NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

As at 24 June 2012	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	358,364	–	–	358,364
Trade and other receivables	–	–	323,242	323,242
Available for sale investments	–	–	1,991	1,991
Other financial assets	14,615	–	67	14,682
Derivatives	23,976	–	3,187	27,163
Total financial assets	396,955	–	328,487	725,442
Financial liabilities				
Payables	–	–	282,637	282,637
Interest bearing liabilities:				
Bank borrowings and loans	718,177	8,311	–	726,488
Senior notes	24,361	441,941	–	466,302
Finance lease liability	14,583	–	–	14,583
Total interest bearing liabilities	757,121	450,252	–	1,207,373
Derivatives	60,964	27,243	7,421	95,628
Total financial liabilities	818,085	477,495	290,058	1,585,638
Total interest bearing liabilities	757,121	450,252	–	1,207,373
Notional principal hedged	(122,132)	(108,525)	–	(230,657)
Net exposure to cash flow interest rate risk	634,989	341,727	–	976,716

Sensitivity analysis

The table below shows the effect on net profit and equity after income tax if interest rates at reporting date had been 30% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed.

A sensitivity of 30% (2012: 30%) has been selected as this is considered reasonable given the current level of both short term and long term Australian interest rates. A 30% sensitivity would move short term interest rates at 30 June 2013 from around 2.82% to 3.67% representing a 85 basis point shift (2012: 106 basis point shift).

In 2013, 66% (2012: 72%) of the Group's debt, taking into account all underlying exposures and related hedges was denominated in Australian Dollars; therefore, only the movement in Australian interest rates is used in this sensitivity analysis.

Based on the sensitivity analysis, if interest rates were 30% higher, net profit would be impacted by the interest expense being higher on the Group's net floating rate Australian Dollar positions during the year.

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
If interest rates were 30% higher with all other variables held constant - increase/(decrease)	**(2,603)**	(4,352)	**1,670**	2,663
If interest rates were 30% lower with all other variables held constant - increase/(decrease)	**2,603**	4,352	**(1,704)**	(2,755)

(B) FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency exchange risk arises primarily from:

- borrowings denominated in foreign currency; and
- firm commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies respectively.