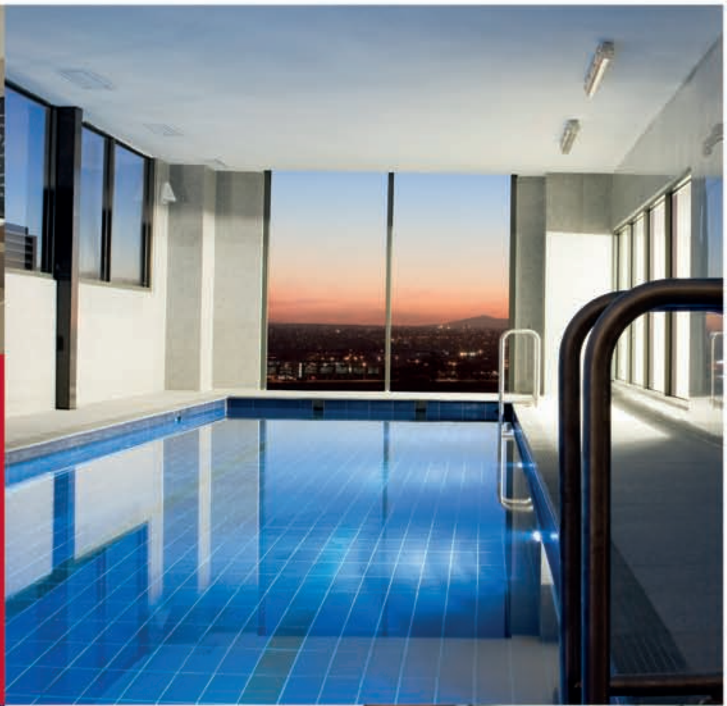
MANTRA GROUP

MANTRA GROUP LIMITED

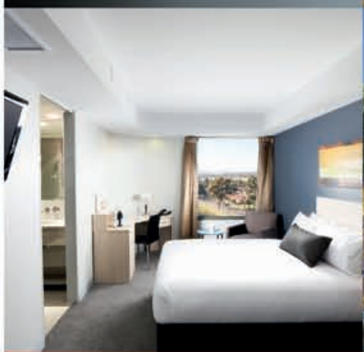
ANNUAL REPORT

YEAR ENDED 30 JUNE 2014

ABN: 69 137 639 395 ASX CODE: MTR



3,500+
employees



11,000+
rooms under management

3
trusted brands

Mantra Group Limited ABN 69 137 639 395
Financial report - 30 June 2014

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MANTRA GROUP

On behalf of the Board of Directors, Management and all Mantra Group Team Members, it is our pleasure to present our report for the year ended 30 June 2014.

Since 2007, the Mantra Group has grown to become the second largest accommodation operator in Australia. With a portfolio of 114 properties in Australia, New Zealand and Indonesia under its three complementary brands - Peppers, Mantra and BreakFree, the Mantra Group accommodates approximately 2 million guests per year and employs approximately 3,500 people. The listing on the Australian Securities Exchange on 20 June 2014 was a significant step in the continued development of the Mantra Group.

The delivery of the results during a period of transitioning the business into a listed environment demonstrates the ongoing commitment of the Management team.

It is pleasing to report that for the year ended 30 June 2014, the Group achieved its prospectus forecast in terms of revenue, profitability and cash flow. The Group delivered total revenue of $454.7 million representing a 5.7% increase on FY2013. This result reflects improved occupancy levels and average room rates as well as a focus by Management on cost control and improved efficiencies in key areas of the business. The Group is in a good financial position with total assets of $516 million, net assets of $257 million and a strong cash flow and is well placed to deliver shareholder value in FY2015.

The Group achieved year-on-year growth in each of its operating segments and delivered results consistent with forecasts outlined in the prospectus:

- CBD delivered revenue of $236.2 million and EBITDAI of $42.9 million representing a year-on-year increase in revenue of 4.2% and was in line with the EBITDAI forecast in the prospectus. Among other factors, improved business sentiment drove corporate demand and a number of special events held in capital cities contributed to leisure demand in CBD properties resulting in increased occupancy levels.
- Resorts delivered revenue of $177.3 million and EBITDAI of $22.6 million representing increases on FY2013 of 4.3% and 8.1% respectively. This sector benefitted from the cyclical upturn in tourism and improved economic activity driving demand in key leisure destinations.
- Central Revenue and Distribution (CRD) delivered revenue of $36.9 million and EBITDAI of $25.3 million representing increases on FY2013 of 20.2% and 9.1% respectively. Fees from new properties under management in Bali and Wollongong coupled with an increase in on-line booking volumes through the Group's online channels added to this solid performance.

Initiatives undertaken in FY2014 which contributed to the results achieved include:

- Implementation of a strategic restructure and consolidation of the marketing, revenue and distribution businesses into one business unit led by the Director of Sales, Marketing & Distribution. The restructure achieved an integrated management approach and accountability focussed on revenue delivery.
- With an already proven track record in acquiring new properties, a heightened focus on pipeline development resulted in a number of acquisitions in strategic destinations.

PEPPERS mantra BreakFree

Strategy and FY2015 Outlook

In our commitment to drive growth and deliver shareholder value in FY2015 we will continue to:

- Build Mantra Group brands through, continued use of strategic partnerships, improve the quality of our room inventory via a targeted refurbishment program and improve service delivery and guest experiences across each of the brands;
- Grow RevPAR (revenue per available room) and improve yield management by targeting higher yielding corporate accounts and by increasing sales, marketing and distribution initiatives aimed at securing corporate contracts and managing average room rates to optimise positive RevPAR outcomes;
- Optimise distribution channels by increasing the proportion of bookings via direct channels as well as increasing mobile capability, social media and website optimisation.
- Expand via the acquisition of new properties in targeted key CBD and leisure destinations in Australia, New Zealand and the South East Asia region.

As outlined in the prospectus, in FY2015 the accommodation industry is forecast to grow in RevPAR in line with favourable supply/demand factors.

Based on the Group's earning capability and strong cash flow position, we consider that the Mantra Group is well placed to take advantage of growth opportunities and deliver year-on-year shareholder value.

As indicated at the time of the IPO the Board currently anticipates the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014.

We thank the Board, Management and all Team Members for their contribution over the past year and look forward to building on the successes of the Mantra Group in the year ahead.

Peter Bush
Chairman

Kerry Robert East
Chief Executive Officer

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Mantra Group Limited (the Company or Mantra Group) (formerly known as Mantra Group Holdings I Pty Ltd) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

Peter Bush
Elizabeth Gaines
Andrew Cummins
Kerry Robert East (Bob East)
David Gibson

Peter Bush was appointed as a Director on 3 February 2014 and continues in office at the date of this report. Peter was appointed Chair of the Board on 30 May 2014.

Andrew Cummins was Chair of the Board from the beginning of the financial year until 30 May 2014. Andrew continues as a Director up to the date of this report.

Graham Brooke was a Director from the beginning of the financial year until his resignation on 22 May 2014.

Srdjan Dangubic was appointed as alternate Director to Graham Brooke on 12 November 2013, as a full Director on 22 May 2014 and resigned on 30 May 2014.

Steven Becker was a Director from the beginning of the financial year until his resignation from the Board on 30 May 2014. Steven continues in office as Chief Financial Officer.

Principal activities

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

Dividends

Dividends paid to members during the financial year were as follows:

	2014 $'000	2013 $'000
Pre-IPO dividend of 68 cents (2013: $1.61) per fully paid share	**12,300**	28,914
Preference dividend of nil (2013: 33.5 cents) per share	**-**	19,457
	12,300	48,371

Operating and Financial Review

1. Overview of Mantra Group

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of 114 properties and over 11,400 rooms across Australia, New Zealand and Indonesia. Through its portfolio, Mantra Group operates the second largest network of accommodation properties in Australia (by total room number).

Approximately two million guests per year stay in Mantra Group branded accommodation. In addition to providing accommodation, Mantra Group's core services include management of guest relations and reception areas, restaurants and bars, conference and function centres, pool and entertainment facilities and offices.

Properties in Mantra Group's portfolio range from luxury retreats and coastal resorts to serviced apartments and hotels in CBD and key leisure destinations. Mantra Group operates the properties in its portfolio under three key brands: Peppers, Mantra and BreakFree. These brands have an increasing level of consumer awareness in Australia and are aimed at targeting a cross section of consumers in both the domestic and international visitor segments of the accommodation industry.

Mantra Group operates its properties under a range of operating structures The operating structures used by Mantra Group provide it with long-term property management contracts across its portfolio and strong contractual rights to operate the properties. In particular, Lease Rights, Management Letting Rights and Hotel Management Rights also provide Mantra Group with flexible and targeted development and operating options. Details of these operating structures are included below.

Mantra Group has a team of approximately 3,500 employees to carry out its core functions, which include operations, sales, marketing and distribution, portfolio and asset management, information technology and corporate activities.

Mantra Group completed an Initial Public Offering (IPO) and listed on the Australian Securities Exchange (ASX) on 20 June 2014.

1.1 Operating structures

Mantra Group utilises five operating structures to operate the properties in its portfolio. Each operating structure provides varying degrees of risk and exposure to the underlying accommodation business being operated in relation to the property. Each structure is "capital-light" as Mantra Group does not hold material ownership in any of the properties in its portfolio. This allows Mantra Group to control a nationwide portfolio of quality real estate assets with relatively low upfront and ongoing capital commitments. Mantra Group seeks to strengthen its management interest in properties through strategically acquiring freehold ownership in certain areas in its properties (for example, lobby, restaurant, conference or other areas).

The operating structures used by Mantra Group can be categorised as:

Lease Rights (LRs)
Management Letting Rights (MLRs)
Management Agreements (MAs)
Marketing Services Agreements (MSAs)
Hotel Management Rights (HMRs)

The key terms of each of these structures are as follows:

Lease Rights

Model summary - Mantra Group leases the property from the owner on a long-term basis and runs the business independently.
Revenue model - Mantra Group collects 100% of customer revenue from accommodation and related services.
Costs - Mantra Group pays the owner of the property a monthly or quarterly rental payment depending on the agreement. The rental payments can be calculated via a number of methods.

Operating and Financial Review (continued)

Management Letting Rights

Model summary - Mantra Group purchases the rights to operate the letting business of the property under which Mantra Group lets the individual rooms/apartments to its customers under its own brands. Mantra Group will also typically conduct the caretaking requirements and manage the associated real estate assets required to operate the letting business (e.g. restaurant, lobby, reception, administration offices). Mantra Group enters into contractual arrangements with the owner of the individual rooms/apartments to facilitate the generation and distribution of room revenue and to apportion the costs associated with running the letting business.
Revenue model - Mantra Group derives revenue by receiving a letting fee as contracted with the owner. Mantra Group also derives revenue by providing ancillary services such as cleaning of rooms, food and beverage, conferencing, tour booking and other services. Mantra Group also typically derives revenue as the caretaker of the property where it receives payment for conducting services on behalf of the body corporate for maintaining, cleaning and repairing common area property.
Costs - Costs associated with operating the letting business are typically shared between Mantra Group and the owner in accordance with the individual letting agreements held with each owner. Mantra Group typically incurs a cost of conducting services on behalf of the body corporate where it receives income for that service.

Management Agreements

Model summary - Mantra Group manages the property on behalf of the owner or for a third party management rights owner (for the benefit of multiple owners in an MLR business) in exchange for management fees.
Revenue model - The fees paid to Mantra Group under these types of agreements typically include:

- a base fee;
- an incentive management fee; and
- reservation and group services fees.

Marketing Services Agreements

Model summary - The property owner operates their property directly under one of Mantra Group’s brands (similar to a franchise arrangement). In exchange for paying fees to Mantra Group, the owner can utilise Mantra Group’s distribution and marketing platforms, whilst maintaining day-to-day operating control of the property.
Revenue model - The fees paid to Mantra Group under these types of agreement include:

- a license fee;
- a marketing services fee; and
- a booking fee.

Hotel Management Rights

Model summary - new type of agreement for this financial year. Mantra Group purchases the right to manage a property which operates under a hybrid operating agreement such as a long term lease with a caretaking agreement or a letting and management agreement with an operating license. Mantra Group derives revenue depending on the agreement in place. In some cases it will be derived through a management fee in other cases it could be derived in a similar way to a Lease Right.

1.2 Business Divisions

Mantra Group generates its revenue under the following three business divisions:

- CBD;
- Resorts; and
- Central Revenue and Distribution (CR&D).

Operating and Financial Review (continued)

Mantra Group's CBD and Resorts divisions operate properties varied by location and targeted customer and utilise all of the Mantra Group's brands and operating structures. The Central Revenue and Distribution manages Mantra Group's in-house customer management, online booking service, distribution and digital marketing platforms. For financial reporting purposes, the Central Revenue and Distribution also includes fees earned by Mantra Group under Management Agreements.

CBD Segment

The CBD division operates properties in major cities throughout Australia. Its CBD properties are predominantly located on the eastern seaboard, with over 50% of rooms located in Melbourne and Sydney.

The CBD division predominantly operates through the Mantra brand, which is targeted at providing spacious rooms and high quality service to match the expectations of the key target customer segments in CBD areas. The CBD typically targets business travellers for midweek stays and leisure travellers on the weekend and in holiday periods around special events.

Mantra Group's CBD properties experience relatively stable occupancy base rates throughout the economic cycle. In addition to the demand generated by business travellers, CBD properties have benefited considerably from events in CBD locations (for example, music concerts or sporting events). These events can significantly drive up demand for CBD accommodation in particular locations. While such events are often "one-off" in nature, they tend to occur in a range of CBD destinations with a reasonable degree of regularity. The major city location and the relatively larger size and stability of these properties generally favour the use of Lease Rights operating structures across Mantra Group's CBD property portfolio.

Resorts Segment

The Resorts division of Mantra Group's business operates leisure retreats and resorts. These properties are predominantly located in the key tourist regions in Queensland as well as regional New South Wales, Victoria and New Zealand. Mantra Group has recently expanded into South-East Asia.

This division targets leisure travellers visiting key tourist destinations and caters to various quality requirements and service expectations through Mantra Group's three brands. Leisure travellers tend to have a longer average length of stay compared to the average length of stay in the CBD division and generally exhibit more seasonal demand patterns aligning with peak holiday periods (such as school holidays and long weekends).

Mantra Group benefits from a strong presence in key leisure destinations such as the Gold Coast, the Sunshine Coast and Tropical North Queensland. Mantra Group utilises the Mantra, BreakFree and Peppers brands to provide targeted quality and service offerings to different types of leisure customers.

Mantra-branded properties make up the majority of rooms in the Resorts segments; however, Peppers and BreakFree properties also account for a considerable number of leisure locations. Peppers properties tend to target luxury resorts, often with a quality fine dining focus, whereas BreakFree properties are generally promoted as affordable, activity and family based getaways. Properties within the Resorts portfolio of Mantra Group are generally operated through Management Letting Rights.

Central Revenue and Distribution Segment

The Central Revenue and Distribution division contains Mantra Group's in-house customer management and booking services.

Mantra Group generates revenue by earning a fee from bookings made through its central reservation system (MG-Res). This revenue is generally earned on bookings made with properties operating under Management Letting Rights, Management Agreement and Marketing Services Agreement structures and is based on a percentage of total room revenue. Mantra Group is able to generate booking revenue due to the significant investment Mantra Group has made in its brand and technology platform to facilitate automated bookings by customers for properties within its portfolio.

Operating and Financial Review (continued)

The key driver of central booking revenue is the level of bookings made directly with Mantra Group through its internal MG-Res system. Mantra Group invests in promoting bookings through its MG-Res system as a distribution strategy that aims to improve the profitability of the properties in the portfolio (by applying a lower cost distribution) and increasing Mantra Group's earnings.

The Central Revenue and Distribution division also accounts for fee-based revenue generated by properties operated under Management Agreements.

1.3 Group financial performance

A comparison of the reported results to last year's results and the forecast published in the prospectus is included in the table below:

Table 1

June year end	Statutory Actual June 2014 $'000	Statutory Actual June 2013 $'000	Change $'000	Change %	Prospectus Forecast June 2014 $'000	Variance $'000
Revenue	**454,688**	**429,975**	**24,713**	**5.7**	**451,621**	**3,067**
Other income	**0**	**1,353**	**(1,353)**	**(100.0)**	**0**	**0**
Total operating expenses	(393,385)	(370,652)	(22,733)	(6.1)	(390,422)	(2,963)
EBITDAI*	**61,303**	**60,676**	**627**	**1.0**	**61,199**	**104**
Depreciation & amortisation	(17,482)	(17,455)	(27)	(0.2)	(17,748)	266
Net impairment reversal	1,070	2,534	(1,464)	(57.8)	0	1,070
EBIT	**44,891**	**45,755**	**(864)**	**(1.9)**	**43,451**	**1,440**
Net finance costs	(45,335)	(28,212)	(17,123)	(60.7)	(45,754)	419
Profit before tax	**(444)**	**17,543**	**(17,987)**	**(102.5)**	**(2,303)**	**1,859**
Tax expense	121	(8,367)	8,488	101.4	163	(42)
NPAT	**(323)**	**9,176**	**(9,499)**	**(103.5)**	**(2,140)**	**1,817**

*Earnings before interest, taxation, depreciation, amortisation and impairment (EBITDAI) exclude a net reversal of impairment of $1.1 million (2013: $2.5 million).

Group revenue for the year ended 30 June 2014 increased by $24.7 million or 5.7% to $454.7 million from $430.0 million in the previous year. The increase was primarily driven by increased average room rates in Resorts and occupancy growth across both CBD and Resorts.

Total operating expenses increased by 6.1% to $393.4 million in FY14 from $370.7 million in FY13. This increase is attributable to lease costs increases in line with lease agreements as well as cost increases in step with the revenue growth, the impact of new properties, and increases in utility costs and performance related incentives.

The depreciation and amortisation expense of $17.5 million was consistent to the previous year with no impact of new properties due to their acquisition late in the year.

In FY14 a net impairment reversal of $1.1 million compares to a net impairment reversal of $2.5 million in FY13. As required by the accounting standards, each year an exercise is undertaken to consider whether there are any indicators of impairment of intangible and tangible assets in the Group's portfolio of properties. Given the diverse nature of the property base, each year there are certain individual factors impacting specific properties which can result in an impairment or reversal of impairment of predominately the intangible assets attached to the properties.

Operating and Financial Review (continued)

Net loss after tax for the year of $0.3 million was a decrease of $9.5 million on the previous year principally as a result of a $17.1 million increase in net finance costs. Net finance costs increased as a result of capitalised borrowing costs of $9.7 million related to the previous loan facilities being written off to the income statement following the close out of those loans together with the increased cost of debt under previous loan facilities. Offset against this increase was a reduced tax expense of $0.1 million benefit compared to the $8.4 million expense of the prior year.

The table shows that the financial performance for the year was broadly consistent with that included in the prospectus for FY14 with actual EBITDAI of $61.3 million being $0.1 million higher than the prospectus forecast of $61.2 million and loss after tax of $0.3 million being $1.8 million lower than the prospectus forecast loss of $2.1 million.

Mantra Group’s revenue and EBITDAI by business segment is summarised below with a comparison to last year and the prospectus forecast.

Revenue by business segment

June year end	Actual June 2014 $'000	Actual June 2013 $'000	Change $'000	Change %	Prospectus Forecast June 2014 $'000	Variance $'000
CBD	236,186	226,566	9,620	4.2	235,394	792
Resorts	177,305	169,944	7,361	4.3	177,195	110
CR&D	36,925	30,721	6,204	20.2	36,577	348
Corporate	4,272	2,744	1,528	55.7	2,455	1,817
Total revenue	**454,688**	**429,975**	**24,713**	**5.7**	**451,621**	**3,067**

EBITDAI* by business segment

June year end	Actual June 2014 $'000	Actual June 2013 $'000	Change $'000	Change %	Prospectus Forecast June 2014 $'000	Variance $'000
CBD	42,860	44,030	(1,170)	(2.7)	42,827	33
Resorts	22,649	20,902	1,747	8.4	22,579	70
CR&D	25,299	23,213	2,086	9.0	24,614	685
Corporate	(29,505)	(27,469)	(2,036)	(7.4)	(28,821)	(684)
Total EBITDAI*	**61,303**	**60,676**	**627**	**1.0**	**61,199**	**104**

*EBITDAI excludes a net reversal of impairment of $1.1 million (2013: $2.5 million).

The key factors affecting Mantra Group's financial performance in the current year compared to the prior year by segment are as follows:

• CBD revenue increased by $9.6 million, from $226.6 million to $236.2 million, an increase of 4.2%. This was primarily due to occupancy increases in Melbourne, Sydney, Adelaide and Darwin. Improved business sentiment drove corporate demand and a number of special events such as the Ashes Cricket Tour contributed to increased leisure demand. Western Australia and Brisbane average room rates continued to normalise to pre-resource boom levels. CBD EBITDAI declined by $1.1 million from $44.0 million to $42.9 million as a result of a $2.40 decrease in average room rate principally in Western Australia, Brisbane and Canberra.

Operating and Financial Review (continued)

• Resorts revenue increased by $7.4 million, from $169.9 million to $177.3 million, an increase of 4.3%. This was primarily due to occupancy increases on the Gold Coast and in North Queensland together with average room rate increases across all regions. A 4.3% increase in paid rooms sold and average room rate increases of 2.7% reflect the continued improvements in properties such as Mantra French Quarter Noosa (Queensland). Resorts EBITDAI grew by 8.4% from $20.9 million to $22.6 million as a result of an increase in EBITDAI margins from a 4.3% increase in rooms sold and a 2.7% average room rate growth.

• Central Revenue and Distribution revenue increased by $6.2 million, from $30.7 million to $36.9 million, an increase of 20.2%. This was as a result of increased management fees from new properties under management in Bali and Wollongong, commissions growth from the increase in turnover through Mantra Group's online channels and a $4.2 million increase in turnover related to renovation services provided to the owners of properties. Segment EBITDAI grew $2.1 million to $25.3 million and the lower margin reflects the cost recovery nature of the renovation business.

• Corporate segment includes the costs for the centralised shared services providing the management team, sales, marketing, e-commerce, finance, IT and asset management support. Net costs of $29.5 million are a $2.0 million increase on the previous year and include $0.8 million of one-off ASX listing related expenses that were not capitalised.

During the financial year, eight new properties were added to the Group's portfolio with two located in Brisbane and one in each of Melbourne, Wollongong, Bali, Broome, Gold Coast and Whitsundays. These new properties contributed in aggregate $3.1 million to revenue and $0.4 million to EBITDAI.

Net asset position

The Company's net assets increased by $210.0 million to $257.0 million compared to the prior year. This has predominately been driven by a reduction in total liabilities of $190.0 million following a refinancing of the Group at the time of the IPO. The refinancing resulted in the replacement of $298.5 million of bank and high interest bearing shareholder debt with a new Syndicated Facility Agreement (New Banking Facility) at market interest rates. The New Banking Facility has a three year term and gives the Group access to up to $150 million of debt. $117.3 million was drawn on this facility at 30 June 2014, inclusive of bank guarantees.

As the New Banking Facility is at floating interest rates calculated as the benchmark reference rate plus a margin of between 1.45% and 1.9%, the Group has taken out one interest rate swap to manage the market risk associated with the movement of interest rates. This interest rate swap covers 67% of the total external debt outstanding as at 30 June 2014.

Other key movements in balance sheet items include an increase in intangible assets of $11.9 million or 3.5% from $336.0 million to $347.8 million. This increase is principally as a result of the addition of intangible assets in relation to new property agreements signed during the year. Offset against these additions was the amortisation charge for the year. The Group also capitalised $1.4 million of costs in relation to the Group's intellectual property, the central reservation system (MG-Res), representing the continued investment in this state of the art booking system. Finally there was a net reversal of impairment of $1.1 million as detailed above.

Property, plant and equipment increased by $2.7 million. This increase is attributable to the Group's continued investment in new property and property refurbishments. These additions are offset by the depreciation charge for the year of $8.2 million.

Cash and cash equivalents has increased from $28.3 million to $31.4 million, an increase of $3.1 million or 11%. The movement in cash and cash equivalents is considered further below in the section on summary statement of cash flows. Given the nature of the business, the Group enjoys a quick settlement of outstanding accounts receivables following guest departure and has little issue with bad debts.

Finally the employee benefits provision has increased from $9.3 million to $13.2 million, an increase of $3.9 million and 41.9%. $3.5 million of this increase is as a result of an increase to the bonus provision required following the strong performance of the Group compared to budget.

Operating and Financial Review (continued)

Deficiency of current assets

As at 30 June 2014, the Group balance sheet had a deficiency of current assets of $6.2 million (2013: $17.2 million). The Group holds $21.0 million (2013: $18.2 million) of customer deposits as a liability which is recognised as income over the period of guest stay. This amount held is unlikely to have to be repaid as bookings generally convert to guest stays. If required, the Group has undrawn bank facilities of $32.7 million to meet any short term creditors.

Summary statement of cash flows

Net cash inflow from operating activities was $25.1 million a decrease of $11.5 million or 31.4%. This decrease was principally as a result of increased interest paid of $34.6 million compared to $22.5 million in the previous year.

Net cash outflow from investing activities was $29.2 million, an increase of $27.0 million. This increase resulted from the acquisitions of new property agreements and related assets demonstrating the Group's commitment to continued expansion via new properties.

Net cash inflow from financing activities of $7.2 million has been impacted by large cash flow movements reflecting the proceeds raised from the issue of shares of $239.1 million, the drawdown of the New Banking Facility of $110.2 million and the repayment of prior external borrowing facilities and shareholder debt $311.0 million.

Prior to listing, the Company was funded via shareholder and other debt which was repaid in full from the $239.1 million raised from the IPO and the $110.2 million raised through the New Banking Facility.

2. Business strategies and future prospects

Mantra Group’s corporate strategy is to grow shareholder value through maintaining and growing its position in the accommodation industry. It has a number of initiatives that aim to drive business growth including the following:

• *Continue to build Mantra Group brands*
Mantra Group will continue to increase the awareness and enhance the market position of its Mantra, Peppers and BreakFree brands through the continued use of targeted marketing initiatives (such as the use of Pat Rafter as ambassador for the Mantra brand) and the continued use of strategic marketing partnerships (such as Peppers’ partnership with the Gourmet Traveller Magazine).

Mantra Group recognises the importance of customer service and will seek to continue to create a point of difference versus its competitors, provide unique guest experiences through delivery of high quality service levels and continue its “Knowing What Matters” service delivery improvement program. Mantra Group will actively seek to improve its accommodation offering by regularly refurbishing rooms and other letting areas (such as lobby, conference and function areas) across its property portfolio, with a focus on achieving specified brand positioning standards.

• *Grow RevPAR (Total average room revenue received per available room) and improve yield management*
Mantra Group intends to achieve stronger RevPAR growth in its CBD division compared to its key competitors by targeting high yielding corporate accounts willing to pay a premium for its spacious apartment style rooms. Mantra Group will seek to maintain its RevPAR at a premium to the industry average across the properties in its Resorts division by targeting the higher yielding domestic and international visitors.

Mantra Group will continue to improve yield management by implementing sales, marketing and distribution initiatives related to the negotiation of contracts with corporate and government customers and actively managing its average room rates to optimise its RevPAR outcome. Mantra Group will seek to work strategically with wholesalers and travel agents to capture greater demand whilst negotiating commercially favourable fees for Mantra Group and property owners.

Operating and Financial Review (continued)

• *Continue to optimise distribution channels*
Mantra Group will seek to capitalise on the significant investment made in its distribution platform and proprietary central reservation system, MG-Res. Mantra Group's distribution channel strategy is aimed at capturing a higher proportion of accommodation bookings through direct channels, such as specific brand websites, MG-Res and direct property channels. Mantra Group intends to continue to invest in its distribution platform and seek to rapidly implement advanced capabilities relating to mobile devices, social media and website optimisation and marketing.

• *Continue to expand via new properties in targeted locations including the Asia Pacific region*
Mantra Group will continue to actively consider and pursue new properties that are attractive and complementary to its existing property portfolio. Mantra Group intends to focus on securing new properties in CBD locations, including the expansion of the Peppers brand into CBD locations and targeting boutique premium quality hotels with an emphasis on upmarket food and wine outlets. Mantra Group will continue to assess opportunities in resort locations in Australia, New Zealand and South-East Asia.

Mantra Group will continue to target both existing properties and newly developed properties with a strategy to apply a range of both fixed lease and variable rent structures. Mantra Group believes it has a strong track record of securing new properties that generate attractive returns, and has secured 18 new properties and 1,508 new rooms in the last three years.

In line with this strategy, Mantra Group has recently entered into conditional agreements to operate existing and new hotels to be built in the central business districts of Brisbane, Perth, Townsville and Melbourne. While these agreements are subject to the successful resolution of varying contractual, regulatory or commercial matters (including in some cases the actual construction of the hotels themselves) and may not complete, Mantra Group believes that they demonstrate Mantra's focus on securing new properties.

Material business risks

The material business risks faced by Mantra Group that are likely to have an effect on the financial prospects of the Company include:

Exposure to a downturn in general economic conditions or reduced demand in the travel or tourism industries
Mantra Group's future performance may be materially adversely affected by:

- a downturn in general economic conditions (including business confidence, consumer confidence, interest rates or exchange rates) in Australia or abroad; or
- events affecting the travel or tourism industries generally (for example, a terrorist attack, major aviation disruptions, weather events or an epidemic); or
- events in destinations or regions in which Mantra Group operates (for example, a tsunami or other significant weather events).

Each of the events described above could result in a substantial reduction in demand for travel or tourism to Australia and the demand for accommodation at Mantra Group's properties.

Mantra Group's future performance may be affected by an increase in the airfares of low cost airline carriers operating domestically or globally, significant changes to routes of low cost airline carriers or increased regulation or other events affecting the aviation industry.

Loss of contractual rights to provide accommodation or related services at key properties
Because Mantra Group does not own the properties in its portfolio, Mantra Group's future success depends on its ability to preserve its contractual rights to provide accommodation and related services (for example, restaurant operations) at properties in its portfolio.

The quality and strength of Mantra Group's relationships with bodies corporate, lessors and other property owners is, therefore, important to secure Mantra Group's right to continue to operate its business at, and to generate revenue from, its properties.

Operating and Financial Review (continued)

Contractual arrangements may not be renewed by property owners at the expiration of their term or Mantra Group may be unable to renegotiate the contractual arrangements on favourable terms. Existing contractual arrangements could be terminated by property owners before the end of their term, whether by default of Mantra Group (for example, if Mantra Group does not satisfy its obligations under the relevant change of control provisions applicable to the contractual arrangements) or otherwise. Mantra Group may as a result lose significant future earnings from these properties and this may materially affect its future performance.

Risks relating to the operating structures used by Mantra Group to operate the properties in its portfolio
• *Lease Rights*
During the term of its lease arrangements, Mantra Group is required to pay significant rent or other fees to the property owner even if it does not receive sufficient income from customers. Upon expiration of these leases (including renewals), there is a risk that the lease arrangements are not renewed, whether as a result of the property owner choosing not to renew or seeking to increase the rent or other costs or expenses payable by Mantra Group to such an extent that Mantra Group chooses not to renew the lease arrangements. As a result, Mantra Group’s future revenues could be materially impacted.

• *Management Letting Rights*
Mantra Group uses MLR arrangements to operate a significant number of its key properties. There is a risk that individual apartment owners cease to use Mantra Group (or its representatives) as their letting agent, and Mantra Group loses the fees it would have received in relation to that apartment.

There are also increased regulatory risks in operating MLR properties, including statutory restrictions which may limit the duration of MLR arrangements, or provide “without cause” termination or forced sale rights for apartment owners.

Reduction in the reputation and value of Mantra Group’s brands
A reduction in overall customer satisfaction with Mantra Group’s services could adversely impact on the reputation and value of Mantra Group’s brands and its business. Its own actions, or actions of its partners or third parties, could negatively impact on the general public’s trust or perception of Mantra Group and the value of its brands. Such actions could also affect customer loyalty, relationships with property owners, employee retention rates and the demand for Mantra Group’s services, all of which could adversely affect Mantra Group’s future performance.

Exposure to changes in government regulation
The accommodation industry may become subject to higher levels of government regulation (particularly strata laws, agency laws and building regulations). These changes could have a materially adverse effect on Mantra Group’s business. For example, through increasing Mantra Group’s compliance costs or capital expenditure requirements, including requirements to upgrade or refurbish properties.

Mantra Group is currently required to comply with various statutory requirements, including holding certain licenses in order to operate its business. If the conditions of these licenses are breached, Mantra Group’s business may be required to cease to operate in respect of a certain property, area or jurisdiction. Mantra Group could also be exposed to penalties or other claims, and a loss of reputation.

Explanation of certain non-IFRS financial measures

Mantra Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These are known as “non-IFRS financial measures” and the principal ones used in this financial report are as follows:

- EBITDAI is earning before interest, taxation, depreciation, amortisation and impairment;
- EBITDA is earnings before interest, taxation, depreciation and amortisation; and
- EBIT is earnings before interest and taxation.

These measures are reconciled to net profit after tax in Table 1 on page 7. All balances within the 'statutory actual' columns in table 1 have been audited.

Operating and Financial Review (continued)

Although the Directors believe that these measures provide useful information about the financial performance of Mantra Group, in particular EBITDAI as it removes the impact of key accounting adjustments, financing charges and taxation, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Mantra Group calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

- On 28 February 2014 the company changed its name from Mantra Group Holdings I Pty Ltd to Mantra Group Limited.
- The Company issued its Prospectus dated 30 May 2014 to raise $239.1 million from the issue of shares. The Company completed the IPO and listed on the ASX on 20 June 2014.
- The Company completed a refinancing during the year replacing previous debt with a New Facility Agreement.

There were no other significant changes in the state of affairs of the Company during the financial period.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of the report include:

- The finalisation of the acquisition of certain properties for which conditional agreements had been signed by the date of the report.
- Implementation of key strategies to improve the Group's profit and maximise shareholders wealth.

More information on these developments is included in the operating and financial review.

Environmental regulation

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

PEPPERS BEACH CLUB & SPA, PALM COVE


PEPPERS SENTOSA, SEMINYAK, BALI

Information on Directors

The following information is current as at the date of this report.

Peter Bush
Independent Non-Executive Director and Chair of the Board

Experience and expertise

Peter was appointed to the Board on 3 February 2014. Peter has been involved in the Fast Moving Consumer Goods industry for over 30 years and has held a range of directorships and executive roles with various companies since 1990, including Chief Executive Officer of ABG-McNair Australia Limited, Schwarzkopf Australasia and McDonald's.

Peter holds a Bachelor of Arts from Macquarie University and is a Fellow of the Australian Marketing Institute.

Other current directorships

Peter is currently Non-Executive Chair of the Board of Pacific Brands Limited and a Non-Executive Director of Insurance Australia Group Limited.

Former directorships in last 3 years

Peter was Chair of the Board of Nine Entertainment Holdings Limited from 2011 to 2013.

Special responsibilities

Chair of the Board
Member of the Audit and Risk Management Committee
Member of the Nomination and Remuneration Committee

Interests in shares

Shares: Nil

Bob East
Chief Executive Officer and Executive Director

Experience and expertise

Bob joined Mantra Group in 2006 and was appointed Director and Chief Executive Officer in 2007. Bob is a Director of all of the Mantra Group companies and has more than 20 years' industry experience.

Bob is a member of the Australian Institute of Company Directors.

Other current directorships

Bob is a Non-Executive Director of GCFC Limited (Gold Coast Football Club) and Gold Coast Tourism Corporation Limited. He is a Board member of the Advisory Board of the Tourism and Transport Forum (TTF) and Chair of the TTF Accommodation Sector Panel. He is also a Board member of the Advisory Board of Tourism Accommodation Australia (TAA).

Special responsibilities

Chief Executive Officer and Executive Director

Interests in shares

Shares: 2,315,638

Information on Directors (continued)

Andrew Cummins
Non-Executive Director

Experience and expertise

Andrew was appointed a Non-Executive Director of the Company in July 2009 as a representative of EV Hospitality NV (a substantial shareholder of the Company) and served as Chair of the Board from July 2009 until 30 May 2014.

Andrew has been a director of a number of global companies in a broad range of industries including Inchape Plc, Pacific Brands Limited and Nine Entertainment Co Pty Ltd. Andrew was a consultant with CVC Capital Partners since 2005. Since 2005 he has been an advisor to CVC and is currently a Chair of the Board to the Pan Asia team.

Andrew received a Bachelor’s degree in Engineering from Monash University, a Graduate Business Degree from The University of Newcastle and an MBA from Stanford University.

Other current directorships

Andrew is currently a Non-Executive Director of Helloworld Limited (formerly Jetset Travelworld Group Limited).

Former directorships in last 3 years

Andrew was a Non-Executive Director of Nine Entertainment Co. Pty Ltd from 2008 to 2013.

Special responsibilities

Member of the Audit and Risk Management Committee
Member of the Nomination and Remuneration Committee

Interests in shares

Shares: 1,466,570

Elizabeth Gaines
Non-Executive Director

Experience and expertise

Elizabeth was appointed a Non-Executive Director of the Company in June 2009 as a representative of EV Hospitality NV (a substantial shareholder of the Company).

As well as the directorships listed below, Elizabeth was Chief Financial Officer of the Stella Group, Chief Finance and Operations Director of UK-based Entertainment Rights Plc. and Chief Executive Officer of Heytesbury Pty Limited. Elizabeth has also held senior treasury and finance roles at Bankwest in Australia and Kleinwort Benson in the UK.

Elizabeth received a Bachelor of Commerce from Curtin University, a Master of Applied Finance from Macquarie University and qualified as a Chartered Accountant with Ernst & Young.

Elizabeth is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Other current directorships

Elizabeth is the Chief Executive Officer and Executive Director of Helloworld Limited. Elizabeth is also a Non-Executive Director of Fortescue Metals Group Limited.

Former directorships in last 3 years

Elizabeth’s previous roles include Chief Operating Officer and Chief Financial Officer of Helloworld Limited.

Information on Directors (continued)

Special responsibilities

Member of the Audit and Risk Management Committee
Member of the Nomination and Remuneration Committee

Interests in shares

Shares: 1,157,819

David Gibson
Independent Non-Executive Director

Experience and expertise

David was appointed as an Independent Non-Executive Director of the Company in March 2011.

David was most recently Chief Executive Officer of Jones Lang LaSalle Hotels Asia Pacific and an international Director of Jones Lang LaSalle for 14 years prior to 2010.

David holds a Diploma in Financial Markets from the Securities Institute of Australia and he is a Licensed Real Estate Agent.

David is also a member of the Australian Institute of Company Directors.

Other current directorships

David is currently a Non-Executive Trustee Director of industry superannuation fund Host-PLUS Pty Ltd.

Former directorships in last 3 years

David was a founding Executive Advisory Board Member of the Bond University School of Hotel Resort and Tourism Management from 2008 to 2013.

Special responsibilities

Chair of the Audit and Risk Management Committee
Chair of the Nomination and Remuneration Committee

Interests in shares

Shares: 93,559

Company secretary

Fiona Van Wyk was appointed to the position of company secretary in 2007. Fiona is a qualified Chartered Secretary and is a Member of the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia (formerly known as Chartered Secretaries Australia). Before joining the Company, Fiona worked for KPMG, where she headed the Company Secretarial Department within the Private Business Services Division. Fiona has also worked in a variety of senior consultancy roles where she provided advice to both private and publicly listed companies.

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the number of meetings attended by each Director or Committee Member was:

	Full meetings of Directors		Meetings of Committees			
			Audit and Risk Management (formerly Audit)		Nomination and Remuneration (formerly Remuneration)	
	A	B	A	B	A	B
Peter Bush	10	13	-	-	-	-
Elizabeth Gaines	23	24	2	2	2	2
Andrew Cummins	23	24	2	2	2	2
David Gibson	20	24	-	-	2	2
Bob East	23	24	-	-	-	-
Steven Becker	20	21	-	-	-	-
Srdjan Dangubic (as alternate to Graham Brooke)	3	3	1	1	-	-
Srdjan Dangubic (as full Director/Committee Member)	2	3	1	1	1	1
Graham Brooke	12	19	-	1	-	1

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

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Introduction from the Chairman of the Board Nomination and Remuneration Committee

Dear Shareholder

We are pleased to present Mantra Group's 2014 Remuneration Report. Our aim is to present this report clearly and transparently to give you the best possible information you need to consider our remuneration policy.

2014 was an important year for us, with the listing of the Company on the Australian Securities Exchange on 20 June 2014. Prior to our listing, we operated a Management Equity Plan (MEP) where options were granted to reward key members of management for growing the business. At the time of listing, the MEP options vested and were exercised; however the acquired shares went into escrow. 37.8% of the acquired shares came out of escrow on 24 June 2014 and 62.2% will come out of escrow in September 2015.

Now that the company is listed, we are reviewing our remuneration framework to ensure that it is competitive in our new environment. In particular, we have commenced the design of a new long-term incentive plan. This plan will seek to drive shareholder value creation and to support the attraction and retention of top talent. We expect to be in a position to table the proposed new plan at the Company's Annual General Meeting on 26 November 2014.

In FY14, we had a robust short-term incentive (STI) plan in place primarily based 50% on EBITDAI and 50% on individual goals aligned to the Company's business and strategic priorities. We are not envisaging any material changes to this plan in FY15. Based on the Company exceeding its budgeted EBITDAI and achievement against the individual goals, actual STI awards for the key management personnel ranged between 74% and 150% of their target STI opportunity.

The following pages provide further detail on our remuneration framework and the link between our incentive pay plans and shareholder interests. We welcome and value your feedback on our executive remuneration practices.

Yours faithfully

David Gibson
Chairman, Mantra Group Nomination and Remuneration Committee

Remuneration report

The Directors are pleased to present the Group's 2014 remuneration report which sets out remuneration information for Mantra Group Non-Executive Directors, Executive Directors and other key management personnel.

The remuneration report is set out under the following headings:

a) Key management personnel disclosed in this report
b) Remuneration governance
c) Executive remuneration policy and framework
d) Relationship between remuneration and Mantra Group's performance
e) Non-Executive Director remuneration policy
f) Details of remuneration
g) Employment contracts
h) Details of share based compensation
i) Equity instruments held by key management personnel

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

(a) *Key management personnel disclosed in this report*

Non-Executive Directors

Peter Bush	Non-Executive Director
Andrew Cummins	Non-Executive Director
David Gibson	Non-Executive Director
Elizabeth Gaines	Non-Executive Director
Graham Brooke	Non-Executive Director
Srdjan Dangubic	Non-Executive Director

Executive Director

Bob East	Chief Executive Officer (CEO)

Key management personnel:

Steven Becker	Chief Financial Officer (CFO)
Tomas Johnsson	Executive Director of Operations
Kent Davidson	Executive Director Sales, Marketing and Distribution
Michael Moret -Lalli	Director of Acquisitions
Ken Minniken	Director of Marketing

Changes to the Non-Executive Directors, Executive Directors and other key management personnel during the financial year ended 2014 were as follows:

- Peter Bush was appointed on 3 February 2014 as a Non-Executive Director, then appointed as Chair of the Board on 30 May 2014;
- Andrew Cummins stepped down as Chair of the Board to Non-Executive Director on 30 May 2014;
- Graham Brooke resigned as Non-Executive Director on 22 May 2014;
- Srdjan Dangubic was an alternate Non-Executive Director to Graham Brooke until 22 May 2014. He was then appointed a Non-Executive Director on 22 May and resigned on 30 May 2014;
- Steven Becker was an Executive Director until his resignation on 30 May 2014. Steven continues in office as the Chief Financial Officer; and
- Ken Minniken ceased employment on 1 July 2013.

Remuneration report (continued)

(b) *Remuneration governance*

The Nomination and Remuneration Committee is a Committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to the Senior Management team, including key performance indicators and performance hurdles;
- remuneration level of the Executive Director and Chief Financial Officer; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

The Nomination and Remuneration Committee Charter, included on the Company's website at www.mantragroup.com.au, provides further information on the role of this Committee.

(c) *Executive remuneration policy and framework*

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent; and
- acceptable to shareholders.

The key management personnel remuneration framework has two components:

- base pay and benefits, including superannuation; and
- short-term performance incentives ('STI').

The Group also had a long-term Management Equity Plan (MEP) which expired as a result of the IPO.

Key management personnel remuneration mix

To ensure that executive remuneration is aligned to company performance, a significant portion of the executives' target remuneration is 'at risk'. Target remuneration mix for the year to 30 June 2014 was:

Name	Fixed remuneration	Short term incentives (STI)
Bob East	50%	50%
Steven Becker	50%	50%
Tomas Johnsson	75%	25%
Kent Davidson	62.5%	37.5%

Michael Moret-Lalli had a deal-based short term incentive which was not a percentage of fixed remuneration.

Fixed Remuneration is the cash salary earned in the relevant financial year.

While the Company did have a long term incentive plan in place prior to the IPO (details included below) the options purchased under the MEP could only be exercised if the Company was involved in an exit event. As a result, it has not been included in the target remuneration mix table above as an exit event was not anticipated at the beginning of the financial year.

Base pay and benefits

Base pay is reviewed annually or on promotion. There is no guaranteed base pay increases included in any key management personnel contracts. Base pay includes any elected salary sacrifice arrangements as individually nominated.

Remuneration report (continued)

(c) ***Executive remuneration policy and framework (continued)***

Superannuation

Superannuation is paid at 9.25% (2013: 9%) and is capped at the maximum contribution base which is adjusted by the Australian Taxation Office annually.

Short-term incentives

Since 2008, the Group has been predominately owned by private equity whose key measure of performance was EBITDAI. EBITDAI is defined as earnings before interest, tax, depreciation, amortisation and impairment. The Board has agreed that this will remain the key measurement of performance going forward.

All key management personnel have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The targets set are aligned with the drivers of shareholder value, the key one being the achievement of certain EBITDAI (normally budget and/or a stretch target above this). In the 2014 financial year, at least 50% of the STI was tied to achieving budgeted EBITDAI for all key management personnel, excluding Non-Executive Directors and Michael Moret-Lalli.

Michael Moret-Lalli's STI is linked only to the completion of successful property acquisitions.

EBITDAI targets for FY14 for Bob East and Steven Becker were as follows:

- EBITDAI growth of 10% on the prior year;
- No bonus payable if EBITDAI is below a specified threshold;
- Full bonus (50% of fixed remuneration) payable if EBITDAI is above a set threshold; and
- Bonus increases on a straight line basis from 20% to 50% of fixed remuneration if actual EBITDAI is between the set thresholds.

Bob East and Steven Becker's STI bonuses include other bonus targets not linked to EBITDAI as detailed below.

Other key management personnel (excluding Michael Moret-Lalli) had stretch EBITDAI for FY14 targets as follows:

Stretch 1

Stretch 1 gives other key management personnel the opportunity to earn further bonuses as detailed in the table below:

Actual EBITDAI above budgeted EBITDAI	Stretch bonus will apply on a pro-rata basis. For example if 110% of the EBITDAI budget is achieved then the EBITDAI bonus portion will also be 110%.
EBITDAI between 90% to 100% of budgeted EBITDAI	EBITDAI bonus portion calculated on a sliding scale from 10-100% of the EBITDAI bonus target. For example if 95% of the EBITDAI budget is achieved then 50% of the EBITDAI bonus target would be payable.
EBITDAI of 90% or less of budgeted EBITDAI	No EBITDAI bonus portion is payable.

Stretch 2

If Group EBITDAI is achieved, a bonus pool equal to 10% of every dollar over EBITDAI will be made available. This is in addition to stretch 1 above.

Other STI bonus targets, available to all key management personnel, excluding Non-Executive Directors, were set based on achieving certain strategic goals which were set as part of the business plan process. Whilst the KPIs vary by key management personnel, they include financial and non-financial measures such as:

Remuneration report (continued)

(c) ***Executive remuneration policy and framework (continued)***

Short-term incentives (continued)

- revenue growth against previous years;
- cost control and improvement, including cost performance against budget and previous year;
- maintaining and growing room stock via keys management and acquisitions;
- cash flow management to ensure covenant compliance and debt repayment hurdles;
- employee turnover;
- customer satisfaction; and
- implementation and management of appropriate risk strategies.

These targets are reviewed annually.

The Nomination and Remuneration Committee is responsible for assessing performance against KPIs and determining the STI to be paid in respect of the CEO and CFO. To assist in this assessment, the Committee receives detailed reports on the individuals' performance. For other key management personnel, performance against KPIs is assessed by the CEO. The payment of all STI is at the discretion of the Chief Executive Officer and the Nomination and Remuneration Committee and may take into account any unexpected or unintended circumstances.

The STI cash bonus amounts, including stretch targets amounts, are those earned during the current financial year and provided for in the current year's financial statements. STI cash bonuses are generally payable in September following the end of the financial year, and once the results of the year have been subject to independent external audit.

Other incentives

The Board reserves the right to consider Group changing and/or Group defining special achievements for determining special circumstance incentives which may be paid along with other incentives at year end or at the completion of a specific project. In this financial year there was a total of $205,000 of such incentives awarded to four key management personnel in relation to the IPO.

Long-term incentives

On 17 December 2009, a Management Equity Plan (MEP) was established whereby certain members of Senior Management and certain Directors were offered an opportunity to purchase options in the Company. The MEP was designed to provide long term incentives to deliver long term shareholder value and enabled up to 2,000,000 options to be granted. The options were only immediately exercisable if one of the following events occurred:

- The shareholders of Mantra Group Limited, prior to an IPO, sold their interest in the Company;
- An asset sale of Mantra Group Limited to an unrelated party was completed; or
- If there was an IPO of the Mantra Group Limited.

Participation in the plan was at the Board's discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of the options that were exercisable depended on the exit route undertaken and value obtained. Options granted under the plan carried no voting rights.

The first grant of MEP options was completed on 17 December 2009 (2009 MEP Options). For 2009 MEP Options, participants were issued with options at a purchase price of $1.00 and an exercise price of nil. 1,858,000 options were originally purchased, 530,000 of which were purchased under non-recourse loans. The fair value of the 2009 MEP Options issued on 17 December 2009 was $1.00 per option.

On 31 May 2010, an additional 13,143 of 2009 MEP Options were purchased by a new member of Senior Management for a purchase price of $1.75 per option with an exercise price of nil. The fair value of these options was $1.75 per option.

Remuneration report (continued)

(c) ***Executive remuneration policy and framework (continued)***

Long-term incentives (continued)

On 31 May 2011, an additional 20,202 of 2009 MEP Options were purchased by a new Non-Executive Director for a purchase price of $4.95 per option with an exercise price of nil. The fair value of these options was $4.95 per option.

On 25 May 2012, certain members of Senior Management were offered an opportunity to obtain additional options (2012 MEP Options). The 2012 MEP Options were issued at a purchase price of nil with an exercise price of $1.00. The fair value of the 2012 MEP Options was $4.95 and 108,655 options were issued at that time.

As part of the IPO 37.8% of all options (2009 MEP Options and 2012 MEP Options) were bought back at fair value by a subsidiary of the Mantra Group and cancelled immediately in exchange for cash and the remaining portion of options were exercised in exchange for ordinary shares in the Group at a ratio of eight ordinary shares for each option.

Details of the impact of the MEP on the 2014 key management personnel's compensation are included in section (h) below.

The Company is in the process of developing a new long term incentive scheme for key management personnel that will be tabled at the Annual General Meeting on 26 November 2014.

Share trading policy

The Mantra Group's securities trading policy applies to all Directors and Senior Management. It only permits the purchase or sale of company securities during certain periods.

(d) ***Relationship between remuneration and Mantra Group's performance***

The following table shows key performance indicators for the Group over the last five years:

	2014	2013	2012	2011	2010
EBITDAI for the year ($'000)	**61,303**	60,676	58,315	52,895	40,832
(Loss)/profit for the year attributable to owners of Mantra Group Limited ($'000)	**(323)**	9,176	(7,369)	(30,907)	(121,866)
Total KMP STI incentives as percentage of EBITDAI for the year (%)	**2.6**	1.9	1.7	2.4	2.3

(e) ***Non-Executive Director remuneration policy***

Non-Executive Directors receive a Directors' fee and fees for chairing or participating on Board Committees. They do not receive performance-based pay following the close out of the Management Equity Plan.

Fees provided to Non-Executive Directors are exclusive of superannuation.

The current base fees were revised with effect from 30 May 2014 and will be reviewed annually by the Nomination and Remuneration Committee, taking into account comparable roles and market data. All Non-Executive Directors who chair, or are a member of, a Committee receive additional annual fees of $15,000 for the chair of a Committee and $10,000 for Committee Members.

The aggregate amount of fees to be paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) has been fixed at $1.5 million per annum. Any change to this aggregate annual amount is required to be approved by Shareholders. The aggregated sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board.

Remuneration report (continued)

(e) ***Non-Executive Director remuneration policy (continued)***

Directors' fees

The following fees have applied:

	From 30 May 2014 (per annum)	**30 May 2013 to 29 May 2014 (per annum)**
Base fees		
Chair	$250,000	$150,000
Other Non-Executive Directors	$125,000	David Gibson $100,000 Elizabeth Gaines $50,000 Peter Bush $120,000
Additional Fees		
Chair of Committee	$15,000	
Member of Committee	$10,000	$10,000 *

*Only paid to David Gibson as a member of the Nomination and Remuneration Committee.

(f) ***Details of remuneration***

The following tables show details of the remuneration paid to the Directors and other key management personnel of the Group for the current financial year.

Remuneration report (continued)

(f) *Details of remuneration (continued)*

2014	Short-term employee benefits				Post-employment benefits	Long-term benefits		Share based payments	
Name	Cash salary and fees $	Cash bonus $	Board discretionary bonus $	Other* $	Super-annuation $	Annual and long service leave $	Termi-nation benefits $	Options $	Total $
Non-Executive Directors									
Andrew Cummins	138,227	-	-	-	12,785	-	-	-	151,012
David Gibson	115,993	-	-	-	10,729	-	-	-	126,722
Peter Bush	32,500	-	-	-	3,006	-	-	-	35,506
Elizabeth Gaines	58,237	-	-	-	5,386	-	-	100,000	163,623
Sub-total Non-Executive Directors	344,957	-	-	-	31,906	-	-	100,000	476,863
Executive Director									
Bob East	563,750	321,588	100,000	-	17,775	53,942	-	300,000	1,357,055
Other key management personnel									
Steven Becker	384,375	306,394	75,000	-	17,775	50,879	-	130,000	964,423
Kent Davidson	244,670	220,619	20,000	7,960	17,775	15,200	-	28,159	554,383
Tomas Johnsson	301,311	161,045	10,000	9,582	17,775	32,019	-	32,422	564,154
Michael Moret-Lalli	217,933	395,000	-	37,127	17,775	14,271	-	113,476	795,582
Ken Minniken**	-	-	-	-	4,443	-	382,080	-	386,523
Total key management personnel compensation	**2,056,996**	**1,404,646**	**205,000**	**54,669**	**125,224**	**166,311**	**382,080**	**704,057**	**5,098,983**

*Compensation paid as part of the cancellation and conversion of the options in relation to the Management Equity Plan
**Ken Minniken ceased employment on 1 July 2013. Ken Minniken's termination benefit represents a discretionary payment awarded on the cancellation of Management Equity Plan options held.

The relative proportions of remuneration that are linked to performance and those that are fixed were paid as follows:

Name	**Fixed remuneration 2014 %**	**At risk - STI 2014 %**
Executive Director		
Bob East	**57**	**43**
Other key management personnel of the Group		
Steven Becker	**50**	**50**
Kent Davidson	**50**	**50**
Tomas Johnsson	**64**	**36**
Michael Moret-Lalli	**36**	**64**
Ken Minniken	**-**	**-**

Remuneration report (continued)

(f) *Details of remuneration (continued)*

STI awarded

For each cash bonus included in the 2014 table above, the percentage of the available bonus that was earned in the financial year and the percentage that was forfeited because the person did not meet the target performance criteria are set out below.

Name	Awarded	Forfeited
Bob East	57%	43%
Steven Becker	80%	20%
Tomas Johnsson	113%	0%
Kent Davidson	180%	0%

Michael Moret-Lalli's bonus cannot be forfeited as the bonus is deal based and has no upper limit.

(g) *Employment contracts*

Remuneration and other terms of employment for the executives are formalised in employment contracts. The employment contracts specify the components of remuneration, benefits and notice periods. Participation in the STI is subject to the Board’s discretion.

Details of the executives' term of agreement, notice period and termination payments are as follows:

Name	Term of agreement and notice period	Annual base salary excluding superannuation*	Termination Payments **
Bob East	No fixed term 12 months	$564,300	12 months
Steven Becker	No fixed term 6 months	$384,750	6 months
Tomas Johnsson	No fixed term 6 months	$301,605	6 months
Kent Davidson	No fixed term 6 months	$244,908	6 months
Michael Moret-Lalli	No fixed term 1 month	$218,145	1 month

*Base salaries quoted are for the year ended 30 June 2014; they are reviewed annually by the Nomination and Remuneration Committee.
**Base salary payable if the Company terminates employees with notice and without cause (e.g. for reasons other than unsatisfactory performance).

(h) *Details of share based compensation*

Options

Share based compensation was recognised in the year ended 30 June 2014 in respect of the 2009 MEP Options issued under non-recourse loans and the 2012 MEP Options. No share based compensation was recognised in prior years because it was not considered probable that any of the vesting conditions would be met at that time. Terms and conditions, dates and fair values are disclosed above and the number of options and relevant key management personnel are included below at section (i).

Fair value of options granted

When the options were granted in 2009, the fair value per option was determined as part of the valuation exercise completed for the Group’s 2009 restructuring which resulted in UBS Australia Holdings Pty Ltd (UBSAHPL) becoming a shareholder. The same valuation exercise was undertaken each time options were issued. The share price at the date of exercise at 25 June 2014 was $1.80. The fair value of options exercised was $13.89.

Remuneration report (continued)

(h) *Details of share based compensation (continued)*

(i) Equity instruments held by key management personnel

The tables below show the number of options and shares in the Company that were held during the financial year by key management personnel, including their close family members and entities related to them. No amounts remain unpaid in respect of options exercised during the year. To the extent amounts were payable on the exercise of options, such amounts were offset against the amount received on cancellation or buy back of the option.

There were no shares granted during the reporting period as compensation.

Options

Name	Balance at start of year Options purchased (2009 MEP options)	Balance at start of year Options under non-recourse loan (2009 MEP options)	Balance at start of year (2012 MEP options)	Options cancelled	Options exercised	Balance at end of year
Andrew Cummins	250,000	0	0	60,000	190,000	0
Elizabeth Gaines	150,000	100,000	0	100,000	150,000	0
David Gibson	20,202	0	0	8,081	12,121	0
Bob East	200,000	300,000	0	200,000	300,000	0
Steven Becker	170,000	130,000	0	120,000	180,000	0
Tomas Johnsson	60,000	0	8,208	27,283	40,925	0
Kent Davidson	72,000	0	7,129	31,652	47,477	0
Michael Moret-Lalli	13,143	0	28,728	16,748	25,123	0
Ken Minniken	100,000	0	7,129	107,129	0	0

Remuneration report (continued)

Share holdings

The following shares were provided on the exercise of options held under the Management Equity Plan:

2014 **Name**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Balance at end of the year**
Directors of Mantra Group			
Ordinary shares			
Andrew Cummins	-	1,466,570	1,466,570
David Gibson	-	93,559	93,559
Elizabeth Gaines	-	1,157,819	1,157,819
Bob East	-	2,315,638	2,315,638
Other key management personnel of the Group			
Ordinary shares			
Steven Becker	-	1,389,374	1,389,374
Tomas Johnsson	-	315,892	315,892
Kent Davidson	-	366,465	366,465
Michael Moret Lalli	-	193,919	193,919

Peter Bush, Graham Brooke and Srdjan Dangubic did not hold any shares at the end of the financial year.

None of the shares held by the Directors or any of the other key management personnel are held nominally.

Other transactions with key management personnel

During the year ended 30 June 2014, an amount of $25,000 was paid to Peter Bush as compensation for IPO consultancy services provided to the Board for the period from November 2013 to March 2014.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are nil.

Shares issued on the exercise of options

The following ordinary shares of the Group were issued during the year ended 30 June 2014 on the exercise of options granted under the Mantra Group Management Equity Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
Various (refer above)	$1.80	8,625,318
	$1.80	8,625,318

Insurance of officers

During the financial year, Mantra Group paid a premium of $82,728 (2013: $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 wilful 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.

Indemnity of auditors

Mantra Group Limited agrees to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the Group's breach of their agreement. The Indemnity stipulates that Mantra Group Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

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.*

Non-audit services

The Board has adopted a policy regarding the services that the Company may obtain from its external auditor. It is the policy of the Company that its external auditor may not provide services to the Company that are, or are perceived to be in conflict with the role of the external auditor unless approved by the Board or Audit and Risk Management Committee in advance of the provision of these services.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Non-audit services (continued)

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

	2014 **$**	2013 $
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns and other statutory accounts	**40,400**	35,400
Other assurance services	**25,000**	39,400
Total remuneration for other assurance services	**65,400**	74,800
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**212,671**	176,374
Tax consulting	**995,730**	779,266
Total remuneration for taxation services	**1,208,401**	955,640
Other services		
PricewaterhouseCoopers Australian firm:		
Accounting advice	**125,000**	-
Investigating accounting's report in relation to IPO/refinancing	**778,140**	-
Other due diligence	**-**	230,000
Other	**-**	18,000
Total remuneration for other services	**903,140**	248,000
Total remuneration for non-audit services	**2,176,941**	1,278,440

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 34.

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 Director's Report. Amounts in the Director's report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Peter Bush
Director

Kerry Robert East
Director

Gold Coast
29 August 2014

Auditor’s Independence Declaration

As lead auditor for the audit of Mantra Group Limited for the year ended 30 June 2014, 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 Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
29 August 2014

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MANTRA ON KENT, SYDNEY

MANTRA ON SALT BEACH, KINGSCLIFF

Corporate Governance Statement

This statement sets out the extent to which the Company has complied with the 2nd edition of the ASX Corporate Governance Principles and Recommendations (**ASX Principles**) during the financial year ended 30 June 2014.

Index

ASX Principle		Reference	Compliant
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to Senior Management and disclose those functions.	1	Complies
1.2	Disclose the process for evaluating the performance of Senior Management.	1 and 8	Complies
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	1	Complies
Principle 2 – Structure the board to add value			
2.1	A majority of the Board should be independent Directors.	2	Refer section 2
2.2	The Chair should be an independent Director.	2	Complies
2.3	The roles of Chair and Chief Executive Officer (CEO) should not be exercised by the same individual.	2	Complies
2.4	The Board should establish a nomination committee.	8	Complies
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	2	Complies
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	2	Complies
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	3	Complies
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	3	Refer Section 3
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	3	Refer Section 3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Management positions and women on the Board.	3	Complies
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	3	Complies
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	4	Complies
4.2	The audit committee should be structured so that it consists of only Non-Executive Directors, a majority of independent Directors, is chaired by an independent Chair who is not Chair of the Board and have at least 3 members.	4	Refer Section 4
4.3	The audit committee should have a formal charter.	4	Complies
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	4	Complies
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a Senior Management level for that compliance and disclose those policies or a summary of those policies.	5	Complies
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	5	Complies
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	6	Complies
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	6	Complies
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	7	Complies
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	7	Complies
7.3	The Board should disclose whether it has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is being operated efficiently and effectively in all material respects in relation to the financial reporting risks.	7	Complies
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	7	Complies
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	8	Complies
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent Chair and has at least three members.	8	Refer section 8
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Management.	8	Complies
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	8	Complies

This statement includes the Company and/or its controlled entities, as relevant, and referred to in this statement as the Company.

The Board of Directors (Board) is responsible to its Shareholders for the overall corporate governance of the Company including monitoring key performance goals, ensuring the Company is properly managed to protect and enhance Shareholder interest and that the Company, its Directors, Officers and Team Members operate in an appropriate environment of corporate governance. As required by the Australian Securities Exchange (ASX) Listing Rules, this statement sets out the extent to which the Company has complied with the 2nd edition of the ASX Corporate Governance Principles and Recommendations (ASX Principles) during the financial year ended 30 June 2014.

This Corporate Governance Statement:

- outlines the key aspects of the Company's corporate governance framework;
- is structured and numbered in order of the principles set out in the ASX Principles;
- includes cross-references to other relevant information in this Corporate Governance Statement and the Company's charters, policies and codes, details of which are available on the Corporate Governance section of the Company's website www.mantragroup.com.au (Company's corporate website); and
- should be read in conjunction with the Directors' Report and the Remuneration Report (contained in the Directors' Report).

The Company listed on the ASX on 20 June 2014, and as permitted by the ASX Principles, the Board has determined it will not formally report against the 3rd edition of the ASX Principles (released on 27 March 2014) until the 2015 Annual Report. The Board has however commenced reviewing its practices and in some cases updated these to comply with the 3rd edition.

Principle 1: Lay solid foundations for management and oversight

Functions reserved to the Board and those delegated to Senior Management
The Board strives to build sustainable value for Shareholders in the short and longer term whilst protecting the assets and reputation of the Company and ensuring the Company is properly managed.

The Company has established the functions reserved to the Board, and those delegated to Senior Management and has set out these functions in its Board Charter, which is available on the Company's corporate website.

The Board Charter allows the Board to delegate powers and responsibilities to Committees established by the Board. With the guidance of the Audit and Risk Management Committee and the Nomination and Remuneration Committee, the Board is responsible for overseeing those matters delegated to the relevant Committee as set out in sections 4, 7 and 8 of this statement.

The Board Charter provides for the delegation of authority and power to the Chief Executive Officer (CEO) to manage the Company's business within levels of authority specified by the Board from time to time. The CEO may delegate aspects of his authority and power but remains accountable to the Board for the performance of the business. The CEO's role includes responsibility for the effective leadership of the Management Team, the development of strategic objectives for the business and the day-to-day management of the Company's operations.

The Board Charter provides that the Company Secretary shall be accountable to the CEO and to the Board, through the Chair of the Board, on all corporate governance matters.

The Board Charter setting out the responsibilities, structure, guidelines for independence and other obligations of the Board and Directors is available on the Company's corporate website.

Senior Management performance evaluation

On an annual basis, in consultation with the CEO and Chief Financial Officer (CFO) and considering the strategic objectives of the business, the Board sets Key Performance Indicators for the CEO and CFO and their performance is assessed against these performance targets. A performance assessment for the CEO and CFO was undertaken in accordance with this process in June 2014.

Principle 1: Lay solid foundations for management and oversight (continued)

Key Performance Indicators for Senior Management, in line with the performance objectives of the business, are set on an annual basis and performance is assessed by the CEO against these performance targets. A performance assessment for Senior Management was undertaken in June 2014.

Terms and conditions of appointment including rights and obligations of Senior Management and the Executive Director are included in respective employment contracts.

Principle 2: Structure the board to add value

The Board is comprised of Non-Executive Directors and the CEO of the Company.

The Board seeks to ensure that its membership has the appropriate mix of skills, experience, expertise and diversity relevant to the Company's business and the Board responsibilities and that the size of the Board is appropriate and conducive to effective discussion and efficient decision-making. As part of the listing process, a review of the composition of the Board in relation to its mix of skills and experience, diversity, business and Company knowledge was undertaken. The Board comprises directors with relevant skills, qualifications and experience which is considered appropriate for the size and nature of the Company's business.

The names, skills, experience and expertise of the Directors in office at the date of this statement, and the period of office of each Director, are set out in the Directors' Report on pages 16-18.

Independence of Directors
A majority of the Board is not independent which is a departure from 2.1 of the ASX Principles. The Board believes that independent judgement is achieved and maintained in respect of its decision-making process, including via the following measures:

- a standard item on each Board Meeting agenda requires Directors to declare any conflicts of interest in addition to those already declared;
- Directors and Board Committee Members are permitted to seek independent professional advice at the Company's expense, subject to the approval of the Chair of the Board; and
- all Directors must act at all times in the best interests of the Company.

The Board considers an independent director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of that Director's judgement. The Board considers thresholds of materiality for the purpose of determining independence on a case-by-case. Factors to be considered in determining the independence status of Directors are detailed in the Board Charter which is available on the Company's corporate website.

Peter Bush (Chair of the Board) is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgement and is therefore an Independent Non-Executive Director.

David Gibson is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgement and is therefore an Independent Non-Executive Director.

Andrew Cummins and Elizabeth Gaines (Non-Executive Directors) are currently considered not to be independent. Andrew and Elizabeth, prior to listing, were representatives of EV Hospitality NV, a substantial shareholder of the Company.

Bob East (Executive Director) is the CEO of the Company and therefore is not independent.

Selection, appointment process and re-election of Directors
With guidance from the Nomination and Remuneration Committee and, where necessary, external consultants, the Board shall identify candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.

Principle 2: Structure the board to add value (continued)

The criteria to assess nominations of new Directors will be reviewed annually and the Nomination and Remuneration Committee will regularly compare the skill base of existing Directors with that required for the future strategy of the Company to enable identification of attributes required in new Directors.

The Board's policy with respect to the appointment and re-election of directors is set out in the Company's Board Charter, which is available on the Company's corporate website.

Board, Committee and individual Director performance evaluation
The Nomination and Remuneration Committee shall regularly conduct reviews of the performance of the Board, its Committees and each Non-Executive Director assessing effectiveness, mix of skills, experience, adequacy of time allocated to the Company's affairs and independence. An external consultant shall be appointed where appropriate.

New Directors are provided with a letter of appointment setting out the terms of their appointment including their powers, rights and obligations. New Director induction takes the form of meetings with the Chair of the Board, the Board, the CEO and Senior Management and new Directors are provided with relevant Company information including corporate governance material and policies.

Meeting Attendance
The Board held 24 Board meetings, 2 Audit Committee Meetings (now referred to as the Audit and Risk Management Committee) and 2 Remuneration Committee Meetings (now referred to as the Nomination and Remuneration Committee) during the year. The number of meetings of the Board and of each Board Committee held during the year ended 30 June 2014, and the number of meetings attended by each Director and Committee Member, is disclosed in the Directors' Report on page 19.

Board Committees
The Board has established an Audit and Risk Management Committee and Nomination and Remuneration Committee to assist the Board in the execution of its duties. Each Committee is comprised entirely of Non-Executive Directors. Each Committee has its own written charter setting out its roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. These charters will be reviewed on an annual basis and are available on the Company's corporate website. Each Committee reports to the Board in relation to its respective activities and recommendations following each meeting.

Refer to Sections 4, 7 and 8 of this Statement for additional information relating to the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Principle 3: Promote ethical and responsible decision making

Code of Conduct
The Board is committed to the highest standard of corporate practice and business conduct to ensure the Company conducts its business honestly and fairly and in strict compliance with all laws and regulations. The Board has adopted a Code of Conduct designed to provide a benchmark for Directors, Officers, Employees, Contractors, Consultants and all other people who work at the Company (Mantra Team Members). The Code of Conduct clearly sets out the Company's commitment to behaving honestly and fairly and outlines the obligations of Team Members in carrying out their duties. Responsibilities include protection of the Company's business, using the Company's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

All Team Members are required to understand and comply with their obligations under the Code of Conduct.

A copy of the Code of Conduct is available on the Company's corporate website.

Securities Trading Policy
The Company has adopted a Securities Trading Policy which applies to the Company and its Directors, Company Secretary, Senior Management and other persons nominated by the Board from time to time (Mantra Persons).

Principle 3: Promote ethical and responsible decision making (continued)

The Securities Trading Policy, a copy of which is available on the Company's corporate website, outlines conduct in relation to dealings in securities that are prohibited under the Corporations Act and establishes procedures for Mantra Persons in dealing in the Company's shares.

Diversity and Anti-discrimination policy
The workforce of the Company is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected by the Board.

The Company acknowledges the positive outcomes that can be achieved through a diverse workforce and recognises and utilises the contribution of diverse skills and talent. For the purposes of this policy, diversity encompasses, without limitation, diversity of gender, age, ethnicity, cultural background, impairment or disability, sexual orientation and religion.

The Board is responsible, on an annual basis, for setting and reviewing objectives in relation to gender and other aspects of diversity, to assess progress and report thereon in the Company's annual report.

The Company conducts regular in-house surveys which enable Management to develop and implement workplace satisfaction objectives and initiatives. During the year, workplace surveys included communication, flexibility and equality and learning and development. The Company conducted its first 'Women in Mantra' forum in April 2014 focussing on key outcomes including succession planning, education and flexibility relating specifically to females. Key outcomes will form the focus for further promoting Women in Mantra in the 2015 financial year. The table below shows the number and percentage of females employed by the Company in various positions.

	Actual	
	Number	%
Number of females on the Board	1	20
Number of females in Management positions - CEO, all Senior Managers, General and other Key Managers	79	39
Number of females in the Company	2,149	61

The Company does not condone or tolerate unlawful behaviour including discrimination, harassment or victimisation of Mantra Team Members or guests.

A copy of the Diversity and Anti-Discrimination Policy is available on the Company's corporate website.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee formerly known as the Audit Committee

Committee Members:
David Gibson (Chair)
Peter Bush
Andrew Cummins
Elizabeth Gaines

The names, skills, experience and expertise of the Committee Members at the date of this statement are set out in the Directors' Report on pages 16-18.

The Committee is structured so that it:

- consists only of Non-Executive Directors;
- is chaired by an independent Director (who is not the Chair of the Board); and
- has at least three members.

Principle 4: Safeguard integrity in financial reporting (continued)

Audit and Risk Management Committee formerly known as the Audit Committee (continued)

The Board acknowledges ASX Principle 4.2 that a majority of the members of an Audit Committee should be independent Directors. Although only 2 of the 4 Directors of the Audit and Risk Management Committee are classified as independent (David Gibson (Chair of the Committee) and Peter Bush), all members of the Committee are Non-Executive Directors. The Board believes that the current members of the Committee, having regard to their experience and skills, are appropriate to achieve its objectives and that each member will bring independent judgement to the Audit and Risk Management Committee's deliberations.

The Audit and Risk Management Committee assists the Board in fulfilling its corporate governance responsibilities as well as overseeing the Company's internal control structure and risk management systems. The Committee's role, duties and responsibilities are set out in the Audit and Risk Management Committee Charter which is available on the Company's corporate website.

The policy relating to services that the Company may obtain from its external auditor is set out in the Audit and Risk Management Committee Charter.

The Audit and Risk Management Committee will meet at least twice a year and as frequently as is required to undertake its role effectively.

Certification of Financial Reports
The CEO and CFO have stated in writing to the Board that the Company's financial records have been:

- properly maintained;
- that the financial statements comply with the appropriate accounting standards and present a true and fair view of the financial position and performance of the Company; and
- the opinion has been formed on the basis of a sound system of risk management and internal controls.

External Auditors
The external auditor (PricewaterhouseCoopers) has declared its independence to the Board through its representations to the Audit and Risk Management Committee and provision of its Statement of Independence to the Board, stating that they have maintained their independence in accordance with the provisions of APES 110 Code of Ethics for Professional Accountants and the applicable provisions of the Corporations Act 2001. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. A new audit engagement partner (as a result of the previous audit partner leaving the employ of PricewaterhouseCoopers) was appointed during the financial year ended 30 June 2014.

The performance of the external auditor will be reviewed annually. An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in the notes to the financial report. The external auditor is required to attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the audit report. The Audit and Risk Management Committee is responsible for making recommendations to the Board on the appointment, re-appointment or replacement of the external auditor (subject to Shareholder ratification (as required)).

Principle 5: Make timely and balanced disclosure

The Board aims to ensure that Shareholders and stakeholders are informed of all major developments affecting the Company's state of affairs. As such, the Company has adopted a Disclosure Policy which establishes procedures to ensure that Directors and Senior Management are aware of, and fulfil their obligations in relation to, providing timely, full and accurate disclosure of material and information to the Company's Shareholders and stakeholders and complies with the Company's disclosure obligations under the Corporations Act and the ASX Listing Rules.

A copy of the Disclosure Policy is available on the Company's corporate website.

Principle 6: Respect the rights of Shareholders

The Board promotes and encourages effective communication with its Shareholders and stakeholders and encourages participation at general meetings and as such the Company has adopted a Shareholder Communication Policy. Information is communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX in accordance with the continuous disclosure announcements and will be made available on the Company's corporate website once released to the ASX. The Company's corporate website contains Company information relevant to Shareholders.

A copy of the Shareholder Communication Policy is available on the Company's corporate website.

Principle 7: Recognise and manage risk

The identification and management of the Company's risks are important to the Board. The Company has adopted a risk management policy appropriate for its business (which is reflected in the Audit and Risk Management Committee's Charter). The policy highlights the risks relevant to the Company's operations and the commitment to implementing risk management procedures.

The Board is responsible for overseeing and approving risk management strategies and policies. The Board has delegated to the Audit and Risk Management Committee responsibility for risk management to provide assurance that material business risks are identified, assessed and appropriately addressed.

Senior Management regularly identifies and assesses the Company's risk profile and implements and monitors risk mitigation measures. The Company's risk profile report is provided to the Board regularly. In March 2014, as part of the listing process, a risk assessment was conducted and reported to the Board in May 2014.

The Company will regularly review its risk management procedures to ensure that they comply with its legal obligations, including assisting the CEO or CFO to provide the required declaration under section 295A of the Corporations Act.

The Board is currently of the view that a formal internal audit function is not required as internal procedures and processes can be relied on to ensure ongoing operational, corporate and financial compliance obligations are met. These processes include a property compliance management team as well as the audit of respective property trust and body corporate accounts by independent external auditors. If required, specific internal audit functions can be outsourced.

The Audit and Risk Management Charter which incorporates the Risk Management Policy is available on the Company's corporate website.

Principle 8: Remunerate fairly and responsibly

Nomination and Remuneration Committee formerly known as the Remuneration Committee

Committee Members:
David Gibson (Chair)
Peter Bush
Andrew Cummins
Elizabeth Gaines

The Committee is structured so that it:

- consists only of Non-Executive Directors
- is chaired by an independent Director; and
- has at least three members.

Principle 8: Remunerate fairly and responsibly (continued)

The Board acknowledges ASX Principle 8.2 that a majority of the members of a Remuneration Committee should be independent Directors. Although only 2 of the 4 Directors on the Nomination and Remuneration Committee are classified as independent (David Gibson (Chair of the Committee) and Peter Bush), all members of the Committee are Non-Executive Directors. The Board believes that the current members of the Committee are appropriate to achieve its objectives (having regard to their experience and skills) and that each member will bring independent judgement to the Nomination and Remuneration Committee's deliberations.

Directors Remuneration
The total annual amount of Directors Fees payable to Non-Executive Directors is set by the Company's shareholders and allocated by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. Directors' fees are exclusive of statutory superannuation. No retirement benefits are paid to Non-Executive Directors and no equity-based remuneration scheme exists for them following the close out of the Management Equity Plan.

The Nomination and Remuneration Committee assists the Board in fulfilling its corporate governance responsibilities as well as overseeing the Company's nomination and remuneration policies and practices. The Committee's role, duties and responsibilities are set out in the Nomination and Remuneration Committee Charter which is available on the Company's corporate website.

The Nomination and Remuneration Committee will meet at least twice a year and as frequently as is required to undertake its role effectively.


BREAKFREE GRAND PACIFIC, CALOUNDRA

BREAKFREE HERITAGE ON LITTLE BOURKE, MELBOURNE

Mantra Group Limited ABN 69 137 639 395
Financial report - 30 June 2014

Contents

This financial report is the consolidated financial report of the consolidated entity consisting of Mantra Group Limited and its subsidiaries. A list of major subsidiaries is included in note 35. The financial report is presented in the Australian currency.

Mantra Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 15, 50 Cavill Avenue
Surfers Paradise, QLD 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the Director's report on page 3, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 29 August 2014. The Directors have the power to amend and reissue the financial report.

All press releases, financial reports and other information are available at our investors' page on our website www.mantragroup.com.au.

	Notes	**2014 $'000**	2013 $'000
Revenue from continuing operations	5	**454,688**	429,975
Other income	6	**-**	1,353
Employee benefits expense		**(148,294)**	(139,292)
Operating expenses		**(141,800)**	(130,451)
Occupancy and utilities expenses		**(90,774)**	(87,485)
Depreciation and amortisation expense	7	**(17,482)**	(17,455)
Other expenses		**(522)**	-
Administration expenses		**(11,995)**	(13,424)
Net impairment reversal	7	**1,070**	2,534
Finance costs	7	**(45,335)**	(28,212)
(Loss)/profit before income tax		**(444)**	17,543
Income tax benefit/(expense)	8	**121**	(8,367)
(Loss)/ profit for the year		**(323)**	9,176
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	26(a)	**654**	478
Other comprehensive income for the year, net of tax		**654**	478
Total comprehensive income for the year		**331**	9,654
Total comprehensive income for the year attributable to the owners of Mantra Group Limited		**331**	9,654
		Cents	Cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
(Loss)/earnings per share	38	**(0.3)**	4.6
Diluted (loss)/earnings per share	38	**(0.3)**	4.5

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

	Notes	**2014 $'000**	2013 $'000	2012 $'000
ASSETS				
Current assets				
Cash and cash equivalents	9	**31,443**	28,297	14,380
Trade and other receivables	10	**35,606**	34,268	37,710
Inventories	11	**2,019**	2,038	2,594
Current tax assets		**2,364**	-	-
Other current assets	12	**1,527**	1,665	1,318
Assets classified as held for sale	13	**-**	1,801	6,961
Total current assets		**72,959**	68,069	62,963
Non-current assets				
Receivables	14	**1,508**	750	-
Derivative financial instruments	28	**-**	226	-
Property, plant and equipment	15	**93,762**	91,084	92,215
Intangible assets	17	**347,806**	335,953	340,421
Total non-current assets		**443,076**	428,013	432,636
Total assets		**516,035**	496,082	495,599
LIABILITIES				
Current liabilities				
Trade and other payables	18	**45,050**	38,761	30,718
Borrowings	19	**-**	11,932	176,208
Current tax liabilities		**-**	6,108	7,436
Provisions	20	**13,171**	10,257	10,197
Advance deposits	21	**20,959**	18,169	16,106
Total current liabilities		**79,180**	85,227	240,665
Non-current liabilities				
Borrowings	19	**110,161**	286,544	31,298
Derivative financial instruments	28	**37**	-	-
Deferred tax liabilities	23	**68,299**	74,232	79,116
Provisions	24	**1,318**	2,996	700
Total non-current liabilities		**179,815**	363,772	111,114
Total liabilities		**258,995**	448,999	351,779
Net assets		**257,040**	47,083	143,820
EQUITY				
Contributed equity	25	**241,357**	18,000	76,000
Other reserves	26(a)	**229,103**	229,880	229,422
Accumulated losses	26(c)	**(213,420)**	(200,797)	(161,602)
Total equity		**257,040**	47,083	143,820

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

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
		Attributable to owners of Mantra Group Limited			
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	25(c)	(58,000)	-	-	(58,000)
Dividends paid	27	-	-	(48,371)	(48,371)
Options bought back	26(a)	-	(20)	-	(20)
		(58,000)	(20)	(48,371)	(106,391)
Balance at 30 June 2013		**18,000**	**229,880**	**(200,797)**	**47,083**
Balance at 1 July 2013		18,000	229,880	(200,797)	47,083
Profit/(loss) for the year		-	-	(323)	(323)
Other comprehensive income		-	654	-	654
Total comprehensive income for the year		**-**	**654**	**(323)**	**331**
Transactions with owners in their capacity as owners:					
Transfer from equity	26(a)	-	(1,431)	-	(1,431)
Share based payment	26(a)	-	903	-	903
Dividends paid	27	-	-	(12,300)	(12,300)
Issue of shares on initial public offer	25(b)	239,123	-	-	239,123
Buy back of management options held under Management Equity Plan	25(b), 26(a)	(6,636)	(903)	-	(7,539)
Transaction costs arising on issue of shares (net of tax)	25(b)	(9,130)	-	-	(9,130)
		223,357	(1,431)	(12,300)	209,626
Balance at 30 June 2014		**241,357**	**229,103**	**(213,420)**	**257,040**

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

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**495,807**	472,958
Payments to suppliers and employees (inclusive of goods and services tax)		**(426,730)**	(402,155)
		69,077	70,803
Interest paid		**(34,556)**	(22,476)
Income taxes paid		**(10,653)**	(12,300)
Interest received		**1,246**	608
Net cash inflow from operating activities	37	**25,114**	36,635
Cash flows from investing activities			
Payments for property, plant and equipment		**(10,838)**	(6,095)
Payments for intangible assets		**(20,626)**	(3,834)
Proceeds from divestment of properties		**1,801**	6,253
Proceeds from sale of intangible assets		**498**	1,468
Net cash (outflow) from investing activities		**(29,165)**	(2,208)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	25(b)	**239,123**	-
Proceeds from borrowings		**110,161**	155,277
Proceeds from borrowings from related parties		**-**	106,371
Payments for shares bought back	25(c)	**-**	(58,000)
Payments for options bought back		**(8,440)**	(20)
Repayment of borrowings		**(310,986)**	(176,208)
Payment of IPO transaction costs		**(10,361)**	-
Dividends paid to Company's shareholders	27	**(12,300)**	(48,371)
Net cash inflow (outflow) from financing activities		**7,197**	(20,951)
Net increase in cash and cash equivalents		**3,146**	13,476
Cash and cash equivalents at the beginning of the financial year		**28,297**	14,821
Cash and cash equivalents at end of year	9	**31,443**	28,297

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 Limited (formerly Mantra Group Holdings I Pty Ltd) and its subsidiaries ('the Group').

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Mantra Group Limited is a for-profit entity for the purpose of preparing the financial report.

(i) Compliance with Australian Accounting Standards

Prior to listing, the Group prepared special purpose consolidated financial reports which complied with the measurement principles of Australian Accounting Standards only. As a result, this is the first Mantra Group Limited consolidated financial report to be prepared in accordance with both the measurement and presentation and disclosure requirements of Australian Accounting Standards. AASB 1 *First Time Adoption of Australian Accounting Standards* (AASB 1) has therefore been adopted in preparing this financial report.

As a result of the application of AASB 1, there have been no changes to the measurement of balances previously disclosed. The impact of the adoption of this standard has been on disclosure only. Specifically the 1 July 2012 opening balance sheet has been presented. Also prior period disclosures have been updated to reflect relevant changes where material.

(ii) Compliance with IFRS

The consolidated financial report of Mantra Group Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011);
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

The adoption of AASB 10, AASB 11, AASB 12, AASB 128, AASB 127, AASB 2011-7, AASB 2012-2 and 2012-5 has not resulted in any change to the Group's accounting policies or any of the amounts recognised in the financial statements. The adoption of AASB 13 *Fair Value Measurement* and AASB 119 *Employee Benefits* has changed the Group's accounting policies in these areas. The impact of these standards is explained and summarised below. The other standards only affected the disclosures in the notes to the financial statements.

Change in accounting policy: 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 based on a short-term and a long-term portion. 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.

Change in accounting policy: fair value measurement

AASB 13 *Fair Value Measurement* 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.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of financial liabilities has changed on transition to AASB 13, largely due to incorporating credit risk into the valuation.

As required under AASB 13, the change to the fair value of the financial liabilities is applied prospectively, in the same way as a change in an accounting estimate. However, the impact of this change was immaterial since the fair value of the derivative financial instrument is immaterial.

(iv) Early adoption of standards

The Group elected to adopt AASB 2013-3 Amendments to AASB 136 - *Recoverable Amount Disclosures for Non-Financial Assets* early, which had a small impact on the impairment disclosures.

(v) Standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The most significant of the new accounting standards issued recently is IFRS 15 *Revenue from contracts with customers.* The Group is currently assessing the impact of this standard on revenue. The Group has assessed the impact of other new standards and has concluded that none of the relevant new accounting standards and interpretations will have a significant impact on the Group.

(vi) Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss, and assets held for sale measured at fair value less cost of disposal.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vii) 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 judement or complexity, or areas where assumptions and estimates are significant to the financial report are disclosed in note 3. 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 3.

(viii) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(ix) Deficiency of current assets

As at 30 June 2014, the Group balance sheet had a deficiency of current assets of $6.2m (2013: $17.2m). The Group holds $21.0m (2013: $18.2m) of customer deposits as a liability which is recognised as income over the period of guest stay. This amount is unlikely to have to be repaid as bookings generally convert to guest stays. If required, the Group has undrawn bank facilities of $32.7m to meet any short term creditors.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Mantra Group Limited has appointed a Management Team which assesses the financial performance and position of the Group and makes strategic decisions. The head of the Management Team, the Chief Executive Officer, who is also a member of the Board, has been identified as the chief operating decision maker.

(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 Limited's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(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 the consolidated statement of comprehensive income, 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 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 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.

(e) Revenue recognition

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 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.

(i) Room revenue

The Group has five operating structures from which accommodation revenue is earned. Payments received prior to the commencement of the guest’s stay are recognised as advance deposits. The agreement types and the revenue recognition policy for each of these agreements are as follows:

• Management Letting Rights (MLRs) are in respect of properties where the Group purchases the right to operate the letting business of the property under which the Group lets the individual room/apartments to its guests under its own brands. Revenue relating to MLRs is recognised on a net basis reflecting only revenue under the Group’s control. Revenue is recognised over the period of guest stay.

• Lease Rights (LRs) are in respect of properties where the Group leases the property on a long term basis and runs the business independently. Revenue relating to LRs 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. Revenue is recognised over the period of guest stay.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

• Management Agreements (MAs) provide the Group with revenue from managing properties on behalf of the owner or for a third party management rights owner (for the benefit of the multiple owners in an MLR business) in exchange for management fees and are prevalent with the Peppers brand of properties. Management fees include a base fee, which is a percentage of hotel revenue, and/or an incentive fee, which is based on the hotel's profitability which is recognised when earned on an accrual basis under the terms of the contract.

• Marketing Services Agreements (MSAs) are where the property owner operates their property directly under one of Mantra Group's brands, similar to a franchise arrangement. The Group charges franchise royalty fees as a percentage of room revenue. The revenue is recognised when earned on an accrual basis under the terms of the agreement.

• Hotel Management Rights (HMRs) - the Group purchases the right to manage a property which operates under a hybrid operating agreement such as a long term lease with a caretaking agreement or a letting and management agreement with an operating license. The Group derives revenue depending on the agreement in place. In some cases it will be derived through a management fee in other cases it could be derived in a similar way to a Lease Right. The revenue is recognised when earned on an accrual basis under the terms of the agreement.

(ii) Other revenue

Non-refundable commission revenue is recognised at the point of a booking being non-cancellable. Any balance of commission is recognised at the point of guest check in.

Revenue from the sale of goods, such as food and beverages, and the provision of services, such as tours and car parking, 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.

(iii) 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) Operating expenses

Operating expenses includes the costs of providing services. The main items of expenditure include guaranteed rental income payments, contract cleaning and laundry, sales and marketing costs, travel agents commission and restaurant expenses.

(g) 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.

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.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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 Limited 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.

(h) Leases

Lease Rights and certain Hotel Management Rights are held as operating leases as a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee under these agreements (note 32). 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.

(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 of disposal (FVLCD) and value-in-use (VIU). 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 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 and 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 of $4.5m (2013: $4.6m) and property furniture, fittings and equipment funds of $2.4m (2013: $1.9m). These bank accounts are held off balance sheet as the risk and rewards do not lie with the Group.

1 Summary of significant accounting policies (continued)

(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 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 of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal 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 10) and receivables (note 14) in the balance sheet. At initial recognition the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit and loss.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

(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, the shorter lease term as follows:

- 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 the carrying amount. These are included in the consolidated statement of comprehensive income.

(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.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

1 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

(ii) Brand names and trademarks

The Group has capitalised one of its brand names, Peppers. The brand name was initially recognised at purchased cost and is 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 CGU to which the brand name relates and where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised.

There are no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the brand name and, accordingly, the useful life of the brand is considered to be indefinite and therefore not subject to amortisation.

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 over their estimated useful lives of 40 years.

(iii) Management Letting Rights, Lease Rights, Management Agreements and Hotel Management Rights

These agreements, which are explained in note 1(e), are recognised as intangible assets and recorded at cost less any accumulated amortisation and any accumulated impairment losses. The cost of the intangible is amortised on a straight line basis over the life of the building with which it is associated on the basis that the useful life of the intangible asset 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 these agreements have a finite useful life of 40 years. 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 finite useful lives 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 of 3 to 5 years.

(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. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(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 the consolidated statement of comprehensive income 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.

1 Summary of significant accounting policies (continued)

(s) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value is taken to the consolidated statement of comprehensive income as the Group has not designated the derivative contract as a hedging instrument.

The fair value of the derivative financial instrument is disclosed in note 28. The full fair value of the derivative is classified as a non-current asset or liability if it is expected to be settled within 12 months after the end of the reporting period.

(t) 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.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave, that are expected to be settled wholly 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 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 liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 of 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 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.

(iv) Share-based payments

Share-based compensation benefits are provided to certain employees via the Management Equity Plan. Information relating to this scheme is set out in note 39.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Share-based payments (continued)

The fair value of options granted under the Management Equity Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses based on the profit attributable to the Group's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in as a deduction, net of tax, from the proceeds.

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.

(w) 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.

(x) 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 year, adjusted for bonus elements in ordinary shares issued during the year 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.

1 Summary of significant accounting policies (continued)

(x) Earnings per share (continued)

(ii) Diluted earnings per share (continued)

(y) 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.

(z) 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.

(aa) Parent entity financial information

The financial information for the parent entity, Mantra Group Limited, disclosed in note 40 has been prepared on the same basis as the consolidated financial report, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial report of Mantra Group Limited.

(ii) Tax consolidation legislation

Mantra Group Limited 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 Limited 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 Limited for any current tax payable assumed and are compensated by Mantra Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mantra Group Limited 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.

1 Summary of significant accounting policies (continued)

(aa) Parent entity financial information (continued)

(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 Financial risk management

Risk management is carried out by the Chief Financial Officer under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and use of derivative financial instruments. This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

The table below highlights the key financial risks to which the Group is exposed and how these risks are measured and managed.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate risk	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swap
Credit risk	Cash and cash equivalents and trade receivables	Ageing analysis and credit ratings	Credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group is exposed to currency risk as a result of its overseas operations in New Zealand and Indonesia. However, at this time this risk is not material given the size of the overseas operations compared to Australian operations.

(a) Market risk

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the Group will suffer a financial risk or economic opportunity loss due to an unfavourable change in interest rates.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. All other financial assets and liabilities are either non-interest bearing or not subject to interest rate risk or exposures to such risks are not material.

During 2014 and 2013, the Group's borrowings at variable rates were all denominated in Australian Dollars. The Group manages its cash flow interest rate risk on borrowings by using a floating-to-fixed interest rate swap. Under this swap, the Group agrees with another party to exchange, monthly, the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

2 Financial risk management (continued)

(a) Market risk (continued)

As part of the new finance facilities entered into on 27 May 2014 (refer note 19) the Group terminated its interest rate swap in respect of the previous loan agreement and entered into a new interest rate swap. The swap currently in place covers 50% (2013: 75%) of the total secured variable loan facility and 67% (2013: 75%) of the total drawn external variable rate debt. The fixed interest rate is 2.65% (2013: 3.13%) and the variable rate as at 30 June 2014 was 4.16% (2013: 7.36%). The contract requires settlement of net interest receivable or payable each 30 days (2013: 30 days). The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contract is settled on a net basis.

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contract outstanding:

	June 30 2014		
	Weighted average interest rate	**Balance $'000**	**% of total loans**
Bank overdrafts and bank loans	4.16%	111,000	100%
Interest rate swap (notional principal amount)	2.65%	(75,000)	
Net exposure to cash flow interest rate risk		36,000	33%
	June 30 2013		
	Weighted average interest rate	**Balance $'000**	**% of total loans**
Bank overdrafts and bank loans	7.36%	165,000	54%
Interest rate swap (notional principal amount)	3.13%	(123,750)	
Net exposure to cash flow interest rate risk		41,250	13%

An analysis by maturities is provided in note 2(cii). The percentage of total loans shows the proportion of loan that is currently at variable rates in relation to the total amount of borrowings.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in the consolidated statement of comprehensive income in relation to interest rate swaps.

	2014 $'000	2013 $'000
Interest rate swap (loss)/gain recognised in profit or loss	**(333)**	226

2 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and higher/lower interest expenses on borrowings as a result of changes in interest rates. The following table shows the impact of a movement in interest rates on cash and cash equivalents and borrowings outstanding balances.

	Impact on post-tax profit	
	2014	2013
	$'000	$'000
Interest rates - increase by 50 basis points	**(23)**	(27)
Interest Rate - decrease by 100 basis points	**46**	55

(b) Credit risk

Credit risk is managed on a Group basis. Risk arises from cash and cash equivalents and favourable derivative financial instruments, as well as credit exposures to customers, including outstanding receivables.

Credit risk also arises in relation to financial guarantees given to certain parties (see note 36 and 40 for details). Such guarantees are provided in the normal course of business and are subject to specific Board approval.

For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted.

In order to assess the credit rating of wholesale customers, the sales team takes into account external credit rating reports and other references. Using this information, credit limits are set. The compliance with credit limits by wholesale customers is monitored by the sales team. Sales to the public are settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual customers.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates. Financial assets that are neither past due nor impaired are principally due from either Trust accounts or large corporations with limited history of default.

As at 30 June 2014, trade receivables of $2,947,000 (2013: $3,257,000) were past due but not impaired. The ageing analysis of these trade receivables is shown in the table below.

	2014	2013
	$'000	$'000
Greater than 30 days	**2,563**	2,525
Greater than 60 days	**384**	569
Greater than 90 days	**-**	163
Total	**2,947**	3,257

Other receivables do not contain impaired assets and are not past due. Based on the credit history of these, it is expected that these amounts will be received when due.

2 Financial risk management (continued)

Impaired Trade Receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- 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).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in the statement of consolidated comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 1(k) for information about how impairment losses are calculated.

The Group has recognised losses of $170,631 in the income statement (2013: loss of $278,913) in respect of bad and doubtful trade receivables during the year ended 30 June 2014. As at 30 June 2014 the amount of the provision in respect of current trade receivables was $408,571 (2013: $579,924).

At 30 June 2014 and 30 June 2013 there were no material receivables past due and deemed to be irrecoverable which have not been impaired or material individual balances which have been specifically impaired.

Movements in the provision for impairment of receivables are as follows:

	2014 $'000	2013 $'000
At 1 July	**580**	387
Provision for impairment recognised during the year	**-**	193
Receivables written off during the year as uncollectable	**(171)**	-
At 30 June	**409**	580

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

Prudent liquidity risk management requires maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held cash and cash equivalents of $31,443,000 (2013: $28,297,000) which are available for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining committed credit lines available and ensuring compliance with borrowing facility covenants and undertakings. At 30 June 2014 the Group had undrawn available facilities of $32,723,068 (2013: nil).

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 9) on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

2 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Financing arrangements (continued)

Floating rate	2014 $'000	2013 $'000
- Expiring beyond one year (bank loans)	**32,723**	-

The loan facilities may be drawn at any time and have maturity of 3 years (2013: 4 years).

(ii) Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting date to the contracted maturity date.

The amounts disclosed are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities At 30 June 2014	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contrac-tual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Trade payables	**18,436**	**-**	**-**	**-**	**-**	**18,436**	**18,436**
Borrowings	**2,340**	**2,340**	**4,680**	**115,680**	**-**	**125,040**	**110,161**
Total non-derivatives	**20,776**	**2,340**	**4,680**	**115,680**	**-**	**143,476**	**128,597**
At 30 June 2013							
Non-derivatives							
Trade payables	13,352	-	-	-	-	13,352	13,352
Borrowings	13,202	13,428	26,493	153,265	610,726	817,114	298,476
Total non-derivatives	26,554	13,428	26,493	153,265	610,726	830,466	311,828

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

2 Financial risk management (continued)

(d) Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	(37)	-	(37)
Total financial liabilities	-	(37)	-	(37)

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	226	-	226
Total financial assets	-	226	-	226

The fair value of financial instruments that are not traded in an active market (for example, interest rate swaps) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.

Fair value of items measured at amortised cost

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of the Group's current borrowings approximates the carrying amount, as the impact of discounting is not significant.

As at 30 June 2014, the fair value of the non-current borrowings was not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates. The table below provides details of the fair value of non-current borrowings where there is a material difference to the carrying amount. The fair values disclosed are based on discounted cash flows using the rates disclosed in the table below. They are classified as level 3 fair values in the fair value hierarchy due to the unobservable inputs.

	2014			2013		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	Carrying amount $'000	Fair value $'000	Discount rate %
Bank loans	-	-	-	143,345	172,070	6.50
Related party loans	-	-	-	143,199	338,884	6.50

3 Critical accounting estimates and judgements

(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(i). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations (VIU). These calculations require the use of assumptions for each CGU regarding forecast results, growth rates and discount rates applicable to each CGU. Refer to note 17 for key assumptions.

(ii) Estimated impairment of other intangible assets

The Group tests whether Management Letting Rights (MLR), Lease Rights (LR) and relevant Hotel Management Rights (HMR) have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of CGUs have been determined based on the higher of VIU and fair value less costs of disposal (FVLCD) calculations. These calculations require the use of estimates and judgements regarding forecast results, growth rates, discount rates and multiples applicable to each CGU. Assumptions used in impairment testing are detailed in note 17.

The Group tests annually whether the Peppers brand name has suffered any impairment in accordance with the accounting policy stated in note 1(i). The recoverable amount of the CGU has been determined based on a VIU calculation. This calculation requires the use of assumptions regarding forecast results, growth rates and discount rates applicable to Peppers properties under Management Agreement and Marketing Services Agreements. Refer to note 17 for key assumptions.

4 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.

The four reportable segments of the business are as follows:

- CBD - operates properties in major cities throughout Australia, principally under LR agreements;
- Resorts - operate retreats and resorts in key leisure destinations, principally under MLR agreements;
- Central Revenue and Distribution - contains the Group's in-house customer management and booking services, through which it earns fees from bookings made through its central reservation system. Revenue also received under Management Agreements is included in this segment; and
- Corporate - Revenue includes revenue received under Marketing Services Agreements. Costs include sales and marketing and head office costs.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2014 is as follows:

4 Segment information (continued)

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

2014	**CBD** $'000	**Resorts** $'000	**Central Revenue and Distribution** $'000	**Corporate** $'000	**Total** $'000
Total segment revenue	236,186	177,305	36,925	17,026	467,442
Inter-segment revenue	-	-	-	(12,754)	(12,754)
Revenue from external customers	**236,186**	**177,305**	**36,925**	**4,272**	**454,688**
EBITDAI*	**42,860**	**22,649**	**25,299**	**(29,505)**	**61,303**

*EBITDAI excludes net reversal of impairment of $1.1m.

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2013 is as follows:

2013	**CBD** $'000	**Resorts** $'000	**Central Revenue and Distribution** $'000	**Corporate** $'000	**Total** $'000
Total segment revenue	226,566	169,944	30,721	15,304	442,535
Inter-segment revenue	-	-	-	(12,560)	(12,560)
Revenue from external customers	**226,566**	**169,944**	**30,721**	**2,744**	**429,975**
EBITDAI*	**44,030**	**20,902**	**23,213**	**(27,469)**	**60,676**

*EBITDAI excludes net reversal of impairment of $2.5m.

(c) Other segment information

(i) Earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI)

The Board assesses the performance of the operating segments using EBITDAI.

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

	2014 **$'000**	2013 $'000
EBITDAI	**61,303**	60,676
Finance costs	**(45,335)**	(28,212)
Depreciation	**(8,216)**	(7,972)
Amortisation	**(9,266)**	(9,483)
Reversal of impairment	**1,070**	2,534
(Loss)/profit before income tax from continuing operations	**(444)**	17,543

4 Segment information (continued)

(c) Other segment information (continued)

(ii) Impairment

The following impairment and reversals of impairment were recognised in each segment during the year (refer to note 17 for further information):

Impairment/(Reversal of impairment)	**2014 $'000**	**2013 $'000**
CBD impairment	1,693	0
CBD Reversal of impairment	0	0
Resorts impairment	7,785	4,109
Resorts reversal of impairment	(10,548)	(6,643)
Total	**(1,070)**	**(2,534)**

(iii) Segment assets

The reports provided to the Board with respect to total assets are measured in a manner consistent with that of the financial report. These reports do not allocate assets based on the operations of each segment or by geographical location. Assets held overseas are not material.

5 Revenue

	2014 $'000	2013 $'000
From continuing operations		
Room revenue	**282,214**	271,360
Food and beverage revenue	**60,048**	57,113
Commission revenue	**24,186**	21,579
Management fee revenue	**3,122**	2,908
Provision of services	**85,118**	77,015
Total	**454,688**	429,975

6 Other income

	2014 $'000	2013 $'000
Other income	**-**	1,353

7 Expenses

	2014 $'000	2013 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**10,579**	10,041

7 Expenses (continued)

Depreciation		
Buildings	**1,962**	1,958
Plant and equipment	**4,969**	5,216
Leasehold improvements	**1,285**	798
Total depreciation	**8,216**	7,972
Amortisation		
Management Letting Rights	**3,512**	3,408
Lease Rights	**3,835**	3,848
Hotel Mangement Rights	**40**	-
Trademarks and patents	**8**	17
Intellectual property and other intangibles	**1,871**	2,210
Total amortisation	**9,266**	9,483
Total depreciation and amortisation	**17,482**	17,455
Finance costs		
Interest and finance charges paid/payable	**34,280**	22,895
Facility fee (note 20)	**1,500**	5,500
Interest income	**(1,246)**	(608)
Capitalised borrowing costs expensed	**9,723**	425
Interest rate swap including break fees	**1,078**	-
Finance costs - net	**45,335**	28,212
Rental expense relating to operating leases		
Operating leases	**74,973**	71,658
(Impairment)/reversal of impairment		
Reversal of impairment of intangible assets	**10,548**	6,643
Impairment of intangible assets	**(9,478)**	(4,109)
Total	**1,070**	2,534
IPO and ASX listing costs	**764**	-
Share based payment	**903**	-

8 Income tax expense

(a) Income tax expense

	2014 $'000	2013 $'000
Current tax	**2,441**	6,725
Deferred tax	**(2,301)**	(4,884)
Adjustments for current tax of prior periods	**(261)**	6,526
	(121)	8,367

	2014 $'000	2013 $'000
Deferred income tax included in income tax expense comprises:		
Increase in deferred tax assets (note 16)	**(912)**	(706)
Decrease in deferred tax liabilities (note 23)	**(1,389)**	(4,178)
	(2,301)	(4,884)

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

	2014 $'000	2013 $'000
Profit from continuing operations before income tax expense	**(444)**	17,543
Tax at the Australian tax rate of 30% (2013 - 30%)	**(133)**	5,263
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible entertainment	**67**	75
Fines and penalties	**2**	3
Adjustments for immediately deductible IPO costs	**(197)**	-
Accounting depreciation	**227**	81
Non-deductible MEP compensation expense	**159**	-
	125	5,422
Adjustments for deferred tax of prior periods	**-**	(266)
Adjustments for current tax of prior periods	**(261)**	6,526
Derecognition of rights to future income and adjustment to MLR tax base	**19**	(3,226)
Capital losses recouped	**(4)**	(89)
Income tax (benefit)/expense	**(121)**	8,367

(c) Amounts recognised directly in equity

	2014 $'000	2013 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax asset recognised in relation to IPO transaction costs	**(3,632)**	-

9 Current assets - Cash and cash equivalents

	2014 $'000	2013 $'000	2012 $'000
Cash at bank and in hand	**30,913**	22,527	14,380
Deposits at call	**530**	5,770	-
	31,443	28,297	14,380

(a) Risk exposure

The Group's exposure to interest rate risk is detailed in note 2(a). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash at bank and in hand earns interest at floating rates of between 1.88% and 3.49% (2013: 1.97% and 3.80%).

Deposits at call earn interest at a floating rate of between 2.50% and 2.80% (2013: 2.75% and 3.05%) and have a maturity of seven days (2013: seven days).

10 Current assets - Trade and other receivables

	2014 $'000	2013 $'000	2012 $'000
Trade receivables	**31,716**	30,571	32,962
Provision for impairment of receivables 2(b)	**(409)**	(580)	(387)
	31,307	29,991	32,575
Other receivables	**446**	633	664
Prepayments	**3,853**	3,644	4,471
	35,606	34,268	37,710

(a) Trade and other receivables

Trade and other receivables are non-interest bearing and are generally on 30 day terms. Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in note 2.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security.

11 Current assets - Inventories

	2014 $'000	2013 $'000	2012 $'000
Finished goods	**2,019**	2,038	2,594

Inventories recognised as an expense during the year ended 30 June 2014 amounted to $21,668,934 (2013: $21,024,613). These were included in operating expenses.

12 Current assets - Other current assets

	2014 $'000	2013 $'000	2012 $'000
Other current assets	**1,527**	1,665	1,318

13 Assets classified as held for sale

(a) Assets classified as held for sale

Assets held for sale	**2014 $'000**	2013 $'000
Property, plant and equipment and intangibles	**-**	1,801

(b) Assets classified as held for sale movement

	2014 $'000	2013 $'000
Opening balance 1 July	**1,801**	6,961
Additions	**-**	1,801
Disposals	**(1,801)**	(6,961)
Closing balance 30 June	**-**	1,801

In June 2013, the Directors decided to sell a property which no longer complemented the portfolio of Group assets. At 30 June 2013 there was a binding contract for sale which was expected to be completed early in the 2014 financial year.

During the year ended 30 June 2014, the Group disposed of the property which was held for sale as at 30 June 2013. No further properties were reclassified to held for sale during the year ended 30 June 2014.

14 Non-current assets - Receivables

	2014 $'000	2013 $'000
Other receivables	**1,508**	750

Other receivables relate to third party loans in respect of two properties. The fair values of these non-current receivables are not significantly different to their carrying amounts.

(a) Interest rate and credit risk

Information about the Group's exposure to interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the class of other receivables mentioned above.

15 Non-current assets - Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 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
Year ended 30 June 2014				
Opening net book amount	65,316	20,594	5,174	91,084
Exchange differences	104	37	13	154
Additions	2,536	5,345	2,957	10,838
Disposals	(5)	(93)	-	(98)
Depreciation charge	(1,962)	(4,969)	(1,285)	(8,216)
Closing net book amount	65,989	20,914	6,859	93,762
At 30 June 2014				
Cost	99,728	55,749	9,315	164,792
Accumulated depreciation	(33,739)	(34,835)	(2,456)	(71,030)
Net book amount	65,989	20,914	6,859	93,762

(a) Non-current assets pledged as security

Refer to note 34 for information on non-current assets pledged as security by the Group.

(b) Contractual obligations

Refer to note 32 for disclosure of contractual obligations to purchase property.

16 Non-current assets - Deferred tax assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**4,809**	3,080
Other		
Restructuring and transaction costs	**466**	684
Share issue expenses	**2,906**	-
Doubtful debts	**123**	174
Other	**239**	180
Straight line lease	**1,510**	1,391
Sub-total other	**5,244**	2,429
Total deferred tax assets	**10,053**	5,509
Set-off of deferred tax assets pursuant to set-off provisions	**(10,053)**	(5,509)
Total deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**3,480**	3,434
Deferred tax assets expected to be recovered after more than 12 months	**6,573**	2,075
	10,053	5,509
Movements:		
Opening balance at 1 July 2013	**5,509**	4,803
Charged/credited:		
- to profit or loss	**912**	706
- to equity	**3,632**	-
Closing balance at 30 June 2014	**10,053**	5,509

The Group has not recognised deferred tax assets relating to carried forward capital losses of $1.2 million (2013: $1.2 million) to the extent there may not be sufficient taxable temporary differences (deferred tax liabilities) against which the unused capital losses can be utilised.

17 Non-current assets - Intangible assets

	Goodwill $'000	Intellectual property & other intangibles $'000	Brand names & trademarks $'000	Management letting rights $'000	Lease rights $'000	Hotel management rights $'000	Total $'000
At 1 July 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
Assets classified as held for sale and other disposals	-	(25)	-	(1,562)	-	-	(1,587)
Exchange differences	-	-	-	117	-	-	117
Amortisation charge	-	(2,210)	(17)	(3,408)	(3,848)	-	(9,483)
Impairment (charge)/ reversal	-	-	-	2,572	(38)	-	2,534
Closing net book amount	83,955	2,716	10,840	109,145	129,297	-	335,953
At 30 June 2013							
Cost	203,625	15,562	11,877	217,736	155,352	-	604,152
Accumulation amortisation and impairment	(119,670)	(12,846)	(1,037)	(108,591)	(26,055)	-	(268,199)
Net book amount	83,955	2,716	10,840	109,145	129,297	-	335,953
Year ended 30 June 2014							
Opening net book amount	83,955	2,716	10,840	109,145	129,297	-	335,953
Additions	-	1,433	65	12,259	-	6,868	20,625
Disposals	-	(17)	(506)	(2)	-	-	(525)
Exchange differences	-	-	-	168	-	(219)	(51)
Amortisation charge	-	(1,871)	(8)	(3,512)	(3,835)	(40)	(9,266)
Impairment (charge)/ reversal	-	-	-	2,363	(1,293)	-	1,070
Closing net book amount	83,955	2,261	10,391	120,421	124,169	6,609	347,806
At 30 June 2014							
Cost	203,625	16,339	11,434	229,148	156,592	6,649	623,787
Accumulated amortisation and impairment	(119,670)	(14,078)	(1,043)	(108,727)	(32,423)	(40)	(275,981)
Net book amount	83,955	2,261	10,391	120,421	124,169	6,609	347,806

(a) Impairment tests for goodwill

The accounting policy for impairment of assets is set out in note 1(i).

Goodwill is monitored by management at the level of the three operating segments (see note 4 for detail) which represents the aggregation of the cash-generating units (CGUs) to which it relates.

17 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

A segment-level summary of the goodwill allocation is presented below:

	2014 Total $'000
Resorts	-
CBD	59,955
Central Revenue and Distribution	24,000
	83,955

During the year, management changed its goodwill allocation, following a change in the operating segments. In 2013, the operating segments were Operations (Resorts and CBD combined) and Central Revenue and Distribution. Goodwill allocated to these segments was $59,955,000 and $24,000,000 respectively. Goodwill was reallocated as shown above, on the basis of the value of the business and segments at the time of the reallocation.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on the higher of value-in-use (VIU) and fair value less costs of disposal (FVLCD) calculations which require the use of assumptions. For the year ended 30 June 2014 the VIU basis was used (2013: VIU). The calculations use cash flow projections based on financial budgets approved by the Board covering a one year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the long term growth rates for the business in which each group of CGUs operates.

Key assumptions used for value-in-use calculations

(i) Cash flow forecasts

Cash flow forecasts are based on the 2015 financial year budget approved by the Board and are extrapolated using a forecast growth rate of 5% until 2019 (2013: 3% until 2018). The forecast growth rate is based on past experience and forward looking data obtained from various sources, including external industry data.

(ii) Terminal value

Terminal value is calculated using a perpetuity growth rate based on the cash flow forecast for 2019. The forecast growth rate used is 3% (2013: 3%) which is the average long term industry growth rate.

(iii) Discount rates

Discount rates used are pre-tax rates which reflect the specific risks relating to the CGUs. The pre-tax discount rate used was 11.7% (2013: 12.4%)

Impairment charge

Based on the assumptions described above, no goodwill impairment is required (2013: nil).

Impact of possible changes in key assumptions

Management does not consider that a reasonably possible change in any of the key assumptions (growth rates and discount rates), after allowing for any consequential impacts on other key assumptions of any such change, would cause the carrying value of any of the segments to exceed their recoverable amounts.

17 Non-current assets - Intangible assets (continued)

(b) Impairment test for brands

The carrying value of the Peppers brand as at 30 June 2014 is $9,100,000 (2013: $9,100,000). The impairment testing is completed using the cash flows generated by the Peppers properties operated under Management Agreements and Marketing Services Agreements.

The Group tests whether the brand has suffered any impairment on an annual basis. The recoverable amount of the CGU is determined based on VIU calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board covering a one year period. Cash flows beyond this period are extrapolated using estimated growth rates. The growth rate does not exceed the long term growth rate for the key location in which each property using the brand operates.

The key assumptions for the brand calculations are the same as those detailed above for goodwill.

Impairment charge

Based on the assumptions described above, no brand impairment is required (2013: nil).

Impact of possible changes in key assumptions

Management does not consider that a reasonably possible change in any of the key assumptions (growth rates and discount rates), after allowing for any consequential impacts or other key assumptions of any such change, would cause the carrying value of the brand to exceed its recoverable amount.

(c) Impairment test for Management Letting Rights, Lease Rights and Hotel Management Rights

Management Letting Rights, Lease Rights and relevant Hotel Management Rights are tested for impairment at the individual property level which is the smallest identifiable group of assets which generates cash flows which are largely independent.

Where the recoverable amount is determined based on the VIU, the following key assumptions are used:

- Cash flow forecasts are based on the 2015 financial year budget approved by the Board and extrapolated using a forecast growth rate of 5% until 2019 (2013: 3% until 2018).
- The growth rate from 2020 until the end of the 40 year estimated useful life is 3% (2013: 3%). This rate is based on the average long term industry growth rate.
- Discount rates used are pre-tax rates which reflect the specific risks relating to the CGUs. The pre-tax discount rate was 11.7% (2013: 12.4%).

Where the recoverable amount is determined based on the FVLCD, the following key assumptions are used:

- Cash flow forecasts are based on the 2015 financial year budget approved by the Board.
- Cash flow forecasts are adjusted for an industry standard adjustment and multiplied by a multiple based on recent market transactions and industry views. This industry standard adjustment adjusts the forecast EBITDAI to reflect the property EBITDAI on a standalone basis.

During the year, impairment of $9.4 million (2013: $4.1 million) and reversals of impairment of $10.5 million (2013: $6.6 million) were recognised in relation to Management Letting Rights, Lease Rights and Hotel Management Rights. The impairment arose in respect of twelve properties (2013: eight) as a result of one of the following:

- a sustained decline in EBITDAI used to determine the recoverable amount;
- inconsistent performance of a property over a specific time period; or
- a specific change to the economic factors of the area surrounding the property (CGUs).

17 Non-current assets - Intangible assets (continued)

The impairment charge, basis of measurement of recoverable amount and recoverable amount of material CGUs were as follows:

2014	**Segment**	**Impairment charge for the year ($'000)**	**Basis of measurement of recoverable amount**	**Recoverable amount ($'000)**
MLR 216	Resorts	1,864	FVLCD	1,944
MLR 201	Resorts	2,920	FVLCD	2,921
MLR 228	Resorts	989	FVLCD	2,785
LR 311	Resorts	694	VIU	2,400
Other (8 CGUs)	CBD and resorts	3,011	FVLCD or VIU	18,200
Total		**9,478**		**28,250**
2013	**Segment**	**Impairment charge for the year ($'000)**	**Basis of measurement of recoverable amount**	**Recoverable amount ($'000)**
MLR 460	Resorts	1,042	FVLCD	866
MLR 217	Resorts	845	FVLCD	8,996
Other (6 CGUs)	Resorts	2,189	FVLCD	7,523
Total		**4,076**		**17,385**

The reversal of impairment arose in respect of five (2013: five) properties following a sustained increase in the EBITDAI used to determine the recoverable amount. The impairment charge, basis of measurement of recoverable amount and recoverable amount of material CGUs were as follows:

2014	**Segment**	**Reversal of impairment for the year ($'000)**	**Basis of measurement of recoverable amount**	**Recoverable amount $'000**
MLR 341	Resorts	7,899	VIU	13,068
MLR 101	Resorts	2,181	FVLCD	4,742
Other (3 CGUs)	Resorts	468	VIU or FVLCD	12,427
Total		**10,548**		**30,237**
2013	**Segment**	**Reversal of impairment for the year ('$000)**	**Basis of measurement of recoverable amount**	**Recoverable amount $'000**
MLR 112	Resorts	3,333	FVLCD	13,126
MLR 209	Resorts	1,517	FVLCD	6,667
Other (3 CGUs)	Resorts	1,760	FVLCD	11,022
Total		**6,610**		**30,815**

For those CGUs where the basis of measuring the recoverable amount was FVLCD, the method of valuation would be categorised as a level 3 valuation in accordance with AASB 13 *Fair Value Measurement*. In these valuations a multiple of between 4 and 4.75 (2013: 4 and 4.75) was used.

18 Current liabilities - Trade and other payables

	2014 $'000	2013 $'000	2012 $'000
Trade payables	**18,436**	13,352	11,827
GST payable	**2,298**	2,135	1,892
Other payables and accruals	**24,316**	23,274	16,999
	45,050	38,761	30,718

Trade payables are unsecured and are usually paid within 30 days of recognition.

Risk exposure

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short term nature. Information about the Group's exposure to interest rate and liquidity risk is included in note 2.

19 Borrowings

		2014			2013	
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Syndicated Facility 2013	**-**	**-**	**-**	11,932	143,345	155,277
Syndicated Facility 2014	**-**	**110,161**	**110,161**	-	-	-
Total secured borrowings	**-**	**110,161**	**110,161**	11,932	143,345	155,277
Unsecured						
Loans from related parties	**-**	**-**	**-**	-	143,199	143,199
Total unsecured borrowings	**-**	**-**	**-**	-	143,199	143,199
Total borrowings	**-**	**110,161**	**110,161**	11,932	286,544	298,476

2012 borrowings amounts comprised $176.2 million current secured borrowings and $31.3 million non-current unsecured borrowings. Borrowing amounts are disclosed net of capitalised borrowing costs of $0.8 million (2013: $9.7 million).

(a) Syndicated Facility 2013

On 29 April 2013, the Group entered into a Syndicated Facility (2013 Facility) with Commonwealth Bank of Australia, Westpac Banking Corporation and Macquarie Bank Limited ('the Lenders') for the provision of a secured four year facility.

The 2013 Facility had a facility limit of $165,000,000 and was used to repay the existing debt facility in place with UBS AG, Australia branch. The 2013 Facility had a four year term and had half yearly scheduled amortisation payments over the term of the loan until maturity date. Once the amortisation payments were made they could not be recalled upon for future drawdowns and the facility limit was cancelled by the same amounts. The amount of $11,932,000 classified as current in 2013 relates to the scheduled amortisation payment in the next 12 months.

19 Borrowings (continued)

(a) Syndicated Facility 2013 (continued)

The Syndicated 2013 Facility was repaid as part of the IPO process and a new Facility agreement was entered into.

(b) Syndicated Facility 2014

On 27 May 2014, the Group entered into a new Syndicated Facility Agreement (New Banking Facility) with Commonwealth Bank of Australia, Westpac Banking Corporation and National Australia Bank Limited for the provision of a secured three year revolving facility.

The facility limit under the New Banking Facility is $150,000,000 and is available for drawings in Australian dollars, New Zealand dollars and US dollars. As at 30 June 2014 the drawdown on the New Banking Facility was $111,000,000, and bank guarantees of $6,276,932.

The New Banking Facility may be used for the following purposes:

- to refinance the previous debt facilities;
- for working capital and other general corporate purposes of the Group;
- for capital expenditure and certain permitted acquisitions; and
- for the issuance of letters of credit, bank guarantees or performance bonds.

The New Banking Facility has a variable rate of interest, calculated as the benchmark reference rate, plus a margin, which varies between 1.45% and 1.9% depending on the Net Leverage Ratio of the Group. The margin at 30 June 2014 was 1.45%.

Interest is payable on the last day of each interest period by reference to 1, 2, 3, or 6 month funding periods, as selected by the Group. There are no amortisation payments on the New Banking Facility.

(c) Interest rate risk exposures

Information concerning exposure to interest rate risk in relation to interest bearing liabilities is set out in Note 2.

(d) Fair value and maturity analysis disclosure

Details of the fair value of borrowings for the Group and the maturity analysis is set out in in Note 2.

(e) Security disclosures

Details of security relating to each of the secured liabilities is set out in Note 34.

(f) Compliance with loans covenants

The Group has complied with the financial covenants of its borrowing facility during the 2014 and 2013 reporting periods. See note 25(f) for further details.

20 Current liabilities - Provisions

	2014 $'000	2013 $'000	2012 $'000
Employee benefits (c)	**13,171**	9,257	10,197
Other provisions (b)	**-**	1,000	-
	13,171	10,257	10,197

(a) Movements in provisions

Movements in other of provisions during the financial year are set out below:

2014	**Other $'000**	**Total $'000**
Opening balance at 1 July 2013	1,000	1,000
Utilisation of the provision	(1,000)	(1,000)
Closing balance at 30 June 2014	-	-

(b) Nature of other provisions

Other provisions relate to an amount provided in respect of an exit fee attached to the 2009 UBS bank loan which became payable on the IPO exit event on 25 June 2014.

(c) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave, long service leave and the estimated bonus payable. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $13,170,825 (2013 - $9,257,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2014 $'000	2013 $'000	2012 $'000
Leave obligations expected to be settled after 12 months	**2,021**	1,811	1,804

21 Current liabilities - Advance deposits

	2014 $'000	2013 $'000	2012 $'000
Advance deposits	**20,959**	18,169	16,106

Details on the advanced deposit accounting policy are contained in note 1(e).

22 Non-current liabilities - Borrowings

	2014 $'000	2013 $'000	2012 $'000
Secured			
Bank loans	**110,161**	143,345	-
Unsecured			
Loans from related parties	**-**	143,199	31,298
Total non-current borrowings	**110,161**	286,544	31,298

(a) Secured bank loans

Details of the terms of the bank loans are included in note 19.

The carrying amounts of assets pledged as security for current and non-current borrowings are disclosed in note 34.

(b) Loans from related parties

ZCN 2009 Notes

On 31 July 2009, as part of an equity and debt restructure process, the Group issued ZCN Notes at a purchase price of $25,000,000 in accordance with terms of the 2009 ZCN Poll and 2009 Subscription Deed. The ZCN Notes were issued to the holding company of one of the shareholders of the Group, namely Europe Voyager Holdings Sarl (EVH).

Interest on the ZCN Notes was accrued at 8% per annum (as per Note Subscription Deed) and the number of days per year was defined as 360 days. Interest was capitalised to the ZCN Note balance and payable upon repayment of the ZCN Notes. The ZCN 2009 Notes were repaid in full on 25 June 2014.

2013 Loan Notes

On 30 April 2013, as part of a refinancing restructure, the Group issued Loan Notes at a purchase price of $106,420,250 in accordance with the terms of the 2013 Loan Note Deed Poll and 2013 Note Subscription Deed. The Loan Notes were issued to EVH and UBS Australia Holdings Pty Ltd (UBSAHPL) at the following percentages: EVH 60% and UBSAHPL 40%.

Interest on the Loan Notes was accrued at 18% per annum (as per Note Subscription Deed) and the number of days per year was defined as 360 days. Interest was capitalised to the Loan Note balance and payable upon repayment of the Loan Notes. The 2013 Loan Notes were repaid in full on 25 June 2014.

2014 Loan Notes

As part of the IPO process, the Group issued 2014 ZCN Notes at a purchase price of $12,300,000. The 2014 ZCN Notes were issued to EVH and UBSAHPL at the following percentages: EVH 60% and UBSAHPL 40%.

Interest on the 2014 ZCN Notes was accrued at 18% per annum (as per Note Subscription Deed) and the number of days per year was defined as 360 days. Interest was capitalised to the Loan Notes balance and payable upon repayment of the Loan Notes. The 2014 ZCN Notes were repaid in full on 25 June 2014.

(c) Risk exposures

Information about the Group's exposure to risks arising from current and non-current borrowings is provided in note 2. The carrying amounts and fair value of borrowings at the end of the reporting period are included in note 2.

22 Non-current liabilities - Borrowings (continued)

(d) Set off of assets and liabilities

There are currently no contractual arrangements establishing a legal right to set off assets and liabilities with any financial institutions.

23 Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:	**2014 $'000**	2013 $'000
Property, plant and equipment	**8,110**	7,774
Intangible assets	**70,242**	71,949
	78,352	79,723
Other		
Available-for-sale financial assets	**-**	18
Total deferred tax liabilities	**78,352**	79,741
Set-off of deferred tax assets pursuant to set-off provisions (note 16)	**(10,053)**	(5,509)
Total deferred tax liabilities	**68,299**	74,232
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**78,352**	79,741
	78,352	79,741
Movements:		
Opening balance at 1 July 2013	**79,741**	83,919
Charged/credited:		
- profit or loss	**(1,389)**	(4,178)
Closing Balance at 30 June 2014	**78,352**	79,741

24 Non-current liabilities - Provisions

	2014 $'000	2013 $'000	2012 $'000
Employee benefits (note 20c)	**1,318**	996	700
Other provisions (note 20b)	**-**	2,000	-
	1,318	2,996	700

24 Non-current liabilities - Provisions (continued)

(a) Movements in provisions

Movements in other provisions during the financial year are set out below:

2014	**Other $'000**	**Total $'000**
Opening balance at 1 July 2013	2,000	2,000
Amounts used during the year	(2,000)	(2,000)
Carrying amount at 30 June 2014	-	-

Other provisions relate to an amount provided in respect of an exit fee attached to the 2009 UBS bank loan which became payable on the IPO exit event on 25 June 2014.

25 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	**2014 $'000**	2013 $'000
Ordinary shares - fully paid	**249,471,229**	18,000,000	**241,357**	18,000

(b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**$'000**
1 July 2012	Opening balance	18,000,000	18,000
30 June 2013	Closing balance	18,000,000	18,000
1 July 2013	Opening balance	18,000,000	18,000
24 June 2014	Buy back of MEP options	-	(6,636)
20 June 2014	Issue of shares on Initial Public Offer	132,845,911	239,123
25 June 2014	Issue of shares on conversion of Management Equity Plan	8,625,318	-
20 June 2014	Balance of shares provided to original shareholders on share split*	90,000,000	-
25 June 2014	Transaction costs arising on issue of shares (net of tax)	-	(9,130)
		249,471,229	241,357

*Prior to the lodgement of the prospectus, UBSAHPL and EV Hospitality NV (EV) approved a share split in which the Company's 18,000,000 shares on issue as at 1 July 2013 were to be converted to 108,000,000 shares following listing but prior to completion. This share split increased the number of shares held by each shareholder at the time the share split took effect without changing the proportion of total shares that they held in the Company.

The 108,000,000 shares held by UBSAHPL and EV as well as the 8,625,318 ordinary shares issued to management on exercise of the Management Equity Plan are subject to voluntary escrow arrangements and are classified as Escrowed Shares.

25 Contributed equity (continued)

(b) Movements in ordinary share capital (continued)

The Escrow arrangements prevent the shareholders from disposing of the Escrowed Shares until after the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX.

(c) Movements in preference shares

Date	Details	Number of shares	$'000
1 July 2012	Opening balance	58,000,000	58,000
1 May 2013	Shares bought back and cancelled	(58,000,000)	(58,000)
30 June 2013	Closing balance	-	-

(d) 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.

(e) Cumulative redeemable preference shares

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

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate level of debt to fund operations and growth.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the consolidated statement of financial position). Net debt is calculated as total borrowings as shown in the consolidated statement of financial position less cash and cash equivalents. The gearing ratio at 30 June 2014 was as follows:

	2014 $'000
Net debt	78,718
Total equity	257,040
Net debt to equity ratio	30.6%

The gearing ratio at 30 June 2013 has not been presented as it is not comparable to the 30 June 2014 position given the significant changes in the Group's capital structure as a result of the IPO.

25 Contributed equity (continued)

(f) Capital risk management (continued)

Loan covenants

Under the terms of the Syndicated Facility 2014, the Group is required to comply with the following financial covenants:
• Net Leverage Ratio not greater than 3.0x;
• Interest Cover Ratio of at least 3.0x; and
• Fixed Charge Cover Ratio of at least 1.3x.

The covenants are tested semi-annually with the first testing date falling on 31 December 2014. The Group had similar covenants under its previous borrowing facilities. All previous covenants were complied with during the 2014 and 2013 reporting periods.

26 Other reserves and accumulated losses

(a) Other reserves

	2014 $'000	2013 $'000
Predecessor accounting reserve	**227,919**	227,919
Share based payment reserve	**-**	1,431
Foreign currency translation reserve	**1,184**	530
	229,103	229,880

	2014 $'000	2013 $'000
Movements:		
Predecessor accounting reserve		
Opening balance	**227,919**	227,919
Balance 30 June	**227,919**	227,919
Share based payment reserve		
Opening balance	**1,431**	1,451
Transfer from equity	**(1,431)**	-
Share based payment expense	**903**	-
Share options exercised	**(903)**	-
Options bought back	**-**	(20)
Balance 30 June	**-**	1,431
Foreign currency translation reserve		
Opening balance	**530**	52
Currency translation differences arising during the year	**654**	478
Balance 30 June	**1,184**	530

26 Other reserves and accumulated losses (continued)

(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 were recorded on the acquisition.

(ii) Share based payment reserve

During the year ended 30 June 2010, a Management Equity Plan was established whereby certain members of Senior Management and certain Directors were offered an opportunity to purchase options in Mantra Group Limited.

Refer note 39 for further information.

iii Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities 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:

	2014 $'000	2013 $'000
Balance 1 July	**(200,797)**	(161,602)
Net (loss)/profit for the year	**(323)**	9,176
Dividends	**(12,300)**	(48,371)
Balance 30 June	**(213,420)**	(200,797)

27 Dividends

(a) Ordinary shares

	2014 $'000	2013 $'000
Fully franked pre-IPO ordinary dividend of 68 cents (2013: $1.61) per fully paid share	**12,300**	28,914
(b) Redeemable preference shares		
Dividend for the year ended 30 June 2014 of nil cents (2013 - 33.5 cents) per share	**-**	19,457
Total dividends paid	**12,300**	48,371

28 Derivative Financial Instruments

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Group holds one interest rate swap as a derivative financial instrument as follows:

	2014 $'000	2013 $'000	2012 $'000
Financial non-current asset	**-**	226	-
Financial non-current liability	**(37)**	-	-
Total non-current derivative financial instrument	**(37)**	226	-

Derivatives are classified as held for trading and accounted for at fair value through profit and loss. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for derivatives is set out in note 1(s).

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 2.

29 Key management personnel disclosures

The Directors of Mantra Group Limited at the end of the financial year were:

Peter Bush (Chair)

Elizabeth Gaines

Andrew Cummins

Bob East

David Gibson

The executives of Mantra Group Limited at the end of the financial year were:

Steven Becker	Chief Financial Officer
Tomas Johnsson	Executive Director of Operations
Kent Davidson	Executive Director Sales, Marketing and Distribution
Michael Moret-Lalli	Director of Acquisitions

(a) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	**3,721,311**	3,343,844
Post-employment benefits	**125,224**	120,104
Long-term benefits	**166,311**	187,570
Termination benefits	**382,080**	129,961
Share-based payments	**704,057**	-
	5,098,983	3,781,479

Detailed remuneration disclosures are provided in the remuneration report on pages 21 to 30.

30 Remuneration of auditors

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

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 Australia

	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial statements	**526,800**	457,800
Audit of regulatory returns and other statutory accounts	**40,400**	35,400
Other assurance services	**25,000**	39,400
Total remuneration for audit and other assurance services	**592,200**	532,600
Taxation services		
Tax compliance services	**212,671**	176,374
Tax consulting	**995,730**	779,266
Total remuneration for taxation services	**1,208,401**	955,640
Other services		
Accounting advice	**125,000**	-
Investigating accounting's report in relation to IPO/refinancing	**778,140**	-
Other due diligence	**-**	230,000
Other	**-**	18,000
Total remuneration for other services	**903,140**	248,000
Total remuneration of PricewaterhouseCoopers Australia	**2,703,741**	1,736,240

(b) Non-related audit firms

	2014 $	2013 $
Audit and other assurance services		
Audit of trust accounts	**162,514**	177,482

31 Contingencies

Contingent liabilities

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 $6,276,932 (2013: $1,779,240).

32 Commitments

(a) Lease commitments

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.

	2014 $'000	2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**87,268**	76,158
Later than one year but not later than five years	**163,783**	173,125
Later than five years	**10,880**	21,204
	261,931	270,487

(b) Capital commitments

Significant capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2014 $'000	2013 $'000
Property, plant and equipment	**300**	1,362
Intangible assets	**2,600**	2,727
Total	**2,900**	4,089

33 Related party transactions

(a) Parent entity

The ultimate parent entity of the Group is Mantra Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 35.

(c) Key management personnel

The following related party transactions occurred between the Company and key management personnel:

- Key management personnel subscribed for 7,299,236 shares as a result of the settlement of the Management Equity Plan (MEP).
- Cash payments of $7,100,929 were received by key management personnel as a result of the settlement of the Management Equity Plan. Cash payments are net of any set off amounts in relation to MEP non-recourse loans and payments for the exercise of 2012 MEP options.
- Remuneration of $477,000 was paid to the Non-Executive Directors of Mantra Group Limited.

In addition, David Gibson is a Non-Executive Trustee Director of Host-PLUS Pty Limited (ACN 08 634 704) (trading as Host-PLUS Superannuation) as a nominee of the Australian Hotels Association. Whilst Host-PLUS Superannuation is not a related party to the Company, it is the Company’s default superannuation fund and receives contributions from the Company on behalf of the Company’s employees. All transactions are completed on an arm-length basis.

(d) Transactions with other related parties

The Group had a number of transactions with two related parties who were the Group's only shareholders prior to the IPO: EV Hospitality NV (EV) and UBS Australia Holdings Pty Ltd (UBSAHPL).

The following transactions occurred with these related parties:

	2014 $'000	2013 $'000
Ordinary dividends paid		
UBSAHPL	**4,920**	11,566
EV	**7,380**	17,348
	12,300	28,914

	2014 $'000	2013 $'000
Preference share dividends paid		
UBSAHPL	**-**	7,783
EV	**-**	11,674
	-	19,457

33 Related party transactions (continued)

(d) Transactions with other related parties (continued)

	2014 $'000	2013 $'000
Redemption of preference shares		
UBSAHPL	**-**	23,200
EV	**-**	34,800
	-	58,000

In addition, the Company reimbursed UBSAHPL and EV a portion of their costs incurred in association with the IPO totalling $385,071 and $475,193 respectively.

Finally, the Company provided 54,000,000 shares and 36,000,000 shares to EV and UBSAHPL respectively at the time of the IPO as a result of the share split detailed in note 25(b).

(e) Loans to/from related parties

The Group also held loans with two related parties: Europe Voyager Holdings Sarl (EVH) (the holding company of EV) and UBSAHPL. Details of the loans are included in note 22. Drawings, repayments and interest charged on the loans are as follows:

	2014 $	2013 $
ZCN 2009		
Beginning of the year	**33,802**	31,298
Loans repayments made	**(36,459)**	-
Interest charged	**2,657**	2,504
End of year	**-**	33,802

	2014 $'000	2013 $'000
2013 Loan Notes		
Beginning of the year	**109,396**	-
Loans repayments made	**(128,732)**	-
Interest charged	**19,336**	3,025
Loans drawn in the year	**-**	106,371
	-	109,396

	2014 $'000	2013 $'000
2014 Loan Notes		
Loans drawn in the year	**12,300**	-
Interest charged	**28**	-
Loan repayments made	**(12,328)**	-
	-	-

As part of the close out of prior finance facilities, an exit fee of $4.5 million (2013: $2.5 million) was paid to UBS AG, Australia branch, a related party of UBSAHPL. Refer to note 20b for further details.

34 Assets pledged as security

The Syndicated Facility 2014 has security over all respective assets and undertakings (subject to certain agreed exceptions) of each wholly owned subsidiary of the Group that contributes greater than 5% of the total assets of the Group and any wholly owned subsidiary that in aggregate contributes at least 85% of LTM EBITDAI and owns at least 85% of the total assets of the Group. The Syndicated Facility 2013 had the same security arrangements.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2014 $'000	2013 $'000
Current		
Cash and cash equivalents	**27,816**	23,396
Trade and other receivables	**32,154**	42,258
Inventories	**1,568**	2,038
Other	**-**	1,801
Total current assets pledged as security	**61,538**	69,493
Non-current		
Property plant and equipment	**76,385**	85,801
Intangible assets	**313,842**	330,175
Deferred tax assets	**9,937**	3,636
Other	**1,527**	750
Total non-current assets pledged as security	**401,691**	420,362
Total assets pledged as security	**463,229**	489,855

35 Subsidiaries

Set out below are the Group's principal subsidiaries at 30 June 2014. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of entity	Country of incorporation	Class of shares	Equity holding 2014 %	2013 %
Mantra Hospitality Admin Pty Ltd	Australia	Ordinary	**100**	100
Mantra Group Operations Pty Ltd	Australia	Ordinary	**100**	100
Peppers Leisure Pty Limited	Australia	Ordinary	**100**	100
SAMARAD Pty Ltd	Australia	Ordinary	**100**	100
Saville Hotel Group Pty Ltd	Australia	Ordinary	**100**	100
Mantra Resorts Australia 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 Group Holdings II Pty Ltd	Australia	Ordinary	**100**	100
BRK Asset Holdings Pty Ltd	Australia	Ordinary	**100**	100
Mantra MLR Group Pty Ltd	Australia	Ordinary	**100**	100
BRK (NSW) Pty Ltd	Australia	Ordinary	**100**	100
Sunleisure Operations Pty Ltd	Australia	Ordinary	**100**	100

36 Deed of cross guarantee

Mantra Group Limited, Mantra Group Holdings II Pty Ltd, Mantra Group Operations Pty Ltd, SAMARAD Pty Ltd, Saville Hotel Group Pty Ltd, BRK Resorts Pty Ltd, BRK Asset Holdings Pty Ltd, Mantra Hospitality Admin Pty Ltd, Mantra MLR Group Pty Ltd, Mantra Resorts Australia Pty Ltd, Mantra Hotels and Resorts Australia Pty Ltd, BRK (NSW) Pty Ltd and Sunleisure Operations Pty Ltd are parties to a deed of cross guarantee under which each Group guarantees the debts of the others. By entering into the deed, these wholly-owned entities of Mantra Group Limited have been relieved from the requirement to prepare a financial report and Director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Mantra Group Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the closed group consisting of Mantra Group Limited.

Prior year figures set out below represent the condensed consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2013 of the Group. In 2013, the closed group consisted of the following entities: Mantra Group Limited, Mantra Group Holdings II Pty Ltd, Mantra Group Operations Pty Ltd, SAMARAD Pty Ltd, Saville Hotel Group Pty Ltd, BRK Resorts Pty Ltd, BRK Assets Holdings Pty Ltd, Mantra MLR Group Pty Ltd, Mantra Resorts Australia Pty Ltd, Mantra Hotels and Resorts Australia Pty Ltd, BRK (NSW) Pty Ltd and Sunleisure Operations Pty Ltd.

	2014 $'000	2013 $'000
Consolidated income statement		
Revenue from continuing operations	**295,860**	281,170
Other income	**-**	1,431
Administration expenses	**(9,811)**	(10,819)
Occupancy and utilities expenses	**(48,686)**	(45,753)
Employee benefits expense	**(109,422)**	(103,577)
Depreciation and amortisation expense	**(12,899)**	(12,995)
Operating expenses	**(89,133)**	(80,877)
Finance costs	**(45,396)**	(28,242)
Net impairment reversal	**1,070**	1,869
Other expenses	**(1,170)**	-
(Loss)/profit before income tax	**(19,587)**	2,207
Income tax benefit/(expense)	**121**	(8,215)
Loss for the year	**(19,466)**	(6,008)

36 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	2014 $'000	2013 $'000
Consolidated statement of comprehensive income		
Other comprehensive income		
Loss for the year	**(19,466)**	(6,008)
Other comprehensive income for the period, net of tax	**-**	-
Total comprehensive income for the year	**(19,466)**	(6,008)

	2014 $'000	2013 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**280,863**	335,242
Loss for the year	**(19,466)**	(6,008)
Dividends provided for or paid	**(12,300)**	(48,371)
Retained earnings at the end of the financial year	**249,097**	280,863

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2014 of the closed group consisting of Mantra Group Limited, Mantra Group Holdings II Pty Ltd, Mantra Group Pty Ltd, SAMARAD Pty Ltd, Saville Hotel Group Pty Ltd, BRK Resorts Pty Ltd, BRK Assets Holdings Pty Ltd, Mantra Hospitality Admin Pty Ltd, Mantra MLR Group Pty Ltd, Mantra Resorts Australia Pty Ltd, Mantra Hotels and Resorts Australia Pty Ltd, BRK (NSW) Pty Ltd and Sunleisure Operations Pty Ltd.

Prior year figures set out below represent the consolidated statement of financial position as at 30 June 2013 of the closed group consisting of Mantra Group Limited, Mantra Group Holdings II Pty Ltd, Mantra Group Pty Ltd, SAMARAD Pty Ltd, Saville Hotel Group Pty Ltd, BRK Resorts Pty Ltd, BRK Assets Holdings Pty Ltd, Mantra MLR Group Pty Ltd, Mantra Resorts Australia Pty Ltd, Mantra Hotels and Resorts Australia Pty Ltd, BRK (NSW) Pty Ltd and Sunleisure Operations Pty Ltd.

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	**22,148**	18,769
Trade and other receivables	**24,349**	23,514
Inventories	**1,303**	1,393
Current tax asset	**2,364**	-
Other current assets	**2,187**	4,938
Available-for-sale financial assets	**-**	1,801
Total current assets	**52,351**	50,415

36 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position (continued)

	2014 $'000	2013 $'000
Non-current assets		
Property, plant and equipment	**66,839**	62,453
Investment in subsidiaries	**1,026,499**	1,026,499
Derivative financial instruments	**-**	226
Intangible assets	**179,613**	169,224
Other non-current assets	**495**	750
Related party receivables	**31,072**	31,072
Total non-current assets	**1,304,518**	1,290,224
Total assets	**1,356,869**	1,340,639
Current liabilities		
Trade and other payables	**31,768**	23,597
Borrowings	**-**	11,932
Current tax liabilities	**-**	1,663
Provisions	**14,372**	13,560
Advanced deposits	**20,935**	17,957
Related party payables	**38,415**	24,965
Total current liabilities	**105,490**	93,674
Non-current liabilities		
Borrowings	**110,161**	286,544
Deferred tax liabilities	**74,149**	75,623
Provisions	**1,589**	5,474
Total non-current liabilities	**185,899**	367,641
Total liabilities	**291,389**	461,315
Net assets	**1,065,480**	879,324
Equity		
Contributed equity	**786,275**	568,354
Other reserves	**30,108**	30,107
Retained earnings	**249,097**	280,863
Total equity	**1,065,480**	879,324

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

	2014 $'000	2013 $'000
(Loss/)profit for the year	**(323)**	9,176
Depreciation and amortisation	**17,482**	17,455
Net loss/(gain) on sale of non-current assets	**126**	(1,126)
Net impairment reversal	**(1,070)**	(2,534)
Non-operating finance costs	**12,063**	-
Other	**695**	-
Net exchange differences	**549**	262
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and other receivables	**(2,246)**	2,868
Decrease in inventories	**20**	555
Increase in deferred tax assets	**(911)**	(706)
Increase in other operating assets	**(145)**	-
Increase in trade creditors and other payables	**1,336**	10,331
Increase in other operating liabilities	**7,400**	3,979
(Decrease)/increase in provision for income taxes payable	**(8,473)**	553
Decrease in deferred tax liabilities	**(1,389)**	(4,178)
Net cash inflow from operating activities	**25,114**	36,635

38 Earnings per share

(a) Basic earnings per share

	2014 Cents	2013 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Group	**(0.3)**	4.6

(b) Diluted earnings per share

	2014 Cents	2013 Cents
Total diluted earnings per share attributable to the ordinary equity holders of the Group	**(0.3)**	4.5

(c) Reconciliation of earnings used in calculating earnings per share

	2014 $'000	2013 $'000
Profit from continuing operations attributable to the ordinary equity holders of the Group		
Used in calculating basic earnings per share	**(323)**	5,309

38 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**120,264,932**	116,625,318
Adjustments for calculation of diluted earnings per share:		
Options (note 39)	**1,896,575**	1,950,000
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**122,161,507**	118,575,318

Alternative earnings per share calculation

As the IPO was completed very close to the end of the financial year and resulted in a substantial change in the ordinary shares of the Company, it is considered appropriate to also provide the earnings per share calculated using the shares in existence at the end of the 2014 financial year (249,471,229). This compares to the earnings per share calculated above which used a weighted average number of shares, as required by the accounting standards. Using this number of shares and the 2014 earnings, the 2014 basic earnings per share would be nil cents per share.

39 Management Equity Plan

On 17 December 2009, a Management Equity Plan (MEP) was established whereby certain members of Senior Management and certain Directors were offered an opportunity to purchase options in the Company. The MEP was designed to provide long term incentives to deliver long term shareholder value and enabled up to 2,000,000 options to be granted. The options were only immediately exercisable if one of the following events occurred:

- The shareholders of Mantra Group Limited, prior to an IPO, sold their interest in the Company;
- An asset sale of Mantra Group Limited to an unrelated party was completed; or
- If there was an IPO of Mantra Group Limited.

Participation in the plan was at the Board's discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of the options that were exercisable depended on the exit route undertaken and value obtained. Options granted under the plan carried no voting rights.

The first grant of MEP options was completed on 17 December 2009 (2009 MEP Options). For 2009 MEP Options, participants were issued with options at a purchase price of $1.00 and an exercise price of nil. 1,858,000 options were originally purchased, 530,000 of which were purchased under non-recourse loans. The fair value of the 2009 MEP Options issued on 17 December 2009 was $1.00 per option.

On 31 May 2010, an additional 13,143 of 2009 MEP options were purchased by a new member of Senior Management for a purchase price of $1.75 per option with an exercise price of nil. The fair value of these options was $1.75 per option.

On 31 May 2011, an additional 20,202 of 2009 MEP options were purchased by a new Non-Executive Director for a purchase price of $4.95 per option with an exercise price of nil. The fair value of these options was $4.95 per option.

On 25 May 2012, certain members of Senior Management were offered an opportunity to obtain additional options (2012 MEP Options). The 2012 MEP Options were issued at a purchase price of nil with an exercise price of $1.00. The fair value of the 2012 MEP options was $4.95 and 108,655 options were issued at that time.

39 Management Equity Plan (continued)

As part of the IPO 37.8% of all options (2009 MEP Options and 2012 MEP Options) were bought back by a subsidiary of the Mantra Group and cancelled immediately in exchange for cash and the remaining portion of options were exercised in exchange for ordinary shares in Mantra Group Limited at a ratio of eight ordinary shares for each option.

Set out below are summaries of options granted under the plan:

	Grant date	Exercise price	Balance at start of the year Number	Cancelled during the year Number	Exercised during the year Number	Balance at end of the year Number
2014						
2009 MEP Options	17/12/09	-	170,000	170,000	-	-
2009 MEP Options	17/12/09	-	1,668,000	595,593	1,072,407	-
2009 MEP Options	31/05/10	-	13,143	-	13,143	-
2009 MEP Options	31/05/11	-	20,202	8,081	12,121	-
2012 MEP Options	25/05/12	$1.00	14,258	14,258	-	-
2012 MEP Options	25/05/12	$1.00	94,397	74,623	19,774	-
2013						
2009 MEP Options	17/12/09	-	20,000	20,000	-	-
2009 MEP Options	17/12/09	-	1,871,345	-	-	1,871,345
2012 MEP Options	25/05/12	$1.00	108,655	-	-	108,655

Note that the expiry date of the MEP options was not known at the time of grant as the options were only exercisable if one of three criteria were met, as detailed above.

Fair value of options granted

When the options were granted in 2009, the fair value per option was determined as a part of the valuation exercise completed for the Group's 2009 restructuring which resulted in UBS Australia Holdings Pty Ltd (UBSAHPL) becoming a shareholder. The same valuation exercise was undertaken each time options were issued.

(a) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2014 $'000	2013 $'000
Share based payment	**903**	-

40 Parent entity financial information

(a) Summary financial information

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**242,822**	86,093
Non-current assets	**108,964**	104,541
Total assets	**351,786**	190,634
Current liabilities	**50,748**	26,426
Non-current liabilities	**78,352**	225,053
Total liabilities	**129,100**	251,479
Net assets/(liabilities)	**222,686**	(60,845)
Shareholders' equity		
Issued capital	**241,356**	19,431
Asset revaluation reserve	**(98,298)**	(98,298)
Dividends paid	**(60,671)**	(48,371)
Retained earnings	**140,299**	66,393
Total equity	**222,686**	(60,845)
Profit for the year	**73,906**	74,604
Total comprehensive income	**73,906**	74,604

(b) Guarantees entered into by parent entity

Mantra Group Limited is a party to the deed of cross guarantee as described in note 36.

The parent entity has also provided a guarantee in respect of obligations assumed by a subsidiary company on the acquisition of a property (2013: nil).

No liability was recognised by the parent entity of the Group in relation to these last two guarantees, as the fair value of the guarantees is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

40 Parent entity financial information (continued)

(d) Contractual commitments for the acquisition of property, plant & equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2014 or 30 June 2013.

41 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.

In the Directors' opinion:

(a) the financial report and notes set out on pages 47 to 106 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 2014 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Peter Bush
Director

Kerry Robert East
Director

Gold Coast
29 August 2014

Independent auditor's report to the members of Mantra Group Limited

Report on the financial report

We have audited the accompanying financial report of Mantra Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Limited 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a) (ii), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Mantra Group Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a) (ii).

Report on the Remuneration Report

We have audited the remuneration report included in pages 21 to 30 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Mantra Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
29 August 2014

The shareholder information set out below was applicable as at 25 August 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares
1 - 1000	63,387
1,001 - 5,000	264,998
5,001 - 10,000	466,097
10,001 - 50,000	1,788,835
50,000 - 100,000	1,233,625
100,001 and over	245,654,287
	249,471,229

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
EV Hospitality NV	64,800,000	25.97
UBS Australia Holdings Pty Limited	43,200,000	17.32
J P Morgan Nominees Australia Limited	42,524,933	17.05
HSBC Custody Nominees (Australia) Limited	21,072,200	8.45
National Nominees Limited	20,688,283	8.29
Citicorp Nominees Pty Limited	13,867,575	5.56
BNP Paribas Noms Pty Limited	12,210,203	4.89
RBC Investor Services Australia Nominees Pty Limited	6,501,239	2.61
UBS Nominees Pty Limited	4,514,482	1.81
AMP Life Limited	4,483,755	1.80
Bob East	2,315,638	0.93
Gladstone Investments Limited	1,466,570	0.59
Steven Becker	1,389,374	0.56
Elizabeth Gaines	1,157,819	0.46
RBC Investor Services Australia Nominees Pty Limited	856,343	0.34
Citicorp Nominees Pty Limited	728,484	0.29
UBS Wealth Management Australia Nominees Pty Limited	500,085	0.20
HSBC Custody Nominees (Australia) Limited - A/C 3	373,247	0.15
Mark Hodge	371,467	0.15
Kent Davidson	366,465	0.15
	243,388,162	97.57

C. Substantial holders

As at 14 August 2014 the names of substantial holders in the Company who have notified the Company in accordance with section 671B of the *Corporation Act 2001* are set out below:

	Number held	Percentage
EV Hospitality NV	64,800,000	25.97%
UBS Australia Holdings Pty Limited	43,200,000	17.32%
J P Morgan Nominees Australia Limited	42,524,933	17.05%
HSBC Custody Nominees (Australia) Limited	21,072,200	8.45%
National Nominees Limited	20,688,283	8.29%
Citicorp Nominees Pty Ltd	13,867,575	5.56%
	206,152,991	82.64%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary Shares
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.

Directors	Peter Bush *(Chair)*	
	Elizabeth Gaines	
	Andrew Cummins	
	Bob East	
	David Gibson	
Company Secretary	Fiona Van Wyk	
Notice of Annual General Meeting	The annual general meeting of Mantra Group Limited	
	will be held at	Mantra South Bank Brisbane 161 Grey Street South Bank Brisbane
	time	11.30 am (QLD)
	date	Wednesday 26 November 2014
Registered office	Level 15, 50 Cavill Avenue Surfers Paradise, QLD 4217 Telephone + 61 7 5631 2500 Facsimile +61 7 5631 2999 Email: investorrelations@mantragroup.com.au	
Share registery	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 1300 554 474 (within Australia) +61 1300 544 474 (outside Australia)	
Auditor	PricewaterhouseCoopers Australia Darling Park Tower 2 201 Sussex Street Sydney NSW 1171	
Stock exchange listing	Mantra Group Limited shares are listed on the Australian Securities Exchange (ASX code: MTR).	
Website	www.mantragroup.com.au	


MANTRA CROWN TOWERS, SURFERS PARADISE

PEPPERS BLUEWATER RESORT, LAKE TEKAPO

PEPPERS
"We're all about experiences"
mantra
"Room for everyone"
BreakFree
"Give me a break"

MANTRA GROUP

PEPPERS mantra BreakFree