Mantra Group Holdings I Pty Ltd

ABN 69 137 639 395

Special purpose annual report for the year ended 30 June 2011

Mantra Group Holdings I Pty Ltd ABN 69 137 639 395
Special purpose annual report - 30 June 2011

Contents

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Mantra Group Holdings I Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2011.

The company was incorporated on 12 June 2009. The comparative information is therefore from the date of incorporation to 30 June 2010. Operations commenced on 1 August 2009.

Directors
The following persons were directors of Mantra Group Holdings I Pty Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Elizabeth Gaines
Andrew Cummins
Kerry Robert East
Steven Becker
Adrian MacKenzie
David Gibson (Appointed on 23 March 2011)

Principal activities
There were no significant changes in the nature of the Group's activities during the year.

Dividends - Mantra Group Holdings I Pty Ltd
There were no dividends declared and paid during the period. No dividends have been declared since the end of the financial period.

Review of operations
The profit for the period from ordinary activities before interest, tax, depreciation and amortisation (EBITDA) amounted to $52,895,312.

The loss for the period after tax amounted to $30,906,904.

Significant changes in the state of affairs
No significant changes in the state of affairs of the Group occurred during the financial period.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Likely developments in the operations of the Group and the expected results of those operations in future financial periods has not been included in this special purpose annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under either Commonwealth or State legislation.

Insurance of officers
During the financial period, the Group paid a premium of $82,215 to insure the directors and officers of the Group.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

Steven Becker
Director

Gold Coast
29 September 2011

Auditor's Independence Declaration

As lead auditor for the audit of Mantra Group Holdings I Pty Ltd for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mantra Group Holdings I Pty Ltd and the entities it controlled during the period.

Cameron Henry
Partner
PricewaterhouseCoopers

Brisbane
29 September 2011

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Special purpose annual report - 30 June 2011

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Mantra Group Holdings I Pty Ltd and its subsidiaries. The financial statements are presented in Australian currency.

Mantra Group Holdings I Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Mantra Group Holdings I Pty Ltd
Level 1
50 Cavill Avenue
Surfers Paradise QLD 4217

A description of the nature of the Group's operations and its principal activities is included in the directors' report on pages 1-2, which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 29 September 2011. The directors have the power to amend and reissue the financial statements.

	Notes	2011 $'000	2010 $'000
Revenue from continuing operations	3	**427,949**	368,642
Employee benefits expense		**(138,100)**	(118,865)
Operating expenses		**(204,548)**	(177,196)
Administration expenses		**(16,764)**	(15,565)
Advertising and marketing expenses		**(10,741)**	(9,116)
Other expenses		**(4,594)**	(5,417)
		(374,747)	(326,159)
Earnings before interest, taxes, depreciation, impairment and amortisation & restructure cost		**53,202**	42,483
Restructure cost		**(307)**	(1,651)
Earnings before interest, taxes, depreciation and amortisation		**52,895**	40,832
Depreciation and amortisation expense	4	**(19,877)**	(19,140)
Reversal of impairment	4	**6,277**	-
Impairment	4	**(63,197)**	(121,770)
Earnings before interest and tax		**(23,902)**	(100,078)
Finance income	4	**1,037**	732
Finance costs	4	**(24,814)**	(22,387)
(Loss) before income tax		**(47,679)**	(121,733)
Income tax benefit / (expense)	5	**16,772**	(133)
(Loss) from continuing operations		**(30,907)**	(121,866)
(Loss) for the year attributable to owners of Mantra Group Holdings I Pty Ltd		**(30,907)**	(121,866)

The above consolidated income statement should be read in conjunction with the accompanying notes.

	Notes	2011 $'000	2010 $'000
(Loss) for the year attributable to owners of Mantra Group Holdings I Pty Ltd		**(30,907)**	(121,866)
Other comprehensive (loss)/ income			
Exchange differences on translation of foreign operations	20(a)	**(234)**	241
Total comprehensive loss for the year attributable to owners of Mantra Group Holdings I Pty Ltd		**(31,141)**	(121,625)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Mantra Group Holdings I Pty Ltd
Consolidated statement of financial position
As at 30 June 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**11,837**	15,725
Trade and other receivables	7	**40,422**	40,606
Inventories	8	**3,330**	3,142
Assets held for sale	9	**14,818**	-
Other current assets	10	**1,368**	166
Total current assets		**71,775**	59,639
Non-current assets			
Property, plant and equipment	11	**92,982**	105,907
Deferred tax assets	12	**4,465**	3,723
Intangible assets	13	**363,722**	428,985
Total non-current assets		**461,169**	538,615
Total assets		**532,944**	598,254
LIABILITIES			
Current liabilities			
Trade and other payables	14	**40,197**	36,842
Current tax liabilities	5	**4,002**	4,213
Provisions	15	**1,041**	1,061
Advanced deposits	16	**13,470**	11,789
Total current liabilities		**58,710**	53,905
Non-current liabilities			
Borrowings	17	**241,480**	261,833
Deferred tax liabilities	18	**79,694**	97,304
Provisions		**456**	416
Total non-current liabilities		**321,630**	359,553
Total liabilities		**380,340**	413,458
Net assets		**152,604**	184,796
EQUITY			
Contributed equity	19	**77,451**	77,351
Reserves	20(a)	**227,926**	229,311
Retained earnings/(accumulated losses)	20(b)	**(152,773)**	(121,866)
Total equity		**152,604**	184,796

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Notes	**Contributed equity $'000**	**Foreign currency translation reserve $'000**	**Predecessor accounting reserve $'000**	**Retained earnings $'000**	**Total equity $'000**
Total comprehensive income for the year as reported in the 2010 financial statements		-	241	-	(121,866)	(121,625)
Transactions with owners in their capacity as owners:						
Contributions of equity net of transaction costs	19	77,351	-	-	-	77,351
Predecessor accounting reserve	20(a)	-	-	229,070	-	229,070
Balance at 30 June 2010		77,351	241	229,070	(121,866)	184,796
Balance at 1 July 2010		**77,351**	**241**	**229,070**	**(121,866)**	**184,796**
Total comprehensive income for the year as reported in the 2011 financial statements		-	(234)	-	(30,907)	(31,141)
Transactions with owners in their capacity as owners:						
Contributions of equity net of transaction costs	19	100	-	-	-	100
Adjustments relating to prior year business combination	20(a)	-	-	(1,151)	-	(1,151)
Balance at 30 June 2011		77,451	7	227,919	(152,773)	152,604

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**425,091**	397,326
Payments to suppliers and employees (inclusive of goods and services tax)		**(371,216)**	(355,148)
		53,875	42,178
Interest received	4	**1,037**	732
Interest paid		**(22,667)**	(20,530)
Income tax paid		**(1,791)**	-
Net cash inflow from operating activities	28	**30,454**	22,380
Cash flows from investing activities			
Cash acquired on acquisition of business		**-**	11,015
Payments for property, plant and equipment		**(9,598)**	(4,783)
Payments for intangibles		**(6,865)**	(4,098)
Proceeds from sale of property, plant and equipment and intangibles		**6,121**	8,113
Net cash (outflow)/ inflow from investing activities		**(10,342)**	10,247
Cash flows from financing activities			
Proceeds from issue of share and other equity securities	19	**100**	1,351
Payments relating to business combination		**(1,600)**	-
Repayment of borrowings		**(28,800)**	(19,000)
Proceeds from borrowings		**6,300**	-
Transactions with related parties		**-**	747
Net cash outflow from financing activities		**(24,000)**	(16,902)
Net increase/(decrease) in cash and cash equivalents		**(3,888)**	15,725
Cash and cash equivalents at the beginning of the financial year		**15,725**	-
Cash and cash equivalents at end of year	6	**11,837**	15,725

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Mantra Group Holdings I Pty Ltd and its subsidiaries.

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the Group is not a reporting entity because there are no users dependent on general purpose financial statements.

These special purpose financial statements have been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute financial statements to the members and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the directors to meet the needs of the members.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries included in the financial report
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mantra Group Holdings I Pty Ltd ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Mantra Group Holdings I Pty Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 26).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Mantra Group Holdings I Pty Ltd's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Foreign operations
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Consolidated balance sheet presented are translated at the closing rate at the date of that Consolidated balance sheet
- income and expenses for each Consolidated income statement and Consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) Services
Revenue from Accommodation and Letting services is recognised in the income statement at the commencement of guest stay.

Revenue from provision of Reservation services is predominately recorded when the booking is confirmed, the consideration is received and it can be reliably measured.

Accommodation revenue received prior to the commencement of the guest's stay is recognised as an unearned revenue liability.

(ii) Interest income
Interest income is recognised using the effective interest method.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax Consolidation Legislation
Mantra Group Holdings I Pty Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as part of the Group restructure in July 2009. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity in conjunction with the other 100% wholly owned subsidiary members of the Australian income tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the Australian income tax consolidated group in respect of the Groups tax liability. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with the other members of the Australian income tax consolidated group, has also entered into a tax sharing agreement which provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts by subsidiary members under the tax sharing agreement is considered remote.

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 11). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any minority interests in the acquiree either at fair value or at the minority interests's proportionate share of the acquiree's net identifiable assets.

In the case of acquisitions of businesses or entities under common control the acquired assets and liabilities are initially recognised in the consolidated financial statements at their predecessor carrying amounts, which are the carrying amounts from the consolidated financial statements at the highest level of common control as at the date of acquisition. The difference between the cost of acquisition and the share of the carrying amounts of the acquired net assets is recognised directly in equity.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1 Summary of significant accounting policies (continued)

(j) Trade receivables (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory includes costs relating to refurbishment work in progress.

(l) Investments and other financial assets

Classification
(i) The Group classified its investments at cost.

(ii) Assets held for sale
Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. If the sale is considered probable within 12 months they are classified as Current Assets, otherwise they are classified as Non-Current Assets. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition. Assets held for sale are not depreciated or amortised while they are classified as held for sale.

(iii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The fair value of financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iv) Other receivables
Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

(m) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the consolidated balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the consolidated balance sheet date.

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Land and buildings	25-40 years
- Plant and equipment	10-15 years
- Leasehold improvement	Term of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Intangible assets

(i) Goodwill
Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised, instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(ii) Brand names & trademarks
Brand names are considered to have indefinite lives and are therefore not subject to amortisation. They are initially recognised at purchased cost and impairment tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is measured by assessing the recoverable amount of the cash generating unit to which the brand names relate and where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Such losses are not subsequently reversed.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and other intangibles over their estimated useful lives.

(iii) Management Letting Rights and Management Rights
Management letting rights ('MLRs') allow the Group to derive its core revenue. MLRs are recognised at cost less any accumulated amortisation and any accumulated impairment losses. MLRs are stated at cost and the cost of the rights is amortised over the life of the building with which it is associated on the basis that the useful life of the rights will equate to the period over which the building will be used for its current purpose.

The directors have assessed that the buildings over which the Group has management letting rights have a finite useful life of not less than forty years. The amortisation expense is taken to the income statement.

Management rights (MR's) are recorded at cost less any accumulated amortisation and accumulated impairment losses. MR's are amortised over the period in which future benefits are expected to be obtained. The directors have assessed that the buildings over which the Group has management rights have a finite useful life of not less than forty years. The amortisation expense is taken to the income statement.

1 Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(iv) Intellectual property and other intangibles
Intellectual property and other intangibles, including computer software, have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of Intellectual property and other intangibles over their estimated useful lives.

(v) Intangible assets with finite useful lives
Intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and its value in use. For the purposes of assessing impairments, assets are grouped at the lowest level at for which there are separately indentifiable cashflows which are largely independent of the cashflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(s) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Retirement benefit obligations
Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Contributed equity

Ordinary shares are classified as equity.

Redeemable preference shares are classified as equity. Preference shares rank in priority to the payment of any dividends on ordinary shares. Preference shares are redeemable upon notice of the issuer only, i.e. the head entity

Management Shares are classified as equity. The rights attached to Management shares are the same rights as attached to ordinary shares, except that the Management Shareholders do not have the right to attend or vote in general meetings of the Company.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 124 Related Party Disclosures and AASB 2009-12 *Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011)*
In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(ii) *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 January 2011. The group does not expect that any adjustments will be necessary as the result of applying the revised rules.

1 Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)

(iii) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)*

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(iv) AASB 10 *Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

(y) Parent entity financial information

The financial information for the parent entity, Mantra Group Holdings I Pty Ltd, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Mantra Group Holdings I Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

1 Summary of significant accounting policies (continued)

(y) Parent entity financial information (continued)

(ii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of intangible assets - goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amount of cash generating units (GCUs) has been determined based on value-in-use calculations. These calculations require the use of assumptions regarding forecast results, growth rates and discount rates applicable to each CGU. Management determined the budgeted forecast results based on past performance and its expectations for the future. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used reflects specific risks relating to the industry. There is minimal risk that changes in any of the assumptions could result in material adjustments to the carrying amounts of goodwill.

(ii) Estimated impairment of intangible assets - Management letting rights and management rights
The Group tests annually whether management letting rights (MLRs) and management rights (MRs) have suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amount of cash generating units (GCUs) has been determined based on fair value less cost to sell calculations. These calculations require the use of assumptions regarding forecast results and multiples applicable to each CGU. Management determined the budgeted forecast results based on past performance and its expectations for the future. The multiples are consistent with those experienced in the industry. There is a significant risk that changes in the multiples could result in material adjustments to the carrying amounts of assets in the following CGU:

If the multiples used to determine the value of the MLR and MRs were decreased by 10% (i.e. average multiple 4.2 down to 3.3) then the Group would have recognised further impairment of $10.6m.

(iii) Taxation
The tax balances reflect the benefit of a deduction claimed pursuant to s716-405 ITAA 1997 of a portion of the tax cost amount set for rights to future income (pursuant to a contract) assets (RTFI). There are, however, significant uncertainties about the outcome of the government review of the RTFI provisions. As per AASB 112 Income taxes, the deferred tax balances has been determined based on what the substantively enacted tax law is at reporting date. Thus, the impact of the RTFI provisions upon the deferred tax balances has been recognised in the year end balances as it is probable that the benefit will be received based on currently enacted legislation. However should the provisions be amended, there will be an impact on the deferred tax balances. The impact of any amendment will depend on the amendments made therefore no quantification can be provided at this time.

3 Revenue

	2011 $'000	2010 $'000
Sales revenue		
Sale of services	427,949	368,642
	427,949	368,642

4 Expenses

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**2,420**	2,479
Plant and equipment	**6,074**	4,926
Leasehold improvements	**2**	-
Total depreciation	**8,496**	7,405
Amortisation		
Management letting rights	**5,040**	5,270
Management rights	**3,978**	3,978
Trademarks and patents	**10**	2
Intellectual property and other intangibles	**2,353**	2,485
Total amortisation	**11,381**	11,735
Total depreciation and amortisation	**19,877**	19,140
Impairment Charge/reversal		
Goodwill	**-**	119,670
Intangibles	**43,022**	2,100
Assets held for sale	**6,067**	-
Property Plant & Equipment	**7,831**	-
	56,920	121,770
Finance expenses		
Interest and finance charges	**24,814**	22,387
Interest income	**(1,037)**	(732)
Finance costs expensed	**23,777**	21,655
Net loss on divestment of properties	**1,360**	520
Expenses relating to operating leases	**91,531**	74,143
	-	-
Foreign exchange gains and (losses)	**(234)**	241
Defined contribution superannuation expense	**9,886**	8,622
Professional and consulting fees		
Audit fees	**852**	803
Legal fees	**952**	831
Consulting Fees	**1,735**	956
Other	**534**	519
Total professional and consulting fees	**4,073**	3,109

5 Income tax expense

	2011 $'000	2010 $'000
(a) Income tax expense:		
Current tax	**4,002**	4,213
Deferred tax	**(18,299)**	(4,080)
Adjustments for current tax of prior periods	**(2,475)**	-
	(16,772)	133
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**345**	(544)
(Decrease)/increase in deferred tax liabilities	**(18,644)**	(3,536)
	(18,299)	(4,080)

In prior years the Group did not have sufficient information available to determine the tax bases for buildings, therefore management estimated that the tax carrying value of the buildings equalled the accounting value. During the year, however, independent information was obtained to allow for a more accurate tax base to be adopted by the Group. The impact of obtaining this information was to increase the deferred tax liability on buildings by $9.5m in the current year. The DTL movement has also been impacted by the deduction relating to RTFI and the Impairment of management letting rights, resulting in an overall decrease in the current year.

	2011 $'000	2010 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) before tax from continuing operations before income tax expense	**(47,679)**	(121,733)
Tax at the Australian tax rate of 30% (2010 - 30%)	**(14,304)**	(36,520)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill	**-**	35,901
Non-deductible depreciation and amortisation	**-**	798
Adjustments for current tax of prior periods	**(2,475)**	-
Sundry items	**7**	(46)
Total income tax expense	**(16,772)**	133

6 Current assets - Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and in hand	**11,837**	15,725
	11,837	15,725

7 Current assets - Trade and other receivables

	2011 $'000	2010 $'000
Trade Receivables		
Trade receivables	**36,907**	36,988
Provision for doubtful debts	**(637)**	(824)
	36,270	36,164
Other receivables		
Other receivables	**701**	1,084
Prepayments	**3,451**	3,358
	40,422	40,606

8 Current assets - Inventories

	2011 $'000	2010 $'000
Work in progress - refurbishment	**1,154**	985
Finished goods	**2,176**	2,157
	3,330	3,142

9 Current assets - Assets held for sale

	2011 $'000	2010 $'000
At beginning of year	**-**	-
Additions	**20,885**	-
Impairment	**(6,067)**	-
At end of year	**14,818**	-

10 Current assets - Other current assets

	2011 $'000	2010 $'000
Other current assets	**1,368**	166
	1,368	166

11 Non-current assets - Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Period ended 30 June 2010				
Opening net book amount	-	-	-	-
Acquisition of business at carrying value	89,307	23,061	-	112,368
Exchange differences	26	(41)	-	(15)
Revaluation surplus	-	(127)	-	(127)
Additions	2,050	5,427	290	7,767
Disposals	(5,909)	(98)	-	(6,007)
Depreciation charge	(2,479)	(4,891)	-	(7,370)
Others	-	(709)	-	(709)
Closing net book amount	82,995	22,622	290	105,907
At 30 June 2010				
Cost	108,352	57,866	290	166,508
Accumulated depreciation	(25,357)	(35,244)	-	(60,601)
Net book amount	82,995	22,622	290	105,907

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2011				
Opening net book amount	82,995	22,622	290	105,907
Exchange differences	(57)	2	-	(55)
Transfer to assets held for sale	(2,633)	(1,222)	-	(3,855)
Additions	3,215	6,472	-	9,687
Disposals	(2,756)	(241)	(19)	(3,016)
Impairment charge	(6,059)	(1,772)	-	(7,831)
Depreciation charge	(2,420)	(6,074)	(2)	(8,496)
Transfer in/(out)	1,304	(670)	7	641
Closing net book amount	73,589	19,117	276	92,982
At 30 June 2011				
Cost	107,425	62,295	278	169,998
Accumulated depreciation	(33,836)	(43,178)	(2)	(77,016)
Net book amount	73,589	19,117	276	92,982

12 Non-current assets - Deferred tax assets

	2011 $'000	2010 $'000
Deferred tax assets to be recovered within 12 months	**3,888**	3,723
Deferred tax assets to be recovered after more than 12 months	**577**	-
	4,465	3,723

13 Non-current assets - Intangible assets

	Goodwill $'000	Intellectual property & other intangibles $'000	Brand names & trademarks $'000	Management letting rights $'000	Management rights $'000	Total $'000
Period ended 30 June 2010						
Opening net book amount	-	-	-	-	-	-
Acquisition of business at carrying value	203,624	7,187	9,268	193,145	149,899	563,123
Exchange differences	-	-	3	195	-	198
Revaluation	-	-	-	(1,780)	-	(1,780)
Additions	-	2,284	845	1,982	-	5,111
Disposals	-	(589)	-	(3,508)	-	(4,097)
Impairment charge	(119,670)	-	-	(2,100)	-	(121,770)
Amortisation charge	-	(2,485)	(2)	(5,270)	(3,978)	(11,735)
Others	-	-	(35)	(30)	-	(65)
Closing net book amount	83,954	6,397	10,079	182,634	145,921	428,985
At 30 June 2010						
Cost	203,624	9,950	12,471	290,782	161,501	678,328
Accumulated amortisation and impairment	(119,670)	(3,553)	(2,392)	(108,148)	(15,580)	(249,343)
Net book amount	83,954	6,397	10,079	182,634	145,921	428,985

	Goodwill $'000	Intellectual property & other intangibles $'000	Brand names & trademarks $'000	Management letting rights $'000	Management rights $'000	Total $'000
Year ended 30 June 2011						
Opening net book amount	83,954	6,397	10,079	182,634	145,921	428,985
Exchange differences	-	-	-	(86)	-	(86)
Transfer to assets held for sale	-	-	-	(17,030)	-	(17,030)
Additions	-	3,108	356	7,810	-	11,274
Disposals	-	(182)	-	(4,195)	-	(4,377)
Reversal of impairment	-	-	-	6,277	-	6,277
Impairment charge	-	(3,356)	-	(39,387)	(6,556)	(49,299)
Amortisation charge	-	(2,353)	(10)	(5,040)	(3,978)	(11,381)
Transfers in / (out)	-	330	-	(666)	(305)	(641)
Closing net book amount	83,954	3,944	10,425	130,317	135,082	363,722
At 30 June 2011						
Cost	203,624	13,207	12,827	276,614	161,196	667,468
Accumulated amortisation and impairment	(119,670)	(9,263)	(2,402)	(146,297)	(26,114)	(303,746)
Net book amount	83,954	3,944	10,425	130,317	135,082	363,722

14 Current liabilities - Trade and other payables

	2011 $'000	2010 $'000
Trade payables	**13,211**	13,450
Employee benefits - annual leave	**9,716**	9,138
Accrued liabilities	**17,171**	12,559
GST payable	**99**	1,695
	40,197	36,842

15 Current liabilities - Provisions

	2011 $'000	2010 $'000
Employee benefits - long service leave	**1,041**	1,061
	1,041	1,061

16 Current liabilities - Advanced deposits

	2011 $'000	2010 $'000
Advanced deposits	**13,470**	11,789

17 Non-current liabilities - Borrowings

	2011 $'000	2010 $'000
Secured		
Bank loans	**212,500**	235,000
Related party loan	**28,980**	26,833
Total secured non-current borrowings	**241,480**	261,833

18 Non-current liabilities - Deferred tax liabilities

	2011 $'000	2010 $'000
Deferred tax liabilities to be settled within 12 months	**-**	-
Deferred tax liabilities to be settled after more than 12 months	**79,694**	97,304
	79,694	97,304

19 Contributed equity

	2011 Shares	2011 $'000	2010 $'000
(a) Share capital			
Ordinary shares			
Ordinary shares	18,000,000	18,000	18,000
Ordinary shares issued to management	1,891,345	1,451	1,351
	19,891,345	19,451	19,351
Cumulative redeemable preferences shares	58,000,000	58,000	58,000
	77,891,345	77,451	77,351

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$ '000
1 July 2010	Opening balance	77,871,143	$1.0001	77,351
27 May 2011	Shares issued to management	20,202	$4.95	100
30 June 2011	Closing balance	77,891,345		77,451

In the prior year, Mantra Group Holdings I Pty Ltd granted loans to certain participants of the management equity plan in relation to the 1,871,143 shares issued at an average price of $1.0001. These loans were for an amount of $530,000, and remain outstanding as at 30 June 2011. The value of these loans do not form part of the share capital value. No loans were granted to participants of the management equity plan in the current year.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Cumulative redeemable preferences shares

Preference shares accrue preference dividends at the rate of 8% per annum. Preference shares rank in priority to the payment of any dividends on ordinary shares. While the preference dividends remain unpaid, the dividends are cumulative and accumulate to the value of the outstanding preference share amount for the purposes of calculating future preference dividends.

20 Reserves and retained profits

	2011 $'000	2010 $'000
(a) Reserves		
Foreign currency translation reserve	7	241
Predecessor accounting reserve	227,919	229,070
	227,926	229,311

20 Reserves and retained profits (continued)

	2011 $'000	2010 $'000
Movements:		
Foreign currency translation reserve		
Opening balance 30 June	241	-
Currency translation differences arising during the year	(234)	241
Closing balance 30 June	7	241

	2011 $'000	2010 $'000
Movements:		
Predecessor accounting reserve		
Opening balance 30 June	229,070	-
Movement during the period	(1,151)	229,070
Closing balance 30 June	227,919	229,070

(b) Retained earnings

Movements in retained earnings were as follows:

	2011 $'000	2010 $'000
Opening balance 30 June	(121,866)	-
Net loss for the period	(30,907)	(121,866)
Balance 30 June	(152,773)	(121,866)

(c) Nature and purpose of reserves

(i) Foreign currency transaction reserve
Exchange differences arising on translation of the wholly-owned entities incorporated in New Zealand are taken to the foreign currency translation reserve, as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Predecessor accounting reserve
Any differences between the net assets acquired and the consideration paid in relation to common control transactions are recorded in the predecessor accounting reserve. Under common control, the company has recorded the interest in the acquired company based on the book values of the assets and liabilities that were previously attributable to the subsidiary at the highest level of consolidation. As a result, no fair value adjustments are recorded on the acquisition.

21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2011 $	2010 $
***(a)* PwC Australia**		
Audit services		
Audit & review of financial statements	**510,500**	516,818
Taxation services		
Tax compliance services	**394,545**	-
Other services		
Other	**96,700**	-
Total remuneration of PwC Australia	**1,001,745**	516,818
(b) Non-PwC audit firms		
Audits	**341,124**	286,471
Total remuneration non PwC audit firms	**341,124**	286,471
Total auditors' remuneration	**1,342,869**	803,289

22 Contingencies

The Group had no contingent liabilities at 30 June 2011.

23 Commitments

(i) Non-cancellable operating leases

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**65,876**	73,106
Later than one year but not later than five years	**119,325**	143,163
Later than five years	**52,117**	64,420
Commitments not recognised in the financial statements	**237,318**	280,689

24 Business combination

(a) Summary of acquisition

On 31 July 2009, the ultimate Australian parent company, Global Voyager Holdings Pty Limited, completed its restructuring and refinancing of the group. Mantra Group Holdings I Pty Ltd acquired 100% of the issued capital of Mantra Group Holdings II Pty Ltd (MGHII).

The acquisition of MGHII has been accounted for as a common control transaction, given that the ultimate parent company of MGHII was the same both before and after the acquisition. Under common control, the company has recorded the interest in the acquired company based on the book values of the assets and liabilities that were previously attributable to the subsidiary at the highest level of consolidation. As a result, no fair value adjustments are recorded on the acquisition. Further, under common control accounting, goodwill and other intangibles related to MGHII previously recognised at the ultimate parent level is recorded on the books of the company.

Any differences between the net assets acquired and the consideration paid are recorded within equity as a predecessor accounting reserve.

	2010 **$'000**
Carrying value of net identifiable assets acquired	**329,493**
Non-cash investment to acquire subsidiary	**(100,423)**
Predecessor accounting reserve	**229,070**

25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding * 2011 %	Equity holding * 2010 %
Beachbourne Pty Ltd	Australia	Ordinary	**100**	100
Sandmoon Pty Ltd	Australia	Ordinary	**100**	100
Driftcove Pty Ltd	Australia	Ordinary	**100**	100
Barondene Pty Ltd	Australia	Ordinary	**100**	100
Gold Coast Booking Centre Pty Ltd	Australia	Ordinary	**100**	100
Heathbush Pty Ltd	Australia	Ordinary	**100**	100
Woodrange Pty Ltd	Australia	Ordinary	**100**	100
Castlegale Pty Ltd	Australia	Ordinary	**100**	100
Agreedto Pty Ltd	Australia	Ordinary	**100**	100
Mantra Management Pty Ltd	Australia	Ordinary	**100**	100
Mantra Hospitality Admin Pty Ltd	Australia	Ordinary	**100**	100
Breakfree Holiday Accommodation Pty Ltd	Australia	Ordinary	**100**	100
Mantra Group Pty Ltd	Australia	Ordinary	**100**	100
Peppers Leisure Pty Limited	Australia	Ordinary	**100**	100
SAMARAD Pty Ltd	Australia	Ordinary	**100**	100
Tourism, Hotels and Leisure Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Suites Perth Pty Ltd	Australia	Ordinary	**100**	100
Pacific Suites Adelaide Pty Ltd	Australia	Ordinary	**100**	100
Lerina Holdings Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Apartment & Hotel Group Pty Ltd	Australia	Ordinary	**100**	100
Kent Street Suites Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Hotel Bankstown Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Apartments Sydney City Pty Ltd	Australia	Ordinary	**100**	100
Mantra MLR Group Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Apartments Exhibition Street Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Apartments Parramatta Pty Ltd	Australia	Ordinary	**100**	100
Pacific Apartments Frome Street Pty Ltd	Australia	Ordinary	**100**	100
Pacific Suites Melbourne Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Suites Parramatta Pty Ltd	Australia	Ordinary	**100**	100
Saville Hotel Group Pty Ltd	Australia	Ordinary	**100**	100
Mantra Resorts Australia Pty Ltd	Australia	Ordinary	**100**	100
Directors Management Pty Ltd	Australia	Ordinary	**100**	100
West End Apartments Management Pty Ltd	Australia	Ordinary	**100**	100
The Park at Melbourne (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Sunleisure Operations Pty Ltd	Australia	Ordinary	**100**	100
Sunleisure Hotels & Resorts Pty Ltd	Australia	Ordinary	**100**	100
BRK Asset Holdings Pty Ltd	Australia	Ordinary	**100**	100
BRK (NSW) Pty Ltd	Australia	Ordinary	**100**	100
BRK Resorts Pty Ltd	Australia	Ordinary	**100**	100
Beachside Resorts Pty Ltd	Australia	Ordinary	**100**	100
Mantra Australia (NSW) Pty Ltd	Australia	Ordinary	**100**	100
Mantra Hotels & Resorts Australia Pty Ltd	Australia	Ordinary	**100**	100
Mantra Ettalong (NSW) Pty Ltd	Australia	Ordinary	**100**	100
Mantra Salt Catering Pty Ltd	Australia	Ordinary	**100**	100
Mantra Bunbury on the Beach Pty Ltd	Australia	Ordinary	**100**	100
THL Capital Pty Ltd	Australia	Ordinary	**100**	100
Capital Tower Apartments Canberra Pty Ltd	Australia	Ordinary	**100**	100
THL Airport Hotel Melbourne Pty Ltd	Australia	Ordinary	**100**	100
Plaza Hotels (Asia Pacific) Pty Ltd	Australia	Ordinary	**100**	100
Pacific International Hotels (Asia Pacific) Pty Ltd	Australia	Ordinary	**100**	100
THL Leisure SEA Sdn Bhd	Malaysia	Ordinary	**100**	100
Kemayan Hotels Sdn Bhd	Malaysia	Ordinary	**100**	100
THL - Golden Tulip Investment Ltd	Hong Kong	Ordinary	**100**	100

25 Subsidiaries (continued)

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ***	
			2011	**2010**
			%	**%**
Golden Tulip (Asia Pacific) Ltd	Hong Kong	Ordinary	**100**	100
THL - Golden Tulip Holdings Ltd	Hong Kong	Ordinary	**100**	100
Breakfree Resorts (Victoria) Pty Ltd	Australia	Ordinary	**100**	100
Lorne Resort Apartments Ltd as RE for Erskine on the Beach	Australia	Ordinary	**100**	100
Mantra Resorts Group Pty Ltd	Australia	Ordinary	**100**	100
Mantra Resorts Group Franchising Pty Ltd	Australia	Ordinary	**100**	100
Mantra Resorts Letting Pty Ltd	Australia	Ordinary	**100**	100
Schoolies Week Pty Ltd	Australia	Ordinary	**100**	100
Australian Holidays Pty Ltd	Australia	Ordinary	**100**	100
Australian Apartments & Resorts Pty Ltd	Australia	Ordinary	**100**	100
Breakfree Resorts NZ Ltd	New Zealand	Ordinary	**100**	100
Queenstown Holiday Accommodation Centre Ltd	New Zealand	Ordinary	**100**	100
Global Voyager Group Admin Pty Ltd	Australia	Ordinary	**100**	100
Mantra IP Pty Ltd	Australia	Ordinary	**100**	100
Peppers Broadbeach Pty Ltd	Australia	Ordinary	**100**	-
Mantra Group Holdings II Pty Ltd	Australia	Ordinary	**100**	100

*The proportion of ownership interest is equal to the proportion of voting power held.

26 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	**Principal activity**	**Ownership interest**			
		2011	2010	**2011**	2010
		%	%	**$'000**	$'000
Golden Tulip Hospitality BV (under administration)	Hotel management	**50**	50	**-**	-

Golden Tulip Hospitality BV is incorporated in the Netherlands.

27 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company or economic entity, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

28 Reconciliation of loss after income tax to net cash inflow from operating activities

	2011 $'000	2010 $'000
Loss for the period	**(30,907)**	(121,866)
Depreciation and amortisation	**19,877**	19,140
Impairment of goodwill	**-**	121,770
Impairment assets held for sale	**6,067**	-
Net impairment / reversals- Intangibles	**43,022**	-
Impairment - Property plant and Equipment	**7,831**	-
Net loss on divestment properties	**1,360**	520
Accrued interest on related party loan	**-**	1,833
Net (gain) /loss exchange differences	**215**	241
Change in operating assets and liabilities	**-**	-
Decrease/(increase) in trade and other receivables	**(3,118)**	(2,481)
Decrease/(increase) in inventories	**(1,173)**	228
(Increase) in deferred tax assets	**(742)**	(543)
(Increase) in other operating assets	**-**	(45)
Increase/(decrease) in other liabilities	**(644)**	(6,947)
Increase / (decrease) in provision for income taxes payable	**(211)**	1,035
Increase/(decrease) increase in trade payables	**6,487**	9,495
Increase / (decrease) in deferred tax liabilities	**(17,610)**	-
Net cash inflow from operating activities	**30,454**	22,380

29 Parent entity financial information

The ultimate parent entity and ultimate controlling party is Europe Voyager Holdings S.a r.l (a company incorporated in Luxembourg).

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $'000	2010 $'000
Current assets	-	-
Non-current assets	104,888	104,146
Current liabilities	7,254	5,302
Non-current liabilities	108,673	124,137
Total liabilities	115,927	129,439
Net Assets	(11,039)	(25,293)
Shareholders' equity		
Contributed equity	76,000	76,000
Reserves	(96,848)	(96,848)
Retained earnings/(accumulated losses)	(4,445)	-
Current year profit / (loss)	14,254	(4,445)
	(11,039)	(25,293)
Profit / (loss) for the period	14,254	(4,445)

(b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees in respect of bank overdrafts and loans of subsidiaries.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011. For information about guarantees given by the parent entity, please see above.

As stated in note 1(a) to the financial statements, in the directors' opinion, the Group is not a reporting entity because there are no users dependent on general purpose financial statements. These special purpose financial statements have been prepared to meet *Corporations Act 2001* requirements.

The financial statements have been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1(a).

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 34 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Steven Becker
Director

Gold Coast
29 September 2011

Independent auditor's report to the members of Mantra Group Holding I Pty Ltd

Report on the financial statements

We have audited the accompanying financial statements of Mantra Group Holdings I Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mantra Group Holdings I Pty Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

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Independent auditor's report to the members of Mantra Group Holding I Pty Ltd (continued)

Auditor's opinion

In our opinion, the financial statements of Mantra Group Holdings I Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1, and

(b) complying with Australian Accounting Standards to the extent described in note 1 and complying with the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Cameron Henry
Partner

Brisbane
29 September 2011

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