated Water Management (urban)

South Gippsland Water plays an active part in the Gippsland Region and Westernport Integrated Water Management (IWM) Forums to progress strategic outcomes in urban water, sustainability, waterways and catchment management strategies.

In 2025–26 we were one of the partner organisations supporting Yarram Recreation Reserve with fit-for-purpose water along with Wellington Shire Council. South Gippsland Water is continuously working in identifying opportunities to increase recycled water usage from Wonthaggi WWTP, Foster WWTP and Meeniyan WWTP.

In response to drier-than-average conditions across our service area, we have also advanced strategies to increase the volume of recycled water from several of our wastewater treatment plants. Our aim is to make recycled water available to new customers in the region, while also reducing the volume of treated effluent discharged to the environment. We are in the process of constructing tertiary treatment at the Meeniyan Wastewater Treatment Plant to enable the production of higher-quality recycled water, supporting more efficient and expanded reuse. We are also exploring opportunities for potential recycled water use at community facilities in Foster.

Drought Preparedness Plan

The *Urban Water Strategy* includes our *Drought Preparedness Plan* (DPP) summarising key information about the supply system and details important actions to prepare for and respond to water shortages. These water shortages can be due to drought or other extreme circumstances, such as water quality and emergency events.

Key aspects of our DPP:

- Details our demand projections against available water resources under predicted climate scenarios.
- Details how South Gippsland Water monitors and plans for water shortages.
- Defines how South Gippsland Water will engage with customers, communities and stakeholders on planning and preparing for water shortages.
- Specifies priority community assets that might require water during water shortages and how water will be provided (i.e., water use plans, exemptions and/or alternative water).
- Documents how South Gippsland Water will work with the responsible asset manager (e.g., local council) to access identified alternative water sources.
- Identifies proposed exemptions under each relevant stage of water restrictions.
- Includes principles for determining what are exempt users and a timeframe for determination on the submissions for exemptions.
- South Gippsland Water recently constructed a temporary raw water pipeline linking unused dams in Korumburra to Leongatha reservoirs, a significant step in improving supply reliability for Leongatha and Koonwarra customers.
- South Gippsland Water has secured water allocation from the Melbourne system to help manage water security during dry periods.

Wastewater

Wastewater Management

During 2025–26, South Gippsland Water continued to deliver wastewater services across our communities. Recent investment in wastewater infrastructure included the commissioning of on-site backup generators at the Korumburra and Leongatha Wastewater Treatment Plants. These generators improve operational resilience during extended power outages, helping to maintain treatment performance and reduce the risk of environmental incidents. South Gippsland Water also completed an expansion of the recycled water irrigation system at the Waratah Bay Wastewater Treatment Plant, doubling the available irrigation area. This enables more treated effluent to be beneficially reused, improves environmental sustainability, and reduces the risk of emergency discharges during wetter years.

South Gippsland Water complied with EPA licence requirements at nine of our 10 licensed wastewater treatment plants during 2025–26. There was one notification of EPA licence non-compliance during the reporting period. This occurred in July 2025 and involved an exceedance of the maximum allowable ammonia concentration in treated effluent. The incident resulted from a failure of established risk control measures. Corrective actions were implemented and additional measures have been put in place to strengthen operational controls and reduce the likelihood of recurrence.

South Gippsland Water continues to improve wastewater management through an ongoing program of investment and operational improvements. Key initiatives undertaken during 2025–26 included:

- Awarded the construction contract for a dissolved air flotation (DAF) plant and expansion of the recycled water irrigation system at the Meeniyan Wastewater Treatment Plant. Construction of the DAF plant commenced during 2025–26, with construction of the recycled water irrigation system expansion scheduled to commence in the 2026–27 financial year.
- Completed the planning and design and commenced procurement for a new electrical switchboard at the Toora Wastewater Treatment Plant. The upgrade will support future improvements, including enhanced operational monitoring and the installation of an on-site backup generator.
- Awarded the construction contract and commenced upgrades at the Leongatha Wastewater Treatment Plant, including a new inlet works, an additional emergency storage lagoon, and improvements to chemical storage and handling facilities to improve operational resilience and environmental performance.
- Replaced a significant section of the Venus Bay outfall pipeline with a history of failures, reducing the risk of future pipeline failures and associated environmental incidents.
- Continued to improve wastewater management systems through enhancements to operational monitoring, instrument calibration, documentation and compliance reporting.
- Continued the implementation of region-wide risk assessments to inform future asset planning, prioritise investment and strengthen environmental risk management.

Treated effluent and sustainable water re-use

South Gippsland Water recognises that, with appropriate management, by-products of wastewater treatment can be a resource rather than a waste product. Five of our wastewater treatment systems re-use treated water. Two systems achieve 100% re-use. As a dispersed, high-rainfall area, identifying viable opportunities for re-use water is challenging.

South Gippsland experienced another dry summer in 2025–26, resulting in increased opportunities for re-use. Treated effluent re-use systems are in place at Tarraville, Toora, Waratah Bay and Meeniyan. A total of 177 ML (4.1%) of treated effluent was re-used during 2025–26. Most of the re-use is on agricultural land and a small amount is used for recreation/sporting grounds.

We continually look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured.

Re-use programs include:

- Tarraville Wastewater Treatment Plant: treated wastewater is piped to an adjacent property for crop irrigation.
- Toora Wastewater Treatment Plant: the Toora Football Club uses treated wastewater to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.

- Waratah Bay Wastewater Treatment Plant: all treated wastewater is used onsite for pasture irrigation.
- Meeniyan Wastewater Treatment Plant: the sewerage scheme constructed at Meeniyan has incorporated wetlands as the final treatment process. This provides treated effluent to multiple re-use sites within the area, including the Meeniyan Football Oval and the Meeniyan Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.
- Poowong, Loch, Nyora sewerage system: a collaborative approach with South East Water sees most of the effluent from the Poowong, Loch and Nyora Sewerage Scheme treated at the Lang Lang Wastewater Treatment Plant to Class A standard. It is then used by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

Our water re-use practices are in compliance with the EPA's *Victorian Guideline for Water Recycling (2021).*

Asset management

The *Strategic Asset Management Plan* (SAMP) applies to assets throughout each phase of the lifecycle, including Leadership and Accountability, Planning, Acquisition, Operation and Disposal, as they relate to the management of non-current and non-financial assets.

As a State Government entity South Gippsland Water is required to manage assets in accordance with the *Asset Management Accountability Framework* (AMAF), developed and published by the Department of Treasury and Finance (DTF). The AMAF aligns to the international standard for asset management (ISO 55000 series).

AMAF has developed 41 mandatory indicators to improve asset management practices. As six of these indicators have multiple components, we have categorised additional sub-indicators, bringing the total number of criteria to 47. Our business policies, procedures and practices related to asset management are assessed against these 47 criteria that cover the full asset lifecycle applying the following ratings:

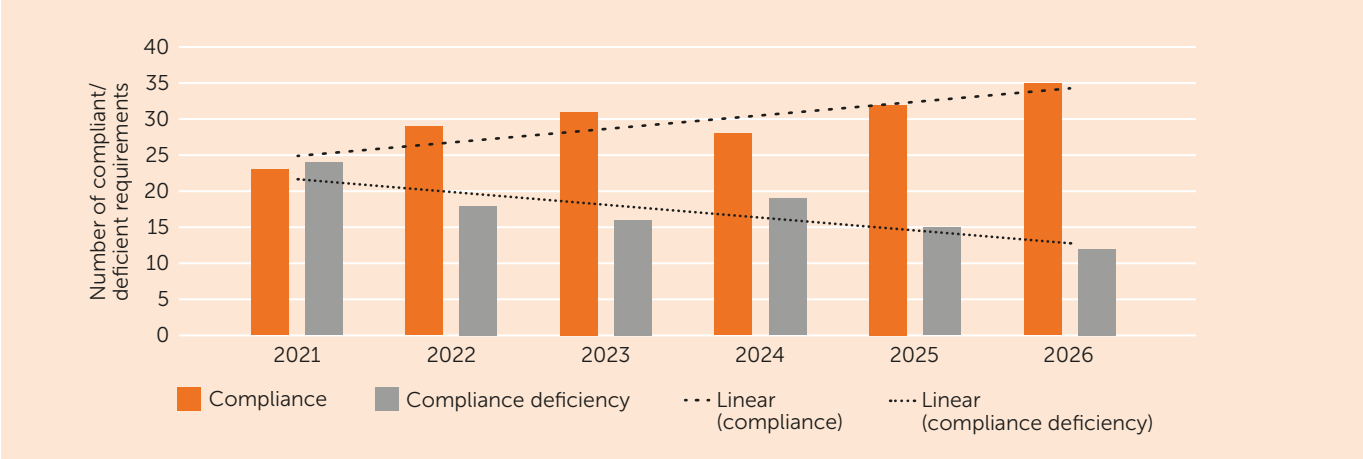
- Compliant
- Compliance deficiency
- Material deficiency

The 2025–26 self-assessment recorded compliance against 35 of the 47 mandatory indicators, which has increased from 32 recorded in the previous maturity assessment, audits and self-assessments. We recorded no material compliance deficiencies.

The implementation of the new integrated Enterprise Resource Planning (ERP) system, including a cloud-based Asset Management Information System (AMIS), Financial Management System and Customer and Billing System, marks a significant advancement in business process capability and system integration.

This implementation has strengthened asset management practices, addressed material compliance deficiencies, and improved overall data quality and operational efficiency. A structured and ongoing continuous improvement program is now being developed, aligned with the SAMP, to further enhance system performance, close remaining compliance gaps and progressively increase asset management maturity toward the target 'competent' level.

Figure 2: Five year AMAF compliance trend, 2021–2026



Part 3:
A modern and future-fit organisation

Major projects

South Gippsland Water progressed several significant capital works designed to enhance our system capacity, strategically reduce the risk of leakages and spills and improve operational efficiency.

Watermain renewals and upgrades

This program of works is to renew and upgrade ageing watermains to accommodate growth, maintain water service reliability and water quality standards. It also reduces water losses through leakages and improves operational efficiency and performance.

During 2025–26 there were eight significant watermain renewal and upgrade projects completed across the region, renewing a total of 3.0km of watermains with a total investment of $1.12m.

Venus Bay Outfall Project (Middle Tarwin component)

This program of work is to progressively renew the Venus Bay Outfall and pumping station to minimise the risk of trade waste spills to the environment and to support the ongoing operation of the dairy processing industry in the region.

The Venus Bay Outfall services the Saputo dairy processing plant in Leongatha and consists of a 42km trade waste outfall pipeline and pumping station that conveys treated trade waste effluent from Leongatha to an ocean outfall in Venus Bay.

Under a trade waste agreement, South Gippsland Water has completed renewal of 7.6km of the outfall pipeline in Middle Tarwin in 2025–26, funded by the customer.

Drinking water storage upgrades and renewals

These projects benefit customers across the region by maintaining safe, clean drinking water and improving system capacity and resilience.

- Construction work is 95% complete on a new clear water storage tank at the Lance Creek Water Treatment Plant (WTP) that will provide significant additional storage capacity and improve efficiency and resilience of this system. Investment on this project during 2025–26 was $5.04m.
- Construction of the Foster WTP clear water storage basin cover and liner renewal was completed. Investment on this project during 2025–26 was $0.60m.

Water treatment plant renewals and upgrades

These projects support growth in the region by improving water treatment plant capacity and performance and maintaining safe, clean and reliable drinking water.

- A significant design and construction contract has been awarded to renew the filters at the Foster and Toora WTP's. $0.63m of investment was incurred on this project during 2025–26 out of a total forecast investment amount of $10.25m.
- Construction has been completed on a package of water treatment plant renewal works at the Lance Creek and Devon North WTPs which will improve performance and reliability of these assets.
- Design is underway for upgrading of the Leongatha WTP powder activated carbon dosing system.
- Design is also underway for a number of other WTP renewal and upgrade projects including renewal of the disinfection systems and other equipment at the Foster and Toora WTPs and renewal of the electrical switchboard at the Fish Creek WTP.

Investment on water treatment plant upgrades during 2025–26 was $1.77m.

Sewer system rehabilitation

There are ongoing programs designed to ensure that the sewer system is actively inspected, cleaned, repaired and maintained to minimise the potential for blockages and spills. These programs include:

- Sewer main inspection, cleaning and repair via relining
- Sewer sidelines renewals
- Maintenance hole inspection and repair
- Sewer pumping stations inspections, repairs and upgrades

Significant sewer system rehabilitation projects completed during 2025–26 included:

- Waratah Bay sewage pumping station renewal - $0.61m investment during 2025–26
- Package of sewage pumping station electrical switchboard renewals in Port Welshpool – $0.50m investment during 2025–26

The total investment on these programs in 2025–26 was $2.21m.



Wastewater treatment plant renewals and upgrades

This program of works is to upgrade a range of ageing assets at the wastewater treatment plant facilities to ensure ongoing and improved reliability, treatment quality, improve operational performance and safety and to reduce the risk of environmental contamination.

- During 2025–26 three significant wastewater treatment plant upgrade contracts were awarded at the following treatment plant sites:
  - Meeniyan wastewater treatment plant – $1.13m investment during 2025–26
  - Leongatha wastewater treatment plant – $1.82m investment during 2025–26
  - Toora wastewater treatment plant – $0.17m investment during 2025–26
- Planning and design continues for major plant augmentations and upgrades at Wonthaggi and Foster wastewater treatment plants – combined investment during 2025–26 on planning activities for these two projects was $1.51m.
- A number of minor renewal projects were also completed across the region.

The total investment during 2025–26 on wastewater treatment plant renewals and upgrades was $5.54m.

Emergency power program

Climate variability is increasing the number of severe storms and intense rainfall events in the region. Storms in 2021, 2023 and again in 2024 caused interruptions to power supplies and communications systems vital for water and wastewater services.

The Emergency power program is designed to improve the resilience of water and wastewater services during and after major storms. Upgrades to emergency power supply arrangements and communications are occurring across the region including the procurement of additional mobile and fixed generators at critical wastewater and water treatment plant sites.

The total investment during 2025–26 was $0.87m.

Water security

Water outlooks (annual system-wide and quarterly for river-based systems) are regularly provided to DEECA to identify opportunities to strengthen water security. A new temporary raw water pipeline connecting unused dams in Korumburra to Leongatha reservoirs marks a key step in improving supply reliability for Leongatha customers.

South Gippsland Water is committed to supplying water and wastewater services to customers at the agreed levels of service. South Gippsland Water manages our own water storages and holds a water entitlement from the South-Central Pool for the Lance Creek system. We are guided by our *Urban Water Strategy*, the *Central and Gippsland Region Sustainable Water Strategy*, and Integrated Water Management (IWM) principles to improve water security across the system.

South Gippsland Water has secured the South-Central Pool entitlement, giving greater flexibility in ordering water volumes and providing added security for the Lance Creek system during inflow shortages or raw water quality issues at the Lance Creek reservoir. In the Ruby Creek system, a new pipe connection from the unused Korumburra dams to the Leongatha reservoirs, via the disused Bellview Creek and Coalition Creek reservoirs, has been implemented as an interim supplementary supply from early 2026, providing additional water yield to the Leongatha system. Feasibility of a further connection between the Ruby Creek and Lance Creek systems was also investigated in early 2026 and incorporated into *Urban Water Strategy* modelling.

Information and Communication Technology investment

Information and Communication Technology (ICT) plays a critical role in enabling South Gippsland Water to deliver safe, reliable and efficient water and wastewater services.

The ICT team supports the organisation's operational technology, corporate systems and cybersecurity while leading strategic investments that improve business capability, strengthen resilience and enhance customer service.

It plays a key role in our multi-year transformation program to upgrade core business applications, replace ageing equipment, improve our regulatory compliance and operational resilience, and to ultimately support our customers. The team has a strong focus on improving cybersecurity, modernising our systems and ways-of-working, and business continuity.

Building digital capability

During 2025–26, South Gippsland Water continued to build on the significant investment made in our Enterprise Resource Planning (ERP) system in the previous financial year. The focus shifted from implementation to adoption, supporting employees as they adopted new ways-of-working, refining business processes and maximising the value of the organisation's investment.

In 2024–25, South Gippsland Water implemented a modern cloud-based ERP solution that replaced three ageing, fragmented and inflexible systems supporting customer service, billing, finance, asset management, and maintenance. The new platform provides a single, integrated environment that improves the management of information and business operations across the organisation.

As expected with a transformation of this scale, staff have required time and support to adapt to new processes and ways-of-working. Throughout 2025–26, the organisation has continued to invest in training, process improvement and system optimisation to maximise the benefits of the new platform.

As business processes continue to mature, the platform is delivering measurable improvements through:

- faster resolution of customer enquiries
- improved communication across business units
- more accurate and timely customer billing
- greater transparency in operational performance
- improved information to support decision-making.

Over time, these improvements are expected to reduce manual processing, eliminate duplicate systems, improve data quality and deliver greater operational efficiency, creating lasting value for customers and the organisation.

The successful implementation of the ERP platform has established a strong digital foundation on which future technology initiatives can be built, including enhanced self-service customer portals, automated notifications, mobile applications, and greater integration across our business systems.

Strengthening cybersecurity and resilience

Protecting customer information, operational technology and critical business systems remains a strategic priority for South Gippsland Water.

South Gippsland Water has continued to strengthen our cybersecurity capabilities to protect organisational information, customer data and critical operational systems through ongoing investment in security technologies, enhanced monitoring and threat detection, regular security assessments, and continual improvements to governance, policies and staff awareness.

The adoption of the cloud-based ERP platform has further strengthened the organisation's security posture. By leveraging a globally-supported cloud service, South Gippsland Water benefits from Infor's significant investment in cybersecurity, including dedicated security teams, continuous security monitoring, vulnerability management, regular security updates and resilient cloud infrastructure.

While cybersecurity remains a shared responsibility between South Gippsland Water and our service providers, the cloud platform provides enterprise-grade security capabilities that would be difficult and significantly more costly for the organisation to implement and maintain independently.

ICT investment

For the 2025–26 reporting period, South Gippsland Water spent $4,000,000 on ICT across the organisation to support the delivery of secure, reliable and efficient services.

ICT expenditure is reported across two categories:

- **Business-as-usual** operating expenditure supports the ongoing operation, maintenance, licensing, cybersecurity and support of existing ICT systems, infrastructure and services; and
- **Non-business-as-usual** capital expenditure funds strategic projects that replace, enhance or expand the organisation's technology capability through planned investment programs.

During the reporting period, ICT investment focused on embedding the new ERP platform, strengthening cybersecurity, renewing core infrastructure, and improving the resilience and accessibility of operational technology. This included continued investment in operational plant systems and communications infrastructure to support reliable service delivery, improve operational efficiency, and provide better outcomes for customers and the community.

Table 28: 2025–26 ICT expenditure

Business as usual	Non-business as usual		Total
	Operational	Capital	
$3,707,815	$7,134,574	$257,458	**$11,099,848**

Part 4:

Affordability and financial sustainability

Our customers

Customer responsiveness

South Gippsland Water is committed to delivering responsive, respectful and accessible customer service aligned with our Customer Outcomes. These outcomes reflect customer expectations for reliable services, high-quality water and wastewater services, care for the environment and organisational integrity.

The Customer Experience team continued to provide enhanced support to residential customers and small businesses throughout the year.

A total of 461 customers were supported through flexible payment arrangements during 2025–26. A further 20 customers received assistance through the *Pay and Save* co-payment program.

South Gippsland Water received 117 complaints relating to payment and billing issues, primarily associated with the initial bills generated through the new platform.

Total customer complaints increased by 23.4 per cent compared with the previous year, reaching 185 in 2025–26. This increase reflected the scale of change associated with implementation of the new billing system and the resulting frustrations experienced by some customers.

While these challenges affected customers, the number of formal complaints remained relatively low when considered against the number of customers and bills processed. This reflects the efforts of our employees to respond quickly, explain issues clearly and provide appropriate support.

Customer satisfaction improved during the year in both South Gippsland Water's independent customer research and the Essential Services Commission's customer survey. These results indicate that customers recognised the organisation's efforts to maintain communication and provide responsive support during a period of significant change.

Transition to the new billing system

During 2025–26, South Gippsland Water completed the transition to a new customer and billing platform. The implementation successfully migrated customer information and enabled the introduction of quarterly billing.

As is common with complex technology implementations, several issues emerged during the transition. These included initial data-mapping issues that affected the presentation of information on some customer bills. While the amounts charged remained accurate, the way some information appeared created confusion for some customers.

A privacy incident also occurred when a third-party provider did not follow the required approval process. South Gippsland Water responded promptly to contain and resolve the incident, and reviewed the relevant controls and processes.

Throughout the year, we continued addressing implementation issues and improving billing performance. The proportion of customers experiencing delayed bills reduced from approximately six per cent during the initial billing cycle to zero by the fourth quarterly billing cycle.

To maintain a high level of customer support, South Gippsland Water increased staffing within the Customer Support Team and communicated regularly through social media, letters, bill inserts and email.

We also used the interactive voice response function within our telephone system to provide customers with timely information about known issues and help reduce unnecessary waiting times.

Throughout the development of the new billing system, we implemented the Essential Service Commission *Safety by Design* principles to ensure customer privacy, safety, security and confidentiality were at the centre of the final design.

Case study

The new billing system gives us the functionality to ensure we are able to support customers experiencing separation or family violence.

Mary has recently separated from her partner, who are a joint account holder on their water account. We removed her partner from the account and gave Mary a new account number and access to reduce the risk of her former partner accessing her details and her account.

Mary will also be flagged for confidentiality, limiting the staff who can access her details to provide another layer of safety and security.

Our operational performance measures for customer responsiveness can be found in Table 29 below.

Table 29: Reporting on operational performance relating to customer responsiveness (CCE_AR_CCE2)

Operational performance						
Customer Responsiveness Indicators	**ESC code**	**2024–25 result**	**2025–26 result**	**Variance to 2024–25**	**2025–26 target**	**Variance to target**
Water bills – customers on flexible payment plans No. of customers with instalment plans	UPP 1	457	461	0.88%		
Water bills – customers awarded hardship grants No. of customers awarded hardship grants	UPP 6	23	20	-13.04%		
Customer Responsiveness – water quality complaints[1] No. of complaints per 100 customers	CRS 4	0.43	0.32	-24.34%	0.6	-46.22%
Customer Responsiveness – number of payment issue complaints No. of complaints per 100 customers	CRS 7	0.02	0.46	2078.96%	0.1	364.66%
Customer Responsiveness – total complaints[4] No. of complaints per 100 customers	CRS 3	0.64	0.88	36.95%	2	-55.90%

1 Figures rounded

Customer Support Program

The end of 2025–26 marked completion of the third year of the current regulatory period.

In accordance with commitments we made through our Price Submission, South Gippsland Water continued the enhanced customer support arrangements introduced during the COVID-19 pandemic.

The Customer Support Program recognises that financial hardship can affect customers for a wide range of reasons and may be either temporary or ongoing. The program provides flexible and personalised assistance based on each customer's circumstances.

Key elements include:

- extending support to small businesses experiencing financial difficulty
- offering the *Pay and Save* co-payment program to help customers re-engage with regular account payments
- allowing instalment plans of up to two years
- providing payment extensions of up to 12 weeks
- offering one-on-one support to assess eligibility for the Utility Relief Grant Scheme and assist with applications
- maintaining a dedicated Customer Support Officer for customers experiencing vulnerability or payment difficulty
- providing referrals to relevant financial counselling and regional support services
- working with customers to reduce water use and manage future bills.

Recognising the challenges associated with the introduction of the new billing system, we did not apply penalty interest to overdue or late payments during 2025–26. Instead, we worked directly with customers who sought assistance to establish appropriate payment arrangements.

Management of social, economic and pricing impacts

Cost-of-living pressures continued to affect many customers during 2025–26.

South Gippsland Water managed residential bills in accordance with customer commitments and the Essential Services Commission's price determination.

Average water consumption per customer increased marginally compared with 2024–25. We continued to monitor the effect of consumption, tariffs and broader economic conditions on customer affordability.

Our Customer Support Program remained available to help customers experiencing financial difficulty and will continue to be reviewed to ensure it responds to changing community needs.

Table 30: Total urban bills for 2025–26 (CCE_AR_BIL2)

Indicator	2025–26
Residential bill – owner occupier ($ 2025–26) The actual bill for an owner-occupier with typical (average) water use in the year	$1,418.06
Residential bill – tenant ($ 2025–26) The actual bill for a tenant with typical (average) water use in the year	$320.33
Typical (average) water use (kL) assumed in owner-occupier and tenant bill calculations	126
Non-residential bill – business ($ 2025–26) The annual bill for a business using 3 ML per annum in the year	$8,724.63

Facilitating support for our customers

South Gippsland Water seeks to identify customers who may require assistance as early as possible and work with them before their accounts move further into arrears.

Through our Customer Support Program, we:

- discuss each customer's circumstances and identify suitable payment options
- treat customers with sensitivity, dignity and respect, without judgement
- protect customer privacy in all communications and information systems
- communicate in ways that reflect individual needs and accessibility requirements
- provide interpreter services when requested
- recognise that digital access, disability and social circumstances can affect how customers interact with us
- establish support arrangements that reflect whether financial difficulty is short-term or ongoing
- provide information about, and referrals to, appropriate regional support services
- avoid legal action, water-supply restriction and additional debt-recovery activity where customers meet hardship criteria and continue making agreed payments
- monitor customer support arrangements and identify emerging issues as early as possible
- work with customers to establish alternative arrangements where existing payment plans are no longer suitable
- explain the circumstances in which access to support may change or cease
- provide employees with regular training to support customers with diverse circumstances and communication needs
- provide information about government concessions and assistance programs
- offer advice and assistance to reduce water consumption
- advise customers of their right to contact the Energy and Water Ombudsman Victoria where an affordability matter cannot be resolved directly with South Gippsland Water.

Utility Relief Grant Scheme

The Utility Relief Grant Scheme provides assistance to eligible Victorian households that are unable to pay their utility bills due to temporary financial hardship.

During 2025–26, South Gippsland Water processed 482 applications on behalf of 342 customers, resulting in $138,845.96 in grant payments.

Our focus during the year was on helping eligible customers access the full value of the support available through top-up applications, rather than solely increasing the number of customers participating in the scheme. Our dedicated team worked directly with customers to assess eligibility, prepare applications and provide supporting information.

Table 31: Customer support (CCE_AR_CCE1)

Community Service Obligations	2024–25 Total actual (or nominal) dollar amount of concessions provided in year ($)	2024–25 Total number of customers provided concessions in year (no. of customers)	2025–26 Total actual (or nominal) dollar amount of concessions provided in year ($)	2025–26 Total number of customers provided concessions in year (no. of customers)
Provision of Water and Sewerage Concessions	$1,992,320	6,415	$1,982,606.80	6,227
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	$148,574	571	$140,129.75	561
Utility Relief Grant Scheme payments	$181,046	447	$138,845.96	342
Water Concession on life support machines	$0	0	$0	0
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)*	0	0	0	0

* The Sewerage and Water Connection Scheme rebate was not applied by the sector in 2025–26.

Community Rebate Program

The Community Rebate Program supports eligible lower-income customers to improve water efficiency and address plumbing issues that may be contributing to high water use and increased bills.

South Gippsland Water received $15,000 to continue delivering the program from 2025–26 to 2027–28.

During 2025–26, seven customers received water-efficiency improvements valued at $7,497.60. Works included repairing leaks and replacing inefficient or faulty toilet cisterns and hot-water systems.

When a customer is identified as potentially eligible, South Gippsland Water arranges for an appointed plumber to attend the property and undertake a water audit. The plumber identifies appropriate works that could reduce consumption, address faults and improve household water efficiency.

The program provides funding of up to $1,100 per eligible customer. Supported works may include:

- leak repairs
- water-efficient showerheads
- toilet repairs or replacement
- tap repairs or replacement
- hot-water recirculation systems
- flow-control devices
- evaporative-cooler repairs or replacement
- hot-water-service repairs or replacement.

Where the cost of the recommended works exceeds $1,100, customers may choose to contribute the remaining amount or proceed with a reduced scope of works. South Gippsland Water also provides up to $5,000 each year from our own funds to support customers or properties experiencing hardship that do not meet the formal program eligibility requirements.

Table 32: Community Programs (RLC_AR_WER1)

Name of program	Number of customers	Value of rebates
Community Rebate Program	7	$7,497.60
Community Housing Retrofit Program*	N/A	$0

* Due to the limited funds provided to South Gippsland Water, all funds were directed to residential customers and nothing was expended against the community housing and retrofit Program.

Financial performance overview

The full year operating result for 2025–26 was a loss before tax of $20.7m. Net Cash Flow from Operations was – $8.9m, which was $14.6m below budget and $8.1m lower than last year.

Total revenue received for the period was $46.4m, an increase of $3.9m on the prior year. The higher revenue was driven by higher service and volume charges.

Total expenditure for the year increased by $0.8m to $67.2m. The main driver of the increase in cash-related operating expenditure was higher finance costs relating to billing delays, which resulted in drawing borrowings earlier and higher than anticipated. The non-cash-related operating expenditure increase was due to asset write-offs being higher than expected.

The Corporation achieved 79% of the planned capital expenditure, with $26.0m spent, relative to $33.1m in the Corporate Plan.

Cashflow from Operations for the period did not finance any net capital expenditure ($26.1m in net investing cash outflows for the period) resulting in the capital program being funded purely by debt.

The Board is focused on strategic investment in new infrastructure and the renewal of our assets and existing networks to secure the future of our services. The Corporation will continue to invest prudently and efficiently in assets to service major customers, meet growth needs, replace aging assets and protect the environment in the face of a changing climate. The Board actively manages and monitors financial performance, balancing immediate challenges with future opportunities by applying the strategic foresight necessary to anchor our long-term financial sustainability.

Total assets increased by $66.2m in the period due to the formal revaluation of infrastructure assets in the current financial year. Total liabilities increased by $47.2m (17%). This increase is largely due to increased borrowings to serve as working capital for the capital program.

The current ratio has improved to 0.7 for year-end compared to the prior period of 0.3, because of a higher than anticipated closing bank balance and higher receivables from Quarter 4 bills being released just prior to year-end.

A summary of performance measures on our financial metrics can be found in Table 40 on page 80.



Table 33: Five-year financial summary

Financial result	2025–26 $'000	2024–25 $'000	2023–24 $'000	2022–23 $'000	2021–22 $'000
Profit and loss – summary					
Core revenue	44,055	39,916	36,504	32,901	32,272
Developer contributions and gifted assets	1,849	1,809	3,453	7,322	6,054
Other revenue	544	794	288	311	344
Total revenue	46,448	42,519	40,245	40,534	38,670
Operating expenditure	37,267	38,964	28,791	25,618	23,588
Depreciation	19,558	20,236	14,912	14,139	14,476
Finance costs	8,326	6,392	4,780	3,627	2,844
Other	2,039	796	511	1,613	2,365
Total expenditure	67,190	66,388	48,994	44,997	43,273
Net profit (loss) before tax	-20,742	-23,869	-8,749	-4,463	-4,603
Net profit (loss) after tax	-21,148	-17,902	-6,584	-8,749	-3,310
Balance Sheet – summary					
Current assets	20,774	8,474	8,303	9,778	10,566
Non-current assets	725,297	671,315	663,662	520,500	510,254
Total assets	746,071	679,789	671,965	530,278	520,820
Current liabilities	28,401	26,335	19,393	13,544	18,733
Non-current liabilities	292,547	247,449	228,365	184,593	167,168
Total liabilities	320,948	273,784	247,758	198,137	185,901
Net Assets	425,123	406,005	424,207	332,141	334,919
Net cash flows from operations	-8,892	-756	8,184	7,008	9,214
Payments for infrastructure, property, plant and equipment	26,231	26,877	27,463	20,856	16,669

Summary of financial performance

Performance indicator	2025–26	2024–25	2023–24	2022–23	2021–22
Internal financing ratio	-33.9%	-2.8%	29.8%	33.6%	53.4%
Gearing ratio	25.5%	22.4%	18.5%	20.3%	18.0%
Interest cover (cash) – times	-0.1	0.9	2.7	2.9	4.3
Return on assets	-1.7%	-2.6%	-0.7%	-0.2%	-0.3%
Return on equity	-3.8%	-4.3%	-1.7%	-0.9%	-1.0%
Current ratio – times	0.7	0.3	0.4	0.7	0.7

Report of operations standard disclosures

Our people

Our people are central to South Gippsland Water's ability to provide safe, reliable and sustainable services to our customers and community. A capable and engaged workforce, supported by strong leadership and a positive organisational culture, is fundamental to delivering our 2040 Vision and Strategy.

The 2025–26 year marked an important transition for South Gippsland Water. Following several years of significant investment in digital systems and business process transformation, the major implementation phase was substantially completed and the organisation began moving into a period of continuous improvement.

With these foundations in place, the year also provided an opportunity to reflect on the employee experience and prepare for the next phase of our organisational development. Building on our strong safety ethos, this next phase will place greater emphasis on our people – strengthening leadership, capability, wellbeing and culture, and continuing to develop a safe, inclusive and contemporary workplace.

People, culture and capability

The 2025–26 People Matter Survey, together with broader feedback from our people, provided valuable insight into the employee experience and helped identify areas requiring greater attention in the years ahead.

During the year, additional investment was approved to strengthen the People and Culture function. Initial preparatory work also commenced to gather ideas, consider priorities and lay the groundwork for a refreshed *People and Culture Strategic Plan* and a *Safe and Well Plan*.

At 30 June 2026, this work remained in its early stages. The refreshed *People and Culture Strategic Plan* is scheduled for completion in October 2026 and will guide a more substantial program of work during 2026–27 and beyond.

The plan will establish the direction for strengthening leadership and organisational capability, enhancing the employee experience and supporting a culture in which people feel safe, valued and able to contribute at their best. This work will support South Gippsland Water's ambition to be a contemporary employer of choice.

Existing people initiatives continued during the year, including the employee benefits program, performance development process and values-based reward and recognition program. These initiatives provide an important foundation for the next phase of our people and culture work.



Our values remain central to how we work and the behaviours we expect:



Inclusive: We embrace diversity and foster collaboration.



Respectful: We treat people with dignity, kindness and consideration, and honour Traditional Owners.



Reliable: We deliver on our commitments with integrity.



Innovative: We are curious and creative, seeking ways to improve and adapt.



Sustainable: We prioritise the environment, our wellbeing and financial sustainability.

These values are underpinned by our commitment to **Start Safe, Work Safe, Home Safe**. Safety remains the defining feature of our culture and provides a strong foundation for broadening our focus on wellbeing, leadership and the overall experience of our people.

Equity, inclusion and gender equality

South Gippsland Water is committed to creating an equitable and inclusive workplace that values different perspectives, experiences and backgrounds.

During 2025–26, the organisation approved our *Equity, Inclusion and Diversity Strategic Plan 2025–2028* and *Gender Equality Action Plan 2026–2030*.

Together, these plans provide a clear framework for continuing to strengthen equity, inclusion, representation and belonging across the organisation. They also support the 2040 Vision and Strategy's focus on highly capable people, a strong organisational culture and welcoming and inclusive workplaces. The plans are available on our website.

Enterprise Agreement

Bargaining for a replacement Enterprise Agreement progressed during 2025–26, culminating in an in-principal agreement being reached with employee bargaining representatives.

At 30 June 2026, the proposed agreement had not yet been put to an employee vote or progressed through the Fair Work Commission approval process. These formal processes will continue during 2026–27.

Employment principles and employee support

South Gippsland Water remains committed to the principles of merit, equity, inclusion, respect and human rights in all areas of employment.

New employees receive the *Code of Conduct for Victorian Public Sector Employees* as part of their induction and orientation. This is supported by information about expected standards of behaviour, integrity, conflicts of interest and respectful conduct.

Induction and onboarding processes continue to be reviewed and improved to incorporate employee feedback and organisational learning. Board Directors and senior management also make annual pecuniary interest declarations.

Employees and their immediate families continue to have access to a confidential Employee Assistance Program, providing counselling, coaching and support for workplace and personal matters.

Table 34: Workforce Inclusion Policy reporting outcomes

Workforce Inclusion Policy initiative	Target (% FTE)	Baseline[1]	Performance 2024–25	Performance 2025–26
Gender diversity	General Managers and Executive Officers 40% male, 40% female and 20% any gender	2015–16 80% men 20% women	50% men 50% women	71% men 29% women
	Senior managers[2] 40% male, 40% female and 20% any gender	2015–16 73% men 27% women	65% men 35% women	65% men 35% women
	Engineering, maintenance and water and wastewater treatment 60% identifying as men, 20% identifying as women and 20% any gender	N/A	82% men 18% women	81% men 19% women
	Corporate support and customer service 30% male 50% female and 20% any gender	N/A	28% men 72% women	29% men 71% women
Aboriginal or Torres Strait Islander	2.5% of our workforce identify as Aboriginal and/or Torres Strait Islander	2015–16 1%	1% yes 5% prefer not to say	0% yes 9% prefer not to say
Cultural and linguistic diversity	10% of our workforce speak a language other than English at home	2015–16 13%	6% yes 6% prefer not to say	3% yes 10% prefer not to say
Age diversity	7% of staff aged 25 or under	2015–16 3.8%	4%	9%
Flexible work arrangements	100% of workforce work flexibly[3]	2015–16 Data not available	100%	100%
Caring responsibilities	50% of our workforce identify as having caring responsibilities	2015–16 Data not available	41%	47%
LGBTQIA+ diversity	7% of our workforce identify as belonging to the LGBTQIA+ communities	2015–16 6%	7% yes 13% prefer not to say	9% yes 20% prefer not to say
All abilities	10% of our workforce identify as a person with a disability	2015–16 2% (May 2016)	4% yes 10% prefer not to say	2% yes 12% prefer not to say
Cultural Awareness Training	Number of staff who have attended accredited cultural awareness training	NA	25 (including board members)	76 employees

1 Baseline years reflect the year the target was introduced 2015–16.

2 Relates to all senior executive officers contracted as SEO including senior technical positions not holding management responsibilities (e.g. senior engineer).

3 The definition of 'flexible work arrangements' will be formalised within the organisation upon development of a Flexible Work Arrangements framework. Currently access to an RDO, working from home, part-time arrangements, or additional purchased leave are counted as 'working flexibly'.

2025 People Matter Survey

We had an 82% participation rate this year in the Victorian Public Sector Commission *People Matter Survey*, a slight decrease on the participation rate of 2025. In line with previous years, the results of the survey will be used to identify areas for celebration and improvement. Action plans are developed at an organisation and team level to ensure there is appropriate follow-up on commitments.

Workforce Data

Table 35: Workforce data, employment type

		All employees			Fixed-term and casual employees	
Employees (headcount)		Full-time (headcount)	Part-time (headcount)	FTE	Headcount	FTE
June 2025	151	106	23	128.91	14	11.58
June 2026	155	104	33	128.82	18	15.36

Table 36: Workforce data, employee profile

	June 2024–25				June 2025–26			
	Ongoing		Fixed-term and casual employees		Ongoing		Fixed-term and casual employees	
	Employee (headcount)	FTE	Employee (headcount)	FTE	Employee (headcount)	FTE	Employee (headcount)	FTE
Gender								
Men	89	86	5	4.63	90	86.84	9	8.16
Women	48	42.91	9	6.95	47	41.98	9	7.2
Self-described	0	0	0	0	0	0	0	0
Age								
Under 25	4	4	2	1.55	4	4	2	2
25–34	27	26.05	2	1.87	26	25.18	1	1
35–44	31	28.75	3	2.73	35	32.32	4	3.05
45–54	39	38.01	3	3	33	32.17	6	5.53
55–64	34	30.15	3	2.03	33	29.20	4	2.94
Over 64	2	1.95	1	0.4	6	5.95	1	0.84
Classification								
Trainee	0	0	2	2	0	0	2	2
Band 3	2	2	1	0.55	5	4.55	0	0
Band 4	24	22.22	4	2.4	20	18.63	4	2.94
Band 5	16	14.78	1	1	14	13.15	0	0
Band 6	26	24.73	0	0	31	29.20	2	1.47
Band 7	23	20.43	2	1.63	24	21.86	2	1.63
Band 8	24	23.58	0	0	24	23.26	0	0
SEO	22	21.17	0	0	19	18.17	1	0.42
Executives	0	0	3	3	0	0	6	5.9
Managing Director	0	0	1	1	0	0	1	1
	137	**128.91**	**14**	**11.58**	**137**	**128.82**	**18**	**15.36**
			151	**140.49**			**155**	**144.18**

Safe and Well Three-Year Plan

Actions and activities associated with the *Safe and Well Plan 2024–2026*, have been delivered as planned. The actions directly work toward our commitment to becoming a High Reliability Organisation, an approach in operation across many high-risk industries.

Key achievements included:

- People
  - Uplift of engagement across the organisation through increased visibility where our people are working – on site or in the field.
  - Increased delivery of training.
- Plant
  - Provision of updated or improved PPE relating to critical risk.
  - Involvement of Health, Safety and Welfare team members in capex and opex activities to ensure safety improvement is baked into projects.
- Process
  - Re-certification of the South Gippsland Water Safety Management System to ISO45001.
  - Review of procedures associated with critical risks.

Wellbeing and psychosocial safety

South Gippsland Water places emphasis on supporting employee wellbeing, managing psychosocial risks and ensuring a psychologically safe workplace. The link between psychosocial and physical safety is recognised as a key driver in realising our safety mantra: Start Safe, Work Safe, Home Safe.

Significant effort has gone into understanding the results of the *2026 People Matter Survey* and developing meaningful actions to address the insights.

Committees and Governance

The Occupational Health and Safety Consultative Committee maintained strong engagement and oversight of health, safety and wellbeing matters.

Health and Safety Representatives were highly active, participating in voluntary work groups to help improve safety processes and initiating a number of critical risk improvements.

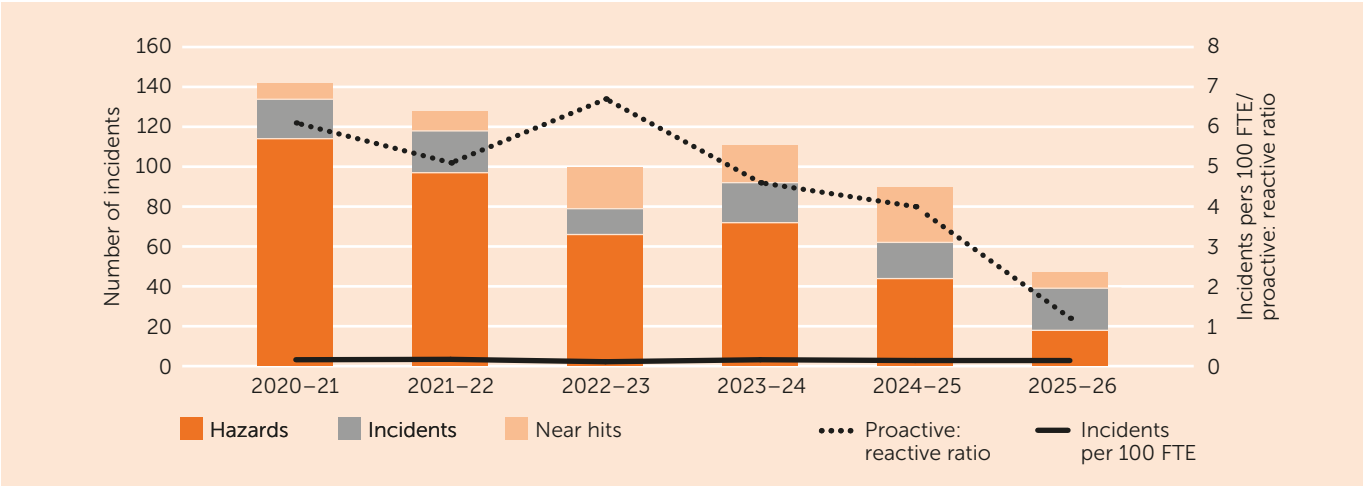
The Occupational Health and Safety Management Systems (OHSMS) was re-certified in July 2025 for three years against ISO45001:2018, demonstrating alignment to best practice.

Health and safety reporting

The culture of proactive Hazard, Near Hit and Incident reporting remained strong in the 2025–26 period, however the data collected was impacted due to system unavailability during the reporting period.

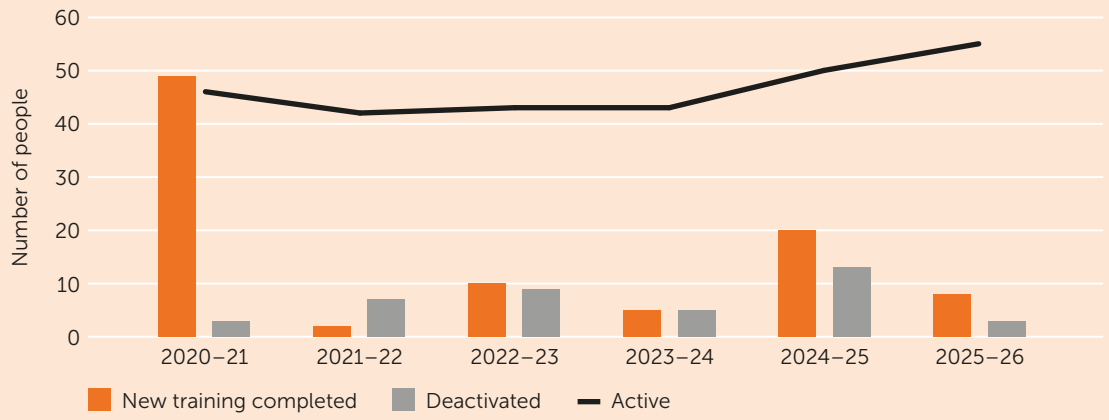
The number of trained and active safety leaders increased throughout the year, improving the ability of the organisation to hold proactive discussions around effective risk management.

Figure 3: Health and safety reporting 2020–21 to 2025–26



* Data collected in 2025–26 was impacted by system unavailability over a number of months and is considered a conservative result based on previous trends

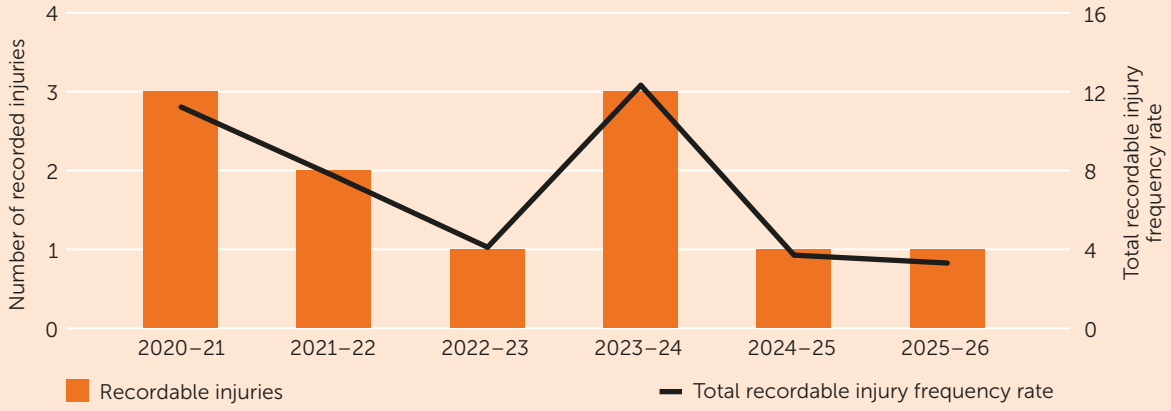
Figure 4: Trained and active safety leaders 2020–21 to 2025–26



Recordable injuries

The Total Recordable Injury Frequency Rate (TRIFR) decreased slightly to 3.3, as a result of one injury occurring and a small increase in hours worked across the organisation. The impacted employee was able to return to work on a progressive return-to-work plan. Improvements have been made to processes associated with the event.

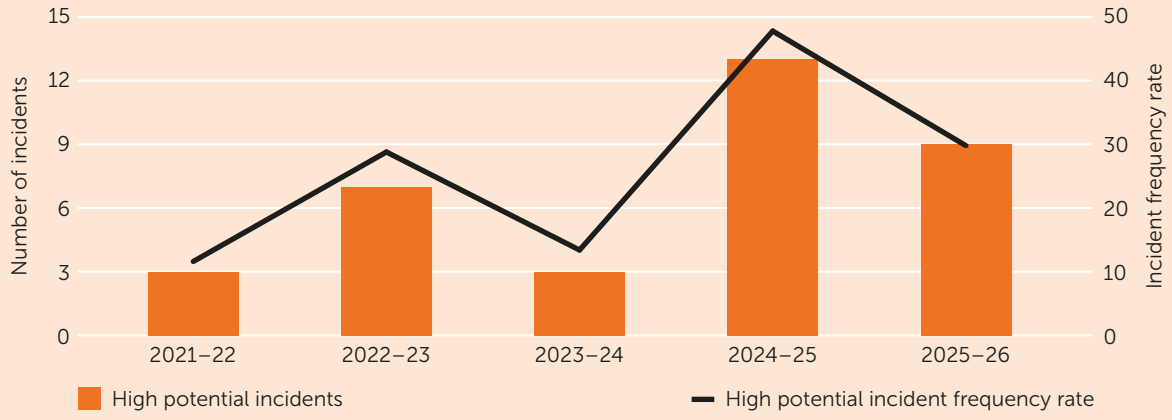
Figure 5: Total recordable injury frequency rate 2020–21 to 2025–26



High potential events

South Gippsland Water places a high priority on understanding incidents that have the potential for serious consequence, and we use them as key learning opportunities. The rate of high potential events per million hours worked decreased to 29.8. Eight reported events were regarded as near hits, with one injury. The detailed investigations that follow these events include people that are involved in all aspects of the activity, generating a detailed understanding of what happened, why it occurred, and identifying key learnings and corrective or preventative actions.

Figure 6: High Potential Incidents 2021–22 to 2025–26



WorkCover performance

Table 37: WorkCover lost time claims 2021–22 to 2025–26

	2021–22	2022–23	2023–24	2024–25	2025–26
Lost Time claims	2	0	1	1	1
Lost Time Claims per 100 FTE	1.6	0	0.8	0.8	0.8
The average cost per claim for the year	$68,694[1]	0	$3,270	$32,627	$41,523

1 Comprised of one minor claim and one major claim

Corporate information

Role of the Board and membership

The Board of Directors, appointed by the Minister for Water, operates under the provisions of the *Water Act 1989* and has responsibility for the governance of South Gippsland Water, providing strategic direction and accountability for the performance of South Gippsland Water.

Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Executive Leadership Team. At 30 June 2026, the Board was comprised of a Non-executive Chair, seven Non-executive Directors and the Managing Director. The Independent Aboriginal Board Delegate is an observer to the Board with Committee membership.

In 2025–26, the non-executive Acting Chair Nicola Hepenstall was reappointed and made Chair effective 1 October 2025. Four non-executive directors were appointed commencing 1 October 2025: Ian Maxfield, Leonie Valentine, Mark Nicholls and Susan Lloyd. Non-executive director, Sumi Prabhakaran, completed her term on 30 September 2025

Remuneration of Non-executive Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

Meetings, committees and composition of committees

The Board generally meets six times per year on the fourth Thursday of nominated months and as required in order to effectively carry out its responsibilities. Board Committees meet as per their Charters, aligned with the Corporation's strategic focus as outlined below. The Board Chair is a member of two Committees and invited to attend all Board Committee meetings as a standing invitee.

Table 38: Board committees, membership and purpose 2025–26

1 July 2025 to 30 June 2026
Audit and Risk Committee
The Audit and Risk Committee is an advisory committee of the Board. The primary objectives of the Committee are to assist the Board in discharging its responsibilities for financial and non-financial reporting, maintaining a reliable system of internal controls, risk management systems, and fostering the organisation's ethical environment. The Committee exercises independent judgement and is objective in its deliberations, decisions and advice. The Committee meets periodically with the internal and external auditors. As of 30 June 2026, the Committee comprised Diana Nestorovska (Chair), Christopher Rose, Mark Nicholls, Susan Lloyd and an External Member.
Resilience Environment and Delivery Committee
The primary objective of the Resilience, Environment and Delivery Committee is to assist the Board to fulfil its responsibilities in relation to service delivery in the areas of water and wastewater treatment and maintenance. The Committee oversees the capital planning program and asset management. The establishment of the Committee has strengthened oversight of our environmental existing and emerging programs. As of 30 June 2026, the Committee comprised Jennifer Ryan (Chair), Mark Nicholls, Nicola Hepenstall and Susan Lloyd.
Safety People and Culture Committee
The primary objective of the Safety People and Culture Committee is to assist the Board to fulfill its responsibilities in relation to organisational development, corporate culture and to provide a safe and healthy workplace. It also manages Director inductions and performance, executive performance and remuneration processes. As of 30 June 2026, the Committee comprised Christopher Rose (Chair), Ian Maxfield, Jenny Ryan, Leonie Valentine and the Independent Aboriginal Board Delegate.
Customer and Strategy Committee
The primary objective of the Customer and Strategy Committee is to assist the Board to fulfil its responsibilities in relation to customer experience, communications, performance, transformation and strategy. As of 30 June 2026, the Committee comprised Nicola Hepenstall (Chair), Diana Nestorovska, Ian Maxfield, Leonie Valentine and the Independent Aboriginal Board Delegate.

Table 39: Director attendance at Board and Committee meetings

Director	Board	Audit and Risk Committee	Customer Strategy Committee	Resilience Environment and Delivery Committee	Safety People and Culture Committee
Christopher Rose (Chair of Safety People and Culture Committee and former Chair and member Customer and Strategy Committee)	6/6	4/5	1/2	N/A	3/3
Diana Nestorovska (Deputy Chair, Chair of Audit and Risk Committee and former member Safety People Culture Committee)	6/6	5/5	2/2	N/A	1/1
Nicola Hepenstall (Board Chair, former Acting Board Chair and Chair of Customer and Strategy Committee)	6/6	N/A	3/3	3/3	1/1
Jennifer Ryan (Chair of Resilience Environment and Delivery Committee and former Chair of Safety People and Culture Committee)	6/6	N/A	N/A	3/3	4/4
Sumi Prabhakaran (former Chair of Resilience Environment and Delivery Committee and Audit and Risk Committee member)	2/2	2/2	N/A	1/1	N/A
Susan Lloyd	3/4	3/3		2/2	
Ian Maxfield	4/4		1/2		2/3
Leonie Valentine	4/4		2/2		3/3
Mark Nicholls	4/4	3/3		1/2	
Robert Murphy (Managing Director)	6/6	4/5	2/3	3/3	4/4

Independent Aboriginal Board Delegate

South Gippsland Water facilitated the establishment of an Independent Aboriginal Board Delegate as part of a Victorian Government initiative to increase awareness of board roles and opportunities in Aboriginal communities and provide practical experience to develop governance skills relevant to public sector boards. The successful applicant commenced in August 2024 and by mutual agreement undertook an additional year of observership in 2025–26.

Statement of Availability of Other Information

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22, details in respect of the information items below have been retained by the Corporation and are available to the relevant Ministers, Members of Parliament and the public (subject to Freedom of Information requirements, if applicable). However, in adopting best practice disclosure policies and to ensure the Corporation discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this Report of Operations:

a) A statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation.

b) Details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary.

c) Details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained.

d) Details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered.

e) Details of any major external reviews carried out in respect of the operation of the Corporation.

f) Details of any other research and development activities undertaken by the Corporation that are not otherwise covered either in the Report of Operations or in a document which contains the Financial Report and Report of Operations.

g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.

h) Details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation.

i) Details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations.

j) A general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.

k) A list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

This information is available on request from:
South Gippsland Region Water Corporation,
Company Secretary
PO Box 102, Foster, VIC, 3960
Phone: 03 5682 0444
Email: sgwater@sgwater.com.au

Declaration of pecuniary interests

In addition to complying with the disclosure and conflict of interest requirements under the *Corporations Act 2001*, each Director, the Managing Director and Executive Managers are required to disclose any pecuniary interests under the provisions of the *Water Act 1989*.

Audit programs

External

RSM Australia (Pty Ltd), as an agent for the Auditor-General Victoria, undertook the external audit for 2025–26.

Internal

Aster Advisory completed two internal audits for 2025–26: Cybersecurity (Protect, Detect, Respond), and Accounts Payable

Manner of establishment and the relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22 December 1994, under the *Water Act 1989,* by order of the Hon. Geoff Coleman, Minister for Natural Resources (Order No S102 published in the Government Gazette). The order took effect from 1 January 1995. The responsible Minister for the period from 1 July 2025 to 14 April 2026 was the Hon. Gayle Tierney MP. The Hon. Harriet Shing MLC was the responsible Minister from 15 April 2026 to 30 June 2026.

Objectives, functions, powers and duties

Under the Water Act 1989, South Gippsland Water is responsible for a range of functions in our service area relating to water supply and sewerage. These are:

Water supply

- to provide, manage, operate and protect water supply systems, including the collection, storage, treatment, transfer and distribution of water
- to identify community needs relating to water supply and to plan for the future needs of the community relating to water supply
- to develop and implement programs for the conservation and efficient use of water
- to investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to water supply
- to educate the public about any aspect of water supply.

Wastewater

- to provide, manage, and operate systems for the conveyance, treatment and disposal of sewage and, if the Corporation so decides, trade waste
- to identify community needs relating to sewage services and to plan for the future needs of the community relating to sewage services
- to develop and implement programs for the recycling and re-use of treated wastewater
- to investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to sewerage services
- to educate the public about any aspect of sewerage both the water and wastewater functions must be performed in an environmentally sound way, having regard to the need to preserve aspects which have landscape and fauna and flora values.

Freedom of Information (FoI)

Operation

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Corporation. South Gippsland Water is considered to be a 'Government Agency' under the terms of the *Freedom of Information Act 1982.* Accordingly, it is required to comply with the procedures that have been prescribed along with the Corporation's Freedom of Information policy guidelines. Decisions to release information are made by an Authorised Officer. All applicants are advised of the internal review and appeal provisions available.

Applications

There was one application received by South Gippsland Water under the *Freedom of Information Act 1982* during 2025–26.

Contact for requests

Requests under the *Freedom of Information Act 1982,* describing the documents requested, must be made in writing. A Freedom of Information (FoI) application fee of $34.50 from 1 July 2026 is payable. Depending on the circumstances, further charges may also be payable. FoI fees and charges are not subject to GST.

The requests should be addressed to:
The FoI Contact Officer
14–18 Pioneer Street, Foster, Vic 3960
PO Box 102, Foster, Vic 3960
Phone: (03) 5682 0444
Fax: (03) 5682 1199
Email: sgwater@sgwater.com.au

Compliance with the *Building Act 1993*

The Corporation is compliant with the *Building Act 1993* and maintenance provisions of the *Building Act 1993.* Business processes are in place to ensure all buildings comply with standards.

Maintenance and inspection programs are in place to ensure that Essential Safety Measures are in place for buildings and facilities.

Goods and Service Tax (GST)

South Gippsland Water received a ruling from the Australian Taxation Office that establishes that our basic services ... 'supply of water, sewerage (and sewerage-like) services ... (are) ... GST-free,' to our customers. South Gippsland Water put in place appropriate accounting arrangements to manage all other aspects of GST.

Details of Government advertising expenditure

In 2025–26 South Gippsland Water's advertising expenditure did not exceed $100,000.

Events subsequent to balance date

There were no events that have arisen subsequent to balance date through to the reporting date that may have a significant impact on the operations of the entity in future years.

Public Interest Disclosure Act 2012

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosure Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body. South Gippsland Water is a public body for the purposes of the *Public Interest Disclosures Act 2012*.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body. 'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption. 'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

How do I make a public interest disclosure?

You can make a public interest disclosure about South Gippsland Water or its board members, officers or employees by contacting IBAC using the details below. South Gippsland Water is not able to receive public interest disclosures. We have established procedures to protect persons from detrimental action in reprisal for making a public interest disclosure about South Gippsland Water, its board members, officers or employees.

You can access our procedures on the website at: https://www.sgwater.com.au/free-of-information/

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower,
459 Collins Street,
Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001 Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Procurement

Local Jobs First: Victorian Industry Participation Policy Implementation

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* (VIPP), which requires public bodies and departments to report on the implementation of the policy. Departments and public bodies are required to apply the VIPP in all tenders over $3m in metropolitan Melbourne and $1m in regional Victoria. The VIPP was updated to the *Local Jobs First Act* in August 2018 to incorporate the *Major Project Skills Guarantee* (MPSG) Policy. South Gippsland Water is required to apply the *Local Jobs First Policy* in all contracts valued at $1m or more.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest.

Government businesses are required to cost and price these services as if they were privately owned. The competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

South Gippsland Water continues to comply with the requirements of the *Competitive Neutrality Policy*.

Contracts

During 2025–26, three contracts were awarded that exceeded the threshold for the *Local Jobs First* legislation. The objectives and requirements of the *Local Jobs First* legislation were applied during evaluation of tenders for these contracts:

- A contract for Leongatha Storage Lagoon was awarded with a contract value of $3,644,147. The contract, which started in February 2026, is expected to deliver 91.65% local content.
- A contract for Meeniyan Wastewater Treatment Upgrade was awarded with a contract value of $4,244,277. The contract, which started in January 2026, is expected to deliver 100% local content.
- A contract for Upgrade Inlet Works at Leongatha Wastewater Treatment Plant was awarded with a contract value of $5,545,150. The contract, which started in January 2026, is expected to deliver 88.895% local content.
- Three framework agreements were awarded for SCADA services to three service providers estimated at $830,000 per provider. These are expected to deliver 100% local content.

During 2025–26, five contracts that met the *Local Jobs First* legislation were completed:

- A $5,000,000 contract for Middle Tarwin Pipeline Renewal was completed delivering 96 % local content.
- A $900,000 contract for Wonthaggi High Level Zone Reticulation was completed delivering 94% local content.
- A $1,000,000 contract for Sewer Maintenance Hole Rehabilitation was completed delivering 99.49% local content.
- A $1,000,000 contract for Waratah Bay Sewer Pump Station Renewal was completed delivering 100% local content.
- A $5,700,000 contract for Lance Creek Water Treatment Plant 4.5 ML Clear Water Storage was delivered with 94% local content.

Disclosure of major contracts

A 'major contract' is a contract entered into during the reporting period valued at $10m or more. South Gippsland Water did not award any contracts of that value in 2025–26.

Details of consultancies

The total number of consultancy engagements for which services were provided and/or were effective or operational and which were valued at $10,000 or greater was 21. The total value of these consultancies was $782,519.45. Across 2025–26 there were consultancy engagements across 14 providers valued at less than $10,000 totalling $74,788.74.

Details of consultancies tenders over $100,000 for 2025–26, are published on the South *Buying for Vic* website which details the Consultancy description and successful tenderer.

Disclosure of review and study expenses

South Gippsland Water is currently updating reporting systems to ensure future reporting periods contain the information required under FRD 22 on review and study expenses. This information was not available for the 2025–26 reporting period.

Procurement opportunities with Aboriginal Enterprises

Whilst in the early stages of this work, South Gippsland Water is committed to this process and to reporting the gains achieved in subsequent reporting periods.

In 2025–26 South Gippsland Water received 50 tender responses for projects across the business, with three responses received from Indigenous-owned businesses. Three Indigenous suppliers were engaged from these tender processes. In total, South Gippsland Water had four arrangements with Indigenous organisations totalling $323,910.70.

In addition, South Gippsland Water sought commitments from contractors regarding the employment of Aboriginal and/or Torres Strait Islander Peoples, with Infrastructure and Planning contracts providing opportunities in this area.

The Procurement Department is represented on the South Gippsland Water Reconciliation Action Plan committee, ensuring Indigenous businesses are considered for all South Gippsland Water procurement activities.

Social Procurement Framework

South Gippsland Water is fully committed to supporting the Government's directions under the *Social Procurement Framework* (SPF) and recognises that we play a key role in advancing social and sustainable outcomes for Victorians.

South Gippsland Water's *Social Procurement Framework* prioritises the following social procurement objectives:

- Opportunities for Victorian Aboriginal people
- Opportunities for Victorians with disability
- Women's equality and safety
- Opportunities for disadvantaged Victorians
- Supporting safe and fair workplaces
- Sustainable Victorian social enterprise and Aboriginal business sectors

Social procurement achievements

With the *Social Procurement Framework* now in place, we can ensure social procurement opportunities are identified, recorded and supported. Achievements in 2025–26 include:

- Investments in IT upgrades to enable us to deliver on our social procurement aspirations and ensure compliance with Government directions.
- A continuing focus on exploring opportunities for supporting the growth of regional Aboriginal-owned businesses, including increasing contracting with both Aboriginal and Social Procurement entities with the realisation of the benefits this delivers all parties. Our procurement team invites Indigenous companies to tender and utilise Supply Nation and Kinaway to identify organisations who may be able to supply to South Gippsland Water.
- The Procurement Team attends First Nation networking seminars to gain additional insight into potential providers, for example the *2026 Aboriginal Business Showcase for connecting First National capability with major projects*, hosted by the Industry Capability Network and supported by Kinaway and the *2026 Deadly in Gippsland First Nations Business Expo*, hosted by Gunaikurnai Land and Waters Aboriginal Corporation.

Emergency Procurement

In 2025–26 there was no emergency procurement to report.

Disclosure of procurement complaints

There were no procurement complaints recorded in 2025–26.

Performance report

For the year ended 30 June 2026

Financial Performance

Table 40: Reporting on Financial Performance (PFM_AR_ASP2)

Financial Performance 2025–26					
Key Performance Indicators	**2024–25 result**	**2025–26 result**	**Variance to 2024–25**	**2025–26 target**	**Variance to target**
Cash Interest Cover[1] Net operating cash flows before net interest and tax/net interest payments	0.9	-0.1	-111.1%	1.8	-105.7%
Gearing Ratio[2] Total Debt (including finance leases)/total assets	22.4%	25.5%	13.8%	26.1%	-2.3%
Internal Financing Ratio[3] Net operating cash flow less dividends/net capital expenditure	-2.8%	-33.9%	1110.7%	15.3%	-321.6%
Current Ratio[4] Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	0.3	0.7	133.3%	0.4	75.0%
Return on Assets[5] Earnings before net interest and tax/average assets	-2.6%	-1.7%	34.6%	-1.1%	-54.5%
Return on Equity[6] Net profit after tax/average total equity	-4.3%	-3.8%	11.6%	-2.9%	-31.0%
EBITDA Margin[7] Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue	6.5%	15.4%	136.9%	24.6%	-37.3%

Notes:

1 The variances to the prior year and the 2025-26 target are predominately due to net operating cash inflows before interest paid decreasing. The lower net operating cash inflows is largely due to Quarter 4 billing being issued in late June with a due date of early August. The normal billing schedule has the Quarter 4 bills issued with a due date before 30th June.

2 The variance compared to prior year is due to a higher debt level in line with capital expenditure and now includes a new office lease liability, and additional borrowings due to timing difference in cash receipts from Quarter 4 billing. The positive variance to 2025–26 target is due to total assets increasing by more in proportion to the increased level of debt.

3 The variance compared to the prior year and 2025-26 target is due to the decrease in net operating cash inflows, largely as a result of the delayed Quarter 4 billing. The net capital investment remains stable against the prior year and 2025–26 target.

4 The current ratio is favourable to the prior year due to a higher closing receivables balance in the current year compared to the prior year as a result of the delayed Quarter 4 billing, partially offset by higher short-term borrowings in 2025–26 compared to the prior year. The current year result was also higher than target for the same reasons.

5 The variance to prior year is due to higher one-off operating expenditure in 2024–25 relating to implementation of new enterprise software reducing the Earnings before net interest in the prior year. The variance to 2025–26 target was impacted by reduced Earnings before net interest due to higher expenses, including $2 million one-off non-cash asset write-off for expiring infrastructure assets and $0.8 million higher interest cost due to drawing on loan funds earlier in the year to cover cash requirements while new billing system was embedded, and $1.2 million higher residual costs for the enterprise software implementation. Additionally, the 2025–26 asset revaluation has inflated the asset base thereby diluting the ratio.

6 The variances compared to both prior year and target are due to movement in the Earnings before Interest, as mentioned above in point 5, as well as a higher average equity position due to the asset revaluation in 2025–26 diluting the ratio.

7 The variance compared to prior year has improved due to large one-off 2024–25 software costs. The lower than target result is due to higher expenses for the one-off asset write-off, and residual costs relating to the enterprise software implementation.

Operational Performance

Table 41: Reporting on operational performance relating to urban water and sewerage network reliability and water reuse (PFM_AR_ASP3)

Operational Performance 2025–26					
	2024–25 result	**2025–26 result**	**Variance to 2024–25**	**2025–26 target**	**Variance to target**
Water and sewerage network reliability indicators					
Water Service – minutes off supply (unplanned)[1,2] How many minutes on average a customer was without water supply during a year from unplanned water supply interruptions	66.8	104.8	56.8%	110	-4.8%
Water Service – minutes off supply (planned)[1,3] How many minutes on average a customer was without water supply during a year from planned water supply interruptions	179.7	159.2	-11.4%	240	-33.6%
Unplanned water supply interruptions[4] Percentage of customers receiving (5) unplanned interruptions in the year	0.07%	0.02%	-0.05%	0.00%	0.02%
Sewerage Service – sewer blockages[5] Number of sewer blockages reported per 100 kilometres of sewer main	7.9	10.7	36.3%	18	-40.4%
Sewerage Service – sewer spills[6] Number of sewer spills reported per 100 kilometres of sewer main	4.0	5.6	37.8%	28	-80.2%
Sewerage Service – containment of sewer spills[7] Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	100%	100%	0%	95%	5%
Water reuse indicators					
Recycled water – effluent treatment and reuse[8] Proportion of water recycled as a percentage of the volume of effluent produced	6.0%	4.2%	-30.0%	4.5%	-6.7%

Notes:

1 A combined target has not been developed: targets related to this indicator are separated to planned and unplanned.

2 Increase in response times are due to varied locations of breaks. The 2024–25 period saw lower overall figures due to a high number of breaks in Yarram that were able to be responded to in short timeframes.

3 Improvements in these results are attributed to a reduced air scouring program in 2025–26 compared to the previous year.

4 Result attributed to ground movements and ageing infrastructure in the Agnes community leading to a number of breaks across 2025–26 for a small number of customers.

5 Frequently reviewed preventative maintenance schedules and an increase in relining projects have contributed to positive results against targets. A combination of dry weather conditions, followed by periods of high rainfall, have contributed to increased tree root intrusion into the network, resulting in a higher incidence of sewer blockages per 100km when compared to the previous year. The 2024–25 result has been adjusted from 7.6 to 7.9 to reflect corrections to the sewer main length.

6 Frequently reviewed preventative maintenance schedules and an increase in relining projects have contributed to positive results against targets. A combination of dry weather conditions, followed by periods of high rainfall, have contributed to increased tree root intrusion into the network, resulting in a higher incidence of sewer spills per 100km when compared to the previous year. The 2024–25 result has been adjusted from 3.9 to 4.0 to reflect corrections to the sewer main length.

7 Results remain consistent with all spills contained within time period.

8 The 2025–26 result is attributed to a 7% increase in total treated effluent across the service region following increased overall rainfall compared to 2024–25, and a reduced level of reuse (177 ML in 2025–26 compared to 240 ML in 2024–25). Reuse for agricultural irrigation at Tarraville and Waratah was lower in 2025–26 due to a reduced amount of treated effluent available for reuse purposes following the dry winter period when reuse is in demand. In 2025–26 the water reuse target increased to 4.5%, up from 4.0% in 2024–25.

Statutory Certification

Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2025-26

We certify that the accompanying Performance Report of South Gippsland Region Water Corporation in respect of the 2025-26 financial year is presented fairly in accordance with the Financial Management Act 1994.

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

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

Nicola Hepenstall
Chair

Robert Murphy
Managing Director

Tira Jones
Chief Financial Officer

Dated this day, the 24th September 2026

Independent Auditor's Report

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of South Gippsland Region Water Corporation

Opinion	I have audited the accompanying performance report of South Gippsland Region Water Corporation (the corporation) which comprises the: • financial performance indicators • operational performance indicators • notes to the performance report • statutory certification. In my opinion, the performance report of the corporation for the year ended 30 June 2026 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the performance report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the performance report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of Part 7 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 a 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

Independent Auditor's Report

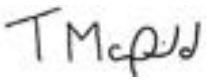
Auditor's responsibilities for the audit of the performance report

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 Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with 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
30 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Financial report

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South Gippsland Region Water Corporation

Comprehensive Operating Statement

For the financial year ended 30 June 2026

	Notes	2026 $'000	2025 $'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	45,904	41,725
Government grants and contributions		2	8
Other income		521	760
Total revenue and income from transactions		**46,427**	**42,493**
Expenses from transactions			
Depreciation and impairment	4.1.1 & 6.2.1	18,877	19,633
Amortisation	4.2	681	603
Environmental contribution		1,577	1,577
Employee benefits	3.1.1	16,980	15,395
Direct operating expenses and repairs & maintenance	3.2	12,711	16,307
Other expenses	3.3	5,999	5,685
Total expenses from transactions		**56,825**	**59,200**
Finance income		21	26
Finance costs		(8,326)	(6,392)
Net finance costs	3.4	**(8,305)**	**(6,366)**
Net result from transactions (net operating balance)		**(18,703)**	**(23,073)**
Other economic flows included in net result			
Net loss on disposal of non-financial assets	9.1	(2,060)	(812)
Net gain on financial instruments	9.1	21	16
Total other economic flow included in net result		**(2,039)**	**(796)**
Net result before income tax		**(20,742)**	**(23,869)**
Income tax benefit	8.1.1	4,921	5,967
Net result		**(15,821)**	**(17,902)**
Other comprehensive income			
Items that will not be reclassified to net result			
Change in physical asset revaluation surplus		47,386	-
Tax effect on revaluation	8.1.1	(11,847)	-
Total other comprehensive income for the period		**35,539**	**-**
Comprehensive result		**19,718**	**(17,902)**

The above Comprehensive operating statement should be read in conjunction with the accompanying notes.

South Gippsland Region Water Corporation

Balance Sheet

As at 30 June 2026

	Notes	2026 $'000	2025 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6.3	1,744	237
Receivables	5.1	16,698	6,563
Inventories		1,457	1,217
Assets held for sale		-	12
Prepayments		875	445
Total current assets		**20,774**	**8,474**
Non-current assets			
Receivables	5.1	188	203
ZEW Investment	5.3	5	5
Infrastructure, property, plant and equipment	4.1	696,043	642,878
Right-of-use assets	6.2.1	701	-
Intangible assets	4.2	3,182	3,492
Deferred tax assets	8.1.2	25,178	24,737
Total non-current assets		**725,297**	**671,315**
TOTAL ASSETS		**746,071**	**679,789**
LIABILITIES			
Current liabilities			
Payables	5.2	9,912	8,147
Interest bearing liabilities	6.1	13,402	13,156
Lease liabilities	6.1	53	-
Employee benefits	3.1.2	3,881	3,898
Other provisions	5.4	1,057	1,021
Prepaid income		96	113
Total current liabilities		**28,401**	**26,335**
Non-current liabilities			
Interest bearing liabilities	6.1	176,000	139,000
Lease liabilities	6.1	696	-
Employee benefits	3.1.2	417	347
Other financial liabilities		54	89
Deferred tax liabilities	8.1.2	115,380	108,013
Total non-current liabilities		**292,547**	**247,449**
TOTAL LIABILITIES		**320,948**	**273,784**
NET ASSETS		**425,123**	**406,005**
EQUITY			
Contributed capital		94,433	95,033
Asset revaluation reserve		324,699	289,160
Accumulated surplus		5,991	21,812
TOTAL EQUITY		**425,123**	**406,005**

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

South Gippsland Region Water Corporation
Cash Flow Statement
For the financial year ended 30 June 2026

	Notes	2026 $'000	2025 $'000
Cash flows from operating activities			
Receipts			
Service and usage charges/Revenue from contract with customers		33,781	38,513
Receipts from other sources		2,711	2,710
Receipts from Government - recurrent		2	8
Goods and Services Tax received from the ATO[(i)]		4,183	4,011
Payments			
Payments to suppliers and employees		(40,027)	(38,218)
Interest paid		(7,862)	(6,196)
Goods and Services Tax paid to the ATO[(i)]		(103)	(76)
Environmental contribution levy paid		(1,577)	(1,508)
Net cash outflow from operating activities		**(8,892)**	**(756)**
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(26,229)	(26,877)
Payments for intangible assets		(12)	(226)
Proceeds from sale of motor vehicles		133	98
Net cash outflow from investing activities		**(26,108)**	**(27,005)**
Cash flows from financing activities			
Proceeds from borrowings		52,246	39,050
Repayment of borrowings		(15,000)	(11,500)
Repayment of contributions to State in its capacity as owner		(600)	(300)
Principal payments of lease liabilities		(56)	-
Net movements in contractor deposits		(83)	103
Net cash inflow from financing activities		**36,507**	**27,353**
Net increase/(decrease) in cash and cash equivalents		1,507	(408)
Cash and deposits at the beginning of the financial year		237	645
Cash and deposits at the end of the financial year	6.3	**1,744**	**237**

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

(i) The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authority is classified as operating cash flows.

South Gippsland Region Water Corporation

Statement of Changes in Equity

For the financial year ended 30 June 2026

	Notes	Contributed capital $'000	Asset Revaluation Reserve $'000	Accumulated Surplus $'000	Total Equity $'000
Balance as at 1 July 2024		**95,333**	**289,160**	**39,714**	**424,207**
Total comprehensive income for the year					
- Net result for the period		-	-	(17,902)	**(17,902)**
Transactions with the State in its capacity as owner:					
Return of capital to owners		(300)	-	-	**(300)**
Balance as at 30 June 2025		**95,033**	**289,160**	**21,812**	**406,005**
Balance as at 1 July 2025		**95,033**	**289,160**	**21,812**	**406,005**
Total comprehensive income for the year					
- Net result for the period		-	-	(15,821)	**(15,821)**
- Revaluation			47,386	-	**47,386**
- Income tax relating to other comprehensive income	8.1.1	-	(11,847)	-	**(11,847)**
Transactions with the State in its capacity as owner:					
Return of capital to owners		(600)	-	-	**(600)**
Balance as at 30 June 2026		**94,433**	**324,699**	**5,991**	**425,123**

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

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 1: BASIS OF PREPARATION

Introduction

South Gippsland Region Water Corporation (SGW) is a Victorian Water Corporation responsible for the provision of water services to 22,875 customers (connections) and wastewater services to 21,135 customers (connections) located in 22 towns across a service delivery area of more than 4,000 square kilometers. We manage, maintain, and operate 10 water and 11 wastewater systems in the South Gippsland Region.

South Gippsland Region Water Corporation is a not-for-profit government entity in the State of Victoria, established pursuant to Water Act 1989.

The principal address is:
South Gippsland Region Water Corporation
14 – 18 Pioneer Street
Foster Vic 3960

1.1 Basis of preparation

These financial statements are Tier 2 general purpose financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) and Financial Reporting Direction 101 *Application of Tiers of Australian Accounting Standards* (FRD 101).

South Gippsland Region Water Corporation is a Tier 2 entity in accordance with FRD 101.

The financial statements were prepared on a going concern basis. The Board considered this view notwithstanding the net current asset deficiency as at 30 June 2026 of $7.62 million (2025: $17.86 million). Operating budgets prepared for the year ending 30 June 2027 indicate that South Gippsland Region Water Corporation is expected to achieve an operating deficit of $12.56 million for the 2026-27 financial year. Forecasts are for an increase in cashflows from operations from -$8.9 million in the 2025-26 financial year to $11.0 million in the 2026-27 financial year, and then $11.8 million and $14.3 million in the following two financial years of 2027-28 and 2028-29 respectively. South Gippsland Region Water Corporation is also monitoring key financial sustainability measures and has borrowing approvals from the Department of Treasury and Finance to fund the expenditure program for the 2026-27 financial year. On this basis the Board believe the going concern basis is appropriate for the preparation of the financial statements.

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the notes to the financial statements.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of South Gippsland Region Water Corporation.

Capital grants which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are distributions to or contributions by owners have also been designated as contributions by owners.

Judgements, estimates, and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision.

These financial statements cover South Gippsland Region Water Corporation as an individual reporting entity and include all the controlled activities of South Gippsland Region Water Corporation. There is no entity consolidated into South Gippsland Region Water Corporation

All amounts in the financial statements have been rounded to the nearest $1,000 unless otherwise stated.

Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards – Simplified Disclosures (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES

This note provides additional information about how the South Gippsland Region Water Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. To enable South Gippsland Region Water Corporation to fulfil its objectives under the Water Act 1989 (to supply water and wastewater services), it receives income predominantly from customers for the supply of water and wastewater services.

South Gippsland Region Water Corporation 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 South Gippsland Region Water Corporation performing its obligations. Service and usage charges are recognised over time.

Revenue and income that fund delivery of South Gippsland Region Water Corporation's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.1 Revenue from contracts with customers

	Notes	2026 $'000	2025 $'000
Revenue from service, usage and trade waste charges	2.1.1	42,879	38,933
Developer contributions	2.1.2	1,792	1,746
Other revenue	2.1.3	1,233	1,046
Total revenue from contracts with customers		**45,904**	**41,725**

South Gippsland Region Water Corporation derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied.

2.1.1 Service and usage charges

	2026 $'000	2025 $'000
Service charges		
Water service charges	10,337	9,346
Wastewater service charges	14,493	12,979
Trade waste service charges	3,866	2,942
Total service charges	**28,696**	**25,267**
Usage charges		
Water usage charges	13,000	12,342
Wastewater usage charges	738	541
Trade waste usage charges	445	783
Total usage charges	**14,183**	**13,666**

Note that the 2025 amounts have been re-stated due to the allocation of service and usage charges between categories.

Revenue from service, usage and trade waste charges is determined to be in accordance with AASB 15 Revenue from Contracts with Customers (**AASB 15**).

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

At balance date, any portion of service charges that is billed in advance and the performance obligation is not satisfied, is recognised as contract liabilities (refer Note 5.2). The charges for fully satisfied performance obligations that are unbilled at year end that are estimated, and contract assets are recognised (refer Note 5.1).

2.1.2 Developer contributions

	2026 $'000	2025 $'000
Developer contributed assets	878	975
New customer contributions	914	771
Total developer contributions	**1,792**	**1,746**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Water and Wastewater service charges	Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Service charges are based on fixed fee for access to water, and sewage disposal. The charges are payable within 30 days.	Revenue is recognised over time as service is provided.
Water and Wastewater usage charges	Water usage and sewer disposal charges are recognised as revenue when water is consumed by customers, and sewage waste is disposed by customers. Meter reading is undertaken progressively during the year and are billed tri-annual in arrears. An estimation of usage and disposal charges is made at the end of each accounting 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 30 days	Revenue is recognised over time as service is provided.
Trade waste charges	Revenue related to trade waste disposal is based on the volume of waste disposed by customers.	Revenue is recognised over time as service is provided.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to the Corporation to maintain in perpetuity. 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 Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued. Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.	Revenue is recognised at a point in time.
New customer contributions	New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Corporation's water supply or sewerage infrastructure network. The charges contribute towards the cost of augmenting the Corporation's water supply distribution systems and sewage disposal systems. Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at the point in time when the Corporation satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when: • the Statement of Compliance is issued to the customer; or • the customer is connected to the Corporation'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 Corporation to proceed with their application. The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.	Revenue is recognised at a point in time.

2.1.3 Other revenue

	2026 $'000	2025 $'000
Fees and charges	1,233	1,046
Total other revenue	**1,233**	**1,046**

Fees and charges are recognised when or as performance obligations are satisfied. Performance obligations relating to various plumbing services, application, recycled water inspection and meter installation fees are satisfied at a point in time when South Gippsland Region Water Corporation renders the specified service requested by the customer.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 2: FUNDING DELIVERY OF SERVICES (CONTINUED)

2.1.4 Timing of recognition of revenue from customers

The Corporation derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

	Service charges - water	Usage charges - water	Service charges - sewerage	Disposal charges - sewerage	Developer contributions	New customer contributions	Other revenue	Total revenue with customers
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2025								
At a point in time	-	-	-	-	975	771	-	**1,746**
Over time	9,346	12,342	13,285	3,960	-	-	1,046	**39,979**
Total	**9,346**	**12,342**	**13,285**	**3,960**	**975**	**771**	**1,046**	**41,725**
2026								
At a point in time	-	-	-	-	878	914	-	**1,792**
Over time	10,337	13,000	18,359	1,183	-	-	1,233	**44,112**
Total	**10,337**	**13,000**	**18,359**	**1,183**	**878**	**914**	**1,233**	**45,904**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES

This note provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

3.1 Employee benefits

3.1.1 Employee benefits in the Comprehensive Operating Statement

	2026 $'000	2025 $'000
Salaries and wages, annual leave and long service leave	15,074	13,482
Defined contribution superannuation expense	1,525	1,439
Other employee	381	474
Total employee benefit costs	**16,980**	**15,395**

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. They are expensed in the period in which they are incurred.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The defined benefit plan(s) provides benefits based on years of service and final average salary. The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans. South Gippsland Region Water Corporation does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, South Gippsland Region Water Corporation accounts for contributions to these plans as if they were defined contribution plans under AASB 119 Employee Benefits. The Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when South Gippsland Region Water Corporation is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits because of an offer made to encourage voluntary redundancy.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

3.1.2 Employee benefits provision in the balance sheet

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

	2026 $'000	2025 $'000
Current provisions:		
Rostered days off	92	118
Time in lieu	19	16
Annual Leave		
Unconditional and expected to settle within 12 months	1,030	976
Unconditional and expected to settle after 12 months	345	321
Long Service Leave		
Unconditional and expected to settle within 12 months	291	326
Unconditional and expected to settle after 12 months	1,635	1,662
	3,412	**3,419**
Provisions for on-costs		
Unconditional and expected to settle within 12 months	187	190
Unconditional and expected to settle after 12 months	282	289
	469	**479**
Total current provisions for employee benefits	**3,881**	**3,898**
Non-current provisions:		
Long service leave - conditional	371	309
On-costs	46	38
Total non-current provisions for employee benefits	**417**	**347**
Total provisions for employee benefits	**4,298**	**4,245**

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the water corporation does not have an unconditional right to defer settlements of these liabilities.

The components of this liability are measured at:

- Undiscounted value – the component the Corporation expects to wholly settle within 12 months; or
- Present value – the component the Corporation does not expect to wholly settle within 12 months.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

On-costs

On costs, such as payroll tax, superannuation and workers' compensation insurance, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

Long service leave

Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability, even where South Gippsland Region Water Corporation does not expect to settle the liability within 12 months. South Gippsland Region Water Corporation does 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 Corporation expects to wholly settle within 12 months; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

3.2 Direct operating expenses and repairs & maintenance

	2026 $'000	2025 $'000
Repairs and maintenance	2,263	1,774
Electricity	1,214	1,132
Melbourne Water bulk entitlement	927	790
Chemicals	1,747	1,834
Testing and sampling	842	1,007
Other direct costs	5,718	9,770
Total	**12,711**	**16,307**

Direct operating expenses generally represent the day-to-day running costs incurred in normal operations.

Expense	Description	Recognition policy
Repairs and maintenance	Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, ($1,000 refer Note 4), the cost is capitalised and depreciated, otherwise the cost is expensed when incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.	Accruals basis. Recognised in the Comprehensive operating statement.
Electricity	Electricity usage of running the business activities.	Accruals basis. Recognised in the Comprehensive operating statement.
Melbourne water bulk entitlement	Melbourne Water charges for the legal right to take and store the entitled portion of water.	As incurred. Recognised in the Comprehensive operating statement.
Chemicals	Chemicals used for maintaining the required levels of water quality.	Accruals basis. Recognised in the Comprehensive operating statement.
Testing and sampling	Testing and sampling associated with maintaining water quality.	Accruals basis. Recognised in the Comprehensive operating statement.
Other direct costs	Contracting costs including one-off implementation of major IT system, sludge removal and dam monitoring.	Accruals basis. Recognised in the Comprehensive operating statement.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

3.3 Other operating expenses

	2026 $'000	2025 $'000
Administrative expenses	3,063	2,995
Customer services expenses	489	428
Training and travel	399	371
Vehicle and fleet costs	799	767
Facility expenses	418	364
Miscellaneous expenses	831	760
Total	**5,999**	**5,685**

Other operating expenses generally represent any other expenses not incurred in day-to-day normal operations.

Expense	Description	Recognition policy
Administration expenses	All operating expenses, maintenance contracts, license fees and other costs associated with operating the information technology environment of the Corporation.	Recognised in the Comprehensive operating statement as incurred.
Customer services expenses	Costs relating to the issuing of bills and the collection of debt.	Recognised in the Comprehensive operating statement as incurred.
Training and travel	Costs relating to training and travel in delivering services.	Recognised in the Comprehensive operating statement as incurred.
Vehicle and fleet costs	Costs relating to running of the vehicles and leasing.	Recognised in the Comprehensive operating statement as incurred.
Facility expenses	Costs relating to facility maintenance.	Recognised in the Comprehensive operating statement as incurred.
Miscellaneous expenses	Includes postage, courier, stationary, membership/subscriptions, bank changes, printing, legal and internal audit.	Recognised in the Comprehensive operating statement as incurred.

3.4 Net finance costs

	2026 $'000	2025 $'000
Interest on bank deposits	21	21
Other miscellaneous interest income	-	5
Interest on government loans	(6,457)	(4,842)
Financial liabilities at amortised cost - interest expense	(40)	-
Financial accommodation levy	(1,829)	(1,550)
Total net finance costs	**(8,305)**	**(6,366)**

Finance income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 3: THE COST OF DELIVERY OF SERVICES (CONTINUED)

Finance costs include costs incurred in connection with the borrowing of funds including interest on bank overdrafts, short term and long-term borrowings, financial liabilities recognised for service concession arrangements, amortisation of discounts or premiums relating to borrowings and lease charges.

Finance income is recognised using the effective interest method and finance costs are recognised as expenses in the period in which they are incurred.

Financial accommodation levy is a levy applied to South Gippsland Region Water Corporation 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 Corporation's 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 South Gippsland Region Water Corporation by the State Government of Victoria.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

South Gippsland Region Water Corporation controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They entrusted to South Gippsland Region Water Corporation to be utilised for delivery of those outputs.

4.1 Infrastructure, property, plant, and equipment

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

	Land	Buildings	Motor vehicles	Plant and equipment	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Infrastructure Sewer treatment and disposal	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2026											
Balance at 1 July 2025											
Gross carrying amount	14,524	2,598	7,971	10,445	216,826	64,609	48,288	173,448	103,930	29,614	**672,253**
Accumulated depreciation	-	(285)	(4,878)	(6,189)	(5,685)	(1,426)	(2,241)	(5,718)	(2,953)	-	**(29,375)**
Opening net book amount - 1 July 2025	**14,524**	**2,313**	**3,093**	**4,256**	**211,141**	**63,183**	**46,047**	**167,730**	**100,977**	**29,614**	**642,878**
Additions	12	-	-	-	78	-	-	-	-	27,044	**27,134**
Disposals (net)	-	(79)	(1)	(44)	(261)	(236)	(517)	(205)	(834)	-	**(2,177)**
Transfer between asset classes	-	1,450	318	1,464	5,339	1,685	6,670	3,750	7,223	(27,899)	**(0)**
Transfers from/(to) intangibles	-	-	-	(365)	-	-	-	-	-	-	**(365)**
Revaluation	3,155	7,633	-	-	(15,619)	6,405	(912)	9,111	37,613	-	**47,386**
Depreciation	-	(247)	(882)	(731)	(5,588)	(1,336)	(2,035)	(5,220)	(2,774)	-	**(18,813)**
Closing net book amount	**17,691**	**11,070**	**2,528**	**4,580**	**195,090**	**69,701**	**49,253**	**175,166**	**142,205**	**28,759**	**696,043**
Total as at 30 June 2026 represented by:											
Gross book value	17,691	11,092	8,091	11,294	195,140	69,734	49,291	175,184	142,263	28,759	**708,539**
Accumulated depreciation	-	(22)	(5,563)	(6,714)	(50)	(33)	(38)	(18)	(58)	-	**(12,496)**
Net book amount	**17,691**	**11,070**	**2,528**	**4,580**	**195,090**	**69,701**	**49,253**	**175,166**	**142,205**	**28,759**	**696,043**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

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.

Items with a cost or value more than $1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Motor vehicles

Vehicles are valued using the current replacement cost method. The South Gippsland Region Water Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the South Gippsland Region Water Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Revaluation of infrastructure, property, plant and equipment

Non-financial physical assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in Financial Reporting Direction 103 Non-Financial Physical Assets (FRD 103).

The Valuer-General Victoria (VGV) is the Government's independent valuation agency and is used by South Gippsland Region Water Corporation to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors under the direction of the VGV.

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 103.

South Gippsland Region Water Corporation in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

South Gippsland Region Water Corporation assets relating to land, buildings, infrastructure assets were independently valued by the VGV as at 30 June 2026.

Refer to Note 7.3 Fair value determination for further information on the revaluation methods used for the asset classes.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

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).

Revaluation increases or decreases arise from differences between an asset's carrying value and its fair value.

Revaluation increases and decreases relating to individual assets in a class of PPE, are offset against other assets in that class but are not offset against assets in different classes. An asset revaluation surplus is not transferred to accumulated funds on the de-recognition of the related asset.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, in which case the increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as an expense, except to the extent that a credit balance exists in the asset revaluation reserve applicable to the same class of assets, in which case the decrement is debited directly to the asset revaluation reserve.

4.1.4 Depreciation and impairment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Typical useful lives within each asset class are consistent with the previous year and fall within the following ranges:

Asset	Useful Life
Corporate Buildings	50 years
Furniture and equipment	10 years
Plant and machinery	7 to 10 years
Motor vehicle	4 years
Water Infrastructure	
Water harvesting	150 years
Water quality	10 to 100 years
Mains and reticulation	40 to 100 years
Pump stations	18 to 75 years
Water meters	15 years
Wastewater Infrastructure	
Sewer collection	18 to 75 years
Pump stations	50 years
Sewer treatment plants	50 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Land assets, which are considered to have an indefinite life, are not depreciated.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of the business.

The recoverable amount of specialised non-cash-generating assets which are held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*.

4.2 Intangible assets

	Software costs	Access rights	Water entitlements	Large-scale generation certificates	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2025						
Opening net book amount	1,235	1,830	545	27	257	**3,894**
Additions	-	-	-	7	219	**226**
Disposals - Gross Value	(60)	-	-	-	-	**(60)**
Disposals - Accumulated depreciation	60	-	-	-	-	**60**
Transfer between asset class	127	-	-	-	(127)	**-**
Amortisation	(454)	(142)	(7)	-	-	**(603)**
Other movements	-	-	-	-	(25)	**(25)**
Closing net book amount	**908**	**1,688**	**538**	**34**	**324**	**3,492**
At 30 June 2025						
Cost of fair value	6,297	3,200	563	34	324	**10,418**
Accumulated amortisation	(5,389)	(1,512)	(25)	-	-	**(6,926)**
Carrying amount	**908**	**1,688**	**538**	**34**	**324**	**3,492**
Year ended 30 June 2026						
Balance at 1 July 2025						
Opening net book amount	908	1,688	538	34	324	**3,492**
Additions	-	-	-	9	5	**14**
Disposals - Gross Value	(53)	-	-	-	(4)	**(57)**
Disposals - Accumulated depreciation	49	-	-	-	-	**49**
Transfer between asset classes	44	-	-	-	(44)	**-**
Amortisation	(528)	(146)	(7)	-	-	**(681)**
Transfer from Plant & equipment	365	-	-	-	-	**365**
Closing net book amount	**785**	**1,542**	**531**	**43**	**281**	**3,182**
Total as at 30 June 2026 represented by:						
Cost of fair value	6,653	3,200	563	43	281	**10,740**
Accumulated amortisation	(5,868)	(1,658)	(32)	-	-	**(7,558)**
Carrying amount	**785**	**1,542**	**531**	**43**	**281**	**3,182**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Recognition and measurement

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets are met, internally generated assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated, including:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- an intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised as expenditure when incurred.

Amortisation
Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use (when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. The amortisation of Software costs is included in Note 4.2.

A summary of the policies applied to South Gippsland Region Water Corporation's intangible assets is as follows:

Intangible asset	Water share entitlements	Access rights	Large-scale generation certificates	Software costs
Useful lives	Finite	Finite	Indefinite	Finite
Amortisation method used	99 years straight line	22 years straight line	Not amortised or revalued	3 and 7 years – straight line
Internally generated/acquired	Acquired	Acquired	Acquired	Internally generated / acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.

Software costs

Software Costs are costs incurred for the development of software code that enhance, modify, or create additional capability to, existing on-premises systems.

Software as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing South Gippsland Region Water Corporation with the right to access the cloud provider's application software over the contract period. As such South Gippsland Region Water Corporation does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an administration expense (Note 3.3) over the term of the service contract
- Fee for use of application software.

Recognise as an administration expense (Note 3.3) as the service is received
- Training costs.

The Corporation made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses as the costs do not meet the recognition criteria under *AASB 138 Intangible Assets*.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, the Corporation recognised $75k (2025: $0) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software, and will be expensed over the contract term.

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Corporation has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to owned software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation recognised $44k (2025: $127k) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Permanent water entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets) and amortised over 99 years. Permanent entitlements purchased after 1 July 2011 will be reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.. Bulk permanent water entitlements prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Large-scale Generation Certificates

Large-scale Generation Certificates (LGCs) are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets) and are not subject to amortisation as they have an indefinite life. LGCs are tested annually for impairment based on the LGC spot price at financial year- end. There was no indication of impairment in 2025-26 due to a higher spot price compared to cost.

Access rights

South Gippsland Region Water Corporation has a contract to access South East Water's Lang Lang water recycling plant, transfer main and reuse facility and sewerage services, which is amortised over 22 years to the contract expiry date (30 June 2036).

Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 5: OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from South Gippsland Region Water Corporation's operations and the delivery of services.

5.1 Receivables

	2026 $'000	2025 $'000
Current		
Contractual		
Service and usage charges	13,324	3,484
Allowance for expected credit losses	(241)	(133)
Sewer scheme receivables	5	14
Contract assets	3,154	2,610
Statutory		
GST recoverable	456	588
Total current receivables	**16,698**	**6,563**
Non-current		
Contractual		
Sewer scheme receivables-non current	188	203
Total non-current receivables	**188**	**203**
Total receivables	**16,886**	**6,766**

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
Contractual receivables	Recognised at fair value plus any directly attributable transaction costs. South Gippsland Region Water Corporation holds contractual receivables with the objective of collecting the contractual cash flows.	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.
Contractual receivables (service and usage charges)	Measured at transaction price, unless they contain a significant financing component when they are recognised at fair value. South Gippsland Region Water Corporation does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.	Classified as financial instrument and measured at amortised cost less any expected credit loss.
Statutory receivables	Recognised at fair value plus any directly attributable transaction costs.	Amortised cost less any expected credit loss.
Contract assets relating to service and usage charges - Accrued revenue	Accrued revenue is recognised for water and sewage usage as well as other works and services that have been provided to customers at balance date but not yet billed. This is calculated on the basis of average consumption.	Usage charges are all recognised as revenue when the service or other goods have been provided. The contract assets are transferred to contractual receivables when the rights become unconditional. This usually occurs when South Gippsland Region Water Corporation issues a bill to the customer.

The carrying amount at amortised cost is the reasonable approximation of fair value.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1.1 Impairment of contractual and statutory receivables

Contractual receivables at amortised cost
The Corporation applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The Corporation has grouped contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on the Corporation's history, existing market conditions, as well as forward looking estimates at the end of the financial year.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

Statutory receivables at amortised cost
The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses. No loss allowance has been recognised.

5.2 Payables

	2026 $'000	2025 $'000
Current payables		
Contractual		
Trade creditors	2,390	3,132
Accrued expenses	2,610	1,686
Accrued borrowing expense	1,527	1,063
Security deposits / retentions	297	380
Contract liabilities	3,046	1,834
Total	**9,870**	**8,095**
Statutory		
Taxes payable	42	52
Total payables	**9,912**	**8,147**

Payables for supplies and services have an average credit period of 30 days, (2025: 30 days). No interest is charged on the other payables.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, statutory payables are not classified as financial instruments.

The contract liabilities relate to developer contributions and service and usage charges paid in advance and will be recognised as revenue when the services are performed.

Contractual payables are classified as financial instruments and measured at amortised cost and represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid.

Statutory payables are recognised and measured similarly to contractual payables but are not classified as a financial instrument because they do not arise from a contract.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 ZEW transactions and balances

South Gippsland Region Water Corporation is one of 12 water corporation members of Zero Emissions Water (ZEW) Limited, 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 energy and emissions reduction facilities 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 to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors. Under the Members' Agreement South Gippsland Region Water Corporation as a member is limited to $10 in the event of a winding up.

As required by Australian accounting standards, South Gippsland Region Water Corporation 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 Gippsland Region 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 Gippsland Region Water Corporation

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to $5,000. 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. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW entered into an 11 - year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water corporation. 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. The Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement, via the CFD derivative.

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 as other economic flow included in the net result.

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.

Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

5.4 Other provisions

	2026 $'000	2025 $'000
Current		
Asset decommissioning costs	1,057	1,021
Total other provisions	**1,057**	**1,021**

Other provisions are recognised when South Gippsland Region Water Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received, and the amount of the receivable can be measured reliably.

5.4.1 Reconciliation of movements in other provisions

	2026 $'000	2025 $'000
Opening balance	1,021	996
Other sacrifices of future economic benefits	36	25
Closing balance	**1,057**	**1,021**
Current	1,057	1,021
Non-current	-	-

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 6: HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by South Gippsland Region Water Corporation during its operations, along with interest expenses (the cost of borrowing) and other information related to financing activities of South Gippsland Region Water Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional specific financial instrument disclosures.

6.1 Interest bearing liabilities

	2026 $'000	2025 $'000
Current		
Lease liabilities	53	-
Current loans from Treasury Corporation Victoria	13,402	13,156
Total current interest bearing liabilities	**13,455**	**13,156**
Non-current		
Lease liabilities	696	-
Non - current loans from Treasury Corporation Victoria	176,000	139,000
Total non-current interest bearing liabilities	**176,696**	**139,000**
Total interest-bearing liabilities	**190,151**	**152,156**

Loans are sourced from the Treasury Corporation of Victoria (TCV) and secured by the Treasurer in the form of a government guarantee. They are classified as a financial instrument and are initially recognised at the fair value of the consideration received less directly attributable transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest-bearing liabilities, using the effective interest method.

South Gippsland Region Water Corporation has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria. This is pursuant to section 8 of the Borrowings and Investment Powers Act 1987 and also aligned with AASB 101 *Presentation of Financial Statements*. Borrowings known as 11am debt are classified as current borrowings.

Lease liabilities are determined in accordance with AASB 16 (refer to 6.2).

6.1.1 Maturity of borrowings

	Carrying amount $'000	Nominal amount $'000	Less than 1 month $'000	3 months or less $'000	3 - 12 months $'000	1 - 5 years $'000	>5 years $'000
30 June 2026							
Loans from TCV	189,402	185,034	13,402	2,992	16,847	76,424	75,369
Lease liabilities	749	995	8	24	66	417	480
Total	**190,151**	**186,029**	**13,410**	**3,016**	**16,913**	**76,841**	**75,849**
30 June 2025							
Loans from TCV	152,156	150,132	13,156	2,997	11,940	62,700	59,339
Lease liabilities	-	-	-	-	-	-	-
Total	**152,156**	**150,132**	**13,156**	**2,997**	**11,940**	**62,700**	**59,339**

South Gippsland Region Water Corporation has classified borrowings greater than one month maturity as long-term in accordance with the note above under 6.1.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 Leases

The Corporation leases various properties (buildings) and equipment. The leases typically run for a period of 2 to 10 years, but may have extension options. Lease terms are negotiated every 2 years to reflect market rentals and contain a wide range of different terms and conditions.

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include:

- the importance of the asset to the Corporations' operations;
- comparison of terms and conditions to prevailing market rates;
- incurrence of significant penalties;
- existence of significant leasehold improvements; and
- the costs and disruption to replace the asset.

The Corporation reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method generally from the commencement date to the shorter of the asset's useful life (which is determined on the same basis as those of property, plant and equipment) or lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Corporation's incremental borrowing rate. Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Corporation estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- payments arising from purchase and termination options reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the comprehensive operating statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets below and lease liabilities in Note 6.1.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2.1 Right-of-use assets

	Buildings $'000	Total $'000
Year ended 30 June 2026		
Carrying amount at beginning of year	-	**-**
Additions to right-of-use assets	765	**765**
Depreciation expense	(64)	**(64)**
Carrying amount at end of year	**701**	**701**
Year ended 30 June 2026		
Cost	765	**765**
Less: Accumulated depreciation	(64)	**(64)**
Carrying amount at end of year	**701**	**701**

6.2.2 Amounts recognised in the Comprehensive Operating Statement

	2026 $'000	2025 $'000
Interest on lease liabilities	40	-
Depreciation on ROU Assets	64	-
Total	**104**	**-**

6.2.3 Future lease payments

The total of future lease payment commitments (including those lease payments that are not included in the measurement of the lease liability e.g. for short-term leases and leases of low-value items) are disclosed for each of the following periods.

	2026 $'000	2025 $'000
Less than one year	98	-
One to five years	417	-
More than five years	480	-
	995	**-**

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2026 $'000	2025 $'000
Cash at bank and on hand	1,744	237
Balance as per cash flow statement	**1,744**	**237**

6.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.4.1 Total commitments payable

	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
2026				
Capital expenditure commitments payable	24,049	5,095	-	29,144
Environmental contribution levy commitments	1,577	1,577		3,154
Operating lease commitments payable	64	-	-	64
Total commitments (inclusive of GST)	**25,690**	**6,672**	**-**	**32,362**
Less GST receivable	2,192	463	-	2,655
Total commitments exclusive of GST	**23,498**	**6,209**	**-**	**29,707**

	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
2025				
Capital expenditure commitments payable	10,163	617	-	10,780
Environmental contribution levy commitments	1,577	3,154		4,731
Operating lease commitments payable	96	-	-	96
Total commitments (inclusive of GST)	**11,836**	**3,771**	**-**	**15,607**
Less GST recoverable	933	56	-	989
Total commitments exclusive of GST	**10,903**	**3,715**	**-**	**14,618**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

7.1 Financial instruments

Introduction

South Gippsland Region Water Corporation is exposed to 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 South Gippsland Region Water Corporation related mainly to fair value determination.

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	• For supplies and services
• Trade receivables	• Other payables
• Sale of goods and services	Interest bearing liabilities:
• Other receivables	• Loans from TCV
Investment in Zero Emissions Water (ZEW)	• Lease liability
Derivative financial asset	Derivative financial liability

Due to the short-term nature of the financial assets and liabilities held by South Gippsland Region Water Corporation, their carrying value is assumed to approximate their fair value.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: • Loans and receivables • cash and deposits; and • receivables.	Fair value plus or minus any directly attributable transaction costs	Amortised cost only using the effective interest rate method less impairment 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, and • the contractual terms give rise to cash flows that are solely payments of principal and interest. Gains or losses are recognised in the comprehensive operating statement as either: • interest income calculated using the effective interest rate; • impairment losses under the expected credit loss model; or • gain or loss on derecognition.
Financial assets at fair value through net results		
Investments in ZEW	Fair value through net result.	Fair value through net result.
Financial liabilities at amortised cost		
Financial liabilities include: • payables (excluding statutory payables); and • borrowings (including lease liabilities).	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	Amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the comprehensive operating statement, over the period of the interest-bearing liability using the effective interest rate method. Gains or losses are recognised in the comprehensive operating statement as either: • interest expense calculated using the effective interest rate; • impairment losses under the expected credit loss model; or • gain or loss on derecognition.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

Financial instrument	Initial measurement	Subsequent measurement
Derivative financial instruments		
Derivative financial instruments	Fair value on the date on which a derivative contract is entered into.	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 the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result. Gains or losses include: • Fair value changes either realised or unrealised; or • Interest.

7.1.1 Financial instruments: Categorisation

2026	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		$'000	$'000	$'000	$'000	$'000
Contractual financial assets						
Cash and deposits	6.3	1,744	-	-	-	**1,744**
Receivables						
Service and usage charges	5.1	-	-	13,539	-	**13,539**
Contract assets	5.1	-		3,154	-	**3,154**
Other receivables	5.1	-	-	193	-	**193**
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd		-	5	-	-	**5**
Total contractual financial assets		**1,744**	**5**	**16,886**	**-**	**18,635**
Contractual financial liabilities						
Payables						
Trade creditors	5.2	-	-	-	2,390	**2,390**
Accrued expenses	5.2	-	-	-	4,137	**4,137**
Other- security deposits & retention	5.2	-	-	-	297	**297**
Other-taxes payable		-	-	-	42	**42**
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	189,402	**189,402**
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss		-	54	-	-	**54**
Total contractual financial liabilities		**-**	**54**	**-**	**196,268**	**196,322**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

2025	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit / loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		$'000	$'000	$'000	$'000	$'000
Contractual financial assets						
Cash and deposits	6.3	237	-	-	-	**237**
Receivables						
Service and usage charges	5.1	-	-	3,939	-	**3,939**
Contract Assets	5.1	-	-	2,610	-	**2,610**
Other receivables	5.1	-	-	217	-	**217**
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd		-	5	-	-	**5**
Total contractual financial assets		**237**	**5**	**6,766**	**-**	**7,008**
Contractual financial liabilities						
Payables						
Trade creditors	5.2	-	-	-	3,132	**3,132**
Accrued expenses	5.2	-	-	-	2,749	**2,749**
Other- security deposits & retention	5.2	-	-	-	380	**380**
Other taxes payable	5.2	-	-	-	52	**52**
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	152,156	**152,156**
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss		-	89	-	-	**89**
Total contractual financial liabilities		**-**	**89**	**-**	**158,469**	**158,558**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

	Total interest income / (expense) $'000	Total $'000
2026		
Contractual financial liabilities		
Financial liabilities at amortised cost	8,326	8,326
Financial liabilities designated at fair value through profit/loss	-	-
Total contractual financial liabilities	**8,326**	**8,326**
2025		
Contractual financial liabilities		
Financial liabilities at amortised cost	6,392	6,392
Financial liabilities designated at fair value through profit/loss	**-**	**-**
Total contractual financial liabilities	**6,392**	**6,392**

Details regarding the recognition of gains or losses on financial instruments are provided in Note 7.1.1.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet but are disclosed and, if quantifiable, are measured at nominal value.

South Gippsland Region Water Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2025 $Nil).

7.3 Fair value determination

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

South Gippsland Region Water Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is South Gippsland Region Water Corporation's independent valuation agency. In conjunction with VGV, South Gippsland Region Water Corporation monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

Fair value determination

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* amended AASB 13 *Fair Value Measurement* by adding Appendix F *Australian implementation guidance for not-for-profit public sector entities*. Appendix F explains and illustrates the application of the principles in AASB 13 on developing unobservable inputs and the application of the cost approach. These clarifications are mandatorily applicable annual reporting periods beginning on or after 1 January 2024. FRD 103

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

permits Victorian public sector entities to apply Appendix F of AASB 13 in their next scheduled formal asset revaluation or interim revaluation process (whichever is earlier).

For all assets measured at fair value, South Gippsland Region Water Corporation considers the current use is the highest and best use.

The following table shows the valuation techniques used in measuring fair values for financial instruments and non-financial physical assets in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Non-financial physical assets		
Buildings and Land (specialised)	Market / Direct comparison approach adjusted for unobservable inputs, Community service obligation (CSO) allowance and cost approach or Current replacement cost	Community service obligation (CSO) adjustment
Infrastructure	Depreciated current replacement cost.	Depreciation assumptions using best available information
Plant and equipment	Depreciated current replacement cost.	Original useful life Cost per unit
Financial assets and liabilities		
Derivative financial instrument	Income approach (discounted cash flow)	Wholesale electricity price forecasts Discount rate – risk free rates of zero coupon government bonds Credit value adjustment – Australian Corporate Bond Spreads and Yields

Although it is intended that asset valuations will be based on a five year cycle, FRD 103 *Non financial physical assets* (FRD103) requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations when the triggers of FRD103 are met.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

An independent valuation of South Gippsland Region Water Corporation's water and sewer infrastructure was carried out by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation was 30 June 2026. These assets are classified as Level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

Climate related factors and fair value measurement

Market participants' views of potential climate-related matters, including legislation, 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.

South Gippsland Region Water Corporation's infrastructure, property, plant and equipment assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations. South Gippsland Region Water Corporation has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. South Gippsland Region Water Corporation has also incorporated considerations for climate change into its risk management practices, such as the establishment and maintenance of flood management systems and increased monitoring during fire danger periods. Physical risks arising from fires, floods and drought are to a great extent subject to risk transfer and thereby within the cover of the Corporation's property and business interruption insurance programmes. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

Although it is intended that asset valuations will be based on a five-year cycle, FRD 103 *Non-financial physical assets* (FRD103) requires entities to perform annual fair value assessments for each class of non-financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management performs interim valuations when the triggers of FRD103 are met.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 8: STATUTORY OBLIGATIONS

Introduction

This section includes disclosures in relation to South Gippsland Region Water Corporation's statutory obligations.

8.1 Tax

8.1.1 Income tax

South Gippsland Region Water Corporation 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. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 25% (2025: 25%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The differences are reconciled as follows:

	Notes	2026 $'000	2025 $'000
Income Statement			
Temporary differences		(4,921)	(5,967)
Income tax reported in the comprehensive operating statement		**(4,921)**	**(5,967)**
Statement of changes in equity			
Net deferred tax - credited directly to equity		(11,847)	-
Income tax reported in equity		**(11,847)**	**-**
Tax reconciliation			
Net result before income tax		**(20,742)**	**(23,869)**
Tax at the Australian tax rate of 25%		(5,186)	(5,967)
Non-deductible expenses		3	1
Temporary difference on property, plant & equipment not affecting profit/(loss)		262	(1)
Income tax on profit before tax		**(4,921)**	**(5,967)**

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences 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. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)

Deferred tax assets

	2026 $'000	2025 $'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	60	33
Employee benefits	1,075	1,061
Tax losses	23,367	22,958
Other	676	685
Total deferred tax assets	**25,178**	**24,737**
Movements:		
Opening balance at 1 July	24,737	21,296
Credited to the Comprehensive Operating Statement	441	3,441
Closing balance at 30 June	**25,178**	**24,737**
Deferred tax asset expected to be recovered after more than 12 months	108	87
Deferred tax asset expected to be recovered within 12 months	333	1,692
Tax losses	24,737	22,958
Ending balance at 30 June	**25,178**	**24,737**

Deferred tax liabilities

	2026 $'000	2025 $'000
Amounts recognised in Comprehensive Operating Statement		
Depreciation	(4,817)	2,526
Amounts recognised directly in equity		
Revaluation of infrastructure, property, plant and equipment	(110,563)	(110,539)
Total deferred tax liabilities	**(115,380)**	**(108,013)**
Movements		
Opening balance at 1 July	(108,013)	(110,539)
(Credited)/Debited to the Comprehensive Operating Statement	(7,367)	2,526
Closing balance at 30 June	**(115,380)**	**(108,013)**
Deferred tax liabilities expected to be settled after more than 12 months	(115,380)	(108,013)
Deferred tax liabilities expected to be settled within 12 months	-	-
Ending balance at 30 June	**(115,380)**	**(108,013)**

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 9: OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

9.1 Other economic flows included in net results

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the gain or loss from disposal of infrastructure, property, plant and equipment;
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets; and
- the revaluation gain or loss on the fair value of derivative financial instrument.

	2026 $'000	2025 $'000
Net (loss) on non-financial assets		
Net (loss) on disposal of infrastructure, property, plant and equipment	(2,060)	(812)
Total net (loss) on non-financial assets	**(2,060)**	**(812)**
Net gain on financial instruments		
Impairment of:		
Net gain arising from revaluation of financial liabilities at fair value through net result - market risk	21	16
Total net gain on financial instruments	**21**	**16**
Total other losses from other economic flows	**(2,039)**	**(796)**

(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in the Corporation's electricity derivative in the PPA as a result of higher/lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.

9.2 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of South Gippsland Region Water Corporation, the results of those operations, or the state of affairs of South Gippsland Region Water Corporation in future financial years.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Name	Title	Period of appointment
The Hon. Harriet Shing MP	Minister for Water	15 April 2026 – 30 June 2026
The Hon Gayle Tierney	Minister for Water	1 July 2025 - 14 April 2026
Mrs Nicola Hepenstall	Chair	1 October 2025 - 30 June 2026
Mrs Nicola Hepenstall	Acting Chair	1 July 2025 – 30 September 2025
Mr Robert Murphy	Managing Director	1 July 2025 - 30 June 2026
Ms Diana Nestorovska	Deputy Chair	1 July 2025 - 30 June 2026
Mrs Sumi Prabhakaran	Director	1 July 2025 – 30 September 2025
Mr Chris Rose	Director	1 July 2025 - 30 June 2026
Ms Jennifer Ryan	Director	1 July 2025 - 30 June 2026
Ms Susan Lloyd	Director	1 October 2025 – 30 June 2026
Mr Ian Maxfield	Director	1 October 2025 – 30 June 2026
Ms Leonie Valentine	Director	1 October 2025 – 30 June 2026
Mr Mark Nicholls	Director	1 October 2025 – 30 June 2026

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of South Gippsland Region Water Corporation during the reporting period was in the range: $330,000 – $339,999 (2025: $330,000 – $339,999).

	2026	2025
Income band ($)		
5,000-9,999	1	-
10,000-19,999	3	1
20,000-29,999	1	4
30,000-39,999	3	1
50,000-59,999	-	1
60,000-69,999	1	
330,000-339,999	1	1
Total responsible persons	**10**	**8**
Total remuneration ($'000)	**598**	**547**

9.4 Related parties

South Gippsland Region Water Corporation is a wholly owned and controlled entity of the State of Victoria.

Related parties of South Gippsland Region Water Corporation 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; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Key management personnel

Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.3 and members of the executive leadership team who have the authority and responsibility for planning, directing and controlling the activities of the South Gippsland Region Water Corporation directly or indirectly, during the financial year.

Remuneration of key management personnel

The compensation below excludes the salaries and benefits of the Minister for Water. The Minister's remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the State's Annual Financial Report.

	2026 $'000	2025 $'000
Compensation of key management personnel		
Short-term employee benefits	1,527	1,584
Post-employment benefits	182	176
Other long-term benefits	103	38
Total remuneration	**1,812**	**1,798**

Significant transactions with government-related entities

During the year, South Gippsland Region Water Corporation had the following government-related entity transactions:

Government-related entity receipts

Entity name	Brief description of main activity	2026 $'000	2025 $'000
Department of Families, Fairness and Housing (DFFH)	Refund of concession rebates	1,529	1,972
State Revenue Office	Refund of charities rebates	104	149
Treasury Corporation of Victoria	Loan proceeds	52,246	39,050

Government-related entity payments

Entity name	Brief description of main activity	2026 $'000	2025 $'000
Treasury Corporation of Victoria	Interest on borrowings	6,457	4,842
Department of Energy, Environment and Climate Action (DEECA)	Environmental contribution	1,577	1,577
Department of Treasury and Finance	Financial accommodation levy	1,829	1,550
Environment Protection Authority	Licence fees and levies	45	51
VAGO	External Audit	85	70
Zero Emissions Water Limited	Rates and charges	43	20
Melbourne Water	Bulk Entitlements	927	790
Treasury Corporation of Victoria	Loan repayments	15,000	11,500

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Transactions with key management personnel and other related parties

Given the breadth and depth of South Gippsland Region Water Corporation's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. water, wastewater and related services. Further employment of processes within the Victorian public sector occurs on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with South Gippsland Region Water Corporation there were no related party transactions that involved key management personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

All other transactions that have occurred with Key Management Personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making decisions and evaluating the allocation of scarce resources.

ZEW transactions

South Gippsland Region 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 energy and emissions reduction facilities 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.

ZEW is a related party of the South Gippsland Region Water Corporation . Below is a summary of transactions and holdings with ZEW.

	2026 $'000	2025 $'000
Sales to ZEW	3	(7)
Purchases from ZEW	17	27
Loans to/from ZEW	5	5

9.5 Remuneration of auditors

		2026 $'000	2025 $'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	85	70
Non-VAGO audit and assurance services	Internal audit	52	108
Total remuneration of auditors		**137**	**178**

9.6 Ex-gratia payments

South Gippsland Region Water Corporation made an ex-gratia payment during 2025-2026 of $17,500 (2025: $nil). In accordance with FRD 11A Disclosure of Ex-Gratia Expenses South Gippsland Region Water Corporation must disclose in aggregate the total amount of material items (greater than $5,000). This was a discretionary payment. The total is included in Salaries and wages, annual leave and long service leave of Note 3.1.1 employee benefits.

South Gippsland Region Water Corporation
Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

9.7 Australian Accounting Standards issued that are not yet effective

The following AASBs become effective for reporting periods commencing after the operative dates stated:

AASB 18 Presentation and Disclosure in Financial Statements
AASB 18 replaces AASB 101 *Presentation of Financial Statements* to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of profit or loss.

The key presentation and disclosure requirements established by AASB 18 is the presentation of newly defined subtotals in the statement of profit or loss.

AASB 18 requires an entity to:
classify income and expenses into operating, investing, financing, income taxes and discontinued operations categories in the statement of profit or loss; and
present two newly defined subtotals – operating profit and profit before financing and income taxes.

The standard is applicable for annual reporting periods beginning on 1 January 2027.

Based on information currently available, the Corporation is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Corporation's financial statements.

A number of other standards and amendments have also been issued that apply to future reporting periods, however they are not expected to have any significant impact on the financial statements in the period of initial application.

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2026 reporting period. DTF assesses the impact of all these new standards and advises South Gippsland Region Water Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 2024-2	Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments	1 January 2026	Not yet known
AASB 18	Presentation and Disclosure in Financial Statements	1 January 2027	Not yet known
AASB2022-8	Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	1 January 2027	None
AASB2022-9	Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	1 January 2027	Not yet known

Statutory Certification

Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Accountable officers' and chief finance and accounting officer's declaration 2025-26

The attached financial statements for South Gippsland Region Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2026 and the financial position of the Corporation as at 30 June 2026.

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

We authorise the attached financial statements for issue on the 24th September 2026.

Nicola Hepenstall
Chair

Robert Murphy
Managing Director

Tira Jones
Chief Financial Officer

Dated this day, the 24th September 2026

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of South Gippsland Region Water Corporation

Opinion	I have audited the financial report of South Gippsland Region Water Corporation (the corporation) which comprises the: • balance sheet as at 30 June 2026 • comprehensive operating statement for the year then ended • cashflow statement for the year then ended • statement of changes in equity for the year then ended • notes to the financial statements, including material accounting policy information • statutory certification. In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards - Simplified Disclosures.
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 (including Independence Standards)* (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.
Other information	The Board is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report but does not include the financial report and our auditor's report thereon. My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

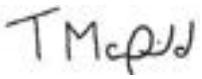
Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Independent Auditor's Report

Board's responsibilities for the financial report	The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Simplified Disclosures 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 financial report that is free from material misstatement, whether due to fraud or error. In preparing the 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 financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with 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 financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board. • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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.



MELBOURNE
30 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Disclosure index

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Legislation	**Requirement**	**Page/s**
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RESPONSIBLE MINISTER

The responsible Minister for the period from 1 July 2025 to 14 April 2026 was the Hon. Gayle Tierney. The Hon. Harriet Shing was the responsible Minister from 15 April 2026 to 30 June 2026.

BANKERS

Westpac Bank
28 Bair Street, LEONGATHA VIC 3953

AUDITORS

Auditor General, Victoria by RSM Australia Pty Ltd

INSURANCE BROKER

Lockton Companies Australia Pty Ltd

SOLICITORS

Oakleys White and Russell Kennedy

INDUSTRY ASSOCIATIONS

- Australian Water Association
- Institute of Water Administration
- Victorian Water Industry Association
- Water Services Association of Australia

OTHER ASSOCIATIONS

- Business Management Health Services
- Candowie-Lance Creek Catchment Management Group
- South Gippsland Landcare Network
- Victorian Employers Chamber of Commerce & Industry
- West Gippsland Catchment Management Authority
- Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC)
- Gunaikurnai Traditional Owner Land Management Board (GKTOLMB)
- Bunurong Land Council Aboriginal Corporation

CHARITY

WaterAid Australia

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