Mantra Group Holdings I Pty Ltd

ABN 69 137 639 395

Interim report for the half-year ended 31 December 2013

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Interim report - 31 December 2013

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the special purpose financial report for the year ended 30 June 2013.

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 half-year ended 31 December 2013.

Directors

The following persons held office as directors of Mantra Group Holdings I Pty Ltd during the whole of the half-year and up to the date of this report unless otherwise stated:

Elizabeth Gaines
Andrew Cummins
Kerry Robert East
Steven Becker
David Gibson
Graham Brooke
Srdjan Dangubic (appointed 12 November 2013)
Peter Bush (appointed 3 February 2014)

Review of operations

Results for the current six month period reflect the growth in corporate and leisure demand across the majority of our hotel and resort locations. Occupancy across all hotels and resorts grew 1.8% points to 75.4%.

Loss before tax for the period was $1.5m, compared to a profit before tax of $14.3m in the proceeding period. This decrease is attributable to the $18.1m increase in finance costs for the 6 month period which includes the write-off of previously capitalised borrowing costs of $9.7m, and $1.5m for an additional 'exit fee' payable in relation to the loans from related parties.

EBITDA for the period was $35.9m, a 7.6% increase on the previous corresponding period with an improved EBITDA margin of 15.5% compared to 15.0% as at 31 December 2012.

The Group's cash position at 31 December 2013 was $39.0m (June 2013: $28.7m). The net debt position increased by $3.2m to $273.0m at 31 December 2013. Whilst the Group's borrowings are not contractually required to be repaid within the next 12 months, they have been presented as 'current' in the balance at 31 December 2013 as they are expected to be re-financed as part of the upcoming IPO process.

Resorts

The Resort segment achieved revenue growth for the period of 3.4% to $93.2m. The growth was largely attributable to a 3.9% increase in average room rates across the portfolio at a 68.2% occupancy. Gold Coast and Far North Queensland resorts benefited from increased domestic and Asian inbound demand.

CBD

Revenue for the period increased 4.0% to $120.3m. Demand in Sydney and Melbourne increased overall occupancy for the CBD segment by 4.1 occupancy points to 85.1% however the normalisation of average room rates in the post mining boom Perth market contributed to the overall 2.2% average rate decline. EBITDA was impacted by the average room rate decline and fell $0.2m to $23.6m.

Central Revenue and Distribution

Revenue for the period was up 4.6% to $16.2m with the growth flowing to EBITDA, which was up 5.1% to $12.7m. The growth reflects the increased booking volumes through online distribution channels. Hotel management fees also contributed to the increase, growing 7.3% to $1.3m.

Review of operations (continued)

Corporate overhead and other

Corporate overheads decreased $1.6m to $14.8m due to initiatives in marketing targeted at digital channels which increased consumer effectiveness and reduced the cost of campaigns. The overhead cost base reflects the consolidated Group's shared services structure with the objective to optimise margins.

A summary of consolidated revenues and EBITDA for the period by significant industry segments is set out below:

	Segment revenues		**Segment EBITDA**	
	Dec 2013 $'000	Dec 2012 $'000	**Dec 2013 $'000**	Dec 2012 $'000
Resorts	**93,154**	90,110	**14,369**	13,932
CBD Properties	**120,260**	115,600	**23,629**	23,770
Central Revenue and Distribution	**16,164**	15,454	**12,676**	12,063
Corporate overhead and other	**1,271**	1,366	**(14,808)**	(16,441)
Total segment revenue / EBITDA	**230,849**	222,530	**35,866**	33,324

Upcoming IPO offering

This half-year report has been prepared on the basis that the Group is preparing for an initial public offering ("IPO") on the Australian Stock Exchange ("ASX").

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 and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

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

Steven Becker
Director

Gold Coast
13 February 2014

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Auditor's Independence Declaration

As lead auditor for the review of Mantra Group Holdings I Pty for the half-year ended 31 December 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 review; and

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

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

K. Stubbins

Kristin Stubbins
Authorised Representative PricewaterhouseCoopers Securities Ltd 13 February 2014

Mantra Group Holdings I Pty Ltd
Consolidated statement of comprehensive income
For the half-year 31 December 2013

	Notes	Half-year 31 December 2013 $'000	 31 December 2012 $'000
Revenue from continuing operations		**230,849**	222,530
Other income		-	942
Employee benefits expense		**(73,772)**	(71,567)
Operating expenses		**(69,793)**	(67,593)
Depreciation and amortisation expense		**(8,981)**	(8,822)
Occupancy and utilities expenses		**(44,726)**	(43,495)
Administration expenses		**(6,692)**	(7,493)
Finance costs		**(28,379)**	(10,247)
(Loss) / Profit before income tax		**(1,494)**	14,255
Income tax expense		**(137)**	(2,280)
(Loss) / Profit for the period		**(1,631)**	11,975
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	7(a)	**690**	61
Other comprehensive (loss) / income for the period, net of tax		**690**	61
Total comprehensive (loss) / income for the period		**(941)**	12,036
Total comprehensive (loss) / income for the period is attributable to:			
Owners of Mantra Group Holdings I Pty Ltd		**(941)**	12,036

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Group:		
Basic earnings per share	**(9.1)**	66.5
Diluted earnings per share	**(8.2)**	59.5

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

	Notes	31 December 2013 $'000	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**38,964**	28,678
Trade and other receivables		**45,339**	34,268
Inventories		**2,279**	2,038
Other current assets		**1,665**	1,891
Assets classified as held for sale		**-**	1,801
Total current assets		**88,247**	68,676
Non-current assets			
Receivables		**750**	750
Property, plant and equipment		**90,966**	91,084
Intangible assets		**335,065**	335,953
Total non-current assets		**426,781**	427,787
Total assets		**515,028**	496,463
LIABILITIES			
Current liabilities			
Trade and other payables		**41,080**	36,648
Borrowings	4	**311,963**	11,932
Current tax liabilities		**4,652**	6,108
Provisions	5	**13,119**	10,257
Advance deposits		**24,877**	18,169
Total current liabilities		**395,691**	83,114
Non-current liabilities			
Borrowings	4	**-**	286,544
Deferred tax liabilities		**72,741**	74,232
Provisions	5	**1,620**	3,377
Non-current tax liabilities		**-**	2,113
Total non-current liabilities		**74,361**	366,266
Total liabilities		**470,052**	449,380
Net assets		**44,976**	47,083
EQUITY			
Contributed equity	6	**18,000**	18,000
Other reserves	7(a)	**229,404**	229,880
Accumulated losses	7(b)	**(202,428)**	(200,797)
Total equity		**44,976**	47,083

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

	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 2012	76,000	229,422	(161,602)	143,820
Profit for the half-year	-	-	11,975	11,975
Other comprehensive income	-	61	-	61
Total comprehensive income for the period	**-**	**61**	**11,975**	**12,036**
Balance at 31 December 2012	**76,000**	**229,483**	**(149,627)**	**155,856**
Balance at 1 July 2013	18,000	229,880	(200,797)	47,083
Loss for the half-year	-	-	(1,631)	(1,631)
Other comprehensive income	-	690	-	690
Share option reserve	-	(1,166)	-	(1,166)
Total comprehensive loss for the period	**-**	**(476)**	**(1,631)**	**(2,107)**
Balance at 31 December 2013	**18,000**	**229,404**	**(202,428)**	**44,976**

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

	Notes	Half-year 31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**250,070**	247,303
Payments to suppliers and employees (inclusive of goods and services tax)		**(212,696)**	(207,649)
		37,374	39,654
Interest received		**424**	295
Interest paid		**(7,952)**	(9,432)
Income taxes paid		**(5,197)**	(8,965)
Net cash inflow from operating activities		**24,649**	21,552
Cash flows from investing activities			
Payments for property, plant and equipment		**(5,464)**	(2,823)
Payments for intangibles		**(3,714)**	(1,604)
Proceeds from sale of divested properties		**1,815**	5,629
Net cash (outflow) inflow from investing activities		**(7,363)**	1,202
Cash flows from financing activities			
Repayment of borrowings		**(7,000)**	(14,552)
Net cash (outflow) from financing activities		**(7,000)**	(14,552)
Net increase in cash and cash equivalents		**10,286**	8,202
Cash and cash equivalents at the beginning of the financial year		**28,678**	14,821
Cash and cash equivalents at end of period		**38,964**	23,023

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

1 Basis of preparation of half-year report

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

(a) Basis of preparation

This half-year report has been prepared on the basis that the Group is preparing for an initial public offering ("IPO") on the Australian Stock Exchange ("ASX").

This report is required for the purpose of including the results and balances of the 6 month period to 31 December 2013 in the public prospectus that will be lodged with the ASX prior to the IPO. It is a requirement under the ASX Listing Rules, that the financial statements for the 3 years prior to the IPO are lodged with the ASX along with the prospectus.

While this interim report for the half-year ended 31 December 2013 is a non-statutory report, it has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

(i) New and amended standards adopted by the group

The Group has applied the following standards and amendments applicable for the first time for the December 2013 half-year report:

• AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements;
• Accounting for Employee Benefits - revised AASB 119 Employee Benefits
• AASB 13 Fair Value Measurement

AASB10 Consolidated Financial Statements, AASB11 Joint Arrangements, AASB12 Disclosure of Interests in Other Entities, AASB127 Separate Financial Statements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. There is no change to the Group's accounting as a result of the adoption of AASB 11.

AASB119 Employee Benefits

The adoption of the revised AASB 119 Employee Benefits has changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

1 Basis of preparation of half-year report (continued)

(a) Basis of preparation (continued)

AASB13 Fair Value Measurement

AASB 13 was released in September 2011 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. This standard does not affect the Group's accounting policy.

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.

(ii) Historical cost convention

This interim 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.

(iii) Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated interim financial report incorporates the assets and liabilities of all subsidiaries of Mantra Group Holdings I Pty Ltd ('Group' or 'parent entity') as at 31 December 2013 and the results of all subsidiaries for the period 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.

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.

1 Basis of preparation of half-year report (continued)

(b) Principles of consolidation (continued)

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.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the interim 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 interim 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.

(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 balance sheet presented are translated at the closing rate at the date of that 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.

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.

1 Basis of preparation of half-year report (continued)

(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 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. This is recognised at the point at which the accommodation and related services are provided. Payments received prior to the commencement of the guest's stay are recognised as advanced deposits.

Revenue is recognised based on the property agreement:

- Revenue relating to Management Letting Rights (MLRs) is recognised on a net basis reflecting only that revenue under the Group's control.
- Revenue relating to Management Rights (MRs) is recognised on a gross basis, with fixed rental costs being paid to each owner. This is because the Group is exposed to all of the risks and rewards of managing the property.

Commission revenue is recognised in advance, when it can be reliably estimated.

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer.

Management fees are earned from properties managed by the Group, usually under long-term contracts with the property owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability which recognised when earned on an accrual basis under the terms of the contract.

Franchise fees are received in connection with licensing of the Group's brand names, usually under long-term contracts with the property owner. The Group charges franchise royalty fees as a percentage of room revenue; recognised when earned on an accrual basis under the terms of the agreement.

(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 Basis of preparation of half-year report (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 interim 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 interim 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. 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.

(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.

1 Basis of preparation of half-year report (continued)

(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 balance sheet.

(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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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 (or disposal groups) held for sale and discontinued operations

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.

1 Basis of preparation of half-year report (continued)

(m) Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

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 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.

(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 and receivables 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. 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:

1 Basis of preparation of half-year report (continued)

(o) Property, plant and equipment (continued)

- 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.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). 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 (note 3).

(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, Management Rights and Management Agreements

Management letting rights ('MLRs') and Management Rights ('MRs') are recognised at cost less any accumulated amortisation and any accumulated impairment losses. MLRs and MRs 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 and 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.

1 Basis of preparation of half-year report (continued)

(p) Intangible assets (continued)

Management Letting Rights are agreements where the risks and rewards of trading are shared between the property holder and the Group on an agreed basis within the contract. Management Letting Rights are acquired for strata titled hotels and serviced apartment developments, where the Group purchase

- the exclusive right to operate the hotel or serviced apartment letting business and to conduct the building caretaking
- the associated real estate assets required to operate the letting business

The Group then enters into a commercial arrangement with owners of the room inventory to facilitate the generation and distribution of room revenue and allocating costs associated with running the hotel letting business.

Management Rights are acquired on properties on a long term basis, where the Group operates the business fully independently from the landlord and bears the full trading risk of the property. The Group then enters into a commercial arrangement with owners of the room inventory whereby they pay a monthly rental return under an operating lease basis.

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.

(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 identifiable cash flows which are largely independent of the cash flows 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 period 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.

1 Basis of preparation of half-year report (continued)

(r) Borrowings (continued)

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, annual leave and accumulating sick 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 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 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 contribution section of the Group's superannuation plan 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. Incremental costs directly attributable to the issue of new shares or options are shown in equity as adeduction, net of tax, from the proceeds.

(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.

1 Basis of preparation of half-year report (continued)

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) 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.

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

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the special purpose financial report for the year ended 30 June 2013 and any public announcements made by Mantra Group Holdings I Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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.

The estimates and judgements made in the current period have not changed significantly from those of the previous financial year ended 30 June 2013.

2 Critical accounting estimates and judgements (continued)

(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 period are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. 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. 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.

3 Segment information

(a) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the half-year ended 31 December 2013 is as follows:

Half year December 2013	**Resorts**	**CBD Properties**	**Central Revenue and Distribution**	**Corporate overhead and others**	**Total**
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	93,154	120,260	16,164	7,874	237,452
Inter-segment revenue	-	-	-	(6,603)	(6,603)
Revenue from external customers	**93,154**	**120,260**	**16,164**	**1,271**	**230,849**
EBITDA	**14,369**	**23,629**	**12,676**	**(14,808)**	**35,866**

3 Segment information (continued)

(b) Segment information provided to the Chief Executive Officer (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the half-year ended 31 December 2012 is as follows:

Half year December 2012	Resorts $'000	CBD Properties $'000	Central Revenue and Distribution $'000	Corporate overhead and others $'000	Total $'000
Total segment revenue	90,110	115,600	15,454	7,881	229,045
Inter-segment revenue	-	-	-	(6,515)	(6,515)
Revenue from external customers	**90,110**	**115,600**	**15,454**	**1,366**	**222,530**
EBITDA	**13,932**	**23,770**	**12,063**	**(16,441)**	**33,324**

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the consolidated income statement.

(ii) EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

A reconciliation of EBITDA to the operating (loss) profit before income tax is provided as follows:

	Half-year 31 December 2013 $'000	Half-year 31 December 2012 $'000
EBITDA	**35,866**	33,324
Finance costs	**(28,379)**	(10,247)
Depreciation	**(4,316)**	(3,983)
Amortisation	**(4,665)**	(4,839)
(Loss) / Profit before income tax from continuing operations	**(1,494)**	14,255

4 Borrowings

	31 December 2013			30 June 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**158,000**	**-**	**158,000**	11,932	143,345	155,277
Total secured borrowings	**158,000**	**-**	**158,000**	11,932	143,345	155,277
Unsecured						
Loans from related parties	**153,963**	**-**	**153,963**	-	143,199	143,199
Total unsecured borrowings	**153,963**	**-**	**153,963**	-	143,199	143,199
Total borrowings	**311,963**	**-**	**311,963**	11,932	286,544	298,476

The total bank loans owing at 31 December 2013 of $158.0m are not due to be repaid until 30 June 2017. However, as these bank loans are expected to be re-financed as part of the upcoming IPO process, they have been presented as 'current' in the balance sheet. As a result, the $9.7m of previously capitalised borrowing costs that directly related to these bank loans have been fully amortised in the half-year.

The loans from related parties at 31 December 2013 of $118.8m and $35.1m are not due to be repaid until 30 April 2023 and 31 July 2019 respectively. However, these loans have also been presented as 'current' in the balance sheet as these loans are expected to be repaid immediately following the IPO, and this is expected to occur within the next 12 months.

5 Provisions

	31 December 2013			30 June 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**9,117**	**1,122**	**10,239**	9,257	996	10,253
Other provisions	**4,002**	**498**	**4,500**	1,000	2,381	3,381
	13,119	**1,620**	**14,739**	10,257	3,377	13,634

Included within other provisions at 31 December 2013 is $4.0m for 'exit fees' payable to one of the Group's shareholders.

- $2.5m was due to be repaid in periodic installments through to 30 June 2016, with the liability initially recognised in the prior year.
- $1.5m has been recognised in the half-year as an additional 'exit fee' that will be triggered by the upcoming IPO. This amount was disclosed as a contingent liability at 30 June 2013.

These fees have been presented as 'current' in the balance sheet at 31 December 2013 as both will become due and payable immediately following the IPO.

6 Contributed equity

(a) Share capital

	31 December 2013 Shares	30 June 2013 Shares	31 December 2013 $'000	30 June 2013 $'000
Ordinary shares - fully paid	**18,000,000**	18,000,000	**18,000**	18,000

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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.

7 Other reserves and retained earnings

(a) Other reserves

	31 December 2013 $'000	30 June 2013 $'000
Predecessor accounting reserve	**227,919**	227,919
Share-based payment reserve	**265**	1,431
Foreign currency translation reserve	**1,220**	530
	229,404	229,880

	31 December 2013 $'000	30 June 2013 $'000
Movements:		
Predecessor accounting reserve		
Opening balance	**227,919**	227,919
Balance 31 December	**227,919**	227,919
Share-based payment reserve		
Opening balance	**1,431**	1,431
Reclassification to trade and other payables	**(1,431)**	-
Share options issued	**265**	-
Balance 31 December	**265**	1,431
Foreign currency translation		
Opening balance	**530**	52
Currency translation differences arising during the year	**690**	478
Balance 31 December	**1,220**	530

7 Other reserves and retained earnings (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	31 December 2013 $'000	30 June 2013 $'000
Opening balance	**(200,797)**	(161,602)
Net (loss) / profit for the period	**(1,631)**	9,176
Dividends paid	**-**	(48,371)
Balance 30 June	**(202,428)**	(200,797)

8 Contingencies

(a) Contingent liabilities

(i) 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 $1,909,360 (June 2013: $1,779,240).

9 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period 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 periods.

In the directors' opinion:

(a) the interim financial report and notes set out on pages 4 to 23 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 31 December 2013 and of its performance for the half-year 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
13 February 2014

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report, of Mantra Group Holdings I Pty Ltd (the company), which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half 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 period end or from time to time during the financial year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members. The directors responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial report. ASRE 2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Mantra Group Holdings I Pty Ltd does not present fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2013 and its financial performance for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial report.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The half-year financial report has been prepared to assist Mantra Group Holdings I Pty Ltd to meet the requirements of preparing for an initial public offering ("IPO") on the Australian Stock Exchange ("ASX"). As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for the members of Mantra Group Holdings I Pty Ltd.

K. Stubbins

Kristin Stubbins
Authorised Representative PricewaterhouseCoopers Securities Ltd

13 February 2014