4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits and derivatives.

Risk exposures and responses

We manage our exposure to key financial risks, including interest rate, commodity and foreign currency risk in accordance with our financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. From time to time we enter into commodity and forward currency contract positions where it is perceived that market conditions are such that it is considered prudent to enter into these transactions. Limited delegations will be reviewed by the Risk and Compliance Committee and approved by the Board. These delegations are subject to tight profit/loss limits and reviews that are provided on a daily basis to senior management. We also apply Value at Risk limits and stress tests on a daily basis to limit the risk that positions would move over the stress ranges beyond the limits approved by the Board.

We enter into various derivative transactions that include interest rate swaps, commodity hedges and forward currency contracts. The purpose of these transactions is to manage the potential volatility of outcomes arising from our operations and our sources of finance. Derivatives relating to forward currency contracts and interest rate swaps provide economic hedges and may qualify for hedge accounting and are based on limits set by the Board. The main risks arising from our financial instruments are interest rate risk, commodity price risk, foreign currency risk, credit risk and liquidity risk.

We use different methods to measure and manage the different types of risks to which we are exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

We have a policy whereby we will forward sell a significant proportion of our feedlot cattle sales for a period of up to six months.

The majority of our revenue is received in Australian dollars, although the prices received are influenced by movements in exchange rates, particularly that of the US dollar, Japanese yen, and Euro relative to the Australian dollar.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks during the year rested with the Risk and Compliance Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of commodity price risk, foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(i) Interest rate risk

At the reporting date, we had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Financial Assets			
Cash assets	11,248	22,362	14,733
	11,248	22,362	14,733
Financial Liabilities			
Syndicate loan facility:			
$400,000,000 bank loan	(200,000)	(200,000)	(280,000)
Interest rate swaps	(4,650)	(6,079)	(1,674)
	(204,650)	(206,079)	(281,674)
Net exposure	**(193,402)**	**(183,717)**	**(266,941)**