

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

Cash EBITDA reconciliation	3 months to 31 Mar 2013 \$'000	3 months to 31 Mar 2012 \$'000	12 months to 31 Dec 2012 \$'000
Cattle sales	40,569	37,463	236,812
Cattle purchases at cost	(5,683)	(10,848)	(62,131)
Cost of purchasing & selling cattle	(3,569)	(2,711)	(23,101)
Finished & store cattle revenue	31,317	23,904	151,580
Cattle expenses & feedlot cattle expenses	(14,416)	(11,034)	(66,944)
Finished & store cattle gross margin ⁽¹⁾	16,901	12,870	84,636
Wholesale beef gross margin	602	783	4,141
Farming gross margin	1,512	(895)	7,841
Group gross margin	19,015	12,758	96,618
Other revenue	1,151	403	4,601
Operating expenses	(25,289)	(17,875)	(81,848)
Cash EBITDA	(5,123)	(4,714)	19,371

Summarised operating results are as follows:

Operating Segments	Revenues			Earnings before finance costs and income tax expense		
	3 months to 31 Mar 2013	12 months to 31 Dec 2012	3 months to 31 Mar 2012	3 months to 31 Mar 2013	12 months to 31 Dec 2012	3 months to 31 Mar 2012
	\$M	\$M	\$M	\$M	\$M	\$M
Finished & store cattle	40.6	236.8	37.5	(63.2)	15.0	0.4
Wholesale beef	38.1	140.4	23.7	(0.3)	1.1	-
Farming	0.9	24.1	-	(3.0)	(0.6)	(2.8)
Meat processing	-	-	-	(0.7)	(0.7)	(0.9)

AACo determined during the last quarter of 2012 not to sell cattle into an over-supplied domestic market where possible, focusing on retaining and improving a young herd and converting its cattle into beef for sale into a strong global thematic for red meat protein.

This strategy has meant that AACo held substantial numbers of cattle as market prices in Australia fell throughout 2012 and into 2013. In accordance with Australian Accounting Standard AASB 141 Agriculture, the estimated market value of AACo's herd has fallen in the 3 months to 31 March 2013. This change in the valuation of the current herd has significantly affected the Consolidated Income Statement. The difference in market value price movements between 31 March 2013 and the prior corresponding period is a reduction of \$37.2 million. The main impact on this market value price movement was the breeder herd value decline of \$35.3 million, based on independent valuations, since 31 December 2012. AACo sees the breeder herd as a significant and necessary asset. These cattle will be held for long periods of time as they are essential to the development of an integrated supply chain and hence non-cash movements in the valuation of this herd are not expected to be realised in the short term.