

Mantra Group Holdings I Pty Ltd

ABN 69 137 639 395

Special purpose financial report for the year ended 30 June 2013

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Special purpose financial report - 30 June 2013

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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 2013.

Reissuance of Directors' Report and Financial Report

The Directors' Report and Financial Report for the year ended 30 June 2013, dated 16 January 2014, have been reissued. The Directors' Report and Financial Report, being reissued reports, incorporate the restated position of the consolidated entity, Mantra Group Holdings I Pty Ltd, for the years ended 30 June 2012 and 30 June 2013, as set out in Note 1(a).

Directors

The following persons were directors of Mantra Group Holdings I Pty Ltd during the financial year and up to the date of this report:

Elizabeth Gaines
Andrew Cummins
Kerry Robert East
Steven Becker
David Gibson

Graham Brooke appointed 30 October 2012

Adrian MacKenzie was a director from the beginning of the financial year until his resignation on 14 December 2012.

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of accommodation, food and beverage operations and central reservations.

Dividends

Aggregate amount of \$28,914,387.96 (2012: nil) was paid as a ordinary dividend on the ordinary shares in the Company on 1 May 2013.

Aggregate amount of \$19,456,945.04 (2012: nil) was paid as a preference dividend on the preference shares in the Company on 1 May 2013.

Review of operations

The profit from ordinary activities after income tax amounted to \$9,176,000 (2012 loss: \$7,369,000).

The profit from ordinary activities before interest, tax, depreciation and amortisation (EBITDA) amounted to \$60,677,565 (2012: \$56,894,700).

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were the debt refinancing and equity restructuring.

In April 2013, the Group refinanced its debt facility with a new \$165,000,000 facility set to mature on 30 June 2017. As part of the refinancing process, in May 2013 the Group also restructured its equity holdings with the redemption of all its preference shares through the issuance of loan notes from related parties of \$106,371,333 and the payment of dividends. Dividends in the year ended 30 June 2013 were issued for the sole purpose of restructure.

There have been no other significant changes in the state of affairs of the Group during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 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

In the foreseeable future it is expected that the Group will continue its principal activity as described above.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Shares under option

During the year ended 30 June 2010, a management equity plan was established whereby certain members of the executive management team were offered an opportunity to purchase options in Mantra Group Holdings I Pty Ltd. These options can be exercised on certain exit events or on the Company becoming insolvent. At 30 June 2013, 1,980,000 options were outstanding at an average price of \$1.00.

Insurance of officers

During the financial year, Mantra Group Holdings I Pty Ltd paid a premium of \$70,966 (2012: \$87,314) to insure the directors and officers of the Group and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group 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 4.

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

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

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'S. Becker', with a stylized flourish at the end.

Steven Becker
Director

Gold Coast
16 January 2014



Auditor's Independence Declaration

As lead auditor for the audit of Mantra Group Holdings I Pty Ltd for the year ended 30 June 2013, 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 year.

K. Stubbins

K Stubbins
Partner
PricewaterhouseCoopers

Sydney
16 January 2014

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Special purpose financial report - 30 June 2013

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This financial report is the consolidated financial report of the consolidated entity consisting of Mantra Group Holdings I Pty Ltd and its subsidiaries. The financial report is presented in the 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 15, 50 Cavill Avenue
Surfers Paradise, Queensland, 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of this financial report.

The financial report was authorised for issue by the directors on 16 January 2014. The directors have the power to amend and reissue the financial report.

Mantra Group Holdings I Pty Ltd
Consolidated statement of comprehensive income
For the year ended 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000
Revenue from continuing operations	3	429,975	431,005
Other income	4	1,353	1,399
Employee benefits expense		(139,292)	(140,561)
Operating expenses		(130,451)	(135,878)
Occupancy and utilities expenses		(87,485)	(85,347)
Depreciation and amortisation expense	5	(17,455)	(19,018)
Administration expenses		(13,424)	(13,724)
Impairment reversal (expense) - net	5	2,534	(8,838)
Finance costs - net	5	(28,212)	(21,434)
Profit before income tax		17,543	7,604
Income tax expense	6	(8,367)	(14,973)
Profit (loss) for the year		9,176	(7,369)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	22(a)	478	45
Other comprehensive income for the year, net of tax		478	45
Total comprehensive income (loss) for the year		9,654	(7,324)
Total comprehensive income (loss) for the year is attributable to:			
Owners of Mantra Group Holdings I Pty Ltd		9,654	(7,324)

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 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000	1 July * 2011 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	7	28,678	14,821	11,837
Trade and other receivables	8	34,268	37,710	40,422
Inventories	9	2,038	2,594	3,330
Other current assets	10	1,891	1,318	1,368
Assets classified as held for sale	11	1,801	6,961	14,818
Total current assets		68,676	63,404	71,775
Non-current assets				
Receivables	12	750	-	-
Property, plant and equipment	13	91,084	92,215	92,982
Deferred tax assets	14	5,509	4,803	5,090
Intangible assets	15	335,953	340,421	363,722
Total non-current assets		433,296	437,439	461,794
Total assets		501,972	500,843	533,569
LIABILITIES				
Current liabilities				
Trade and other payables	16	36,648	30,486	32,566
Borrowings	17	11,932	176,208	-
Current tax liabilities		6,108	7,668	4,002
Provisions	18	10,257	10,197	9,716
Advance deposits	19	18,169	16,106	13,470
Total current liabilities		83,114	240,665	59,754
Non-current liabilities				
Borrowings	17	286,544	31,298	241,480
Deferred tax liabilities	20	79,741	83,919	79,694
Provisions	18	3,377	1,141	1,497
Non-current tax liabilities		2,113	-	-
Total non-current liabilities		371,775	116,358	322,671
Total liabilities		454,889	357,023	382,425
Net assets		47,083	143,820	151,144
EQUITY				
Contributed equity	21	18,000	76,000	76,000
Other reserves	22(a)	229,880	229,422	229,377
Accumulated losses	22(c)	(200,797)	(161,602)	(154,233)
Total equity		47,083	143,820	151,144

* See note 1(a) for details regarding the restatement as a result of an error.

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

Mantra Group Holdings I Pty Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2013

Attributable to owners of Mantra Group Holdings I Pty Ltd				
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2011	76,000	229,377	(154,233)	151,144
Profit (loss) for the year	-	-	(7,369)	(7,369)
Other comprehensive income	-	45	-	45
Total comprehensive income (loss) for the year	-	45	(7,369)	(7,324)
Balance at 30 June 2012	76,000	229,422	(161,602)	143,820
Balance at 1 July 2012	76,000	229,422	(161,602)	143,820
Profit (loss) for the year	-	-	9,176	9,176
Other comprehensive income	-	478	-	478
Total comprehensive income for the year	-	478	9,176	9,654
Transactions with owners in their capacity as owners:				
Buy-back of preference shares, net of tax	21 (58,000)	-	-	(58,000)
Buy-back of options	22(a) -	(20)	-	(20)
Dividends paid	23 -	-	(48,371)	(48,371)
	(58,000)	(20)	(48,371)	(106,391)
Balance at 30 June 2013	18,000	229,880	(200,797)	47,083

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

Mantra Group Holdings I Pty Ltd
Consolidated statement of cash flows
For the year ended 30 June 2013

	30 June 2013 \$'000	30 June 2012 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	472,958	476,248
Payments to suppliers and employees (inclusive of goods and services tax)	(401,774)	(417,057)
	71,184	59,191
Interest paid	(22,476)	(20,109)
Income taxes paid	(12,300)	(6,795)
Interest received	608	822
Net cash inflow from operating activities	29 37,016	33,109
Cash flows from investing activities		
Payments for property, plant and equipment	(6,095)	(11,149)
Payments for intangibles	(3,834)	(3,469)
Proceeds from sale of property, plant and equipment	6,253	20,605
Proceeds from sale of intangibles	1,468	-
Net cash (outflow) inflow from investing activities	(2,208)	5,987
Cash flows from financing activities		
Proceeds from borrowings	155,277	-
Proceeds from borrowings from related parties	106,371	-
Payments for shares bought back	21 (58,000)	-
Payments for options bought back	22(a) (20)	-
Repayment of borrowings	(176,208)	(36,112)
Dividends paid to company's shareholders	23 (48,371)	-
Net cash (outflow) from financing activities	(20,951)	(36,112)
Net increase in cash and cash equivalents	13,857	2,984
Cash and cash equivalents at the beginning of the financial year	14,821	11,837
Cash and cash equivalents at end of year	7 28,678	14,821

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

1 Summary of significant accounting policies

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

(a) Reissuance of financial report/ correction of error

The previously issued financial report of the Group for the year ended 30 June 2013 dated 26 September 2013 has been withdrawn and is replaced by this financial report.

The revision was necessary to correct the known difference in the Group's operating lease expense for the years ended 30 June 2010, 2011, 2012 and 2013 to correctly apply the provisions of AASB 117 "Leases". This error first arose in the year ended 30 June 2010.

The directors believe the correction of the error to be material to an understanding of the Group's financial performance and position and, accordingly, have amended the financial statements and accompanying notes to reflect the correction of the error.

The error has been corrected by restating each of the affected financial report line items for the prior periods as follows:

	30 June 2013 \$'000	Adjustment \$'000	30 June 2013 (Restated) \$'000	30 June 2012 \$'000	Adjustment \$'000	30 June 2012 (Restated) \$'000	1 July 2011 \$'000	Adjustment \$'000	1 July 2011 (Restated) \$'000
Consolidated statement of financial position (extract)									
Deferred tax assets	4,118	1,391	5,509	3,751	1,052	4,803	4,465	625	5,090
Trade and other payables	(32,013)	(4,635)	(36,648)	(26,980)	(3,506)	(30,486)	(30,481)	(2,085)	(32,566)
Net assets	50,327	(3,244)	47,083	146,274	(2,454)	143,820	152,604	(1,460)	151,144
Accumulated losses	(197,553)	(3,244)	(200,797)	(159,148)	(2,454)	(161,602)	(152,773)	(1,460)	(154,233)
Total equity	50,327	(3,244)	47,083	146,274	(2,454)	143,820	152,604	(1,460)	151,144

	30 June 2013 \$'000	Increase/ (Decrease) \$'000	30 June 2013 (Restated) \$'000	30 June 2012 \$'000	Increase/ (Decrease) \$'000	30 June 2012 (Restated) \$'000
Consolidated statement of comprehensive income (extract)						
Occupancy and utilities expenses	(86,356)	(1,129)	(87,485)	(83,926)	(1,421)	(85,347)
Profit before tax	18,672	(1,129)	17,543	9,025	(1,421)	7,604
Income tax expense	(8,706)	339	(8,367)	(15,400)	427	(14,973)
Profit (loss) after tax	9,966	(790)	9,176	(6,375)	(994)	(7,369)
Other comprehensive income for the year	478	-	478	45	-	45
Total comprehensive income (loss) for the year	10,444	(790)	9,654	(6,330)	(994)	(7,324)

1 Summary of significant accounting policies (continued)

(b) 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 reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report 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 all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the directors to meet the needs of the members. The Group is a for-profit entity for the purpose of preparing the financial report.

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) Critical accounting estimates

The preparation of the financial report 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 report, are disclosed in note 2.

(v) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Mantra Group Holdings I Pty Ltd ('Company' or 'parent entity') as at 30 June 2013 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 this financial report 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.

1 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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

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 identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as 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.

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.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) 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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Services

Revenue from services rendered is recognised in the profit and loss when services have been provided. Revenue from the rendering of property management and holiday agency services is recognised on an accruals basis when the right to receive the revenue is established, it can be reliably measured, and it is probable that the revenue will be received.

Room revenue is therefore recognised over the period of the service - being the period of stay by the consumer.

Payments received prior to the commencement of the guest's stay are recognised as advanced deposits.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) 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)

(f) 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 Group's subsidiaries and associates operate and generate 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 report. 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.

Mantra Group Holdings I Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. 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 report.

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.

(g) Leases

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 26). 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.

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. 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 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)

(h) 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 non-controlling interest in the acquiree either at fair value or at the non-controlling interest'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.

(i) 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.

(j) 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 statement of financial position.

The Group has off balance sheet cash balances relating to the property trust accounts \$4.58m (2012: \$3.87m) and property furniture, fittings and equipment funds \$1.87m (2012: \$1.51m). These bank accounts are held off balance sheet as the risk and rewards do not lie with the Group.

(k) 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. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

1 Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

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 (more than 30 days overdue) 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.

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.

(l) 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 necessary to make the sale.

(m) Non-current assets held for sale

Non-current 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. 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 is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated balance sheet.

(n) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or 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. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

(ii) Loans and receivables

Loans and 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. Loans and receivables are included in trade and other receivables (note 8) and receivables (note 12) in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(o) 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 profit or loss 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	40 years
- Leasehold improvements	10 years or term of lease
- Plant and equipment	3 - 15 years

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(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Amounts paid to hotel owners to renew or extend letting agreements are capitalised as leasehold improvements and normally depreciated over the contracted period on a straight line basis.

1 Summary of significant accounting policies (continued)

(p) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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 and 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, Management Rights and Management Agreements

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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income.

Management Agreements (MA's) provide the Group with revenue from managing properties on behalf of hotel owners and are prevalent with the Peppers Brand of properties. MA's are recorded at cost less any accumulated amortisation and accumulated impairment losses. MA's are amortised over the period in which future benefits are expected to be obtained. The amortisation expense is taken to the consolidated statement of comprehensive income.

(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.

1 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

(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 asset's 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 identifiable 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.

(q) Trade and other payables

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

(r) 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 profit or loss 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.

(s) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(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 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.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Contributions to the defined contribution fund and other independent defined contribution superannuation funds 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.

(u) 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.

Management shares are classified as equity. The rights attached to Management shares are substantially 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.

(v) 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.

(w) 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 statement of financial position.

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.

1 Summary of significant accounting policies (continued)

(x) 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess its full impact and has not yet decided when to adopt AASB 9.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (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 a 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 for 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.

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 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial report, but will impact the type of information disclosed in relation to the Group's investments.

The Group will adopt the new standards from their operative date. They will therefore be applied in the financial report for the annual reporting period ending 30 June 2014.

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial report. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(z) Parent entity financial information

The financial information for the parent entity, Mantra Group Holdings I Pty Ltd, disclosed in note 30 has been prepared on the same basis as the consolidated financial report, 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 report of Mantra Group Holdings I Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Mantra Group Holdings I Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

In addition to its own current and deferred tax amounts, Mantra Group Holdings I Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Mantra Group Holdings I Pty Ltd for any current tax payable assumed and are compensated by Mantra Group Holdings I Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mantra Group Holdings I Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial report.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) 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 goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions to each CGU 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 other intangible assets

The Group tests annually whether management letting rights (MLR) and management rights (MR) have suffered any impairment, in accordance with the accounting policy stated in note 1(p). These calculations of recoverable amounts 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 4.3 down to 3.9) then the Group would have recognised further net impairment of \$2.25m (2012: \$2.49m) for properties where impairment or reversal of impairment indicators are shown.

Mantra Group Holdings I Pty Ltd
Notes to the consolidated financial statements
30 June 2013
(continued)

3 Revenue

	30 June 2013 \$'000	30 June 2012 \$'000
From continuing operations		
Services	429,975	431,005

4 Other income

	30 June 2013 \$'000	30 June 2012 \$'000
Net gain on disposal of property, plant and equipment and intangibles	1,127	1,399
Other income	226	-
	<u>1,353</u>	<u>1,399</u>

5 Expenses

	30 June 2013 \$'000	30 June 2012 \$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	10,041	9,870
<i>Depreciation</i>		
Buildings	1,958	2,130
Plant and equipment	5,216	6,123
Leasehold improvements	798	475
Total depreciation	<u>7,972</u>	<u>8,728</u>
<i>Amortisation</i>		
Management letting rights	4,572	3,933
Management rights	2,684	3,983
Trademarks and patents	17	13
Intellectual property and other intangibles	2,210	2,361
Total amortisation	<u>9,483</u>	<u>10,290</u>
Total depreciation and amortisation	<u>17,455</u>	<u>19,018</u>

Mantra Group Holdings I Pty Ltd
Notes to the consolidated financial statements
30 June 2013
(continued)

5 Expenses (continued)

	30 June 2013 \$'000	30 June 2012 \$'000
<i>Finance costs</i>		
Interest and finance charges paid/payable	23,320	22,256
Facility fee	5,500	-
Interest income	(608)	(822)
Finance costs - net	<u>28,212</u>	<u>21,434</u>
 <i>Rental expense relating to operating leases</i>		
Operating leases	<u>72,787</u>	<u>70,674</u>
 <i>Impairment/ (reversals of impairment)</i>		
Plant and equipment	-	(134)
Other	-	521
Intangibles	(2,534)	7,444
Assets held for sale	-	1,007
Total impairment (gains) losses - net	<u>(2,534)</u>	<u>8,838</u>

6 Income tax expense

(a) Income tax expense

	30 June 2013 \$'000	30 June 2012 \$'000
Current tax	6,725	7,089
Deferred tax	(4,884)	4,511
Adjustments for current tax of prior periods	6,526	3,373
	<u>8,367</u>	<u>14,973</u>

6 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2013 \$'000	30 June 2012 \$'000
Profit from continuing operations before income tax expense	17,543	7,604
Tax at the Australian tax rate of 30% (2012 - 30%)	5,263	2,281
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible entertainment	75	-
Sundry items	84	236
	5,422	2,517
Adjustments for deferred tax of prior periods	(266)	-
Adjustments for current tax of prior periods	6,526	3,373
Derecognition of RTFI and adjustment to MLR tax base	(3,226)	9,083
Capital losses recouped	(89)	-
Income tax expense	8,367	14,973

7 Current assets - Cash and cash equivalents

	30 June 2013 \$'000	30 June 2012 \$'000
Cash and cash equivalents	28,678	14,821

8 Current assets - Trade and other receivables

	30 June 2013 \$'000	30 June 2012 \$'000
Trade receivables	30,571	32,962
Provision for impairment of receivables	(580)	(387)
	29,991	32,575
Other receivables	633	664
Prepayments	3,644	4,471
	34,268	37,710

9 Current assets - Inventories

	30 June 2013 \$'000	30 June 2012 \$'000
Finished goods	2,038	2,594

10 Current assets - Other current assets

	30 June 2013 \$'000	30 June 2012 \$'000
Other current assets	1,891	1,318

11 Assets classified as held for sale

(a) Assets classified as held for sale

	30 June 2013 \$'000	30 June 2012 \$'000
Property, plant and equipment and intangibles	1,801	6,961

(b) Assets classified as held for sale movement

	30 June 2013 \$'000	30 June 2012 \$'000
Opening balance 1 July	6,961	14,818
Additions	1,801	5,992
Impairment	-	(1,007)
Disposals	(6,961)	(12,842)
Closing balance 30 June	1,801	6,961

During the year ended 30 June 2013, the Group disposed of all the properties which were held for sale as at 30 June 2012. One further property was reclassified to held for sale during the year ended 30 June 2013. No impairment (2012: \$1.0m) was recognised on reclassification to reduce the net book value of the property to fair value less costs to sell.

12 Non-current assets - Receivables

	30 June 2013 \$'000	30 June 2012 \$'000
Other receivables	750	-

13 Non-current assets - Property, plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 30 June 2012				
Cost	97,635	45,538	7,019	150,192
Accumulated depreciation	(29,889)	(26,344)	(1,744)	(57,977)
Net book amount	67,746	19,194	5,275	92,215
Year ended 30 June 2013				
Opening net book amount	67,746	19,194	5,275	92,215
Exchange differences	74	16	9	99
Additions	-	6,768	690	7,458
Disposals	(546)	(168)	(2)	(716)
Depreciation charge	(1,958)	(5,216)	(798)	(7,972)
Closing net book amount	65,316	20,594	5,174	91,084
At 30 June 2013				
Cost	97,047	51,621	7,716	156,384
Accumulated depreciation	(31,731)	(31,027)	(2,542)	(65,300)
Net book amount	65,316	20,594	5,174	91,084

14 Non-current assets - Deferred tax assets

	30 June 2013 \$'000	30 June 2012 \$'000	1 July 2011 \$'000
Deferred tax assets expected to be recovered within 12 months	3,423	3,641	3,888
Deferred tax assets expected to be recovered after more than 12 months	2,086	1,162	1,202
	5,509	4,803	5,090

15 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
At 30 June 2012						
Cost	203,625	14,165	11,349	217,601	156,592	603,332
Accumulation amortisation and impairment	(119,670)	(10,753)	(1,020)	(108,059)	(23,409)	(262,911)
Net book amount	83,955	3,412	10,329	109,542	133,183	340,421
Year ended 30 June 2013						
Opening net book amount	83,955	3,412	10,329	109,542	133,183	340,421
Additions	-	1,539	528	1,884	-	3,951
Disposals	-	(25)	-	(1,562)	-	(1,587)
Exchange differences	-	-	-	117	-	117
Amortisation charge	-	(2,210)	(17)	(4,572)	(2,684)	(9,483)
Impairment reversal	-	-	-	2,496	38	2,534
Closing net book amount	83,955	2,716	10,840	107,905	130,537	335,953
At 30 June 2013						
Cost	203,625	15,562	11,877	216,496	156,592	604,152
Accumulated amortisation and impairment	(119,670)	(12,846)	(1,037)	(108,591)	(26,055)	(268,199)
Net book amount	83,955	2,716	10,840	107,905	130,537	335,953

Mantra Group Holdings I Pty Ltd
Notes to the consolidated financial statements
30 June 2013
(continued)

16 Current liabilities - Trade and other payables

	30 June 2013 \$'000	30 June 2012 \$'000	1 July 2011 \$'000
Trade payables	11,239	11,595	13,210
GST payable	2,135	1,892	100
Other payables	23,274	16,999	19,256
	<u>36,648</u>	<u>30,486</u>	<u>32,566</u>

17 Borrowings

	Current \$'000	30 June 2013 Non- current \$'000	Total \$'000	Current \$'000	30 June 2012 Non- current \$'000	Total \$'000
Secured						
Bank loans	11,932	143,345	155,277	176,208	-	176,208
Total secured borrowings	<u>11,932</u>	<u>143,345</u>	<u>155,277</u>	<u>176,208</u>	<u>-</u>	<u>176,208</u>
Unsecured						
Loans from related parties	-	143,199	143,199	-	31,298	31,298
Total unsecured borrowings	<u>-</u>	<u>143,199</u>	<u>143,199</u>	<u>-</u>	<u>31,298</u>	<u>31,298</u>
Total borrowings	<u>11,932</u>	<u>286,544</u>	<u>298,476</u>	<u>176,208</u>	<u>31,298</u>	<u>207,506</u>

As of 30 April 2013, the Group refinanced their debt facility with a maturity date of 30 June 2017.

18 Provisions

	Current \$'000	30 June 2013 Non- current \$'000	Total \$'000	Current \$'000	30 June 2012 Non- current \$'000	Total \$'000
Employee benefits	9,257	996	10,253	10,197	700	10,897
Other provisions	1,000	2,381	3,381	-	441	441
	<u>10,257</u>	<u>3,377</u>	<u>13,634</u>	<u>10,197</u>	<u>1,141</u>	<u>11,338</u>

19 Current liabilities - Advance deposits

	30 June 2013 \$'000	30 June 2012 \$'000
Advance deposits	<u>18,169</u>	<u>16,106</u>

20 Non-current liabilities - Deferred tax liabilities

	30 June 2013 \$'000	30 June 2012 \$'000
Deferred tax liabilities expected to be settled within 12 months	-	-
Deferred tax liabilities expected to be settled after more than 12 months	<u>79,741</u>	<u>83,919</u>
	<u>79,741</u>	<u>83,919</u>

21 Contributed equity

(a) Share capital

	30 June 2013 Shares	30 June 2012 Shares	30 June 2013 \$'000	30 June 2012 \$'000
Ordinary shares - fully paid	18,000,000	18,000,000	18,000	18,000
Cumulative redeemable preference shares - fully paid	-	58,000,000	-	58,000
	<u>18,000,000</u>	<u>76,000,000</u>	<u>18,000</u>	<u>76,000</u>

(b) Movements in redeemable preference share capital

Date	Details	Number of shares	\$'000
31 July 2009	Opening balance	58,000,000	58,000
	Shares bought back and cancelled	<u>(58,000,000)</u>	<u>(58,000)</u>
30 June 2013	Closing balance	<u>-</u>	<u>-</u>

(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.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

21 Contributed equity (continued)

(d) Cumulative redeemable preferences shares

Preference shares rank in priority to the payment of any dividends on ordinary shares. As part of the Group's refinancing process, on 1 May 2013 the Group also restructured its equity holdings with the redemption of all its preference shares.

22 Other reserves and accumulated losses

(a) Other reserves

	30 June 2013 \$'000	30 June 2012 \$'000
Predecessor accounting reserve	227,919	227,919
Option premium reserve	1,431	1,451
Foreign currency translation reserve	530	52
	<u>229,880</u>	<u>229,422</u>

	30 June 2013 \$'000	30 June 2012 \$'000
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Movements:

Predecessor accounting reserve

Opening balance	227,919	227,919
Balance 30 June	<u>227,919</u>	<u>227,919</u>

Option premium reserve

Opening balance	1,451	1,451
Options bought back	(20)	-
Balance 30 June	<u>1,431</u>	<u>1,451</u>

Foreign currency translation reserve

Opening balance	52	7
Currency translation differences arising during the year	478	45
Balance 30 June	<u>530</u>	<u>52</u>

(b) Nature and purpose of other reserves

(i) *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.

22 Other reserves and accumulated losses (continued)

(b) Nature and purpose of other reserves (continued)

(ii) Option premium reserve

During the year ended 30 June 2010, a management equity plan was established whereby certain members of the executive management team were offered an opportunity to purchase options in Mantra Group Holdings I Pty Ltd. These options can be exercised on certain exit events or on the Company becoming insolvent. At 30 June 2013, 1,980,000 options were outstanding at an average price of \$1.00.

(iii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2013 \$'000	30 June 2012 \$'000
Balance 1 July	(161,602)	(154,233)
Net profit (loss) for the year	9,176	(7,369)
Dividends	(48,371)	-
Balance 30 June	<u>(200,797)</u>	<u>(161,602)</u>

23 Dividends

(a) Ordinary shares

	30 June 2013 \$'000	30 June 2012 \$'000
Final dividend for the year ended 30 June:		
Ordinary dividend of \$1.06 per share	<u>28,914</u>	-

(b) Redeemable preference shares

Dividend of 33.5 cents per share	<u>19,457</u>	-
Total dividends paid	<u>48,371</u>	-

24 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:

(a) PricewaterhouseCoopers

	2013 \$	2012 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	530,200	529,300
Total remuneration for audit and other assurance services	<u>530,200</u>	<u>529,300</u>
<i>Taxation services</i>		
Tax compliance services	176,374	172,488
Total remuneration for taxation services	<u>176,374</u>	<u>172,488</u>
<i>Other services</i>		
Other	1,047,666	586,120
Total remuneration for other services	<u>1,047,666</u>	<u>586,120</u>
Total remuneration of PricewaterhouseCoopers	<u>1,754,240</u>	<u>1,287,908</u>

(b) Non-related audit firms

	2013 \$	2012 \$
<i>Audit and other assurance services</i>		
Audit of trust accounts and taxation services	177,482	204,127

25 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

(i) Exit fee

On 30 April 2013, Mantra Group refinanced their borrowing facility which resulted in an exit fee becoming payable to UBS. Part of this exit fee, \$1,500,000 must be paid immediately upon the last of the following events:

- an Exit Event; and
- all of the Zero Coupon Notes are redeemed or should have been redeemed.

An exit event is defined as when any of the following conditions have been met:

- the assets of the Company have been sold,
- Funds managed and advised by either or both of CVC Asia Pacific Ltd or CVC Capital Partners Limited and any wholly-owned subsidiary of any such fund loses control of the business, or
- Mantra Group undertakes an Initial Public Offering.

25 Contingencies (continued)

(a) Contingent liabilities (continued)

(ii) Guarantees

The Group is, in the normal course of business, required to provide guarantees and letters of credit on behalf of controlled entities in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the entity concerned fails to perform its contractual obligations. Bank Guarantees outstanding at balance date in respect of commitments for lease rental expenditure amount to \$1,779,240 (2012: \$1,854,415).

26 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

The Group leases various premises under non-cancellable operating leases expiring within 1 to 7 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	30 June 2013 \$'000	30 June 2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	76,158	72,290
Later than one year but not later than five years	173,125	164,731
Later than five years	21,204	34,754
	270,487	271,775

27 Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial report incorporates the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2013 %	2012 %
Driftcove Pty Ltd *	Australia	Ordinary	-	100
Gold Coast Booking Centre Pty Ltd *	Australia	Ordinary	-	100
Heathbush Pty Ltd *	Australia	Ordinary	-	100
Breakfree Holiday Accommodation Pty Ltd *	Australia	Ordinary	-	100
Beachside Resorts Pty Ltd *	Australia	Ordinary	-	100
Mantra Salt Catering Pty Ltd *	Australia	Ordinary	-	100
Mantra Bunbury on the Beach Pty Ltd *	Australia	Ordinary	-	100
THL Capital Pty Ltd *	Australia	Ordinary	-	100
THL Leisure SEA Sdn Bhd *	Malaysia	Ordinary	-	100
Mantra Resorts Group Franchising Pty Ltd *	Australia	Ordinary	-	100
Australian Holidays Pty Ltd *	Australia	Ordinary	-	100
Queenstown Holiday Accommodation Centre Ltd *	New Zealand	Ordinary	-	100
Australian Apartments & Resorts Pty Ltd *	Australia	Ordinary	-	100
Beachbourne Pty Ltd	Australia	Ordinary	100	100
Sandmoon Pty Ltd	Australia	Ordinary	100	100
Barondene 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
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

27 Subsidiaries (continued)

(a) Significant investments in subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2013 %	2012 %
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
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
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
Kemayan Hotels Sdn Bhd	Malaysia	Ordinary	100	100
THL - Golden Tulip Investment Ltd	Hong Kong	Ordinary	100	100
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 Letting Pty Ltd	Australia	Ordinary	100	100
Schoolies Week Pty Ltd	Australia	Ordinary	100	100
Breakfree Resorts NZ 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	100
Mantra Group Holdings II Pty Ltd	Australia	Ordinary	100	100
MG Asia Pacific Pty Ltd	Australia	Ordinary	100	-

* These subsidiaries were deregistered during the year ended 30 June 2013.

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

28 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 Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

29 Reconciliation of profit (loss) after income tax to net cash inflow from operating activities

	30 June 2013 \$'000	30 June 2012 \$'000
Profit (loss) for the year	9,176	(7,369)
Depreciation and amortisation	17,456	19,018
Impairment of assets held for sale	-	1,007
Net (gain) loss on sale of non-current assets	(1,127)	(1,398)
Net impairment (reversal) - intangibles	(2,534)	7,444
Net impairment (reversal) - property, plant and equipment	-	(134)
Net impairment (reversal) - other	-	521
Net exchange differences	262	45
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors and other receivables	2,868	2,232
(Increase) decrease in inventories	555	736
(Increase) decrease in deferred tax assets	(706)	287
(Decrease) increase in trade creditors and other payables	10,331	(2,638)
(Decrease) increase in other operating liabilities	4,360	5,468
(Decrease) increase in provision for income taxes payable	553	3,666
(Decrease) increase in deferred tax liabilities	(4,178)	4,224
Net cash inflow (outflow) from operating activities	<u>37,016</u>	<u>33,109</u>

30 Parent entity financial information

(a) Summary financial information

The individual financial report for the parent entity shows the following aggregate amounts:

	30 June 2013 \$'000	30 June 2012 \$'000
Balance sheet		
Current assets	88,333	600
Non-current assets	<u>104,541</u>	<u>104,174</u>
Total assets	<u>192,874</u>	<u>104,774</u>
Current liabilities	28,668	18,616
Non-current liabilities	<u>225,053</u>	<u>115,217</u>
Total liabilities	<u>253,721</u>	<u>133,833</u>
Net liabilities	<u>(60,847)</u>	<u>(29,059)</u>
<i>Shareholders' equity</i>		
Issued capital	19,431	77,451
Reserves	(98,298)	(98,298)
Retained earnings (accumulated losses)	<u>18,020</u>	<u>(8,212)</u>
Total equity	<u>(60,847)</u>	<u>(29,059)</u>
 Profit (loss) for the year	 <u>74,604</u>	 <u>(18,020)</u>
Total comprehensive income (loss)	<u>74,604</u>	<u>(18,020)</u>

Mantra Group Holdings I Pty Ltd
Directors' declaration
30 June 2013

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

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1. As indicated in note 1(a), the financial report of the Group has been revised and reissued.

In the directors' opinion:

- (a) the financial report and notes set out on pages 5 to 39 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Group 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 directors.



Steven Becker
Director

Gold Coast
16 January 2014



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

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Mantra Group Holdings I Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Mantra Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 consolidated 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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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Auditor's opinion

In our opinion, the financial report 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 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 1, the financial report of Mantra Group Holdings I Pty Ltd has been revised and reissued. This audit report supersedes our audit report on the previously issued financial report, dated 26 September 2013.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of Mantra Group Holdings I Pty Ltd.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
16 January 2014