OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

	3 months to 31 Mar 2013 $'000	3 months to 31 Mar 2012 (reviewed) (11) $'000	Favourable/ (Unfavourable) Movements $'000
Wholesale beef			
Sales (7)	38,134	23,709	14,425
Cost of meat sold	(37,532)	(22,926)	(14,606)
Wholesale beef gross margin	**602**	**783**	**(181)**
Farming			
Sales (7)	899	-	899
Crop costs less changes in fair value (9)	613	(895)	1,508
Farming gross margin	**1,512**	**(895)**	**2,407**
Gross operating margin	**(40,412)**	**16,319**	**(56,731)**
Other revenue and other income	**1,151**	**403**	**748**
Expenses			
Administration and other non-station operating costs	(5,994)	(3,261)	(2,733)
Employees	(10,291)	(7,156)	(3,135)
Lease and property related costs	(2,595)	1,557)	(1,038)
Other station operating costs	(6,409)	(5,901)	(508)
Operating expenses	**(25,289)**	**(17,875)**	**(7,414)**
Earnings from operations – EBITDA (10)	**(64,550)**	**(1,153)**	**(63,397)**
Depreciation	(2,728)	(2,203)	(525)
Impairment of property, plant and equipment, and goodwill	-	-	
Earnings from operations – EBIT (10)	**(67,278)**	**(3,356)**	**(63,922)**
Net finance costs	(6,711)	(6,310)	(401)
Loss before income tax	**(73,989)**	**(9,666)**	**(64,323)**
Income tax benefit	27,512	4,593	22,919
Net loss after tax	**(46,477)**	**(5,073)**	**(41,404)**

(1) Cattle sales are sales from cattle physically delivered to market.
(2) Cattle growth is the value change in the herd arising from increased weight as the cattle grow.
(3) Cattle fair value adjustments arise from market value changes in the herd, natural increase (8), attrition and rations. These fair value adjustments are non-cash.
(4) In accordance with the Agriculture accounting standard the value changes that determine gross margin occur prior to the point of sale and these are reflected in 2 & 3 above. As the asset is always biologically changing no sales margin emerges under the accounting standard.
(5) Direct costs associated with managing non-feedlot cattle.
(6) Direct costs associated with managing feedlot cattle.
(7) Sales are recognised when the product has been delivered and invoiced.
(8) Natural increase is the value change from calves and brandings.
(9) Crops are valued at spot market prices at the time of harvest and this value is applied against the cropping costs to date and a margin recognised. As the crop is delivered against forward or spot contracts the revenue is recognised when the crop risk is transferred to a third party.
(10) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have been reviewed by the Company's auditors.
(11) The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 prior corresponding period.