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To the Chair HomeStart Finance

Opinion

I have audited the financial report of HomeStart Finance for the financial year ended 30 June 2024.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of HomeStart Finance as at 30 June 2024, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2024
- a Statement of Financial Position as at 30 June 2024
- a Statement of Changes in Equity for the year ended 30 June 2024
- a Statement of Cash Flows for the year ended 30 June 2024
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, Deputy Chair, Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of HomeStart Finance. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and the Board for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* section 27(4) of the *Urban Renewal Act 1995*, I have audited the financial report of HomeStart Finance for the financial year ended 30 June 2024.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 the 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 HomeStart Finance's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer'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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and Board about, 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 the audit.



Andrew Blaskett
Auditor-General

19 September 2024

HomeStart Finance
Certification of the Financial Statements
For the year ended 30 June 2024

We certify that the:

- financial statements of HomeStart Finance:
 - are in accordance with the accounts and records of HomeStart Finance;
 - comply with relevant Treasurer's instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of HomeStart Finance at the end of the financial year and the result of its operations and cash flows for the financial year.

- internal controls employed by HomeStart Finance for the financial year over its financial reporting and its preparation of financial statements have been effective.

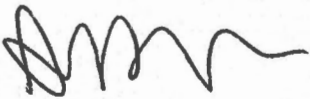
Signed in accordance with a resolution of the board members.



Jim Kouts
Chair
17 September 2024



Chris Ward
Deputy Chair
17 September 2024



Andrew Mills
Chief Executive Officer
17 September 2024



Simon Olifent
Chief Financial Officer
17 September 2024

HomeStart Finance
Statement of Comprehensive Income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Interest income	4	192,402	123,117
Interest expense	4	(104,408)	(55,927)
Net interest income	4	87,994	67,190
Other income	5	30,221	17,925
Broker fees		(4,725)	(3,439)
Employee related expenses	6	(17,507)	(13,750)
Bad and impaired loans income/(expense)	10	(6,117)	(1,096)
Depreciation, amortisation and impairment expense	11	(6,797)	(3,043)
Other expenses	12	(10,432)	(8,159)
Profit before income tax equivalents and government guarantee fee expenses		72,637	55,628
Government guarantee fee	9	(23,302)	(17,942)
Profit before income tax equivalents		49,335	37,686
Income tax equivalents expense	2.2	(14,801)	(11,306)
Profit after income tax equivalents		34,534	26,380
Other Comprehensive Income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Change in fair value of derivatives		(12,634)	(3,803)
Total other comprehensive income		(12,634)	(3,803)
Total comprehensive result		21,900	22,577

The accompanying notes form part of these financial statements. The profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

HomeStart Finance
Statement of Financial Position
As at 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Assets			
Cash and cash equivalents	30.1	3,295	6,876
Financial investments	14	1,669	1,501
Derivative financial instruments	31.2.2	6,126	18,760
Loans and advances	15	3,079,070	2,393,659
Other financial assets	16	1,042	7,207
Intangible assets	17	7,797	10,212
Property, plant and equipment	18	4,802	5,914
Other assets	19	868	933
Total assets		3,104,669	2,445,062
Liabilities			
Payables	21	7,562	6,050
Short-term borrowings	22	474,889	28,667
Employee related liability	23	2,969	2,122
Income tax equivalents payable	24.1	5,271	3,379
Provision for dividend	24.2	4,219	2,576
Long-term borrowings	22	2,419,557	2,195,396
Other liabilities	25.1	21,202	25,238
Total liabilities		2,935,669	2,263,428
Net assets		169,000	181,634
Equity			
Reserves	26	6,126	18,760
Retained earnings		162,874	162,874
Total equity		169,000	181,634

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

HomeStart Finance
Statement of Changes in Equity
For the year ended 30 June 2024

Notes	Retained earnings \$'000	Derivatives valuation reserve \$'000	Total Equity \$'000
Balance at 30 June 2022	162,874	22,563	185,437
Profit after income tax equivalent for 2022-23	26,380	-	26,380
Change in fair value of derivatives	2.5.5	(3,803)	(3,803)
Total comprehensive result for 2022-23	26,380	(3,803)	22,577
Transactions with SA Government as owner			
Dividends paid/payable	24.2	-	(26,380)
Balance at 30 June 2023	162,874	18,760	181,634
Profit after income tax equivalent for 2023-24	34,534	-	34,534
Change in fair value of derivatives	2.5.5	(12,634)	(12,634)
Total comprehensive result for 2023-24	34,534	(12,634)	21,900
Transactions with SA Government as owner			
Dividends paid/payable	24.2	-	(34,534)
Balance at 30 June 2024	162,874	6,126	169,000

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

HomeStart Finance
Statement of Cash Flows
For the year ended 30 June 2024

Cash flows from operating activities

	Notes	\$'000 2024	\$'000 2023
Cash inflows			
Interest received on cash		221	120
Interest received on loans and advances		189,318	120,309
Fees and commissions received		1,376	1,511
Bad debts recovered		74	81
Community Service Obligation subsidy received from SA Government		8,767	8,363
Other receipts		3,185	2,330
Cash generated from operating activities		202,941	132,714
Cash outflows			
Employee related expenses payments		(16,674)	(13,541)
Payments for supplies and services		(14,514)	(7,189)
Payments to brokers		(7,531)	(3,800)
Borrowing costs paid		(102,875)	(54,630)
Government guarantee fee paid		(22,956)	(18,067)
Tax equivalent paid		(12,909)	(16,775)
Cash used in operating activities		(177,459)	(114,002)
Net cash (used in)/provided by operating activities	30.2	25,482	18,712

Cash flows from investing activities

Cash inflows			
Shared appreciation components of Breakthrough Loan repaid	32.4	1,866	2,576
Shared appreciation components of Shared Equity Option Loan repaid	32.4	4,579	1,500
Customer loans repaid		547,149	503,738
Cash generated from investing activities		553,594	507,814
Cash outflows			
Purchase of property, plant and office and computer equipment		(133)	(550)
Purchase of software		(2,905)	(3,690)
Shared appreciation component of Shared Equity Option Loan settled	32.4	(78,148)	(43,230)
Customer loans settled		(1,138,896)	(745,635)
Cash used in investing activities		(1,220,082)	(793,105)
Net cash (used in)/provided by investing activities		(666,488)	(285,291)

Cash flows from financing activities

Cash inflows			
Proceeds from borrowings		771,164	792,912
Cash generated from financing activities		771,164	792,912
Cash outflows			
Dividends paid to SA Government		(32,892)	(26,093)
Repayment of leases		(847)	(798)
Repayment of borrowings		(100,000)	(500,000)
Cash used in financing activities		(133,739)	(526,891)
Net cash (used in)/provided by financing activities	30.3	637,425	266,021
Net (decrease)/increase in cash and cash equivalents		(3,581)	(558)
Cash and cash equivalents at the beginning of the period		6,876	7,434
Cash and cash equivalents at the end of the period	30.1	3,295	6,876

The accompanying notes form part of these financial statements.

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2024

NOTE 1 About HomeStart Finance

1.1 About HomeStart Finance

HomeStart was established under the *Urban Renewal (HomeStart Finance) Regulations 2020* as a for-profit State Government organisation. It is subject to the control and direction of the Treasurer of South Australia under Part 3 of the *Urban Renewal Act 1995*.

HomeStart is an individual entity. HomeStart does not control any investee, has no joint arrangements and no interest in unconsolidated structured entities.

HomeStart's reason for being is to make home ownership a reality for more people in South Australia in more ways.

HomeStart Loans

HomeStart provides home loans to South Australians and has products designed to assist low to moderate income households and other needs groups to help achieve our objectives.

HomeStart Loans are the primary loan product and the outstanding value of the product as at 30 June 2024 was \$2.700 billion (\$2.119 billion, 2022-23).

In addition, HomeStart offers a range of shared equity products and the outstanding value as at 30 June 2024 was \$202.1 million (\$114.4 million, 2022-23).

HomeStart also offers a Seniors Equity (reverse mortgage) product and the outstanding value as at 30 June 2024 was \$106.0 million (\$85.5 million, 2022-23).

Subsidies

HomeStart provides subsidised Advantage Loans of up to \$70,000 to lower income earners.

As at 30 June 2024, the weighted average interest rate applying to Advantage Loans was 2.46% (2.46%, 2022-23). The outstanding value of Advantage Loans at 30 June 2024 was \$70.6 million (\$71.7 million, 2022-23).

For the year ended 30 June 2024, HomeStart received a Community Service Obligation (CSO) subsidy payment of \$5.4 million (\$5.2 million, 2022-23) from the Department of Treasury and Finance for Advantage Loan subsidies provided.

NOTE 2 Material accounting policies

2.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- Section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

HomeStart has applied Australian Accounting Standards that are applicable to for-profit entities, as HomeStart is a for-profit entity. The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000), except when otherwise indicated.

2.2 Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, HomeStart is required to pay to the SA Government an income tax equivalent amount. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the profit. The current income tax liability relates to the income tax expense outstanding for the current period. HomeStart is also liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2.3 Income

2.3.1 Interest income – non-subsidised loans

Interest income is recognised as it accrues using the effective interest rate method, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.3.3).

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2024

2.3.2 Interest income – subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value may result in a loss that is recognised in the Statement of Comprehensive Income, the loss being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest rate method at a rate of interest, based on South Australian Government Financing Authority (SAFA) bonds of the following maturities for the current and comparative period;

- seven years for Advantage Loans; and
- ten years for EquityStart Loans.

2.3.3 Interest income – impaired loans

HomeStart ceases accruing interest income on loans when it considers that it is unable to recover that interest income from either the customer or from the sale of the security. Interest on these loans is only brought to account when realised or when loans are returned to accruing status.

A loan is no longer considered impaired if all arrears have been eliminated and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes adequately secured.

2.3.4 Loan origination fees received or receivable

Loan origination fees are recognised over the estimated life of loans in the portfolio using the effective interest rate method.

The average life of loans in the originated loan portfolio used for loan fee income recognition is reviewed periodically to ensure the amortisation methodology is appropriate.

2.3.5 Government grants

Grants from the SA Government are recognised at their fair value where there is reasonable assurance that the grant will be received and HomeStart will comply with all attached conditions.

Government grants are recognised as revenue in the Statement of Comprehensive Income over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses.

2.3.6 Investment income

For financial assets measured at fair value through profit or loss (FVTPL), changes in fair value (both realised and unrealised) are recognised in the profit or loss as they occur.

2.3.7 Net gain/loss from disposal of non-financial assets

Net gain or loss from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and is determined by comparing the proceeds on sale with the carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.3.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.4 Expenses

2.4.1 Government guarantee fee

The government guarantee fee is expensed as it accrues at the rate imposed by the Department of Treasury and Finance.

2.4.2 Loan origination fees paid or payable

Loan origination fees are recognised over the estimated life of loans in the portfolio using the effective interest rate method.

The average life of loans in the originated loan portfolio used for loan origination expense recognition is reviewed periodically to ensure the amortisation methodology is appropriate.

2.4.3 Employee related expenses

Employee related expenses include all costs related to employment including wages, salaries, superannuation, non-monetary benefits and leave entitlements. The expenses are recognised in the period in which services are rendered by the employees.

2.4.4 Leases

At inception of a contract, HomeStart 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. To assess whether a contract conveys the right to control the use of an identified asset, HomeStart uses the definition of a lease in AASB 16 *Leases*.

HomeStart 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 from the commencement date to the end of the 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.

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2024

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using HomeStart's incremental borrowing rate, published by the Department of Treasury and Finance and reflect the terms of the lease and the type of asset leased.

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

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is subsequently 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.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in HomeStart's accounting policies as follows:

- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15,000 or less, nor short-term leases, being those with a lease term of 12 months or less, nor leases of intangible assets;
- HomeStart, in the capacity of a lessee, does not include non-lease components in lease amounts;
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable HomeStart to further its objectives; and
- right-of-use assets are subsequently measured applying a cost model.

Make good provision

At the expiration of the lease of its office accommodation, HomeStart is required in accordance with the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's right-of-use assets. This amount has been calculated as an estimate of future costs.

2.5 Assets

Assets are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Assets have not been offset unless required or permitted by a specific accounting standard.

Current and non-current classes are not generally presented separately.

2.5.1 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to cash and which are subject to insignificant risk of changes in value.

2.5.2 Financial assets

During the current and comparative financial years HomeStart had the following financial assets:

- cash and cash equivalents (refer to note 2.5.1);
- loans and advances at amortised cost (refer to note 2.5.3.1);
- investments at amortised cost - cash management funds (refer to note 2.5.2.1);
- loans and advances at fair value through profit or loss - Shared Equity loans (Breakthrough and Shared Equity Option) (refer to note 2.5.3.2);
- loans and advances at fair value through profit or loss - Seniors Equity loans (refer to note 2.5.3.2); and
- derivative financial instruments (refer to note 2.5.5).

Initial measurement and classification

Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and HomeStart's business model for managing them.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- financial assets at amortised cost (debt instruments); or
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

HomeStart measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If financial assets do not meet the above criteria, they are measured at fair value through profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Other than the shared equity loans (Breakthrough and Shared Equity Option loans) and Seniors Equity loans, all HomeStart loans are classified and measured at amortised cost. Refer to note 2.5.3.1.

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2024

Business model assessment

HomeStart makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to HomeStart's Management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment as to whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are defined as SPPI, HomeStart considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, HomeStart considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit HomeStart's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

Interest rates on certain retail loans made by HomeStart are based on standard variable rates (SVRs) that are set at the discretion of HomeStart. SVRs are generally based on a central bank rate and also include a discretionary spread. In these cases, HomeStart will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay their loans without significant penalties;
- the market competition ensures that interest rates are consistent across lenders; and
- any regulatory or customer protection framework is in place that requires lenders to treat customers fairly.

All of HomeStart's retail loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income (OCI), as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

The net gain or loss includes any increase/decrease in the value of the financial asset, any dividend or interest earned on the financial asset.

Derivatives assets are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flows.

The two shared equity loan products (Breakthrough and Shared Equity Option) and Seniors Equity loans are required to be measured at fair value through profit or loss under AASB 9 as the contractual terms of the loans do not give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Refer to note 2.5.3.2.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after HomeStart changes its business model for managing financial assets.

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2024

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from HomeStart's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- HomeStart has transferred contractual rights to receive cash flows of the financial asset and substantially all the risks and rewards of ownership.

2.5.2.1 Financial investments

The investments in SAFA cash management funds are measured at amortised cost as the cash flows from the investment represent SPPI and the investment is held with the objective to collect contractual cash flows.

2.5.3 Loans and advances

2.5.3.1 Loans and advances at amortised cost

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These loans and advances meet the SPPI test and are held within a business model with the objective to collect contractual cash flows and are therefore measured at amortised cost.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any allowance for expected credit losses.

Subsidised Loans

For subsidised loans, fair value may be less than their face value. If this is the case, on settlement of subsidised loans, an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan using the effective interest rate method. The loans are measured at amortised cost.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Impairment - Loans and advances

HomeStart recognises loss allowances for expected credit losses ("ECL") on loans and advances at amortised cost.

HomeStart estimates ECL through modelling the probability of default, loss given default and exposure at default, as follows:

- Stage 1 - Performing - This category includes financial instruments that have not experienced a significant increase in credit risk since their origination. For these financial instruments an allowance equivalent to 12 month's ECL is recognised, which represents the credit losses expected to arise from defaults occurring over the next 12 months.
- Stage 2 - Under-performing - This category includes financial instruments that have experienced a significant increase in credit risk since their origination and are not credit impaired. For these financial instruments an allowance equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the estimated remaining life of financial instruments.
- Stage 3 - Non-performing (impaired) - This category includes financial instruments that are credit impaired. The provision is also equivalent to the lifetime ECL.

Financial instruments in stage 1, 2 and 3 are assessed for impairment collectively using an ECL model. In addition, instruments subject to specific impairment assessment are included in Stage 3.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial instruments that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that HomeStart expects to receive); and
- financial instruments that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial instruments

At each reporting date, HomeStart assesses whether financial instruments carried at amortised cost are credit-impaired and therefore in default (referred to as 'Stage 3 financial instruments'). A financial instrument is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial instrument have occurred.

Evidence that a financial instrument is in default and therefore Stage 3 credit-impaired includes the following observable data:

- the borrower is unlikely to pay its credit obligations to HomeStart in full, without recourse by HomeStart to actions such as realising security (if any is held); or
- rebuttable presumption that loans which are 90 days or more past due are considered credit-impaired; or
- significant financial difficulty of the borrower; or
- the granting of a concession relating to financial difficulty that would not otherwise normally be extended to a borrower.

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Potential losses are determined on loans where reasonable doubt exists about collectability of principal and interest under the terms of the loan contract. This includes all loans where the estimated realisable value of the security is insufficient to cover principal, interest and costs and:

- arrears exceed the lesser of 3 normal monthly instalments or \$4,000; or
- repayment reductions have been negotiated; or
- loans are under an accepted hardship application; or
- loans are currently under management by HomeStart due to non-performance; or
- action is being taken to enforce realisation of security (mortgagee-in-possession).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

It is HomeStart's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

Write-off

All bad debts are written-off in the period in which they are classified as not recoverable. This is generally the case when HomeStart determines that the borrower does not have sufficient assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts being the difference between outstanding loan balance and the value of the security sold are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

Loans that are written off could still be subject to enforcement activities in order to comply with HomeStart's procedures for recovery of amounts due.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, HomeStart considers both quantitative and qualitative information, including expert credit risk assessment, forward looking information and analysis based on HomeStart's historical experience.

When modelling of a parameter is carried out on a collective basis, the loans are assessed on a portfolio basis taking into account differing credit risks with segmentation in groups as follows:

- Graduate loans;
- Low deposit loans;
- Standard other loans - metropolitan regions; and
- Standard other loans - non-metropolitan regions.

HomeStart uses the following criteria for determining whether there has been a significant increase in credit risk:

- there is an adverse movement in credit risk or loan performance score since inception;
- the current outstanding balance has capitalised and other higher risk factors are present; and
- a backstop of 30 days past due.

Calculation of ECLs

ECLs are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from statistical models combined with historical, current and forward looking information, including macro-economic data.

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and estimated remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

The LGD represents expected loss conditional on default, taking into account the collateral, its expected value when realised and the time value of money.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

The 12-months ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining estimated life multiplied by LGD and EAD.

Incorporation of forward-looking information

HomeStart incorporates forward-looking information into both the assessment of whether the credit risk of a loan portfolio has increased significantly since its initial recognition and the measurement of ECL.

HomeStart formulates three economic scenarios: a base case, which is the median scenario assigned a 40.0% probability of occurring (40.0%, 2022-23), and two alternative scenarios, one upside assigned a 5.0% probability of occurring (5.0%, 2022-23) and one downside assigned a 55.0% probability of occurring (55.0%, 2022-23). The base case is aligned with information used by HomeStart for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities and selected private-sector and academic forecasters.

HomeStart has identified and documented key drivers of credit risk and credit losses for each portfolio of loans and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECLs. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed annually.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial instruments have been developed based on analysing historical data over 2-3 years.

2.5.3.2 Loans and advances at fair value through profit or loss

Shared appreciation component of the Breakthrough and Shared Equity Option Loans

The Breakthrough and Shared Equity Option Loan facility includes two loan components (the Breakthrough Loan was discontinued from December 2017 and the Shared Equity Option Loan commenced in April 2018):

- a standard loan component with interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. (Refer to note 2.5.3.1 loans and advances at amortised cost); and
- a shared appreciation component where repayment of the loan balance is generally deferred until the sale or refinance of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated (or depreciated) value of the property.

The shared appreciation component fails the SPPI test and therefore is classified as FVTPL. Gains or losses arising from changes in fair value are presented in the profit or loss in the period in which they arise.

The fair value of the shared appreciation loan component is based on independent valuations of the properties pledged as collateral.

Seniors Equity Loans

The Seniors Equity loans are classified as FVTPL as the inclusion of the no negative equity guarantee results in the loan failing the SPPI test. The fair value of the no negative equity guarantee component of the Seniors Equity loans is based on assumptions around mortality, property value and interest rates.

2.5.4 Non-financial assets

2.5.4.1 Property, plant and equipment

Property, plant and equipment are initially recognised at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition. Property, plant and equipment are subsequently measured using the revaluation model per note 2.5.4.3.

Where assets are acquired at no value, or minimal value, they are recognised at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recognised at book value, i.e. the amount recorded by the transferor immediately prior to transfer.

Where the payment for an asset is deferred, HomeStart measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

All property, plant and equipment with a value equal to or in excess of \$5,000 are capitalised.

2.5.4.2 Intangible assets

Intangible assets are initially recognised at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment loss.

The acquisition of, or internal development of software, is capitalised only when the expenditure meets the definition (identifiability, control and existence of future economic benefits) and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to \$5,000.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the useful life of the asset, which is generally between 4 and 10 years.

Costs in relation to website development, building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits. Maintenance costs are expensed.

2.5.4.3 Impairment and revaluation

All non-current tangible assets are subsequently measured at fair value. Where the cost at the time of acquisition is less than \$1.5 million (\$1.5 million, 2022-23) or the estimated useful life of the asset is less than 4 years, its cost less accumulated depreciation is considered to represent its fair value (deemed fair value) and no revaluation is performed.

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

HomeStart expects that for all non-current tangible assets the costs of disposal will be negligible, and the recoverable amount to be close to or greater than the asset's fair value.

2.5.4.4 Depreciation and amortisation of non-financial assets

Non-financial assets having a limited useful life are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as office and computer equipment.

The residual values, useful lives of all major assets held by HomeStart, depreciation and amortisation methods are reviewed and adjusted if appropriate on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimates.

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The value of leasehold improvements is depreciated over the estimated useful life of each improvement or the unexpired period of the relevant lease, whichever is shorter.

Depreciation and amortisation of non-financial assets are calculated on a straight line basis over the estimated useful life of the following classes of assets for the current and comparative periods as follows:

Class of asset	Depreciation and amortisation method	Useful life (years)
Leasehold improvements	Straight line	2 – 10
Other office and computer equipment	Straight line	2 – 10
Furniture and fittings	Straight line	3 – 10
Intangible assets	Straight line	4 – 10

2.5.5 *Derivative financial instruments*

HomeStart is exposed to changes in interest rates arising from financing activities and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative or trading purposes. However, derivatives that are not in a hedge relationship are accounted for at FVTPL.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

HomeStart enters into interest rate swaps with SAFA to manage interest rate risk. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year-end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods, HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 32.1. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

HomeStart assesses hedge effectiveness using the hypothetical derivative/matched terms method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The hedging instrument is being designated with a non-zero day 1 fair value as it was designated post inception of the trade. However, the hypothetical has a day 1 value equal to zero. All other critical terms of the hedge relationship match at inception and are expected to match in future.

Under HomeStart's policy, in order to conclude that the hedging relationship is effective, all of the following criteria should be met.

- the notional currency amount on the hedging instrument equals the notional currency amount of the hedged item;
- the fair value of the derivative at inception was zero (i.e. derivative was entered into at available market rates);
- the currency is the same for both the hedged item and the hedging instrument;
- the interest settlement dates on the hedging instrument match the expected settlement dates of the forecasted transaction or firm commitment;
- the change in the expected cash flows of the forecasted transaction or firm commitment is based on the same index; and
- for updates of assessment, there have been no adverse changes in the risk of counterparty default.

There is a clear economic relationship as both the hedging instrument and hedged item are referenced to the same interest rate index. Therefore a high degree of offset would be expected. The hedge ratio between interest rate swap hedges and the underlying AUD floating rate debt will be 100%. Both the hedged item and hedging instrument are referenced to the same interest rate index; there is no basis risk, and no material cash flow timing differences. No material sources of ineffectiveness are expected.

2.5.5.1 *Cash flow hedges*

The effective portion of the hedge is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Hedge effectiveness tests are performed on all derivative financial instruments to determine if they continue to be effective in managing the hedged risk originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity remains until the forecast transaction affects the profit or loss. If the forecast transaction is no longer expected to occur, it is reclassified to the Statement of Comprehensive Income as a reclassification adjustment.

2.6 *Liabilities*

Liabilities are classified in the Statement of Financial Position according to their nature and have not been offset unless required or permitted by a specific accounting standard.

Current and non-current classes are not generally presented separately.

2.6.1 *Interest-bearing borrowings*

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

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2.6.2 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and broker fees.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of HomeStart.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

Employment on-costs include superannuation contributions and payroll tax with respect of outstanding liabilities for salaries and wages, long service leave and annual leave.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date the invoice is first received (in accordance with Treasurer's Instruction 11 - Payment of Creditors' Accounts).

2.6.3 Employee benefits

Employee benefits accrue as a result of services provided by the employees up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term benefits are measured at nominal amounts allowing for known increases from 1 July.

Long-term service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Salaries and wages, annual leave and sick leave

The liability for salaries and wages is measured as the amount unpaid at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

2.7 Other provisions

Provisions are recognised when HomeStart has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

2.8 Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

HomeStart classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – quoted prices (un-adjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation processes and fair value changes are reviewed at each reporting date.

2.9 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingent liabilities are disclosed on a gross basis.

2.10 Insurance

HomeStart has arranged through SAFA to insure all insurable risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held. In addition, HomeStart attempts to insure mortgagee in possession properties.

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2.11 Accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgement in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgement that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

Area of estimate and judgement	Note no.
Loans and advances at fair value through profit or loss – shared equity loans and seniors equity loans	2.5.2, 2.5.3.2, 31.4, 32.2
Fair value of subsidised loans and advances	2.5.3
Loan origination fees received or receivable	2.3.4
Loan origination fees paid or payable	2.4.2
Provision for impairment of loans and advances	2.5.3
Derivative financial instruments	2.5.5, 31.2.2, 32.2
Provision for customer account administration costs	25.1
Long service leave provision	23

NOTE 3 Changes in accounting policy

3.1 Impacts of standards not yet effective

Several amendments and interpretations apply for the first time in 2024 but do not have a material impact on the financial statements of HomeStart. HomeStart has assessed the impact of upcoming Australian Accounting Standards and Interpretations, as issued by Australian Accounting Standard Board, which will be effective for annual periods beginning after 30 June 2024. None are expected to have a significant impact on HomeStart's financial statements in the period of initial application.

NOTE 4 Net interest income

See accounting policy in notes 2.3.1-4.

	2024 \$'000	2023 \$'000
Interest income		
Loans and advances	187,251	118,113
Subsidised loans effective interest income	3,263	3,294
Subsidised loans fair value income/(expense)	(837)	(814)
Loan origination income amortisation	2,504	2,403
Deposits with banks	221	121
Total interest income	192,402	123,117
Interest expense		
Borrowings from SAFA	(104,244)	(55,741)
Lease liability	(164)	(186)
Total interest expense	(104,408)	(55,927)
Net interest income	87,994	67,190

NOTE 5 Other income

See accounting policy in note 2.3.5-8.

	2024 \$'000	2023 \$'000
Fees and charges	2,147	2,019
Bad debts recovered	74	81
Unrealised gain in fair value of loans at FVTPL*	15,987	5,110
Realised change in fair value of loans at FVTPL	3,172	2,269
Community Service Obligation (CSO) subsidy	8,767	8,363
Other	74	83
Total other income	30,221	17,925

*The shared appreciation component of the Breakthrough and Shared Equity Option Loan is measured at fair value through profit or loss. The fair value of this loan component is estimated based on independent valuations of the properties pledged as collateral. Net unrealised losses, if any, are disclosed in note 12 other expenses.

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NOTE 6 Employee related expenses

See accounting policy in note 2.4.3.

	2024	2023
	\$'000	\$'000
Salaries and wages	14,101	11,127
Long service leave (LSL)	450	165
Annual leave	294	295
Employment on-costs – superannuation*	1,589	1,192
Employment on-costs – other	868	696
Workers compensation	(28)	27
Board and committee fees	233	248
Total employee related expenses	17,507	13,750

*The superannuation employment on-cost charge represents HomeStart's contribution to defined contribution superannuation plans in respect of current services of current employees.

NOTE 7 Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2024	2023
	No.	No.
\$157,001 to \$160,000*	N/A	1
\$160,001 to \$180,000	10	5
\$180,001 to \$200,000	5	2
\$240,001 to \$260,000	-	3
\$260,001 to \$280,000	1	1
\$300,001 to \$320,000	1	-
\$320,001 to \$340,000	1	-
\$360,001 to \$380,000	-	1
\$420,001 to \$440,000	1	-
Total	19	13

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2022-23.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, superannuation contributions, salary sacrifice, payments in lieu of leave, fringe benefits and any fringe benefits tax paid in respect of those benefits.

The total remuneration received by these employees for the year was \$3.997 million (\$2.765 million, 2022-23).

Number of employees

HomeStart employed 144 people at the end of the reporting period (138, 2022-23).

NOTE 8 Key management personnel

Key Management Personnel of HomeStart include the Treasurer, members of the Board, the Chief Executive Officer and members of the Executive team who have responsibility for the strategic direction and management of HomeStart.

The Treasurer is considered a member of the key management personnel of HomeStart due to the power provided under the *Urban Renewal Act 1995* for the Treasurer to control and direct HomeStart.

The compensation disclosed in this note excludes salaries and other benefits the Treasurer receives. The Treasurer's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

(a) Board members

Members during the 2024 financial year were:

- Mr Jim Kouts - Chair
- Mr Chris Ward - Deputy Chair
- Ms Sue Edwards
- Ms Shanti Berggren
- Mr Andrew Seaton
- Ms Paulette Kolarz (until 31 January 2024)
- Ms Stella Thredgold (from 20 February 2024)
- Mr Richard Bryant (from 21 May 2024)

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(b) Other Key Management Personnel

The following persons also held positions of authority and responsibility for planning, directing and controlling the activities of HomeStart, directly or indirectly for the entire financial year (unless otherwise indicated):

Mr Andrew Mills - Chief Executive Officer
Mr Braden Naylor - Chief Financial Officer (until 18 September 2023)
Mr Simon Olifent - Chief Financial Officer (from 22 January 2024)
Mr Ryan Officer - Chief Risk Officer
Ms Vas Iannella - Chief Customer Officer
Ms Vanessa Charlesworth - People & Capability Leader

(c) Key Management Personnel compensation

The compensation of key management personnel for the years ended 30 June 2024 and 2023 included in employee related expenses (see note 6) is as follows:

	2024	2023
	\$'000	\$'000
Salaries and other short-term employee related expenses	1,300	1,187
Long-term employee benefits (long service leave)	84	31
Long-term employee benefits (amounts paid to superannuation plans)	140	123
Total	1,524	1,341

A related party of a key management personnel has a home loan with HomeStart. The outstanding loan balance as of 30 June 2024 is \$0.542 million (\$0 million, 2022-23). The loan was subject to normal commercial terms and conditions, including the interest rate charged which was per HomeStart's published interest rates. The total amount of interest earned for the year was \$0.023 million (\$0 million, 2022-23).

(d) Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2024	2023
	No.	No.
\$0 - \$19,999	2	1
\$20,000 - \$39,999	3	3
\$40,000 - \$59,999	3	3
Total number of members	8	7

The total remuneration received and receivable by members was \$0.259 million (\$0.275 million, 2022-23) which includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

There were no transactions between HomeStart and Board members during the current or prior financial year. Transactions undertaken with SA Government and its departments and agencies are disclosed in note 29.

NOTE 9 Government guarantee fee

See accounting policy in note 2.4.1.

	2024	2023
	\$'000	\$'000
Government guarantee fee paid or payable	23,302	17,942
Total government guarantee fee	23,302	17,942

The methodology pursuant to policy for calculating the Government Guarantee Fee (GGF) rate uses the four year term to maturity credit spreads averaged over the calendar year for the "BBB" stand-alone credit rating band assigned to HomeStart Finance. This has resulted in the GGF rate (approved by the Treasurer) increasing to 1.34% p.a. for the 2023-24 financial year (0.76%, 2022-23). Existing debt will continue to attract the legacy rates approved in previous financial years ranging from 0.76% to 1.34% p.a. (0.76% to 0.99% p.a., 2022-23).

NOTE 10 Bad and impaired loans expense/(income)

See accounting policy in note 2.5.3.1.

	2024	2023
	\$'000	\$'000
Bad and impaired loans expense	-	68
Increase/(decrease) in provision for impairment	6,117	1,028
Total bad and impaired loans expense/(income)	6,117	1,096

HomeStart Finance
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NOTE 11 Depreciation, amortisation and impairment expense

See accounting policy in notes 2.5.4.2 and 2.5.4.4.

	2024	2023
	\$'000	\$'000
Other office and computer equipment	340	326
Leasehold improvements	275	275
Right of use buildings	827	722
Right of use motor vehicles	32	30
Intangible assets	5,323	1,690
Total depreciation, amortisation and impairment expense	6,797	3,043

NOTE 12 Other expenses

	2024	2023
	\$'000	\$'000
External auditor's remuneration*	197	215
Insurance	153	141
Office accommodation	225	155
Marketing, product development and advertising	2,345	1,854
Internal audit fees	241	244
Loan administration	534	133
Information technology	3,618	2,137
Consultant fees	408	112
Human resources and staff development	488	671
Other	2,223	2,497
Total other expenses	10,432	8,159

Total other expenses amount disclosed includes GST amounts non-recoverable from the ATO.

*Audit fees paid/payable to the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987* were \$197,000 (\$215,000, 2022-23). No other services were provided by the Audit Office of South Australia.

Consultants

The number of consultancies and dollar amount paid/payable (included in Other expenses) that fell within the following bands:

	2024	2024	2023	2023
	No.	\$'000	No.	\$'000
Below \$10 000	1	2	-	-
\$10 000 or above	5	406	4	112
Total	6	408	4	112

NOTE 13 Expenditure SA Business / Non-SA Business

The following table includes all expenditure in relation to contracts above \$55,000 (GST inclusive) resulting from a procurement as defined in Treasurer's Instructions 18 – Procurement (TI 18). Arrangements between public authorities and arrangements with other governments are not included. Expenditure is inclusive of non-recoverable GST.

	2024	Proportion SA and non-SA businesses
	\$'000	
Total expenditure with South Australian businesses	5,820	66%
Total expenditure with non-South Australian businesses	3,027	34%
	8,847	100%

Classification as SA business or non-SA business is generally based on circumstances as at the time of entering into a contract. For contracts entered into before 20 February 2023, where sufficient evidence of an assessment made under previous procurement requirements is known to HomeStart, this was used to determine classification. For contracts where such evidence of prior assessment is not available and for all other contracts, classification is based on the definition of an SA business provided in TI 18.

TI 18 defines a business as being South Australian where it operates in South Australia and more than 50% of the workforce delivering the contract resulting from the procurement on behalf of the business are South Australian residents.

The disclosure for expenditure with SA businesses reflects the total spent on contracts within the TI 18 definition and in some instances includes the cost of goods sourced from outside South Australia.

In many cases, the determination has been made on the basis of representations made by suppliers at a point in time which has not been subject to independent verification.

NOTE 14 Financial investments

See accounting policy in note 2.5.2.1.

	2024	2023
	\$'000	\$'000
SAFA Cash Management Fund (Wyatt)	1,669	1,501
Total financial investments	1,669	1,501

All amounts are expected to be recovered within twelve months for both the 2023-24 and 2022-23 periods.

The financial investments listed above are at call. Information in relation to HomeStart's exposure to investment price risk is provided in note 31.4.3.

HomeStart Finance
Notes to and forming part of the Financial Statements
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NOTE 15 Loans and advances

15	Loans and advances	2024 \$'000	2023 \$'000
	Loans and advances at amortised cost	2,770,968	2,193,786
	Loans and advances at FVTPL	308,102	199,873
	Total loans and advances	3,079,070	2,393,659
15.1	Loans and advances at amortised cost	2024 \$'000	2023 \$'000
	Primary loans	2,700,318	2,119,397
	Subsidised loans	105,444	105,363
	Gross loans and advances	2,805,762	2,224,760
	Fair value adjustment	(5,702)	(5,811)
	Deferred loan fee income	(10,531)	(9,825)
	Deferred loan fee expense	9,000	6,220
	Unearned income on impaired loans	(808)	(921)
	Provision for expected credit losses specific	(2,295)	(3,139)
	Provision for expected credit losses collective	(24,458)	(17,498)
	Total loans and advances at amortised cost	2,770,968	2,193,786

See accounting policy in note 2.5.3.1.

Based on behavioural terms and current market conditions, the amounts expected to be repaid within 12 months are \$35.5 million (2023: \$47.9 million).

	2024 \$'000	2023 \$'000
Stage 3 Specific provision - Lifetime Expected Credit Losses (ECL)	(2,295)	(3,139)
Stage 3 Collective provision - Lifetime ECL	(1,208)	(802)
Stage 2 Collective provision - Lifetime ECL	(13,551)	(7,323)
Stage 1 Collective provision - 12-months ECL	(9,699)	(9,373)
Total Collective provision for impaired loans	(24,458)	(17,498)
Total provision for credit impairment	(26,753)	(20,637)

	2024				Total \$'000
	Stage 1 Collective Provision 12- months ECL \$'000	Stage 2 Collective Provision Lifetime ECL not credit impaired \$'000	Stage 3 Collective Provision Lifetime ECL credit impaired \$'000	Stage 3 Specific provision Lifetime ECL credit impaired \$'000	
Balance at beginning of year	9,373	7,323	802	3,139	20,637
Changes due to financial assets recognised in the opening balance that have:					
-Transferred to 12-months ECL - collective provision	3,710	(3,014)	-	(696)	-
-Transferred to Lifetime ECL not credit impaired - collective provision	(1,046)	1,802	(194)	(562)	-
-Transferred to Lifetime ECL credit impaired - collective provision	(9)	(88)	96	-	(1)
-Transferred to Lifetime ECL credit impaired - specific provision	(126)	(157)	(15)	298	-
Change in facility balance or coverage ratio	(3,853)	3,603	867	180	797
Write-offs	-	-	-	-	-
New and increased provisions (net of releases)	1,650	4,082	(348)	(64)	5,320
Balance at end of year	9,699	13,551	1,208	2,295	26,753

HomeStart Finance
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Collective Provision Sensitivity Analysis

A summary of the key estimates and analysis of the sensitivities of the collective provision to changes in these assumptions is set out below.

The calculation of the collective provision includes assumptions around future economic scenarios and the weightings given to each scenario are presented in the table below. Due to continued uncertainty in the economic outlook, including ongoing cost of living pressures, sticky inflation and uncertainty over the timing and direction of future interest changes, the "Bad" scenario retains a higher weight than the "Good" scenario in line with weightings used in the prior year.

- Base scenario – no major changes in external factors, the future portfolio loss rate is similar to the historic development;
- Bad scenario – decreased collateral values and increased unemployment, resulting in the increased Loss Given Default (LGD) and increased roll-rates;
- Good scenario – increased collateral value and decreased unemployment, resulting in the decreased LGD and decreased roll-rates.

	2024			2023		
	Base	Good	Bad	Base	Good	Bad
Scenario weights	40%	5%	55%	40%	5%	55%
Loss Given Default (weighted average)	14%	11%	18%	14%	11%	19%
Other key variables						
- Roll rate increase/decrease	-	(5%)	20%	-	(5%)	20%

The table below illustrates the sensitivities of the collective provision to each economic scenario:

	2024		2023	
	Total collective provision	Impact \$'000	Total collective provision	Impact \$'000
	\$'000	\$'000	\$'000	\$'000
100% Base	20,298	(4,160)	14,598	(2,900)
100% Good	15,689	(8,769)	11,415	(6,082)
100% Bad	28,280	3,822	20,160	2,662

15.2 Loans and advances at fair value through profit or loss

	2024 \$'000	2023 \$'000
Breakthrough Loan (including shared appreciation component)	54,786	50,183
Shared Equity Option Loan (including shared appreciation component)	147,309	64,223
Seniors Equity Loan	106,007	85,467
Total loans and advances at fair value through profit or loss	308,102	199,873

The majority of loans and advances at fair value through profit or loss have a maturity of longer than five years.

See accounting policy in note 2.5.3.2. Information in relation to HomeStart's exposure to property price and interest rate risk is provided in notes 31.4.4 and 31.4.5.

NOTE 16 Other financial assets

	2024 \$'000	2023 \$'000
Accrued interest on housing loans and advances	659	408
Shared Equity Fund for New Housing Construction receivable*	-	6,135
Accrued interest receivable on derivatives	271	614
GST recoverable	112	50
Total other financial assets	1,042	7,207

All amounts are expected to be recovered within twelve months for both the 2023-24 and 2022-23 periods.

* See note 25.1 for information relating the Shared Equity Fund for New Housing Construction.

NOTE 17 Intangible assets

See accounting policy in note 2.5.4.2.

	2024 \$'000	2023 \$'000
Software at cost	21,484	18,577
Accumulated amortisation and impairment	(13,687)	(8,365)
Total intangible assets	7,797	10,212
Carrying amount at 30 June 2023	10,212	8,212
Additions	2,908	3,690
Impairment*	(3,950)	-
Amortisation	(1,373)	(1,690)
Carrying amount at 30 June 2024	7,797	10,212

*Impairment expenses included \$3.95 million (\$0 million, 2022-23) for impairment of capitalised software. This was caused by higher than planned costs and delays in realising expected project benefits.

HomeStart Finance
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NOTE 18 Property, plant and equipment

	2024	2023
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	2,750	2,750
Accumulated depreciation	(2,449)	(2,174)
Total leasehold improvements	301	576
Other office and computer equipment		
Other office and computer equipment at cost (deemed fair value)	3,042	3,042
Accumulated depreciation	(2,505)	(2,298)
Total other office and computer equipment	537	744
Right of use buildings		
Right of use buildings (at cost)	10,009	9,869
Accumulated depreciation	(6,073)	(5,309)
Total right of use buildings	3,936	4,560
Right of use motor vehicles		
Right of use motor vehicles (at cost)	101	101
Accumulated depreciation	(73)	(67)
Total right of use motor vehicles	28	34
Total property, plant and equipment	4,802	5,914

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during the year:

	Leasehold improvements \$'000	Other office and computer equipment \$'000	Right of use buildings \$'000	Right of use motor vehicles \$'000	Total \$'000
Carrying amount at 30 June 2022	851	521	5,268	56	6,696
Additions – at cost (deemed fair value)	-	549	13	9	571
Disposals – at cost (deemed fair value)	-	(790)	(185)	(22)	(997)
Disposals – accumulated depreciation	-	790	185	22	997
Depreciation and amortisation	(275)	(326)	(721)	(31)	(1,353)
Transfers between asset classes	-	-	-	-	-
Carrying amount at 30 June 2023	576	744	4,560	34	5,914
Additions – at cost (deemed fair value)	-	133	41	26	200
Revaluation of make good asset	-	-	162	-	162
Disposals – at cost (deemed fair value)	-	(135)	(62)	(26)	(223)
Disposals – accumulated depreciation	-	135	62	26	223
Depreciation and amortisation	(275)	(340)	(827)	(32)	(1,474)
Carrying amount at 30 June 2024	301	537	3,936	28	4,802

All items of property, plant and equipment that had a fair value at the time of acquisition less than \$1.5 million (\$1.5 million, 2022-23) or had an estimated useful life less than three years, has not been revalued in accordance with Accounting Policy Statement 116.D. The carrying value of these items are deemed to have approximate fair value.

HomeStart's operating leases are for office accommodation and motor vehicles. The office leases are non-cancellable with terms ranging up to 10 years with all leases having the right of renewal. Rent is payable monthly in advance. The motor vehicle leases are non-cancellable with terms of 3 years.

NOTE 19 Other assets

	2024	2023
	\$'000	\$'000
Prepayments	868	933
Total other assets	868	933

HomeStart Finance
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NOTE 20 Fair value measurement of non-financial assets

In determining fair value, HomeStart has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset), and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

HomeStart's current use is the highest and best use of the asset unless other factors suggest an alternative is feasible. As HomeStart did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1.5 million (\$1.5 million, 2022-23) or had an estimated useful life less than three years, are deemed to approximate fair value.

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. HomeStart categorises non-financial assets measured at fair value into the fair value hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2024

Recurring Fair Value Measurements	2024 \$'000	Level 3 \$'000
Leasehold improvements	301	301
Other office and computer equipment	537	537
Total recurring fair value measurements	838	838

Fair value measurements at 30 June 2023

Recurring Fair Value Measurements	2023 \$'000	Level 3 \$'000
Leasehold improvements	576	576
Other office and computer equipment	744	744
Total recurring fair value measurements	1,320	1,320

HomeStart's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2024 and 2023, HomeStart had no non-financial asset valuations categorised into level 1 and 2.

Valuation techniques and inputs

Unobservable inputs were used in determining fair value and they are subjective. HomeStart considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2024 and 2023. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Reconciliation of Level 3 recurring fair value measurements as at financial year-end

	2024 \$'000	2023 \$'000
Property, plant and equipment		
Opening balance at the beginning of the period	1,320	1,372
Acquisitions	133	549
Disposals	-	-
Depreciation	(615)	(601)
Carrying amount at the end of the period	838	1,320

NOTE 21 Payables

	2024 \$'000	2023 \$'000
Trade payables	676	1,041
Accrued administration expenses	1,530	1,251
Employment on-costs*	476	412
Accrued interest payable on borrowings	3,998	2,809
Accrued guarantee fee payable	882	537
Total payables	7,562	6,050

*Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee related expenses that they relate to are discharged. Employee related liabilities are disclosed in note 23.

HomeStart makes a contribution to an SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and other externally managed superannuation schemes.

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

HomeStart Finance
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NOTE 22 Borrowings and leases

Interest bearing liabilities

	2024	2023
	\$'000	\$'000
Short-term borrowings payable		
Short-term borrowings	474,087	27,923
Short-term lease liabilities	802	744
Total short-term borrowings	474,889	28,667
Long-term borrowings payable		
Long-term borrowings	2,415,000	2,190,000
Long-term lease liabilities	4,557	5,396
Total long-term borrowings	2,419,557	2,195,396
Total interest bearing liabilities	2,894,446	2,224,063

All HomeStart borrowings are unsecured.

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 31.3 and 31.4.2 respectively.

Leases - Amounts recognised in statement of cash flows	2024	2023
	\$'000	\$'000
Total cash outflow for leases	1,012	984

Maturity analysis of lease liabilities

The following table sets out a maturity analysis of lease payments for property rental and motor vehicle leases, showing the discounted lease payments to be paid after reporting date:

	2024	2023
	\$'000	\$'000
Within one year	802	744
Later than one year but not later than five years	3,533	3,419
Later than five years	1,024	1,976
Total	5,359	6,139

Extension options

Some property leases contain extension options exercisable by HomeStart up to one year before the end of the non-cancellable contract period. Where practicable, HomeStart seeks to include extension options in new leases to provide operational flexibility.

HomeStart assesses at lease commencement date whether it is reasonably certain to exercise the option. HomeStart reassesses whether it is reasonably certain to exercise the option if there is a significant event or change in circumstances within its control. Currently HomeStart does not have any extension options included in any lease agreements and therefore there are no potential future lease payments to include within the lease liability.

NOTE 23 Employee related liabilities

	2024	2023
	\$'000	\$'000
Accrued salaries	420	129
Annual leave	1,102	936
Long service leave	1,447	1,057
Total employee related liability	2,969	2,122

Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 requires the use of the yield on long-term Commonwealth or State Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term corporate bonds has increased from 2023 (4.00%) to 2024 (4.25%).

The actuarial assessment performed by the Department of Treasury and Finance kept the salary inflation rate consistent at 3.50% (3.50%, 2022-23) for long service leave liability.

The net financial effect of the above changes in the current financial year is an increase in the long service leave liability of \$390,000. The impact on future periods is impractical to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

HomeStart Finance
Notes to and forming part of the Financial Statements
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NOTE 24 Provisions

24.1	Provision for income tax equivalents	2024	2023
		\$'000	\$'000
	Income tax equivalent payable	5,271	3,379
	Total income tax equivalents payable	5,271	3,379

24.2	Provision for dividend	2024	2023
		\$'000	\$'000
	Dividend payable	4,219	2,576
	Total provision for dividend	4,219	2,576

Pursuant to Section 26 of the *Urban Renewal Act 1995*, HomeStart must recommend to the Treasurer, that it pays a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Treasurer may, by notice to HomeStart, approve its recommendation or determine that another dividend, or no dividend, should be paid.

For the financial year ended 30 June 2024, the Treasurer approved payment of a dividend of 100% of expected after tax profit (100%, 2022-23). Based on the expected profit for the year, this amounted to a total dividend of \$30.3 million in respect of the year ended 30 June 2024 (\$23.8 million, 2022-23) that was paid to the Department of Treasury and Finance prior to the end of the financial year.

The actual dividend based on the payout ratio of 100% of actual after tax profit is \$34.5 million (\$26.4 million, 2022-23). The amount of dividend payable of \$4.2 million (\$2.6 million, 2022-23) is disclosed in note 24 as provision for dividend. HomeStart will pay this residual dividend amount of \$4.2 million in respect of the financial year ended 30 June 2024 in June 2025.

NOTE 25 Other liabilities

25.1	Other liabilities	2024	2023
		\$'000	\$'000
	Workers compensation provision	108	137
	Wyatt Benevolent Institution (i)	2,299	2,231
	Affordable Housing Fund (Starter Loan) (ii)	12,354	8,794
	Shared Equity Fund for New Housing Construction (iii)	5,527	13,676
	Make good provision	562	400
	City of Salisbury	3	-
	Provision for customer account administration costs	349	-
	Total other liabilities	21,202	25,238

(i) Supported by the Wyatt Trust, the Wyatt Loan is an interest and repayment free loan for 5 years of up to \$10,000 to cover upfront costs (income and children dependent criteria).

(ii) The Starter Loan was established as part of the 2019-20 State Budget and expanded as part of the 2020-21 State Budget Housing Stimulus Measure. The Starter Loan is funded by the Affordable Housing Fund, which is administered by HomeStart. The Starter Loan is an interest and repayment free loan for 7 years of up to \$10,000 to cover upfront costs for singles under \$75,000 net household income and couples under \$100,000 net household income.

(iii) The Shared Equity Fund for New Housing Construction was established by the South Australian Housing Authority (SAHA) as part of the Housing Construction Stimulus Package, approved by Cabinet in June 2020. The package included expanding HomeStart's existing Shared Equity Option loan to be available for construction of new homes, with SAHA taking the equity interest in these shared equity loans. Funds received or receivable from SAHA in advance of being drawn down by customers are offset in Other Liabilities. A loan asset is not recognised by HomeStart for shared equity loans that have been drawn down by customers in which SAHA holds the equity interest.

25.2	Make good provision	2024	2023
		\$'000	\$'000
	Opening Balance	400	400
	Revaluation of provision	162	-
	Charges against provision	-	-
	Unwinding of discount arising from the passage of time	-	-
	Closing balance	562	400

NOTE 26 Equity

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. When a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, the gain or loss on the instrument previously recognised in the derivatives valuation reserve remains in equity until the forecast transaction affects the profit or loss. If the forecast transaction is no longer expected to occur, it is reclassified to the profit or loss as a reclassification adjustment.

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NOTE 27 Unrecognised contractual commitments

27.1 Capital commitments

Capital expenditure contracted for at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

	2024	2023
	\$'000	\$'000
Within one year	1,030	1,728
Later than one year but not later than five years	644	644
Total capital commitments	1,674	2,372

Capital expenditure commitments are for replacement and upgrade of operational systems.

27.2 Expenditure commitments

Software licence expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2024	2023
	\$'000	\$'000
Within one year	122	122
Later than one year but not later than five years	122	244
Total commitments	244	366

HomeStart's notable software licence commitments in 2024 and 2023 are in relation to the Microsoft software suite.

27.3 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to \$203.8 million (\$178.6 million, 2022-23).

Since a number of commitments are expected to expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements. Nevertheless, credit-related commitments are considered "at call" for liquidity management purposes.

The redraw facilities at balance date amount to \$69.3 million (\$63.2 million, 2022-23).

NOTE 28 Contingent assets and liabilities

HomeStart is not aware of any material contingent assets or liabilities that exist at the reporting date.

NOTE 29 Related parties

HomeStart is controlled by the SA Government. Related parties of HomeStart include all key management personnel and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

During the financial year, HomeStart undertook the following transactions with the SA Government and its departments and agencies:

	Transaction values for the year ended 30 June 2024	Transaction values for the year ended 30 June 2023
	\$'000	\$'000
Interest expense	(104,244)	(55,741)
Other income - CSO subsidy	8,767	8,363
Other expenses - external auditor's remuneration	(197)	(215)
Other expenses - insurance	(153)	(141)
Government guarantee fee	(23,302)	(17,942)
Income tax equivalents expense	(14,801)	(11,306)
	Balance as at 30 June 2024	Balance as at 30 June 2023
	\$'000	\$'000
Other financial assets - accrued interest	271	614
Payables - accrued interest & guarantee fee	(4,880)	(3,346)
Derivative financial instruments	6,126	18,760
Borrowings	(2,889,087)	(2,217,923)
Income tax equivalents payable	(5,271)	(3,379)
Provision for dividend	(4,219)	(2,576)
Other liabilities - Shared equity for construction and Affordable Housing Fund Funds	(17,881)	(22,470)

Note 8 Key management personnel details other related party disclosures, including key management personnel compensation and board and committee remuneration.

HomeStart Finance
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NOTE 30 Cash flow reconciliation

30.1 Reconciliation of cash and cash equivalents - cash at the end of the reporting period:	2024	2023
	\$'000	\$'000
Cash and Cash equivalents disclosed in the Statement of Financial Position	3,295	6,876
Balance as per Statement of Cash Flows	3,295	6,876

See accounting policy in note 2.5.1.

30.2 Reconciliation of profit for the year to net cash provided by operating activities	2024	2023
	\$'000	\$'000
Profit for the year	34,534	26,380
Add/less non cash items		
Depreciation, amortisation and impairment expense of non-financial assets	6,797	3,043
Unrealised change in fair value of loans	(15,987)	(5,110)
Bad debts written-off	-	131
Fees applied directly to loan accounts	(3,977)	(2,762)
Movement in assets and liabilities		
(Decrease) increase in provision for impairment	6,116	965
(Decrease) increase in deferred loan fee income	706	(146)
(Increase) decrease in deferred loan fee expense	(2,780)	(1,065)
(Decrease) increase in fair value adjustment	(109)	(101)
(Decrease) increase in payables and other liabilities	(2,248)	2,842
(Decrease) increase in provision for employee benefits	848	210
(Decrease) increase in income tax equivalents payable	1,892	(5,469)
(Increase) decrease in financial and other assets	(310)	(206)
Net cash provided by operating activities	25,482	18,712

30.3 Reconciliation of liabilities arising from financing activities to financing cash flows

	Liabilities			Equity	Total
	Short-term borrowings	Long-term borrowings	Provision for Dividend	Retained Earnings	
Opening balance at 1 July 2022	175,728	1,756,198	2,288	162,874	2,097,088
Changes from financing cash flows					
Proceeds from borrowings	-	792,912	-	-	792,912
Dividends paid to SA Government	-	-	288	(26,381)	(26,093)
Repayment of leases	(798)	-	-	-	(798)
Repayment of borrowings	(147,088)	(352,912)	-	-	(500,000)
Total changes from financing cash flows	(147,886)	440,000	288	(26,381)	266,021
Non financing cash flow movements in lease liabilities	825	(802)	-	-	23
Total equity-related other changes	-	-	-	26,381	26,381
Closing balance at 30 June 2023	28,667	2,195,396	2,576	162,874	2,389,513
Changes from financing cash flows					
Proceeds from borrowings	100,000	671,164	-	-	771,164
Dividends paid to SA Government	-	-	1,643	(34,534)	(32,892)
Repayment of leases	(847)	-	-	-	(847)
Repayment of borrowings	(3,733)	(96,267)	-	-	(100,000)
Reclassification from long term to short term	350,000	(350,000)	-	-	-
Total changes from financing cash flows	445,420	224,897	1,643	(34,534)	637,425
Non financing cash flow movements in lease liabilities	802	(736)	-	-	67
Total equity-related other changes	-	-	-	34,534	34,534
Closing balance at 30 June 2024	474,889	2,419,557	4,219	162,874	3,061,539

NOTE 31 Financial risk management

31.1 Overview

HomeStart's activities expose it to financial risks, primarily:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk. Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return.

HomeStart's Board has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit and Risk Committee (ARC) to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify, monitor and manage financial risks. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and the environment in which the organisation operates.

Financial risk management is the responsibility of HomeStart's Finance department and is undertaken within policies approved by the Board and its sub-committees.

HomeStart's Board has delegated responsibility for monitoring compliance and adequacy of risk management policies and frameworks to the ARC, which is assisted by Internal Audit in discharging these functions. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the ARC. HomeStart's ALCO is also directly involved in the risk management process, particularly financial risk.

HomeStart's exposures to financial risk and associated processes have not changed materially from the previous period.

31.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

31.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board, ARC, and ALCO.

The authority to make credit decisions in accordance with approved policies is delegated by the Board to Executive Management.

The Board and its sub-committees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both Management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The ARC is responsible for overseeing the compliance and adherence to approved lending and arrears management policies.

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and expenses, and include independent credit checks. HomeStart does not rely on reduced documentation or self-verification of income by borrowers.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement, HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security enforced is held as mortgagee in possession. Any property thus held does not meet the recognition criteria of Australian Accounting Standards and is not recognised in the Statement of Financial Position.

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The estimated fair value of collateral held is based on the Valuer-General's annual property data or other independent valuation methods. As at year-end, the fair value of collateral for past due and impaired loans was:

	2024	2023
	\$'000	\$'000
Past due but not specifically impaired		
Gross carrying value	139,262	90,134
Fair value of collateral	306,830	187,945
Specifically Impaired		
Gross carrying value, before specific provision for impairment	28,886	23,400
Unearned income on impaired loans	(808)	(921)
Lifetime ECL credit impaired - specific provision	(2,295)	(3,139)
Net loans and advances under specific provision	25,783	19,340
Fair value of collateral	35,392	27,313

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart is restricted under the *Urban Renewal (HomeStart Finance) Regulations 2020* to only lend in South Australia and is therefore exposed to the property market in this state.

Approximately 16% (17%, 2022-23) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area.

Lending in country areas carries specific risks around market liquidity, local economic conditions and limited population growth. These risks are managed through geographic loan to value ratio (LVR) controls.

At reporting date, 31% (33%, 2022-23) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford.

Higher LVR loans

HomeStart has products where the initial LVR is permitted to exceed 95% (higher LVR loans), primarily through the Graduate Loan product. HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

(c) *Credit risk measurement*

Significant portfolio analysis is performed by Management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written-off.

HomeStart measures Breakthrough, Shared Equity Option and Seniors Equity Loans at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough and Shared Equity Option Loans are not material.

(d) *Credit quality and maximum exposure to credit risk*

HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment, of \$2.771 billion (\$2.194 billion, 2022-23).

The following tables set out the carrying value of loans and advances to customers which are measured at amortised cost.

	2024				Total
	Stage 1	Stage 2 Collective Provision	Stage 3 Collective Provision	Stage 3 Specific Provision	
	Collective Provision 12- months ECL \$'000	Lifetime ECL not credit impaired \$'000	Lifetime ECL credit impaired \$'000	Lifetime ECL credit impaired \$'000	\$'000
Low risk	1,469,406	315,731	3,267	10,399	1,798,803
Moderate risk	661,067	252,034	3,552	12,815	929,468
High risk	49,820	20,711	1,288	5,672	77,491
Gross loans and advances	2,180,293	588,476	8,107	28,886	2,805,762
Fair value adjustment					(5,702)
Deferred loan fee income					(10,531)
Deferred loan fee expense					9,000
Unearned income on impaired loans					(808)
Provision for credit impairment - specific					(2,295)
Provision for credit impairment - collective					(24,458)
Net loans and advances					2,770,968

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	2023				Total
	Stage 1	Stage 2	Stage 3	Stage 3	
	Collective	Collective	Collective	Specific	
	Provision 12- months ECL \$'000	Provision Lifetime ECL not credit impaired \$'000	Provision Lifetime ECL credit impaired \$'000	Provision Lifetime ECL credit impaired \$'000	
Low risk	1,553,377	97,450	1,685	13,152	1,665,664
Moderate risk	384,299	111,957	1,271	19,833	517,360
High risk	14,680	19,990	1,220	5,846	41,736
Gross loans and advances	1,952,356	229,397	4,176	38,831	2,224,760
Fair value adjustment					(5,811)
Deferred loan fee income					(9,825)
Deferred loan fee expense					6,220
Unearned income on impaired loans					(921)
Provision for credit impairment - specific					(3,139)
Provision for credit impairment - collective					(17,498)
Net loans and advances					2,193,786

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

	2024	2023
	\$'000	\$'000
<30 days	103,743	72,428
30 – 59 days	18,467	11,501
60 – 89 days	5,287	2,010
90 – 179 days	5,227	2,187
>180 days	2,881	2,008
Total	135,605	90,134

(1) **Loans and advances renegotiated**

HomeStart's policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgement of Management, indicate that payment will most likely continue. These policies are reviewed periodically. HomeStart may reduce the required loan repayment due to financial difficulties of a customer provided the projected loan term is within normal lending criteria.

The gross carrying amount of loans that have been renegotiated under these criteria within the last 12 months that may otherwise be past due or impaired totalled \$1.9 million as at 30 June 2024 (\$5.4 million, 2022-23).

(2) **Past due but not impaired**

As per AASB 7 *Financial Instruments: Disclosures*, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) **Impaired loans**

Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

The contractual amount outstanding on loans and advances that have been written off, but were still subject to enforcement activity was \$6.7 million as at 30 June 2024 (\$10.4 million, 2022-23).

31.2.2 Derivative financial assets/liabilities

(a) *Credit risk management and risk control and mitigation policies*

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) *Maximum exposure to credit risk*

As at 30 June 2024 and 30 June 2023, HomeStart had exposure to credit risk from SAFA arising from derivative financial instruments. The level of credit risk was assessed as immaterial.

	2024	2023
	\$'000	\$'000
Derivative financial instruments	6,126	18,760
Swap income receivable	1,397	1,377
Swap expense payable	(1,126)	(763)
Net receivable (note 16) / (payable) (note 21)	271	614

Further information in relation to derivatives is disclosed in notes 31.3.3 and 31.4.2.

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31.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

31.3.1 Liquidity risk management

Risks relating to liquidity are governed by Treasury Policies which are subject to oversight by ALCO.

HomeStart's liquidity management process is carried out and monitored by Management and includes daily cash management and forecasting.

Whole of government policy requires that HomeStart holds a positive balance in its operating bank account, and HomeStart manages cash each day to a target range.

31.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$3.437 billion as at 30 June 2024 (\$2.789 billion, 2022-23).

HomeStart will seek the approval of the Treasurer for an increase in the borrowing limit should the need arise.

31.3.3 Exposure to liquidity risk

(a) *Non-derivative cash flows*

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt, subject to refinancing in the next 12 month period, is to be limited to 40% in 2024 (40%, 2022-23) of total debt outstanding.

% of debt subject to refinancing in the next 12 month period	2024	2023
At 30 June	16.41%	1.26%
Average for the period	11.69%	9.86%
Maximum for the period	24.37%	24.19%
Minimum for the period	2.54%	1.26%

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2024	Up to 1	1-3	3-12	1-5	Over 5 years	Total	Carrying value
Liabilities	month	months	months	years	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	7,562	-	-	-	-	7,562	7,562
Borrowings and leases	37,600	28,196	571,332	2,235,225	598,560	3,470,913	2,894,446
Other financial liabilities	-	5,271	4,219	-	-	9,490	9,490
Total liabilities							
(contractual maturity dates)	45,162	33,467	575,551	2,235,225	598,560	3,487,965	2,911,498

2023	Up to 1	1-3	3-12	1-5	Over 5 years	Total	Carrying value
Liabilities	month	months	months	years	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	6,050	-	-	-	-	6,050	6,050
Borrowings and leases	37,589	19,926	92,740	1,901,959	722,841	2,775,055	2,224,062
Other financial liabilities	-	1,690	4,265	-	-	5,955	5,955
Total liabilities							
(contractual maturity dates)	43,639	21,616	97,005	1,901,959	722,841	2,787,060	2,236,067

Assets available to meet all of the liabilities and cover outstanding loan commitments include cash, cash equivalents, and loans.

(b) *Derivative cash flows*

Derivatives used by HomeStart to hedge interest rate risk primarily include interest rate swaps.

The table below analyses HomeStart's derivative financial assets/liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

2024	Up to 1	1-3	3-12	1-5	Over 5 years	Total	Carrying value
	month	months	months	years	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2024	642	1,345	3,466	3,009	231	8,693	6,126
2023	1,362	2,796	9,672	6,202	472	20,503	18,760

Further information in relation to derivatives is disclosed in notes 31.2.2 and 31.4.2.

(c) *Off balance sheet*

The periods of payment of unrecognised contractual commitments are disclosed in note 27.

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31.4 Market Risk

Market risk is the risk of changes in market prices such as interest rates, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters.

31.4.1 Market risk management

HomeStart's market risk management processes are overseen by the Board and ALCO sub-committee.

A comprehensive Treasury Policy sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings and by the Finance department on a regular basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to Executive Management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

31.4.2 Interest rate risk

(a) *Risk control and mitigation policies*

HomeStart manages, limits and controls market risks wherever they are identified.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2024, HomeStart had floating/fixed swaps with a notional value of \$1,007.0 billion (\$912.0 million, 2022-23) with fixed rates varying between 0.37% and 4.58% (0.10% and 4.55%, 2022-23).

Periods to maturity of the interest rate swap contracts are disclosed at note 31.3.3(b).

(b) *Market rate risk*

HomeStart's Management monitor interest rate risk on a weekly basis. The monitoring includes:

- reviewing and comparing the level of maturity of interest rate swaps and the underlying fixed rate loan transactions;
- identifying the level of unhedged portfolio generated through additional lending activity and fixed rate loan expiry; and
- reviewing interest rate swaps expiries and entering into further interest rate swaps arrangements to cover the mismatch in cash flows.

ALCO monitor this process on a monthly basis.

(c) *Hedge accounting*

Variable rate debt used to fund fixed rate loans to customers is hedged by interest rate swaps, which have been designated as cash flow hedges, enabling the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart designates the instrument into a hedge relationship and satisfies the hedge accounting requirements contained in AASB 9 *Financial Instruments*.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the profit and loss immediately.

In the year ended 30 June 2024, a \$12.6m loss (\$3.8 million loss, 2022-23) was recognised in equity.

AASB 9 requires that an expectation that the hedge will be highly effective over its terms exists throughout the term of the hedge relationship. HomeStart conducts this assessment at the commencement of each Interest Rate Swap contract date and subsequently at every reporting period.

Further information in relation to derivatives is disclosed in notes 31.2.2.

31.4.3 Investments price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified in the Statement of Financial Position at amortised cost.

(b) *Maximum exposure to investments price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 14).

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(c) *Sensitivity analysis*

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10% increase or decrease in market value at year-end, with all other variables being held constant.

2024	Carrying amount \$'000	-10% \$'000	+10% \$'000
SAFA Cash Management Fund (Wyatt)	1,669	(167)	167
Total increase/(decrease) in profit before tax and equity	1,669	(167)	167

2023	Carrying amount \$'000	-10% \$'000	+10% \$'000
SAFA Cash Management Fund (Wyatt)	1,501	(150)	150
Total increase/(decrease) in profit before tax and equity	1,501	(150)	150

31.4.4 Breakthrough and Shared Equity Option Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough and Shared Equity Option Loans made to customers that are measured at fair value through profit or loss.

The fair value of these loans is based on the value of the property pledged as collateral (note 2.5.3.2).

To manage its price risk arising from Breakthrough and Shared Equity Option Loans, HomeStart limits the total size of the Breakthrough and Shared Equity Option Loan portfolio and the geographic locations where lending is undertaken.

To manage its price risk associated with the "no negative equity" guarantee component within the Seniors Equity loans, HomeStart sets a very low loan to value ratio (LVR) based on the customers age at origination and undertakes periodic portfolio analysis to ascertain cross over risk.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 15.2).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough and Shared Equity Option Loan. The analysis is based on the assumption of a 5% increase or decrease in property market value at year-end, with all other variables being held constant.

	2024 Carrying amount \$'000	-5%	+5%	2023 Carrying amount \$'000	-5%	+5%
Breakthrough Loan	54,786	(3,189)	3,180	50,183	(2,995)	2,988
Shared Equity Option Loan	147,309	(7,366)	7,364	64,223	(3,212)	3,210
Total increase/(decrease) in profit before tax and equity		(10,555)	10,544		(6,207)	6,198

31.4.5 Seniors Equity loans property price risk and interest rate risk

(a) *Risk controls and mitigation policies*

HomeStart is exposed to property price and interest rate risk arising from the Seniors Equity loans due to the "no negative equity" guarantee feature of the loan.

The fair value of these loans is determined based on the valuation by applying assumptions around mortality, property value and interest rates at balance date and throughout the life of the loan (note 2.5.3.2).

Maximum LVRs are set by borrower age in order to manage the unique risks of this product.

(b) *Maximum exposure to property price risk and interest rate risk*

HomeStart's maximum exposure to property price risk and interest rate risk has been recognised as the carrying amount at balance date (note 15).

(c) *Sensitivity analysis*

The fair value of Seniors Equity loans is most sensitive to the expected property prices and interest rates over the life of the loan.

For the year ended 30 June 2024, the profit before tax and equity are not expected to materially change as a result of a reasonably possible change in property prices and interest rates.

31.4.6 Currency risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

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NOTE 32 Fair value and categorisation of financial instruments

32.1 Fair value and categorisation of financial instruments

The fair value of assets or liabilities traded in active markets are based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques, using observable market data where available, and assumptions based on market conditions as appropriate.

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect of each class of financial asset and financial liability are disclosed in note 2.

	2024	2023
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	Category	2024		2023	
		Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents	N/A	3,295	3,295	6,876	6,876
Investments	Amortised cost	1,669	1,669	1,501	1,501
Derivative financial instruments	Hedge accounting (fair value through OCI)	6,126	6,126	18,760	18,760
Loans and advances ^[1]	Amortised cost	2,770,968	2,764,335	2,193,786	2,178,641
Loans and advances	FVTPL	308,102	308,102	199,873	199,873
Other financial assets	Amortised cost	1,042	1,042	7,207	7,207
Total financial assets		3,091,202	3,084,569	2,428,003	2,412,858
Financial liabilities					
Borrowings and Leases ^[2]	Amortised cost	2,894,446	2,896,520	2,224,063	2,237,261
Payables	Amortised cost	7,562	7,562	6,050	6,050
Income tax equivalents payable	Amortised cost	5,271	5,271	3,379	3,379
Provision for dividend	Amortised cost	4,220	4,220	2,576	2,576
Other liabilities	Amortised cost	21,202	21,202	25,238	25,238
Total financial liabilities		2,932,701	2,934,775	2,260,691	2,273,890
Net financial assets		158,501	149,794	167,312	138,968

^[1]The loans and advances fair value adjustment relates to the fixed interest rate loans portfolio which has been classified as level 3 in the fair value hierarchy. As at balance date, the amortised cost is determined by discounting the expected future cash flows by the current interest rate that would apply to those cash flows based on their remaining term. For loans where the fixed interest rate exceeds the current interest rate, the amortised cost will exceed the face value of the loans.

^[2]The fair value of borrowings is determined using SAFA market valuation, which is classified as level 2 in the fair value hierarchy. The market value by SAFA was calculated using mid rates as at close of business 30 June 2024.

32.2 Fair value and categorisation of financial instruments

(a) *Derivatives*

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year-end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) *Loans and advances to customers*

The fair value of loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is at market rate. Subsidised loans are discounted using a risk free rate of interest, based on seven year (for Advantage Loans) and ten year (for EquityStart Loans) SAFA bonds. Refer note 2.3.2.

(c) *Investments*

The fair value of investments in the SAFA Cash Management Fund (Wyatt) are determined using exit prices supplied by the fund managers at reporting date.

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(d) *Shared appreciation component of the Breakthrough and Shared Equity Option Loan*

Note 2.5.3.2 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough and Shared Equity Option Loans.

The fair value is estimated by Management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by Management are primarily determined by an independent property valuation data provider using an Automated Valuation Method (AVM). Prior to accepting an automated valuation for use, Management reviews the statistical probability of error provided by AVMs to ensure that the risk of material misstatement to the financial statements is unlikely.

When Management judges that valuations determined using an AVM are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

An estimated 77.8% (91.5%, 2022-23) of these loans are revalued using AVMs. A lower percentage of AVMs were used in 2023-24 due to a higher number of construction loans where the AVM is not appropriate and an increased number of properties outside of the acceptable Forecast Standard Deviation (FSD) for using an AVM in which case an alternative valuation method was used.

(e) *Seniors Equity Loan*

The fair value of the Seniors Equity Loans is estimated by Management based on analysis of portfolio expected mortality rates, property prices and interest rates over the life of the loans.

(f) *Borrowings*

HomeStart reports fair value of its borrowings based on the valuation undertaken by SAFA who is the sole provider of funds to HomeStart.

32.3 Hierarchical classification of financial assets measured at fair value

Refer to note 2.8 for further detail on the fair value hierarchy and measurement.

2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
Derivative financial instruments	-	6 126	-	6 126
Loans and advances at FVTPL	-	-	308 102	308 102
Total financial assets measured at fair value	-	6 126	308 102	314 228
2023				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
Derivative financial instruments	-	18 760	-	18 760
Loans and advances at FVTPL	-	-	199 873	199 873
Total financial assets measured at fair value	-	18 760	199 873	218 633

32.4 Reconciliation of Level 3 fair value measurements

	2024 \$'000	2023 \$'000
Fair value at 1 July	199,873	145,660
Breakthrough Loan discharges	(1,866)	(2,576)
Shared Equity Option Loan settlements	78,148	43,230
Shared Equity Option Loan discharges	(4,579)	(1,500)
Seniors Equity Loan settlements and drawdowns	36,721	18,402
Seniors Equity Loan discharges and payments	(16,182)	(8,453)
Unrealised change in fair value of loans (note 5)	15,987	5,110
Fair value at 30 June	308,102	199,873

Note 31.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough and Shared Equity Option Loans.

NOTE 33 Events after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affect, or may significantly affect the operations of HomeStart, the result of those operations, or the state of affairs of HomeStart in subsequent years.