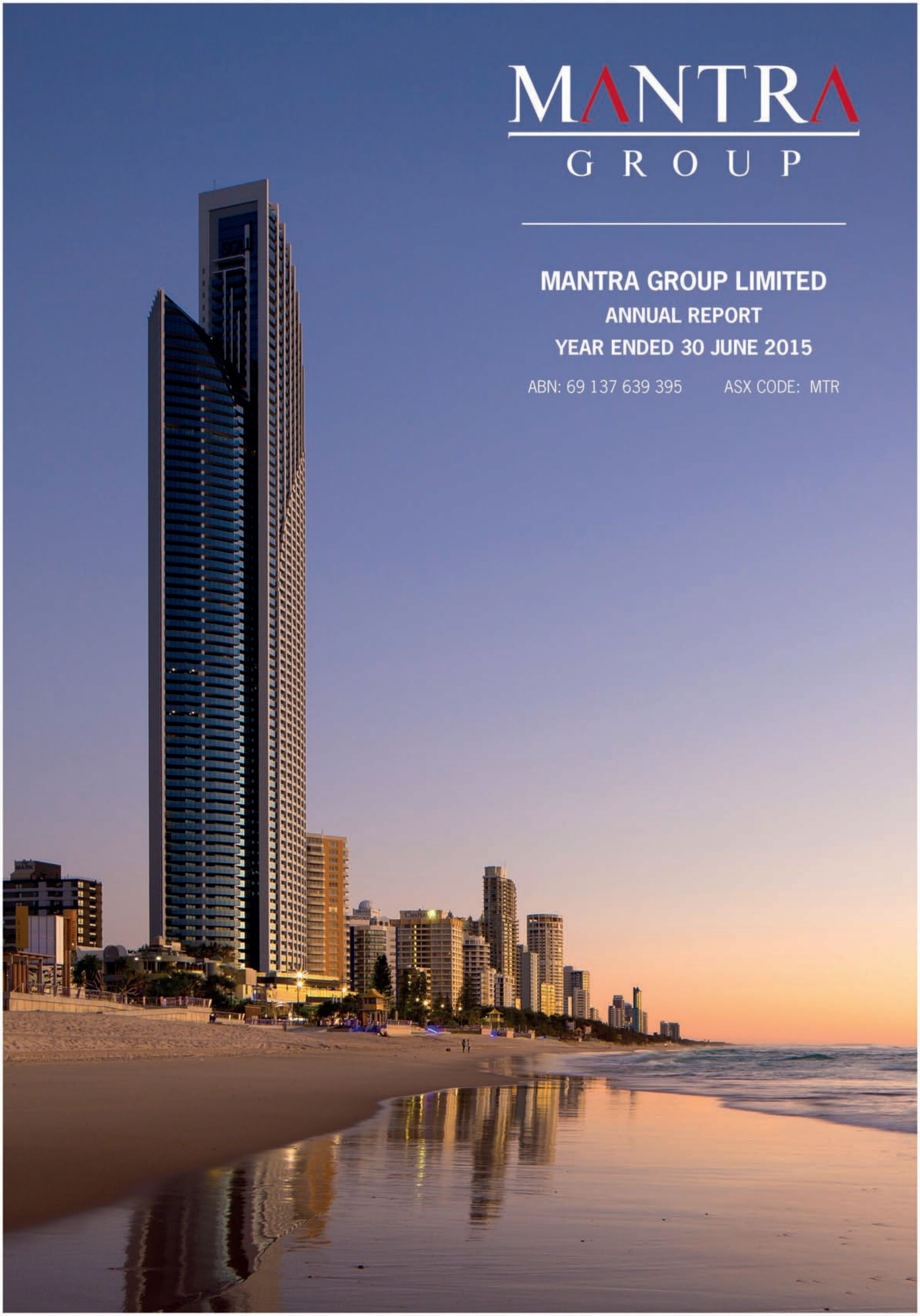


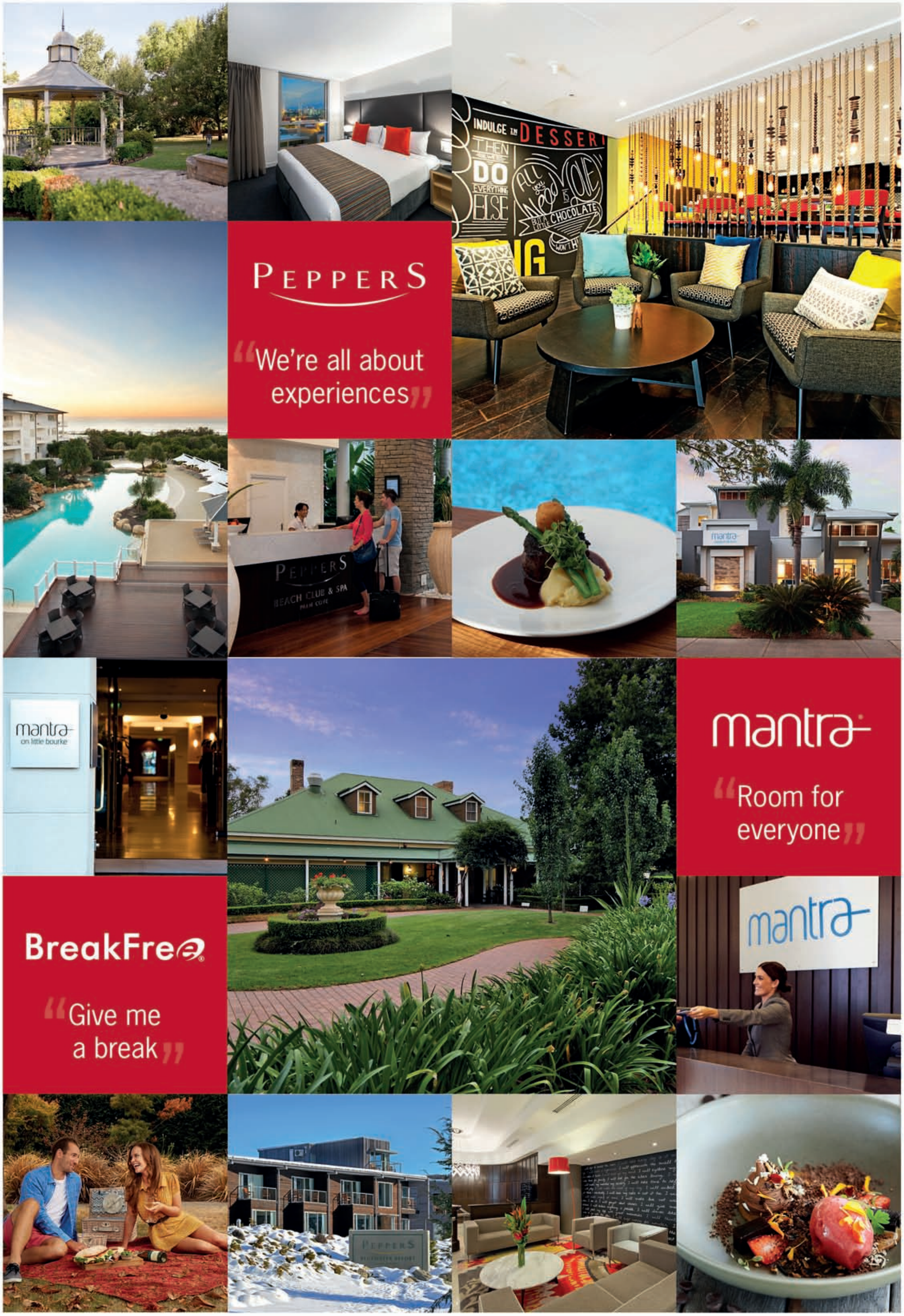
MANTRA GROUP

MANTRA GROUP LIMITED

ANNUAL REPORT

YEAR ENDED 30 JUNE 2015

ABN: 69 137 639 395 ASX CODE: MTR


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

Mantra Group Limited ABN 69 137 639 395
Financial report - 30 June 2015

Contents


On behalf of the Board of Directors, Management and all Mantra Group Team Members, it is our pleasure to present Mantra Group's report for the year ended 30 June 2015.

Following the listing of Mantra Group on the ASX in June 2014, FY2015 has proven to be another successful year in the growth and development of Mantra Group with a focus on portfolio growth in strategic aligned properties and destinations aimed at increasing shareholder value. This has been endorsed by the addition of 11 new properties to the portfolio, a well supported capital raise of $56.7 million in March 2015 and an increase in Mantra Group's share price by approximately 90%.

As the second largest accommodation operator in Australia, Mantra Group accommodates over 2 million guests a year and employs more than 4,000 people.

The increased focus on growth and development aimed at increasing Mantra Group's portfolio and room inventory in strategic aligned properties and locations continued to gain momentum in FY2015 with acquisitions of properties in each of its three complementary brands - Peppers, Mantra and BreakFree. These acquisitions were key milestones in the development of Mantra Group in that it secured its first CBD hotel under the Peppers brand, opened its largest hotels in Melbourne in January 2015, added three properties to its Brisbane portfolio, one additional property in Sydney CBD, increased its portfolio in Tasmania by two properties, opened its second property in Bali and as part of the revitalisation of Christchurch opened a re-developed hotel in Christchurch CBD.

In line with the prospectus on IPO, in addition to the fully franked interim dividend of 5 cents per share, the Board is pleased to deliver a fully franked final dividend of 5 cents per share in respect of the year to 30 June 2015 bringing the total fully franked dividend for FY2015 to 10 cents per share.

We are pleased to report that for the year ended 30 June 2015, the Group achieved earnings above that forecast in its prospectus for IPO and at the top end of the updated guidance range announced on 1 May 2015. The Group delivered total revenue of $498.8 million representing a 9.7% increase on FY2014. NPAT was $36.2 million, up $36.5m on FY2014 and EBITDAI of $73.1 million up 19.2% on FY2014. This result reflects the strength of the performance of the business in FY2015 driven by acquisitions, strong performances in each of the operating segments as well as an ongoing Management focus on cost control and improved efficiencies in key areas of the business. With total assets of $601.4 million, net assets of $337.4 million and a strong cash flow the Group is well placed to deliver continued shareholder value in FY2016.

The Group achieved year-on-year growth in each of its key operating segments. Highlights include:

- CBD delivered revenue of $272.3 million and EBITDAI of $47.3 million representing a year-on-year increase in revenue of 15.3% and 10.3% in EBITDAI. Among other factors, new properties, increased occupancy and average room rates driven primarily by improved business sentiment as well as sporting and major entertainment events in key CBD destinations, contributed to the above budget performance.
- Resorts delivered revenue of $181.8 million and EBITDAI of $23.5 million representing increases on FY2014 of 2.5% and 4% respectively. This sector benefitted from consistent leisure demand in all key regions assisted by an increase in the capacity of domestic low cost carriers into key leisure destinations.
- Central Revenue and Distribution (CR&D) delivered revenue of $41.8 million and EBITDAI of $29.9 million representing increases on FY2014 of 13.3% and 18.2% respectively. Fees from new properties under management in Brisbane, Sydney, Melbourne, Christchurch and Bali coupled with ongoing increases in central reservations driven by on-line booking volume, added to this performance.

Initiatives undertaken in FY2015 which contributed to the results included:

- Ongoing strategic focus on pipeline development resulted in the acquisition of 11 new properties in key destinations.
- The delivery of targeted refurbishment programs improved the quality of room inventory, service delivery and overall guest experience across each brand.
- Increased RevPAR (revenue per available room) via targeted sales, marketing and distribution initiatives aimed at securing quality corporate contracts and implementing systems that efficiently and cost effectively manage average room rates across the Group.
- Optimisation of distribution channels by capitalising on increasing trends towards online and central reservation channels.
- Management's focus on corporate cost control and economies of scale continued to drive cost efficiencies.

Strategy and FY2016 Outlook

In the first two months of FY2016, Mantra Group added five new properties to its portfolio. Four of these properties acquired as part of the Outrigger acquisition are located in popular leisure destinations which significantly increase Mantra Group's prominence in these locations. BreakFree on Collins in Melbourne was acquired in July. The successful transition of the Soul, Surfers Paradise property further complemented the Peppers brand in another prime leisure destination.

Other acquisitions, aligned with Mantra Group's growth and development strategy, to commence operating in FY2016, include properties in Bali, Adelaide, Brisbane, Gold Coast, Melbourne and Perth.

In our commitment to drive growth and deliver shareholder value in FY2016, Mantra Group will continue to:

- Focus on growing its portfolio in strategically aligned CBD and leisure destinations in Australia, New Zealand and Asia;
- Ensure Mantra Group is well positioned to optimise and capitalise on the forecast increase in the inbound tourism market primarily from China and other Asian countries;
- Strategically explore opportunities and models which will enable Mantra Group to capitalise on diversified asset acquisition opportunities;
- Deliver quality room inventory and service via ongoing targeted refurbishment and service delivery programs;
- Optimise distribution channels as well as increase mobile capability, social media and website optimisation.

In the year ahead Mantra Group is well positioned to capitalise on growth and development via asset and investment opportunities and take advantage of its strong development pipeline and forecast growth in Australia's tourism sector aimed at increasing shareholder value.

We would like to thank our Owners, loyal Guests, Investors and all our stakeholders for their ongoing support of Mantra Group during FY2015.

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

Peter Bush	**Kerry Robert East**
Chairman	**Chief Executive Officer**

Directors' report

Your Directors present their report on the consolidated entity, referred to hereafter as Mantra Group or the Group, consisting of Mantra Group Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

Peter Bush
Andrew Cummins
Kerry Robert East (Bob East)
David Gibson
Melanie Willis was appointed a director on 29 September 2014 and continues in office at the date of this report.

Elizabeth Gaines was a director from the beginning of the financial year until her resignation on 26 November 2014.

Principal activities

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

Dividends

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

	2015 $'000
Fully franked interim ordinary dividend for the year ended 30 June 2015 of 5 cents per fully paid share on 31 March 2015	12,474

Operating and Financial Review

1. Overview of Mantra Group

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of 119 properties and over 13,000 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 (LR), Management Letting Rights (MLR) and Hotel Management Rights (HMR) also provide Mantra Group with flexible and targeted development and operating options.

Mantra Group has a team of more than 4,000 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 Business Segments

Mantra Group generates its revenue under the following three core business segments:

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

Mantra Group's CBD and Resorts segments 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.

Operating and Financial Review (continued)

1.2 Group financial performance

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

Table 1

	Statutory Actual June 2015 $'000	Statutory Actual June 2014 $'000	Change $'000	Change %
Revenue	**498,621**	**454,688**	**43,933**	**9.7**
Other income	**161**	**-**	**161**	**n/c**
Total operating expenses	(425,730)	(393,385)	32,345	8.2
EBITDAI*	**73,052**	**61,303**	**11,749**	**19.2**
Depreciation & amortisation	(18,282)	(17,482)	800	4.6
Net impairment reversal	-	1,070	(1,070)	(100)
EBIT	**54,770**	**44,891**	**9,879**	**22.0**
Net finance costs	(3,873)	(45,335)	(41,462)	(91.5)
Profit before tax	**50,897**	**(444)**	**51,341**	**n/c**
Tax expense	(14,739)	121	14,860	n/c
NPAT	**36,158**	**(323)**	**36,481**	**n/c**

*Earnings before interest, taxation, depreciation, amortisation and impairment (EBITDAI) exclude a net reversal of impairment of $1.1 million in 2014. There was no impairment or reversal of impairment in 2015.

Group revenue for the year ended 30 June 2015 increased by $43.9 million or 9.7% to $498.6 million from $454.7 million in the previous year. This increase was primarily driven by new properties in the CBD segment. Like for like increase in revenue and EBITDAI was $15.5 million and $8.2 million respectively. The remaining increase was driven by higher average room rates in Sydney, Melbourne and Darwin as well as increased occupancy in both the Resorts and CBD segments.

Total operating expenses increased by 8.2% to $425.7 million in FY15 from $393.4 million in FY14. This increase is attributable to $24.9 million of costs associated with new properties as well as cost increases in step with revenue growth.

The depreciation and amortisation expense of $18.3 million increased by $0.8 million from $17.5 million in FY14. This increase resulted from the acquisition of new properties into the portfolio during the current and prior years.

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. As a result of performing this exercise, there was no impairment or reversal of impairment recorded in the current year. In FY2014 a net impairment reversal of $1.1 million was recorded.

Net profit after tax for the year of $36.2 million was $36.5 million higher than FY2014. Net finance costs for the year decreased by $41.5 million or 91.5% as a result of the new finance facilities which were entered into at the time of the IPO in June 2014. Offset against this saving was an increase in the tax expense of $14.9 million as a result of the increased profit earned during FY15.

The financial performance for the year was stronger than that included in the prospectus, with actual EBITDAI of $73.1 million being $3.6 million higher than the prospectus forecast of $69.5 million and profit after tax of $36.2 million being $3.6 million higher than the prospectus forecast profit of $32.6 million.

Mantra Group's revenue and EBITDAI by business segment is summarised below with a comparison to last year's revenue and EBITDAI.

Operating and Financial Review (continued)

Revenue by business segment

	Actual June 2015 $'000	Actual June 2014 $'000	Change $'000	Change %
CBD	272,286	236,186	36,100	15.3
Resorts	181,842	177,305	4,537	2.6
CR&D	41,790	36,925	4,865	13.2
Corporate	2,703	4,272	(1,569)	(36.7)
Total revenue	**498,621**	**454,688**	**43,933**	**9.7**

EBITDAI* by business segment

	Actual June 2015 $'000	Actual June 2014 $'000	Change $'000	Change %
CBD	47,317	42,860	4,457	10.4
Resorts	23,460	22,649	811	3.6
CR&D	29,929	25,299	4,630	18.3
Corporate	(27,654)	(29,505)	1,851	6.3
Total EBITDAI*	**73,052**	**61,303**	**11,749**	**19.2**

*EBITDAI excludes a net reversal of impairment of $1.1 million in 2014. There was no impairment or reversal of impairment in 2015.

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 $36.1 million, from $236.2 million to $272.3 million, an increase of 15.3%. Like for like CBD revenue increased by $8.4 million or 3.6%. The strongest growth came from increased room rates in Sydney, Melbourne and Darwin (2.2% on average) driven by both the corporate and leisure markets. Improved business sentiment and events such as the Cricket World Cup, Asian Champions League and city wide conferences increased demand during the year. Average daily rates in Perth and Brisbane continue to be impacted by the scaling down of mining operations in these regions however occupancy remains strong. CBD EBITDAI increased by $4.4 million or 10.4%, from $42.9 million to $47.3 million. Like for like CBD EBITDAI increased by $1.6 million or 3.8% principally as a result of the 1.4% increase in revenue per available room (RevPAR).

New properties in the CBD segment included two properties in each of Brisbane (Mantra Midtown and Mantra on Edward) and Tasmania (Mantra Collins and Mantra Charles) and one property in Canberra (Peppers Gallery). It is a testament to the quality of these acquisitions that they generally contributed positively to FY2015 EBITDAI, despite them being in their first year in the Group.

• Resorts revenue increased by $4.5 million, from $177.3 million to $181.8 million, an increase of 2.6%. Resort EBITDAI grew by $0.8 million or 3.6%. There were no new properties added to the Resorts segment in the year. The Outrigger and Soul acquisitions are post balance sheet events as they completed on 1 July 2015. The Resorts segment benefitted from consistent leisure demand across all key regions during the year, with occupancy up 3.9% on average and RevPAR increasing by $5.89 or 5.9% compared to last year. Demand increased as a result of both domestic and international travellers driven by local drive markets and increased capacity from low cost carriers into Queensland.

Operating and Financial Review (continued)

Revenue from the Central Revenue & Distribution segment increased by $4.9 million from $36.9 million to $41.8 million, an increase of 13.2%. CR&D EBITDAI increased by $4.6 million to $29.9 million, an increase of 18.3%. These increases were as a result of two key factors namely:

- Management fees grew from new properties under management. There were six managed properties added to the portfolio during the year, one in each of Brisbane, Sydney, Christchurch and Bali and two in Melbourne.

- Increased turnover through the Group's online distribution channels in conjunction with the growth in marketing activity and booking volumes from online travel agents contributed an increase in EBITDAI compared to last year.

• Corporate segment includes the costs for the centralised shared services providing the management team, sales and marketing, e-commerce, finance, IT, legal and asset management support. Net costs of $27.7 million are a reduction of $1.9 million or 6.3% compared to the prior year. Half of this saving has resulted from the one-off IPO related expenses that were incurred in the previous financial year.

Net asset position

The Company's net assets increased by $80.3 million to $337.4 million compared to the prior year. This has predominately been driven by an increase in contributed equity of $56.9 million principally as the result of a share placement and share purchase plan completed during the year. The placement and the share purchase plan raised $56.7 million of gross cash proceeds through the issue of 17.5 million of new shares. Note that the cash and cash equivalents balance was high as at 30 June 2015 in anticipation of the settlement of the acquisition of Outrigger and Soul on 1 July 2015.

Other key movements in balance sheet items include an increase in intangible assets of $16.4 million or 4.7% from $347.8 million to $364.2 million. This increase is principally as a result of the addition of intangible assets in relation to new MLR and HMR property agreements signed during the year. Offset against these additions was the amortisation charge for the year. The Group also capitalised $2.0 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.

Property, plant and equipment increased by $6.5 million. This increase is attributable to the Group's continued investment in new property and property refurbishments ($15.6 million). The additions are offset by the depreciation charge for the year of $8.6 million.

Other current assets have increased by $5.7 million to $7.2 million. This increase resulted from deposits paid on acquisitions completed around the year end date where the transactions had not yet settled.

In respect of liabilities, current tax liabilities have increased from a current tax asset of $2.4 million to a current tax liability of $4.8 million, as a result of the increased revenue earned by the Group. Advanced deposits have increased from $20.9 million to $24.8 million, an increase of $3.9 million or 18.7%. This increase was principally as a result of the Group's increase in bookings in the year. Other liability balances remained in line with the prior year.

Operating and Financial Review (continued)

Summary statement of cash flows

Cash inflow from operating activities has increased by $33.7 million (132.8%) compared to FY14, principally as a result of increased receipts from customers following the acquisition of new properties and savings on interest payments ($30.1 million) as a result of the new financing arrangements which were put in place at the time of the IPO.

Cash outflow from investing activities of $44.7 million has increased by $15.5 million as a result of the increased investments in new properties in FY2015.

Cash inflow from financing activities totalled $38.9 million in the 12 months to June 2015 compared to a cash inflow of $7.2 million in FY2014. The cash inflow from financing activities during FY2015 resulted from the institutional placement and share purchase plan completed in March and April 2015 respectively. Offset against the $56.7 million gross proceeds raised was the payment of the first interim dividend to shareholders as a listed company, net of dividends provided to shareholders under the Dividend Reinvestment Plan, of $11.3 million.

Note the cash and cash equivalents balance was high as at 30 June 2015 in anticipation of the settlement of Outrigger and Soul transactions on 1 July 2015.

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. In FY2015, the increased focus on growth and development aimed at increasing Mantra Group's portfolio and room inventory in strategic aligned properties and locations continued to gain momentum with acquisitions of eleven properties across its three complementary brands - Peppers, Mantra and BreakFree.

Other initiatives undertaken in FY2015 which contributed to growing shareholder value include:
• The delivery of targeted refurbishment programs aimed at improving the quality of room inventory, service delivery and overall guest experience across each brand.
• Increased RevPAR (revenue per available room) via targeted sales, marketing and distribution initiatives aimed at securing quality corporate contracts and implementing systems that efficiently and cost effectively manage average room rates across the Group.
• Optimisation of distribution channels by capitalising on increasing trends towards online and central reservation channels.
• Management's focus on corporate cost control and economies of scale continued to drive cost efficiencies.

In the first two months of FY2016, Mantra Group added five new properties to its portfolio. Four of these properties, acquired as part of the Outrigger acquisition, are located in popular leisure destinations which significantly increase Mantra Group's prominence in these locations. BreakFree on Collins in Melbourne was acquired in July. Soul, Surfers Paradise has been successfully transitioned to a MLR property on 1 July 2015 and has further complemented the Peppers brand in another prime leisure destination.

Other acquisitions, aligned with Mantra Group's growth and development strategy, to commence operating in FY2016, include properties in Bali, Adelaide, Brisbane, Gold Coast, Melbourne and Perth.

In our commitment to drive growth and deliver shareholder value in FY2016, Mantra Group will continue to:

- Focus on growing its portfolio in strategically aligned CBD and leisure destinations in Australia, New Zealand and Asia;
- Ensure Mantra Group is well positioned to optimise and capitalise on the forecast increase in the inbound tourism market primarily from China and other Asian countries;
- Strategically explore opportunities and models which will enable Mantra Group to capitalise on diversified asset acquisition opportunities;
- Deliver quality room inventory and service via ongoing targeted refurbishment and service delivery programs; and
- Optimise distribution channels as well as increase mobile capability, social media and website optimisation.

Operating and Financial Review (continued)

In the year ahead Mantra Group is well positioned to capitalise on growth and development via asset and investment opportunities and take advantage of its strong development pipeline and forecast growth in Australia's tourism sector aimed at increasing shareholder value.

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 in destinations or regions in which Mantra Group operates (for example, a terrorist attack, major aviation disruptions, weather events or an epidemic).

Each of the events described above could result in a substantial reduction in demand for travel or tourism to the regions where Mantra Group operates 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
As Mantra Group does not own the properties in its portfolio, its 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.

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.

Operating and Financial Review (continued)

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 earnings before interest, taxation, depreciation, amortisation and impairment, or reversals of impairment; and
- EBIT is earnings before interest and taxation.

These measures are reconciled to net profit after tax in Table 1 on page 5. All balances within the 'statutory actual' columns in table 1 have been audited.

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

During the financial year, eleven new properties were added to the Group's portfolio with three located in Brisbane, two in Melbourne, two in Tasmania and one in each of Canberra, Sydney, Christchurch and Bali.

Contributed equity increased by $56.9 million (from $241.4 million to $298.2 million) principally as the result of a share placement and share purchase plan completed during the year.

The Group's largest two shareholders, EV Hospitality NV and UBS Australia Pty Ltd had 10,516,562 and 16,483,438 shares released from escrow respectively during the year.

Matters subsequent to the end of the financial year

Since 30 June 2015, Mantra Group has made the following acquisitions:

• 100% of the issued shares in Outrigger Hotels and Resorts Australia Pty Ltd ('Outrigger'), now called Mantra Leisure Resorts Pty Ltd, which manages and operates four hotel and resort complexes in Australia.

• The Soul Surfers Paradise management letting rights business, caretaking business and related real estate.

The total purchase consideration paid for the Outrigger and Soul MLR acquisitions was $55.3 million, subject to customary completion adjustments and conditions. The total fair value of the net identifiable assets of the acquisitions at the date of acquisition (1 July 2015) has been provisionally determined to be $40.5 million and the purchased goodwill is estimated to be $14.8 million.

• BreakFree on Collins, Melbourne Hotel Management Right

No other matter or circumstance has arisen since 30 June 2015 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.
- Continued 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 NOOSA RESORT & VILLAS, NOOSA

PEPPERS CRADLE MOUNTAIN LODGE, CRADLE MOUNTAIN

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 extensive experience in marketing, brands and consumer behaviour gained through his involvement in the Fast Moving Consumer Goods industry over more than 30 years. Peter has held directorships and executive roles in a broad range of industries since 1990, including Chief Executive Officer of ABG-McNair Australia Limited, Schwarzkopf Australasia and McDonald's Australia.

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

Other current listed company directorships

Peter is currently Non-Executive Chair of the Board of Pacific Brands Limited and in May 2015 was appointed Non-Executive Chair of the Board of Southern Cross Media Limited.

Former listed company directorships in last 3 years

Peter was a Non-Executive Director of Insurance Australia Group Limited from December 2010 until January 2015.

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

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 Inchcape Plc, Pacific Brands Limited and Nine Entertainment Co Pty Ltd. Andrew worked as an advisor to CVC Capital Partners from 1998 and joined CVC Asia Pacific as a partner in 2000. Since 2005 he has been an advisor to CVC working with the Pan Asia team and as a Director of a number of CVC investments from which he retired earlier this year.

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 listed company directorships

Andrew is currently a Non-Executive Director of Helloworld Limited.

Information on Directors (continued)

Former listed company directorships in last 3 years

None

Special responsibilities

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

Interests in shares

Shares: 1,489,579

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 has extensive experience in the tourism and hospitality real estate industry in Australia and the Asia Pacific region. Most recently he was 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 a Non-Executive Trustee Director of industry superannuation fund Host-PLUS Pty Limited and Non-Executive Director of a number of Host-PLUS group companies.

Former listed company directorships in last 3 years

None

Special responsibilities

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

Interests in shares

Shares: 104,629

Melanie Willis
Independent Non-Executive Director

Experience and expertise

Melanie was appointed an Independent Non-Executive Director of the Company on 29 September 2014.

Melanie has financial, professional services, infrastructure, property, investment management, retail services and tourism experience in both Executive and Non-Executive roles in a wide range of industries and roles.

Melanie holds a Bachelor of Economics from the University of Western Australia, a Masters of Law (Tax) from the University of Melbourne and a Company Director Diploma from the Australian Institute of Company Directors.

Information on Directors (continued)

Melanie is a member of 'Chief Executive Women' and the Big Issue Women's Advisory Board and is also a Fellow of the Australian Institute of Company Directors.

Other listed company current directorships

Melanie is a Non-Executive Director of Ardent Leisure Limited and Pepper Group Limited.

Former listed company directorships in last 3 years

Melanie held a Non-Executive Directorship position with Crowe Horwath Australasia Limited from May 2006 to March 2015.

Special responsibilities

Chair 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. He has held numerous senior management and development roles extending across the Australian and Asian markets and has more than 20 years' industry experience.

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

Other current directorships

Bob is currently a Non-Executive Director of GCFC Limited (Gold Coast Football Club) and Gold Coast Tourism Corporation Limited. He is a Board member of the Tourism and Transport Forum (TTF) and Chair of the TTF Accommodation Sector Panel. Bob has also recently been appointed Chair of Tourism and Events Queensland.

Special responsibilities

Chief Executive Officer

Interests in shares

Shares: 2,315,638

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 2015, and the number of meetings attended by each Director or Committee Member was:

	Full meetings of Directors		Meetings of Committees			
			Audit and Risk Management		Nomination and Remuneration	
	A	B	A	B	A	B
Peter Bush	12	12	6	6	2	2
Elizabeth Gaines	4	5	2	3	1	1
Andrew Cummins	11	12	6	6	2	2
David Gibson	12	12	6	6	2	2
Kerry Robert East	12	12	-	-	-	-
Melanie Willis	8	9	3	3	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

Corporate governance statement

Mantra Group and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Mantra Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The Company’s corporate governance statement which can be viewed at www.mantragroup.com.au is current as at 26 August 2015 and reflects the Company’s corporate governance practices in place throughout the reporting period.

P +61 (0)7 5631 2500
F +61 (0)7 5631 2995
Level 15, 50 Cavill Avenue
Surfers Paradise QLD 4217
PO Box 8016 Gold Coast MC QLD 9726
www.mantragroup.com.au
Samarad Pty Ltd
ACN 100 072 704
ABN 79 100 072 704

**Introduction from the Chairman of the
Board Nomination and Remuneration Committee**

Dear Shareholder

We are pleased to present Mantra Group's FY2015 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.

While there have been no significant changes to the Group's remuneration policy during FY2015, the following key matters are noted with regard to remuneration of key management personnel:

- ***Completion of the design of a new long term incentive plan***

Following the close out of the Management Equity Plan on IPO, the Group implemented a new long term incentive plan under which the Board would consider the granting of performance rights to certain key employees following the release of the Company's FY2015 results. This plan seeks to drive shareholder value creation by attracting and retaining key employees and executives.

- ***Benchmarking of the CEO and CFO's remuneration***

In order to ensure that the remuneration packages of the CEO and CFO were competitive in the market, the services of a remuneration consultant were engaged to benchmark both their remuneration packages. The remuneration packages of both the CEO and CFO for FY2016 were adjusted in line with market.

- ***Strong Group performance resulting in STI awards for the key management personnel ranging between 100% and 136% of their target STI opportunity***

Our robust short-term incentive (STI) plan is based 50% on EBITDAI and 50% on individual goals aligned to the Company's business and strategic priorities. Based on the Company exceeding its budgeted EBITDAI and achievement against the individual goals, actual STI awards for the key management personnel ranged between 100% and 136% of their target STI opportunity. We are not envisaging any material changes to this plan in FY2016.

The remuneration report included in the following pages provides Mantra Group's remuneration framework and the alignment of Mantra Group's incentive pay plans with shareholder interests.

Yours faithfully

David Gibson
Chairman, Mantra Group Nomination and Remuneration Committee

Remuneration report

The Directors present the Group's 2015 remuneration report, outlining key aspects of the remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

a) Key management personnel (KMP) disclosed in this report
b) Remuneration policy and link to performance
c) Elements of remuneration
d) Link between remuneration and performance
e) Remuneration expenses for executive KMP
f) Employment contracts
g) Non-Executive Director arrangements
h) Additional statutory information

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
Melanie Willis	Non-Executive Director
Elizabeth Gaines	Non-Executive Director

Executive Director

Bob East	Chief Executive Officer (CEO)

Other 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

Changes to key management personnel during the financial year ended 30 June 2015

- Elizabeth Gaines was a Director from the beginning of the financial year until her resignation on 26 November 2014; and
- Melanie Willis was appointed a Director on 29 September 2014 and continues in office at the date of this report.

(b) ***Remuneration policy and link to performance***

The Nomination and Remuneration Committee is a Committee of the Board and is made up of Non-Executive Directors. The committee reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to the business needs, and meets the remuneration principles of the Group.

Remuneration report (continued)

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 easily understood and acceptable to shareholders.

Figure 1: Remuneration framework

Element	Purpose	Performance metrics	Potential value	Changes for FY2015
Fixed remuneration (FR)	Provide competitive market salary	Nil	Positioned at median market rate	Reviewed in line with market positioning
Short term incentive (STI)	Rewarded for in-year performance	Principally EBITDA. Other metrics vary by employee and are listed below.	CEO and CFO: 100% of FR. Other KMP range is 50% to 60% of FR (refer below)	Reviewed in line with market positioning

The Group also had a long-term Management Equity Plan (MEP) which expired as a result of the IPO in June 2014. A new long-term incentive plan has been established. Grants under this new long-term incentive plan are expected to be made following the release of the 2015 financial results. The plan is designed to attract and retain employees and executive directors and to align the interests of those employees and executive directors with the interests of shareholders.

Balancing short-term and long-term performance

Annual incentives are set at a percentage of fixed remuneration (FR), in order to drive performance without encouraging undue risk-taking. In some circumstances, due to the use of stretch targets and other incentives, actual incentives can be higher than 100% of FR.

Figure 2: Target remuneration mix for FY2015

Name	Fixed remuneration (FR)	Short term incentives (STI)
Bob East	50%	50%
Steven Becker	50%	50%
Tomas Johnsson	66%	34%
Kent Davidson	62.5%	37.5%

Michael Moret-Lalli had a deal-based short term incentive which was not a percentage of fixed remuneration. This deal based short term incentive uses a structure which awards amounts depending on the type and size of acquisition completed.

Assessing performance and claw-back of remuneration

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 CEO and the Nomination and Remuneration Committee and may take into account any unexpected or unintended circumstances.

In the event of serious misconduct or a material misstatement in the Group's financial statements the Nomination and Remuneration Committee can cancel or defer performance-based remuneration.

Remuneration report (continued)

(c) *Elements of remuneration*

(i) *Fixed annual remuneration (FR)*

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

For executives, FR is exclusive of superannuation. Superannuation is paid at 9.5% (2014: 9.25%) and is capped at the maximum contribution base which is adjusted by the Australian Taxation Office annually.

(ii) *Short-term incentives*

All executive key management personnel have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The reward targets set are aligned with the drivers of shareholder value, the key one being the achievement of a certain EBITDA target (normally budget). In the 2015 financial year, at least 50% of the STI was tied to achieving budgeted EBITDA, which was the EBITDA per the 2014 prospectus, for all key executive management personnel, excluding Michael Moret-Lalli (2014: 50%).

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

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

- revenue growth against previous years;
- capital management;
- 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;
- implementation and management of appropriate risk strategies; and
- asset management through a structured refurbishment plan.

These targets are reviewed annually.

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 $33,334 of such incentives awarded to two key management personnel (2014: $205,000 awarded to four key management personnel).

Long-term incentives

The Group had a long-term Management Equity Plan (MEP) which expired as a result of the IPO in June 2014. The Group has designed a new long term incentive plan for key management personnel, initial details of which were tabled at the Annual General Meeting on 26 November 2014. Grants under this long term incentive plan are expected to be made on that basis, following the release of the 2015 financial year results and will impact remuneration for the 2016 financial year.

Remuneration report (continued)

(d) *Link between remuneration and performance*

FY2015 performance and impact on remuneration
The Group's performance in 2015 was strong. Management delivered an EBITDA result well above target, while not compromising on our core metrics of guest and owner satisfaction and growth.

As a result of the continued high financial performance and resulting strong shareholder returns, the Board awarded senior management between 100% and 136% of the short-term incentives targets.

Statutory performance indicators
We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. As these measures are not consistent with the measures used in determining the variable amount of remuneration to be awarded to KMPs, as outlined above, EBITDAI is also provided.

Figure 3: Statutory key performance indicators of the Group over the last five years

	2015	2014	2013	2012	2011
Profit for the year attributable to owners of Mantra Group Limited ($'000)	**36,158**	(323)	9,176	(7,369)	(30,907)
EBITDAI for the year ($'000)	**73,052**	61,303	60,676	58,315	52,895
Basic earnings per share (cents)	**14.2**	-	-	-	-
Dividends payments ($'000)	**12,474**	-	-	-	-
Dividend ratio (%)	**34.5**	-	-	-	-
Total KMP STI incentives as percentage of EBITDAI for the year (%)	**2.4**	2.6	1.9	2.4	2.3

The dividend payout ratio is calculated based on dividends paid and profit for the year.

The basic earnings per share, dividend payment and dividend ratio have been included for the full years where Mantra Group has been listed on the ASX.

Remuneration report (continued)

(e) *Remuneration expenses for executive KMP*

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial years measured in accordance with the requirements of the accounting standards.

		Fixed remuneration				Variable remuneration				Total
Name	**Year**	**Cash salary**	**Annual and long service leave**	**Post-employment benefits***	**Termination benefits****	**Cash bonus**	**Board discretionary bonus**	**Options**	**Other*****	
		$	$	$	$	$	$	$	$	$
Executive Director										
Bob East	**2015**	**580,100**	**68,824**	**18,783**	-	**603,304**	-	-	-	**1,271,011**
	2014	563,750	53,942	17,775	-	321,588	100,000	300,000	-	1,357,055
Other key management personnel										
Steven Becker	**2015**	**395,600**	**47,197**	**18,783**	-	**399,460**	-	-	-	**861,040**
	2014	384,375	50,879	17,775	-	306,394	75,000	130,000	-	964,423
Kent Davidson	**2015**	**259,700**	**28,983**	**18,783**	-	**177,234**	**16,667**	-	-	**501,367**
	2014	244,670	15,200	17,775	-	220,619	20,000	28,159	7,960	554,383
Thomas Johnsson	**2015**	**310,100**	**41,094**	**18,783**	-	**155,050**	**16,667**	-	-	**541,694**
	2014	301,311	32,019	17,775	-	161,045	10,000	32,422	9,582	564,154
Michael Moret-Lalli	**2015**	**224,300**	**32,072**	**18,783**	-	**415,000**	-	-	-	**690,155**
	2014	217,933	14,271	17,775	-	395,000	-	113,476	37,127	795,582
Ken Minniken**	**2015**	-	-	-	-	-	-	-	-	-
	2014	-	-	4,443	382,080	-	-	-	-	386,523
Total Executive Directors	**2015**	**1,769,800**	**218,170**	**93,915**	-	**1,750,048**	**33,334**	-	-	**3,865,267**
and other KMP	2014	1,712,039	166,311	93,318	382,080	1,404,646	205,000	604,057	54,669	4,622,120
Total NED	**2015**	**714,154**	-	**61,072**	-	-	-	-	-	**775,226**
remuneration	2014	344,957	-	31,906	-	-	-	100,000	-	476,863
Total KMP	**2015**	**2,483,954**	**218,170**	**154,987**	-	**1,750,048**	**33,334**	-	-	**4,640,493**
remuneration expense	2014	2,056,996	166,311	125,224	382,080	1,404,646	205,000	704,057	54,669	5,098,983

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

Remuneration report (continued)

(f) *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:

Figure 4: Contracted arrangements with executive KMPs

Name	Term of agreement and notice period	Annual base salary excluding superannuation*	Termination Payments **
Bob East	No fixed term, 12 months	580,100	12 months
Steven Becker	No fixed term, 6 months	395,600	6 months
Tomas Johnsson	No fixed term, 6 months	310,100	6 months
Kent Davidson	No fixed term, 6 months	259,700	6 months
Michael Moret-Lalli	No fixed term, 1 month	224,300	1 month

*Base salaries quoted are for the year ended 30 June 2015; 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).

(g) *Non-Executive Director arrangements*

Non-Executive Directors receive a board fee and fees for chairing or participating on Board Committees, see table below.

The fees are exclusive of superannuation.

The base fees are reviewed annually by the Nomination and Remuneration Committee, taking into account comparable roles and market data.

The maximum annual aggregate directors' fees pool limit is $1.5 million. Any change to this aggregate annual amount is required to be approved by Shareholders.

The following fees have applied:

Figure 5: Directors' fees

	Base fee per annum
Base fees	
Chair	$250,000
Other Non-Executive Directors	$125,000
Additional Fees	
Chair of Committee	$15,000
Member of Committee	$10,000

All Non-Executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Remuneration report (continued)

(g) *Non-Executive Director arrangements (continued)*

Figure 6: Non-Executive Director remuneration

Name	Year	Base Fee	Audit committee	Nomination and Remuneration Committee	Superannuation	Options	Total
Peter Bush	**2015**	**250,005**	**10,000**	**10,000**	**18,783**	**-**	**288,788**
	2014	32,500	-	-	3,006	-	35,506
David Gibson	**2015**	**125,002**	**11,609**	**15,000**	**14,403**	**-**	**166,014**
	2014	105,993	-	10,000	10,729	-	126,722
Andrew Cummins	**2015**	**125,003**	**10,000**	**10,000**	**13,775**	**-**	**158,778**
	2014	138,227	-	-	12,785	-	151,012
Elizabeth Gaines	**2015**	**51,123**	**4,090**	**4,090**	**5,634**	**-**	**64,937**
	2014	58,237	-	-	5,386	100,000	163,623
Melanie Willis	**2015**	**73,360**	**8,923**	**5,949**	**8,477**	**-**	**96,709**
	2014	-	-	-	-	-	-
Total non-executive directors remuneration	**2015**	**624,493**	**44,622**	**45,039**	**61,072**	**-**	**775,226**
	2014	334,957	-	10,000	31,906	100,000	476,863

(h) Additional statutory information

(i) Relative portions of fixed vs. variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 23 above:

Figure 7: Relative proportion of fixed vs. variable remuneration expense

Name	**Fixed remuneration**		**At risk - STI**	
	2015 %	2014 %	**2015 %**	2014 %
Executive Director				
Bob East	**49**	57	**51**	43
Other key management personnel of the Group				
Steven Becker	**50**	50	**50**	50
Kent Davidson	**57**	50	**43**	50
Tomas Johnsson	**64**	64	**36**	36
Michael Moret-Lalli	**35**	36	**65**	64

(ii) Performance based remuneration granted and forfeited during the year

Figure 8 shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited.

Figure 8: Performance based remuneration granted and forfeited during the year

Name	Awarded	Forfeited
Bob East	104%	-
Steven Becker	101%	-
Tomas Johnsson	100%	-
Kent Davidson	136%	-

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

Remuneration report (continued)

(h) Additional statutory information (continued)

(iii) Details of share based compensation

Options

There were no shares granted during the year ended 30 June 2015 as compensation.

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. The MEP expired as a result of the IPO in June 2014.

Shareholdings

The table below shows the number of 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 options were held during or at the end of the financial year ended 30 June 2015.

There were no share based compensation arrangements in place in respect of the financial year ended 30 June 2015.

The Mantra Group's securities trading policy applies to all Directors and Senior Management. It restricts the dealing in shares during certain periods.

2015 **Name**	**Balance at the start of the year**	**Other changes during the year**	**Balance at end of the year**
Directors of Mantra Group			
Ordinary shares			
Andrew Cummins	1,466,570	23,009	1,489,579
David Gibson	93,559	11,070	104,629
Elizabeth Gaines	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 and Melanie Willis do not hold any shares at the end of the financial year.

Elizabeth Gaines resigned from the Board of Directors on 26 November 2014.

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

(iv) 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 consultation services provided to the Board for the period from November 2013 to March 2014. No such amounts were paid during the year ended 30 June 2015.

Remuneration report (continued)

(h) Additional statutory information (continued)

(v) Reliance on external remuneration consultants

In September 2014, the Nomination and Remuneration Committee engaged PricewaterhouseCoopers (PwC) to provide recommendations on the new long term incentive plan design. PwC was paid $156,109 for these services. Details of these services are disclosed on page 29 of the directors' report and in note 26 to the financial statements.

In May 2015, the Nomination and Remuneration Committee engaged 3 Degree Consulting, an executive and board member employment, training and remuneration consultancy business, to benchmark the CEO and CFO remuneration packages against the market to ensure they are appropriate.

(vi) Voting and comments made at the company's Annual General Meeting

Mantra Group Limited received more than 97% of "yes" votes on its remuneration report for the 2014 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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

No shares were issued on the exercise of options (2014: 8,625,318) as no long term incentive plan was in place in 2015.

Insurance of officers

During the financial year, Mantra Group paid a premium of $255,852 (2014: $82,728) to insure the Directors and officers of the Group.

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:

	2015 $	2014 $
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns and other statutory accounts	**35,400**	40,400
Other assurance services	**42,500**	25,000
Due diligence services	**-**	778,140
Total remuneration for other assurance services	**77,900**	843,540
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**-**	212,671
Tax consulting	**99,194**	995,730
Total remuneration for taxation services	**99,194**	1,208,401
Other services		
PricewaterhouseCoopers Australian firm:		
Accounting advice	**17,496**	125,000
Consulting services	**101,593**	-
Network firms of PricewaterhouseCoopers Australia	**9,843**	-
Total remuneration for other services	**128,932**	125,000
Total remuneration for non-audit services	**306,026**	2,176,941

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 31.

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
26 August 2015

Auditor’s Independence Declaration

As lead auditor for the audit of Mantra Group Limited for the year ended 30 June 2015, 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
26 August 2015

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

MANTRA ON EDWARD, BRISBANE

MANTRA TWIN TOWNS, HOTEL & APARTMENTS, COOLANGATTA

Mantra Group Limited ABN 69 137 639 395
Financial report - 30 June 2015

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 31. 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 26 August 2015. 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	**2015 $'000**	2014 $'000
Revenue from continuing operations	5	**498,621**	454,688
Other income		**161**	-
Employee benefits expense		**(158,763)**	(148,294)
Operating expenses		**(156,941)**	(141,800)
Occupancy and utilities expenses		**(97,852)**	(90,774)
Depreciation and amortisation expense	6	**(18,282)**	(17,482)
Other expenses		**-**	(522)
Administration expenses		**(12,174)**	(11,995)
Net impairment (charge)/reversal	6	**-**	1,070
Finance costs (net)	6	**(3,873)**	(45,335)
Profit/(loss) before income tax		**50,897**	(444)
Income tax (expense)/benefit	7	**(14,739)**	121
Profit/(loss) for the year		**36,158**	(323)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	23(a)	**(209)**	654
Other comprehensive (loss)/income for the year, net of tax		**(209)**	654
Total comprehensive income for the year		**35,949**	331
Total comprehensive income for the year attributable to the owners of Mantra Group Limited		**35,949**	331
		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Earnings/(loss) per share	34	**14.2**	(0.3)
Diluted earnings/(loss) per share	34	**14.2**	(0.3)

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

	Notes	**2015 $'000**	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**85,058**	31,731
Trade and other receivables	9	**39,730**	35,606
Inventories	10	**2,182**	2,019
Current tax assets		**-**	2,364
Other current assets	11	**7,213**	1,527
Total current assets		**134,183**	73,247
Non-current assets			
Receivables	12	**2,684**	1,508
Property, plant and equipment	13	**100,285**	93,742
Intangible assets	15	**364,195**	347,826
Total non-current assets		**467,164**	443,076
Total assets		**601,347**	516,323
LIABILITIES			
Current liabilities			
Trade and other payables	16	**44,317**	45,050
Current tax liabilities		**4,785**	-
Employee benefit obligations	17	**15,476**	13,171
Advance deposits	18	**24,823**	20,959
Total current liabilities		**89,401**	79,180
Non-current liabilities			
Borrowings	19	**105,420**	110,161
Derivative financial instruments		**4**	37
Deferred tax liabilities	20	**66,470**	68,299
Provisions	21	**2,663**	1,606
Total non-current liabilities		**174,557**	180,103
Total liabilities		**263,958**	259,283
Net assets		**337,389**	257,040
EQUITY			
Contributed equity	22	**298,231**	241,357
Other reserves	23(a)	**228,894**	229,103
Accumulated losses	23(c)	**(189,736)**	(213,420)
Total equity		**337,389**	257,040

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 2013		18,000	229,880	(200,797)	47,083
Profit/(loss) for the year		-	-	(323)	(323)
Other comprehensive income/(loss)		-	654	-	654
Total comprehensive income for the year		**-**	**654**	**(323)**	**331**
Transactions with owners in their capacity as owners:					
Transfer from equity		-	(1,431)	-	(1,431)
Share based payment		-	903	-	903
Dividends paid	24	-	-	(12,300)	(12,300)
Issue of shares on initial public offer		239,123	-	-	239,123
Buy back of management options held under Management Equity Plan		(6,636)	(903)	-	(7,539)
Transaction costs arising on issue of shares (net of tax)		(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**
Balance at 1 July 2014		241,357	229,103	(213,420)	257,040
Profit/(loss) for the year		-	-	36,158	36,158
Other comprehensive income/(loss)		-	(209)	-	(209)
Total comprehensive income for the year		**-**	**(209)**	**36,158**	**35,949**
Transactions with owners in their capacity as owners:					
Issue of shares on share placement	22(b)	53,115	-	-	53,115
Issue of shares on Dividend Reinvestment Plan	22(b)	1,221	-	-	1,221
Issue of shares on share purchase plan	22(b)	3,617	-	-	3,617
Dividends paid	24	-	-	(12,474)	(12,474)
Transaction costs arising on issue of shares (net of tax)	22(b)	(1,079)	-	-	(1,079)
		56,874	-	(12,474)	44,400
Balance at 30 June 2015		**298,231**	**228,894**	**(189,736)**	**337,389**

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

	Notes	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**541,252**	495,807
Payments to suppliers and employees (inclusive of goods and services tax)		**(469,682)**	(426,442)
		71,570	69,365
Interest paid		**(4,442)**	(34,556)
Income taxes paid		**(8,957)**	(10,653)
Interest received		**971**	1,246
Net cash inflow from operating activities	33	**59,142**	25,402
Cash flows from investing activities			
Payments for property, plant and equipment		**(15,630)**	(10,838)
Payments of deposits for post year end business combinations		**(4,508)**	-
Payments of deposits for other acquisitions		**(1,300)**	-
Payments for intangible assets		**(23,833)**	(20,626)
Proceeds from sale of property, plant and equipment		**514**	-
Proceeds from divestment of properties		**-**	1,801
Proceeds from sale of intangible assets		**5**	498
Net cash (outflow) from investing activities		**(44,752)**	(29,165)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	22(b)	**56,732**	239,123
Proceeds from borrowings		**58,000**	110,161
Payment of share transaction costs		**(1,542)**	-
Payments for options bought back		**-**	(8,440)
Repayment of borrowings		**(63,000)**	(310,986)
Payment of IPO transaction costs		**-**	(10,361)
Dividends paid to Company's shareholders	24	**(11,253)**	(12,300)
Net cash inflow from financing activities		**38,937**	7,197
Net increase in cash and cash equivalents		**53,327**	3,434
Cash and cash equivalents at the beginning of the financial year		**31,731**	28,297
Cash and cash equivalents at end of year	8	**85,058**	31,731

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 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 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).

(ii) 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 2014:

- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of this standard did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduces new rules for hedging. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	While the Group continues to assess the full impact of this new standard, initial views are that there is expected to be some impact in the following areas: definitions and disclosures of assets and liabilities in the Balance Sheet and some minor interest charges on underperforming short term trade receivables. The Group continues to consider the introduction of hedge accounting. However at this time, no hedge accounting is undertaken, therefore the standard has no impact in this area.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Standards issued but not yet applied (continued)

AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	The Group does not expect the changes in revenue recognition requirements in AASB 15 to have a significant impact on the timing and amount of revenue recorded in the financial statements, or related disclosures. However, the Group continues to assess the full impact of this new accounting standard as at the date of this report.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.

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

(iv) 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 costs of disposal.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) Critical accounting estimates

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report are disclosed in note 3.

(vi) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

(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.

The acquisition method of accounting is used to account for business combinations 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.

(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.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each consolidated 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) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any assets or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

1 Summary of significant accounting policies (continued)

(e) Business combinations (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains and losses arising from such remeasurement are recognised in profit or loss.

(f) 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.

• 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.

1 Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

(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.

(g) 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.

(h) 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 operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Mantra Group 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.

(i) 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 28). 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.

1 Summary of significant accounting policies (continued)

(j) 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. Matters which may cause the reversal of impairment at the end of a reporting period include favourable events or changes in circumstances since the impairment loss was recognised that would indicate that the impairment loss no longer exists or may have decreased. The amount of any reversal of impairment that can be recognised is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred.

(k) 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 $4.9m (2014: $5.0m) and property furniture, fittings and equipment funds of $1.4m (2014: $1.4m). These bank accounts are held off balance sheet as the risk and rewards do not lie with the Group.

(l) 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.

(m) 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.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and receivables (note 12) 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(j)).

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

1 Summary of significant accounting policies (continued)

(p) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

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).

(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(f), 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 intangible asset's useful life. The intangible asset's useful life depends on the agreement in place. In some cases the useful life will be the life of the building (40 years), similar to the management letting rights and in other cases the useful life will be the life of the agreement.

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.

1 Summary of significant accounting policies (continued)

(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.

(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 2. 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, 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. All 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 corporate 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.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(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 were provided to certain employees via the Management Equity Plan which was in place until the Company listed in June 2014. Information relating to this scheme is set out in note 35.

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 expensed was 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.

(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

1 Summary of significant accounting policies (continued)

(x) Earnings per share (continued)

(ii) Diluted earnings per share (continued)

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(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 36 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 2015 and 2014, 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.

The swap currently in place covers 36.7% (2014: 50%) of the total secured variable loan facility and 52% (2014: 67%) of the total drawn external variable rate debt. The fixed interest rate is 2.035% (2014: 2.65%) and the variable rate as at 30 June 2015 was 3.54% (2014: 4.16%). The contract requires settlement of net interest receivable or payable each 30 days (2014: 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.

2 Financial risk management (continued)

(a) Market risk (continued)

The Group's interest rate swap is a derivative financial instrument. Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Group's accounting policy for derivatives is set out in note 1(s).

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

	June 30 2015		
	Weighted average interest rate	**Balance $'000**	**% of total loans**
Bank overdrafts and bank loans	3.54%	106,000	100%
Interest rate swap (notional principal amount)	2.035%	(55,000)	
Net exposure to cash flow interest rate risk		51,000	48%
	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	32%

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.

	2015 $'000	2014 $'000
Interest rate swap gain/(loss) recognised in profit or loss	**33**	(333)

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.

2 Financial risk management (continued)

(a) Market risk (continued)

	Impact on post-tax profit	
	2015	2014
	$'000	$'000
Interest rates - increase by 50 basis points	**154**	(23)
Interest rates - decrease by 100 basis points	**(308)**	46

(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 32 and 36 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 2015, trade receivables of $3,384,000 (2014: $2,947,000) were past due but not impaired. The ageing analysis of these trade receivables is shown in the table below.

	2015	2014
	$'000	$'000
Greater than 30 days	**2,609**	2,563
Greater than 60 days	**529**	384
Greater than 90 days	**246**	-
Total	**3,384**	2,947

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.

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).

2 Financial risk management (continued)

Impaired Trade Receivables (continued)

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(j) for information about how impairment losses are calculated.

The Group has recognised losses of $256,534 in the income statement (2014: loss of $170,631) in respect of bad and doubtful trade receivables during the year ended 30 June 2015. As at 30 June 2015 the amount of the provision in respect of current trade receivables was $402,381 (2014: $408,571).

At 30 June 2015 and 30 June 2014 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:

	2015 $'000	2014 $'000
At 1 July	**409**	580
Provision for impairment recognised during the year	**250**	-
Receivables written off during the year as uncollectable	**(257)**	(171)
At 30 June	**402**	409

(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 $85,058,000 (2014: $31,731,000) 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 2015 the Group had undrawn available facilities of $38,730,642 (2014: $32,723,068).

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 8) 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:

Floating rate	**2015 $'000**	2014 $'000
- Expiring beyond one year (bank loans)	**38,731**	32,723

The loan facilities may be drawn at any time and have maturity of 2 years (2014: 3 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.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

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 2015**	**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	**14,353**	**-**	**-**	**-**	**-**	**14,353**	**14,353**
Borrowings	**1,800**	**1,800**	**114,869**	**-**	**-**	**118,469**	**105,420**
GST payable	**1,587**	**-**	**-**	**-**	**-**	**1,587**	**1,587**
Other payables and accruals	**23,651**	**318**	**696**	**1,115**	**2,597**	**28,377**	**28,377**
Total non-derivatives	**41,391**	**2,118**	**115,565**	**1,115**	**2,597**	**162,786**	**149,737**
At 30 June 2014							
Non-derivatives							
Trade payables	18,436	-	-	-	-	18,436	18,436
Borrowings	2,340	2,340	4,680	115,680	-	125,040	110,161
GST payable	2,298	-	-	-	-	2,298	2,298
Other payables and accruals	19,551	270	1,197	2,288	1,010	24,316	24,316
Total non-derivatives	42,625	2,610	5,877	117,968	1,010	170,090	155,211

(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 13 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

(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).

(i) *Recognised fair value measurements*

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014.

2 Financial risk management (continued)

(d) Fair value measurements (continued)

30 June 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	4	-	4
Total financial liabilities	**-**	**4**	**-**	**4**

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**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial asset or financial liabilities at fair value on a non-recurring basis as at 30 June 2015.

(ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value in the balance sheet. For these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short term in nature.

(e) Valuation techniques used to derive level 2 fair values

(i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (the derivative financial instruments) 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.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. As all significant inputs are observable, the instrument is included in level 2.

There has been no change to the basis of judgements and estimates made by the Group in determining the fair values of the financial instrument since the last annual financial report.

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 2015, 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.

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(j). 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 15 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(j). 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 15.

The Group tests annually whether the Peppers brand name has suffered any impairment in accordance with the accounting policy stated in note 1(j). 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. Refer to note 15 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 Lease Right (LR) agreements;
- Resorts - operate retreats and resorts in key leisure destinations, principally under Management Letting Right (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 received under Management Agreements is also included in this segment; and
- Corporate - Revenue includes revenue received under Marketing Services Agreements. Costs include sales and marketing and head office costs.

None of the segments included are aggregated segments.

(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 2015 is as follows:

4 Segment information (continued)

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

2015	**CBD**	**Resorts**	**Central Revenue and Distribution**	**Corporate**	**Total**
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	272,322	181,860	41,790	17,435	513,407
Inter-segment revenue	(36)	(18)	-	(14,732)	(14,786)
Revenue from external customers	**272,286**	**181,842**	**41,790**	**2,703**	**498,621**
EBITDAI*	**47,317**	**23,460**	**29,929**	**(27,654)**	**73,052**

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

2014	**CBD**	**Resorts**	**Central Revenue and Distribution**	**Corporate**	**Total**
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	236,228	177,332	36,925	16,957	467,442
Inter-segment revenue	(42)	(27)	-	(12,685)	(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, earnings before interest, tax, depreciation, amortisation and impairment, excludes net reversal of impairment of nil (2014: $1.1 million).

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the income statement.

(c) Other segment information

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

The Chief Executive Officer assesses the performance of the operating segments using EBITDAI.

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

	2015	2014
	$'000	$'000
EBITDAI	**73,052**	61,303
Finance costs	**(3,873)**	(45,335)
Depreciation	**(8,553)**	(8,216)
Amortisation	**(9,729)**	(9,266)
Net reversal of impairment	**-**	1,070
Profit/(loss) before income tax from continuing operations	**50,897**	(444)

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 15 for further information):

Impairment/(Reversal of impairment)	**2015 $'000**	**2014 $'000**
CBD impairment	-	1,693
CBD Reversal of impairment	-	-
Resorts impairment	-	7,785
Resorts reversal of impairment	-	(10,548)
Total	**-**	**(1,070)**

(iii) Segment assets

The reports provided to the Chief Executive Officer 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

	2015 $'000	2014 $'000
The Group derives the following types of revenue:		
Room revenue	**312,675**	282,214
Food and beverage revenue	**64,272**	60,048
Commission revenue	**28,338**	24,186
Management fee revenue	**3,932**	3,122
Provision of services	**89,404**	85,118
Total	**498,621**	454,688

6 Expenses

	2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**11,782**	10,579

6 Expenses (continued)

Depreciation		
Buildings	**2,025**	1,962
Plant and equipment	**5,414**	4,969
Leasehold improvements	**1,114**	1,285
Total depreciation	**8,553**	8,216
Amortisation		
Management Letting Rights	**4,001**	3,512
Lease Rights	**3,747**	3,835
Hotel Management Rights	**264**	40
Trademarks and patents	**(43)**	8
Intellectual property and other intangibles	**1,760**	1,871
Total amortisation	**9,729**	9,266
Total depreciation and amortisation	**18,282**	17,482
Finance costs		
Interest and finance charges paid/payable	**5,049**	34,280
Facility fee	**-**	1,500
Interest income	**(1,534)**	(1,246)
Amortisation of capitalised borrowing costs	**271**	9,723
Interest rate swap including break fees	**87**	1,078
Finance costs - net	**3,873**	45,335
Rental expense relating to operating leases		
Operating leases	**80,877**	74,973
Impairment/(reversal) of impairment		
Reversal of impairment of intangible assets	**-**	(10,548)
Impairment of intangible assets	**-**	9,478
Total	**-**	(1,070)
IPO and ASX listing costs	**-**	764
Share based payment	**-**	903

7 Income tax expense

(a) Income tax expense

	2015 **$'000**	2014 $'000
Current tax	**16,860**	2,441
Deferred tax	**(1,379)**	(2,301)
Adjustments for current tax of prior periods	**(754)**	(261)
Adjustment for deferred tax of prior periods	**12**	-
	14,739	(121)
Deferred income tax included in income tax expense comprises:		
Increase in deferred tax assets (note 14)	**403**	(912)
Decrease in deferred tax liabilities (note 20)	**(1,770)**	(1,389)
	(1,367)	(2,301)

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

	2015 **$'000**	2014 $'000
Profit from continuing operations before income tax expense	**50,896**	(444)
Tax at the tax rate of 30% (2014 - 30%)	**15,269**	(133)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible entertainment	**83**	67
Fines and penalties	**(3)**	2
Adjustments for immediately deductible IPO costs	**-**	(197)
Accounting depreciation	**285**	227
Non-deductible MEP compensation expense	**-**	159
	15,634	125
Adjustments for current tax of prior periods	**(754)**	(261)
Derecognition of rights to future income and adjustment to MLR tax base	**(132)**	19
Capital losses recouped	**(21)**	(4)
Adjustments for deferred tax of prior periods	**12**	-
Income tax expense/(benefit)	**14,739**	(121)

7 Income tax expense (continued)

(c) Amounts recognised directly in equity

	2015 $'000	2014 $'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 equity raising	**(463)**	(3,632)

8 Current assets - Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	**84,638**	31,201
Deposits at call	**420**	530
	85,058	31,731

Cash balances were high as at 30 June 2015 in anticipation of the settlement of the acquisitions of Outrigger and Soul on 1 July 2015. Refer note 37 for details.

(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 1.9% and 2.4% (2014: 1.88% and 3.49%).

Deposits at call earn interest at a floating rate of between 2% and 2.30% (2014: 2.50% and 2.80%) and have a maturity of seven days (2014: seven days).

9 Current assets - Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**35,616**	31,716
Provision for impairment of receivables 2(b)	**(402)**	(409)
	35,214	31,307
Other receivables	**436**	446
Prepayments	**4,080**	3,853
	39,730	35,606

9 Current assets - Trade and other receivables (continued)

(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.

10 Current assets - Inventories

	2015 $'000	2014 $'000
Consumables	**2,182**	2,019

Inventories recognised as an expense during the year ended 30 June 2015 amounted to $23,975,105 (2014: $21,668,934). These were included in operating expenses.

11 Current assets - Other current assets

	2015 $'000	2014 $'000
Other current assets	**7,213**	1,527

12 Non-current assets - Receivables

	2015 $'000	2014 $'000
Other receivables	**2,684**	1,508

Other receivables relate to third party loans in respect of three 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.

13 Non-current assets - Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2013				
Cost or fair value	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)
Impairment charge	-	(20)	-	(20)
Closing net book amount	65,989	20,894	6,859	93,742
At 30 June 2014				
Cost or fair value	99,728	55,749	9,315	164,792
Accumulated depreciation	(33,739)	(34,855)	(2,456)	(71,050)
Net book amount	65,989	20,894	6,859	93,742
Year ended 30 June 2015				
Opening net book amount	65,989	20,894	6,859	93,742
Exchange differences	(48)	(14)	(6)	(68)
Additions	3,209	9,623	2,797	15,629
Disposals	(267)	(194)	(4)	(465)
Depreciation charge	(2,025)	(5,414)	(1,114)	(8,553)
Closing net book amount	66,858	24,895	8,532	100,285
At 30 June 2015				
Cost	102,529	64,393	12,099	179,021
Accumulated depreciation	(35,671)	(39,498)	(3,567)	(78,736)
Net book amount	66,858	24,895	8,532	100,285

(a) Non-current assets pledged as security

Refer to note 30 for information on non-current assets pledged as security by the Group.

(b) Contractual obligations

Refer to note 28 for disclosure of contractual obligations to purchase property.

14 Non-current assets - Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**5,346**	4,809
Other		
Restructuring and transaction costs	**269**	466
Share issue expenses	**2,615**	2,906
Doubtful debts	**117**	123
Other	**256**	239
Straight line lease	**1,510**	1,510
Sub-total other	**4,767**	5,244
Total deferred tax assets	**10,113**	10,053
Set-off of deferred tax assets pursuant to set-off provisions	**(10,113)**	(10,053)
Total deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**5,715**	3,480
Deferred tax assets expected to be recovered after more than 12 months	**4,398**	6,573
	10,113	10,053
Movements:		
Opening balance 1 July	**10,053**	5,509
Charged/(credited):		
- to profit or loss	**(403)**	912
- to equity	**463**	3,632
Closing balance 30 June	**10,113**	10,053

The Group has carried forward capital losses of $1.1 million (2014: $1.2 million).

15 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 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	-	-	-	2,784	(1,694)	-	1,090
Closing net book amount	83,955	2,261	10,391	120,842	123,768	6,609	347,826
At 30 June 2014							
Cost	203,625	16,339	11,434	229,148	156,592	6,649	623,787
Accumulation amortisation and impairment	(119,670)	(14,078)	(1,043)	(108,306)	(32,824)	(40)	(275,961)
Net book amount	83,955	2,261	10,391	120,842	123,768	6,609	347,826
Year ended 30 June 2015							
Opening net book amount	83,955	2,261	10,391	120,842	123,768	6,609	347,826
Additions	-	2,039	1	11,701	-	12,094	25,835
Disposals	-	(4)	-	(1)	-	-	(5)
Exchange differences	-	-	-	(80)	-	348	268
Amortisation charge	-	(1,760)	43	(4,001)	(3,747)	(264)	(9,729)
Closing net book amount	83,955	2,536	10,435	128,461	120,021	18,787	364,195
At 30 June 2015							
Cost	203,625	18,374	11,435	240,499	156,592	19,095	649,620
Accumulated amortisation and impairment	(119,670)	(15,838)	(1,000)	(112,038)	(36,571)	(308)	(285,425)
Net book amount	83,955	2,536	10,435	128,461	120,021	18,787	364,195

(a) Impairment tests for goodwill

The accounting policy for impairment of assets is set out in note 1(j) and goodwill is set out in note 1(p)(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.

15 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

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

	2015 Total $'000	2014 Total $'000
Resorts	**-**	-
CBD	**59,955**	59,955
Central Revenue and Distribution	**24,000**	24,000
	83,955	83,955

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 2015 the VIU basis was used (2014: 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 2016 financial year budget approved by the Board and are extrapolated using a forecast growth rate of 5% until 2020 (2014: 5% until 2019). 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 2020. The forecast growth rate used is 3% (2014: 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 11.9% (2014: 11.7%)

Impairment charge

Based on the assumptions described above, no goodwill impairment is required (2014: 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.

(b) Impairment test for brand names

The accounting policy for brand names is set out in note 1(p)(ii) and for impairment of assets is set out in note 1 (j).

The carrying value of the Peppers brand as at 30 June 2015 is $9,100,000 (2014: $9,100,000). The impairment testing is completed using the cash flows generated by the Peppers properties.

15 Non-current assets - Intangible assets (continued)

(b) Impairment test for brand names (continued)

The Group tests whether the brand name 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 name operates.

The key assumptions for the brand name calculations are the same as those detailed above for goodwill in (i) to (iii).

Impairment charge

Based on the assumptions described above, no brand impairment is required (2014: 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 2016 financial year budget approved by the Board and extrapolated using a forecast growth rate of 5% until 2020 (2014: 5% until 2019).
- The growth rate from 2020 until the end of the 40 year estimated useful life is 3% (2014: 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 11.9% (2014: 11.7%).

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

- Cash flow forecasts are based on the 2016 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, no impairment (2014: $9.4 million) and no reversals of impairment (2014: $10.5 million) were recognised in relation to Management Letting Rights, Lease Rights and Hotel Management Rights. The impairment arose in respect of twelve properties in 2014 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).

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

15 Non-current assets - Intangible assets (continued)

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**

The reversal of impairment arose in respect of five properties in 2014 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**

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 the 2014 valuations, a multiple of between 4 and 4.75 was used.

16 Current liabilities - Trade and other payables

	2015 $'000	2014 $'000
Trade payables	**14,353**	18,436
GST payable	**1,587**	2,298
Other payables and accruals	**28,377**	24,316
	44,317	45,050

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.

17 Current liabilities - Employee benefit obligations

	2015 $'000	2014 $'000
Employee benefits (a)	**15,476**	13,171

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

The current provision for employee benefits includes accrued annual 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 $15.5 million (2014 - $13.2 million) 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.

	2015 $'000	2014 $'000
Leave obligations expected to be settled after 12 months	**4,051**	2,868

18 Current liabilities - Advance deposits

	2015 $'000	2014 $'000
Advance deposits	**24,823**	20,959

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

19 Non-current liabilities - Borrowings

	2015 $'000	2014 $'000
Secured		
Bank loans	**105,420**	110,161

(a) Secured bank loans

Details of the terms of the bank loans are included below.

(b) Syndicated Facility 2014

On 27 May 2014, the Group entered into a Syndicated Facility Agreement (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 Banking Facility is $150,000,000 and is available for drawings in Australian dollars, New Zealand dollars and US dollars. As at 30 June 2015 the drawdown on the Banking Facility was $106,000,000 and bank guarantees of $5,269,358.

The 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 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 2015 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 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 are set out in in Note 2.

(e) Security disclosures

Details of security relating to each of the secured liabilities are set out in Note 30.

(f) Compliance with loans covenants

The Group has complied with the financial covenants of its borrowing facility during the 2015 and 2014 reporting periods. See note 22(e) for further details.

(g) 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.

19 Non-current liabilities - Borrowings (continued)

(h) 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.

20 Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:	**2015 $'000**	2014 $'000
Property, plant and equipment	**8,430**	8,110
Intangible assets	**68,153**	70,242
	76,583	78,352
Set-off of deferred tax assets pursuant to set-off provisions (note 14)	**(10,113)**	(10,053)
Total deferred tax liabilities	**66,470**	68,299
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**76,583**	78,352
	76,583	78,352
Movements:		
Opening balance at 1 July	**78,352**	79,741
(Charged)/credited:		
- profit or loss	**(1,769)**	(1,389)
Closing Balance at 30 June	**76,583**	78,352

21 Non-current liabilities - Provisions

	2015 $'000	2014 $'000
Employee benefits (note 17a)	**1,382**	1,318
Other provisions	**1,281**	288
	2,663	1,606

22 Contributed equity

(a) Share capital

	2015 Shares	2014 Shares	**2015 $'000**	2014 $'000
Ordinary shares - fully paid	**267,364,052**	249,471,229	**298,231**	241,357

(b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**$'000**
1 July 2013	Opening balance	18,000,000	18,000
20 June 2014	Balance of share provided to original shareholders on share split*	90,000,000	-
20 June 2014	Issues of shares on Initial Public Offer	132,845,911	239,123
24 June 2014	Buy back of management options held under Management Equity Plan	-	(6,636)
25 June 2014	Transaction costs arising on issue of shares (net of tax)	-	(9,130)
25 June 2014	Issue of shares on conversion of Management Equity Plan	8,625,318	-
	Closing Balance	249,471,229	241,357
1 July 2014	Opening balance	249,471,229	241,357
26 March 2015	Issue of shares on share placement	16,393,443	53,115
31 March 2015	Issues of shares on Dividend Reinvestment Plan	383,051	1,221
20 April 2015	Issue of shares on share purchase plan	1,116,329	3,617
	Transaction costs arising on issue of shares (net of tax)	-	(1,079)
		267,364,052	298,231

*Prior to the lodgement of the prospectus in June 2014, UBS Australia Holdings Pty Ltd (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.

Except for early release provisions contained in the IPO prospectus, 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.

The Escrow arrangements prevent the shareholders from disposing of the Escrowed Shares until certain conditions are met or certain dates have passed.

On 27 March 2015 Mantra Group confirmed the satisfaction of the conditions for early release from Escrow of 25% of the escrowed shares held by the escrowed shareholders EV and UBSAHPL and the holding lock over 27,000,000 ordinary shares was released prior to the opening of trading on 15 April 2015.

22 Contributed equity (continued)

(c) Movement in share capital

Institutional placement
On 20 March 2015, the Group completed a fully underwritten placement ('the Placement') to qualified and sophisticated institutional investors. As a result 16.4 million new shares were issued on 26 March 2015, resulting in gross cash proceeds of $53.1 million. The issue price of each share was $3.24.

Share purchase plan
A share purchase plan accompanied the Placement, under which eligible existing Mantra Group shareholders were able to acquire additional shares in the Company. As a result, 1.1 million new shares were issued on 20 April 2015, resulting in gross cash proceeds of $3.6 million. The issue price of each share was $3.24.

Expenses arising from the placement and share purchase plan
Costs incurred in relation to the Placement and share purchase plan were $1.1 million (net of deferred tax credits recognised directly in equity). Directly attributable equity raising costs incurred have been recognised net of any tax effects directly in equity, and therefore do not impact pre-tax earnings for the year ended 30 June 2015.

Dividend reinvestment plan
The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares rather than being paid in cash.

On 31 March 2015, 383,051 shares were issued under the Dividend Reinvestment Plan at a share price of $3.19.

(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) Capital risk management

The Group's objective when managing capital is 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 2015 was as follows:

	2015 $'000	**2014 $'000**
Net debt	20,362	78,430
Total equity	337,389	257,040
Net debt to equity ratio	6.0%	30.5%

22 Contributed equity (continued)

(e) Capital risk management (continued)

Loan covenants

Under the terms of the Banking Facility, 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. The Group had similar covenants under its previous borrowing facilities. All current and previous covenants were complied with during the 2015 and 2014 reporting periods.

23 Other reserves and accumulated losses

(a) Other reserves

	2015 $'000	2014 $'000
Predecessor accounting reserve	**227,919**	227,919
Foreign currency translation reserve	**975**	1,184
	228,894	229,103

	2015 $'000	2014 $'000
Movements:		
Predecessor accounting reserve		
Opening balance	**227,919**	227,919
Balance 30 June	**227,919**	227,919
Foreign currency translation reserve		
Opening balance	**1,184**	530
Currency translation differences arising during the year	**(209)**	654
Balance 30 June	**975**	1,184

(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) 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.

23 Other reserves and accumulated losses (continued)

(c) Accumulated losses

Movements in accumulated losses were as follows:

	2015 $'000	2014 $'000
Balance 1 July	**(213,420)**	(200,797)
Net profit/(loss) for the year	**36,158**	(323)
Dividends	**(12,474)**	(12,300)
Balance 30 June	**(189,736)**	(213,420)

24 Dividends

(a) Ordinary shares

	2015 $'000	2014 $'000
Fully franked interim ordinary dividend for the year ended 30 June 2015 of 5 cents per fully paid share on 31 March	**12,474**	-
Fully franked pre-IPO ordinary dividend of 68 cents per fully paid share	**-**	12,300
	12,474	12,300

(b) Dividends not recognised at the end of the reporting period

	2015 $'000	2014 $'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 5 cents per fully paid ordinary share (2014 - nil cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 October 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is	**13,368**	-

(c) Franked dividends

	2015 $'000	2014 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2014 - 30.0%)	**5,542**	4,793

The franked portions of the final dividends recommended after 30 June 2015 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2016.

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

24 Dividends (continued)

(c) Franked dividends (continued)

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

25 Key management personnel disclosures

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

Peter Bush	(Chair)
Elizabeth Gaines	(resigned 26 November 2014)
Andrew Cummins	
Kerry Robert East	
David Gibson	
Melanie Willis	(appointed 29 September 2014)

The other key 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

	2015 **$**	2014 $
Short-term employee benefits	**4,267,336**	3,721,311
Post-employment benefits	**154,987**	125,224
Long-term benefits	**218,170**	166,311
Termination benefits	**-**	382,080
Share-based payments	**-**	704,057
	4,640,493	5,098,983

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 27.

26 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.

26 Remuneration of auditors (continued)

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

	2015 **$**	2014 $
Audit and other assurance services		
Audit and review of financial statements	**526,800**	526,800
Audit of regulatory returns and other statutory accounts	**35,400**	40,400
Other assurance services	**42,500**	25,000
Due diligence services	**-**	778,140
Total remuneration for audit and other assurance services	**604,700**	1,370,340
Taxation services		
Tax compliance services	**-**	212,671
Tax consulting	**99,194**	995,730
Total remuneration for taxation services	**99,194**	1,208,401
Other services		
Accounting advice	**17,496**	125,000
Consulting services	**101,593**	-
Total remuneration for other services	**119,089**	125,000
Total remuneration of PricewaterhouseCoopers Australia	**822,983**	2,703,741

(b) Network firms of PricewaterhouseCoopers Australia

	2015 **$**	2014 $
Audit and other assurance services		
Audit of financial statements	**25,000**	-
Taxation services		
Tax compliance	**2,812**	-
Tax consulting	**7,031**	-
Total remuneration for other services	**9,843**	-
Total remuneration of network firms of PricewaterhouseCoopers Australia	**34,843**	-

(c) Non-related audit firms

	2015 **$**	2014 $
Audit and other assurance services		
Audit of trust accounts	**88,797**	162,514

27 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 $5,269,358 (2014: $6,276,932).

28 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.

	2015 **$'000**	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**101,818**	84,248
Later than one year but not later than five years	**198,364**	158,381
Later than five years	**123,264**	10,880
	423,446	253,509

(b) Capital commitments

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

	2015 **$'000**	2014 $'000
Property, plant and equipment	**550**	300
Intangible assets	**700**	2,600
Total	**1,250**	2,900

The Group enters into new agreements in the ordinary course of business, some of which result in capital commitments. There were no known capital commitments at balance date other than those disclosed above.

29 Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in principal subsidiaries are set out in note 31.

29 Related party transactions (continued)

(c) Key management personnel compensation

As well as remuneration paid to the Key Management Personnel in 2015 and 2014, as detailed in note 25, the following related party transactions with Key Management Personnel also occurred.

- Key management personnel subscribed for 7,299,236 shares as a result of the settlement of the Management Equity Plan (MEP) in FY2014.
- 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 in FY2014.
- Remuneration of $xx (2014: $477,000) was paid to the Non-Executive Directors of Mantra Group Limited.

In 2015 and 2014, David Gibson was 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.

During the year ended 30 June 2014, an amount of $25,000 was paid to Peter Bush as compensation for IPO consultation services provided to the Board for the period from November 2013 to March 2014. No such amounts were paid during the year ended 30 June 2015.

(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 in June 2014: EV Hospitality NV (EV) and UBS Australia Holdings Pty Ltd (UBSAHPL).

The following transactions occurred with these related parties:

	2015 $'000	2014 $'000
Ordinary dividends paid		
UBSAHPL	-	4,920
EV	-	7,380
	-	12,300

• Also in 2014, the Company reimbursed UBSAHPL and EV a portion of their costs incurred in association with the IPO totalling $385,071 and $475,193 respectively.

• 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 22(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. These loans were fully repaid prior to Mantra Group listing on the ASX in June 2014.

Drawings, repayments and interest charged on the loans were as follows:

29 Related party transactions (continued)

(e) Loans to/from related parties (continued)

	2015 $	2014 $
ZCN 2009		
Beginning of the year	-	33,802
Loans repayments made	-	(36,459)
Interest charged	-	2,657
End of year	-	-

	2015 $'000	2014 $'000
2013 Loan Notes		
Beginning of the year	-	109,396
Loans repayments made	-	(128,732)
Interest charged	-	19,336
	-	-

	2015 $'000	2014 $'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 was paid to UBS AG, Australia branch, a related party of UBSAHPL in 2014. This exit fee was attached to the 2009 UBS bank loan and became payable on the IPO exit event.

30 Assets pledged as security

The carrying amounts of assets pledged as security under the 2014 Syndicated Facility are as follows:

	2015 $'000	2014 $'000
Current		
Cash and cash equivalents	**82,322**	27,816
Trade and other receivables	**38,236**	32,154
Inventories	**1,639**	1,568
Other	**-**	-
Total current assets pledged as security	**122,197**	61,538
Non-current		
Property plant and equipment	**82,880**	76,385
Intangible assets	**322,435**	313,842
Deferred tax assets	**9,998**	9,937
Other	**2,684**	1,527
Total non-current assets pledged as security	**417,997**	401,691
Total assets pledged as security	**540,194**	463,229

31 Subsidiaries

Set out below are the Group's principal subsidiaries as at 30 June 2015. 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 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 2015 %**	Equity holding 2014 %
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
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

32 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 company 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, consolidated 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 2015 of the closed group consisting of Mantra Group Limited.

Prior year figures set out below represent the 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 Group.

There were no changes in the members of the closed group between 2014 and 2015 financial years.

	2015 $'000	2014 $'000
Consolidated income statement		
Revenue from continuing operations	**325,822**	295,860
Other income	**186**	-
Administration expenses	**(9,559)**	(9,811)
Occupancy and utilities expenses	**(53,256)**	(48,686)
Employee benefits expense	**(116,467)**	(109,422)
Depreciation and amortisation expense	**(13,465)**	(12,899)
Operating expenses	**(100,090)**	(89,133)
Finance costs	**(3,954)**	(45,396)
Net impairment reversal	**-**	1,070
Other expenses	**-**	(1,170)
Profit/(loss) before income tax	**29,217**	(19,587)
Income tax benefit/(expense)	**(14,727)**	121
Profit/(loss) for the year	**14,490**	(19,466)

	2015 $'000	2014 $'000
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	**14,490**	(19,466)
Other comprehensive income for the period, net of tax	**-**	-
Total comprehensive income for the year	**14,490**	(19,466)

32 Deed of cross guarantee (continued)

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

	2015 $'000	2014 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**249,097**	280,863
Profit/(loss) for the year	**14,490**	(19,466)
Dividends provided for or paid	**(12,474)**	(12,300)
Retained earnings at the end of the financial year	**251,113**	249,097

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2015 of the closed group consisting of 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 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 2014 of the closed group of Mantra Group Limited.

There were no changes in the members of the closed group between 2014 and 2015 financial years.

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	**77,860**	22,148
Trade and other receivables	**26,107**	24,349
Inventories	**1,388**	1,303
Current tax asset	**-**	2,364
Other current assets	**7,213**	2,187
Total current assets	**112,568**	52,351
Non-current assets		
Property, plant and equipment	**72,370**	66,839
Investment in subsidiaries	**482,443**	482,443
Intangible assets	**197,580**	179,613
Other non-current assets	**389**	495
Related party receivables	**31,071**	31,072
Total non-current assets	**783,853**	760,462
Total assets	**896,421**	812,813

32 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position (continued)

	2015 $'000	2014 $'000
Current liabilities		
Trade and other payables	**34,718**	31,768
Current tax liabilities	**4,785**	-
Employee benefit obligations	**14,550**	14,372
Advanced deposits	**24,823**	20,935
Related party payables	**59,944**	38,415
Total current liabilities	**138,820**	105,490
Non-current liabilities		
Borrowings	**105,420**	110,161
Deferred tax liabilities	**66,470**	74,149
Provisions	**2,647**	1,589
Total non-current liabilities	**174,537**	185,899
Total liabilities	**313,357**	291,389
Net assets	**583,064**	521,424
Equity		
Contributed equity	**276,263**	216,639
Other reserves	**55,688**	55,688
Retained earnings	**251,113**	249,097
Total equity	**583,064**	521,424

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

	2015 $'000	2014 $'000
Profit/(loss) for the year	**36,158**	(323)
Depreciation and amortisation	**18,282**	17,482
Net (gain)/loss on sale of non-current assets	**(57)**	126
Net impairment reversal	**-**	(1,070)
Non-operating finance costs	**319**	12,063
Other	**(136)**	695
Net exchange differences	**(410)**	549
Change in operating assets and liabilities:		
Increase in trade debtors and other receivables	**(4,968)**	(2,246)
(Increase)/decrease in inventories	**(163)**	20
Increase/(decrease) in deferred tax assets	**402**	(911)
Increase in other operating assets	**(95)**	(145)
(Decrease)/increase in trade creditors and other payables	**(2,795)**	1,336
Increase in other operating liabilities	**7,225**	7,688
Increase/(decrease) in provision for income taxes payable	**7,149**	(8,473)
Decrease in deferred tax liabilities	**(1,769)**	(1,389)
Net cash inflow from operating activities	**59,142**	25,402

34 Earnings per share

(a) Basic earnings per share

	2015 Cents	2014 Cents
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Group	**14.2**	(0.3)

(b) Diluted earnings per share

	2015 Cents	2014 Cents
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Group	**14.2**	(0.3)

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

	2015 $'000	2014 $'000
Profit from continuing operations attributable to the ordinary equity holders of the Group		
Used in calculating basic earnings per share	**36,158**	(323)

34 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**253,851,407**	120,264,932
Adjustments for calculation of diluted earnings per share:		
Options (note 35)	**-**	1,896,575
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**253,851,407**	122,161,507

35 Management Equity Plan

The Company did not have a Management Equity Plan in place in 2015. A Long Term Incentive Plan is being introduced and is expected to commence in FY2016. The previous Management Equity Plan, under which certain members of Senior Management and certain Directors were offered an opportunity to purchase or obtain options in the Company, expired when the Company was listed in June 2014.

(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:

	2015 $'000	2014 $'000
Share based payment	**-**	903

36 Parent entity financial information

(a) Summary financial information

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

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**310,521**	242,822
Non-current assets	**109,025**	108,964
Total assets	**419,546**	351,786
Current liabilities	**64,918**	50,748
Non-current liabilities	**76,570**	78,352
Total liabilities	**141,488**	129,100
Net assets	**278,058**	222,686
Shareholders' equity		
Issued capital	**298,231**	241,356
Asset revaluation reserve	**(98,298)**	(98,298)
Dividends paid	**(73,145)**	(60,671)
Retained earnings	**151,270**	140,299
Total equity	**278,058**	222,686
Profit for the year	**10,407**	73,906
Total comprehensive income	**10,407**	73,906

(b) Guarantees entered into by parent entity

Mantra Group Limited is a party to the deed of cross guarantee as described in note 32.

In 2014, the parent entity also provided a guarantee in respect of obligations assumed by a subsidiary company on the acquisition of a property (2015: 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 2015 or 30 June 2014.

36 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 2015 or 30 June 2014.

37 Events occurring after the reporting date

(a) Business combination

On 1 July 2015 Mantra Group acquired 100% of the issued shares in Outrigger Hotels and Resorts Australia Pty Ltd, now called Mantra Leisure Resorts Pty Ltd, which manages and operates four hotel and resort complexes.

On 1 July 2015 Mantra Group also acquired the Soul Surfers Paradise management letting rights business and caretaking business, together with the associated real estate. Mantra Group had been managing the property as agents for the receivers and managers since November 2013. Soul Surfers Paradise is one of the premier luxury holiday apartment resorts in Australia.

These acquisitions present a unique opportunity for Mantra Group to increase its footprint across key locations with premium properties. The financial effects of these transactions have not been brought to account at 30 June 2015. The operating results and assets and liabilities of the acquisitions will be consolidated from 1 July 2015.

Details of the aggregated purchase consideration, the net assets acquired and goodwill are as follows:

(i) Purchase consideration

Details of the consideration transferred are:

	$'000
Purchase consideration	
Cash paid	**55,285**

The provisionally determined fair values of the assets and liabilities transferred as a result of the acquisitions are as follows:

	Fair value $'000
Cash and cash equivalents	**1,233**
Property, plant and equipment	**14,667**
Management letting rights	**38,189**
Other assets	**688**
Receivables	**2,456**
Payables	**(531)**
Accruals and provisions	**(1,415)**
Net deferred tax liability	**(14,760)**
Net identifiable assets acquired	**40,527**
Add: goodwill	**14,758**
Net assets acquired	**55,285**

The goodwill has resulted from the recognition of a net deferred tax liability resulting principally from the acquisition of intangible and tangible assets.

37 Events occurring after the reporting date (continued)

(a) Business combination (continued)

(ii) Acquisition-related costs

Acquisition-related costs of $0.3m have been expensed in FY2015 as they were incurred prior to 30 June 2015. Further acquisition-related costs of approximately $0.4m will be incurred in FY2016. All acquisition-related costs are included in other expenses in the consolidated statement of comprehensive income.

(iii) Information not disclosed as not yet available

At the time the financial report was authorised for issue, the Group had not yet completed the accounting for the acquisitions. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally and will be subject to further review during the 12 months from 1 July 2015, being the effective date of acquisition.

(b) Other events

The Group completed the acquisition of the Hotel Management Right in respect of the Melbourne property Breakfree on Collins on 2 July 2015.

Please refer to note 24 for details of the final dividend recommended by directors, to be paid on 6 October 2015.

In the Directors' opinion:

(a) the financial report and notes set out on pages 34 to 90 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 2015 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 32 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 32.

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
26 August 2015

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 2015, 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 the 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), 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 2015 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).

Report on the Remuneration Report

We have audited the remuneration report included in pages 19 to 27 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
26 August 2015

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

The shareholder information set out below was applicable as at 20 August 2015 [to be updated].

A. Distribution of equity securities

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

Holding	Ordinary shares
1 - 1000	165,115
1,001 - 5,000	1,092,332
5,001 - 10,000	1,151,580
10,001 - 50,000	3,093,170
50,000 - 100,000	903,616
100,001 and over	260,958,239
	267,364,052

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
UBS Australia Holdings Pty Limited	49,450,314	18.50
HSBC Custody Nominees (Australia) Limited	46,500,035	17.39
J P Morgan Nominees Australia Limited	45,975,771	17.20
EV Hospitality NV	31,549,686	11.80
National Nominees Limited	24,541,423	9.18
Citicorp Nominees Pty Limited	20,026,380	7.49
BNP Paribas Noms Pty Limited	19,778,598	7.40
RBC Investor Services Australia Nominees Pty Limited	5,179,937	1.94
AMP Life Limited	4,370,246	1.63
Bob East	2,315,638	0.87
Gladstone Investments Limited	1,489,579	0.56
Steven Becker	1,389,374	0.52
Elizabeth Gaines	1,162,448	0.43
BNP Paribas Noms (NZ) Limited	736,552	0.28
RBC Investor Services Australia Nominees Pty Limited	708,258	0.26
Citicorp Nominees Pty Limited	586,845	0.22
Sandhurst Trustee Limited	475,478	0.18
Mark Hodge	371,467	0.14
Kent Davidson	366,465	0.14
Brispot Nominees Pty Limited	359,097	0.13
	257,333,591	96.26

C. Substantial holders

As at 20 August 2015 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:

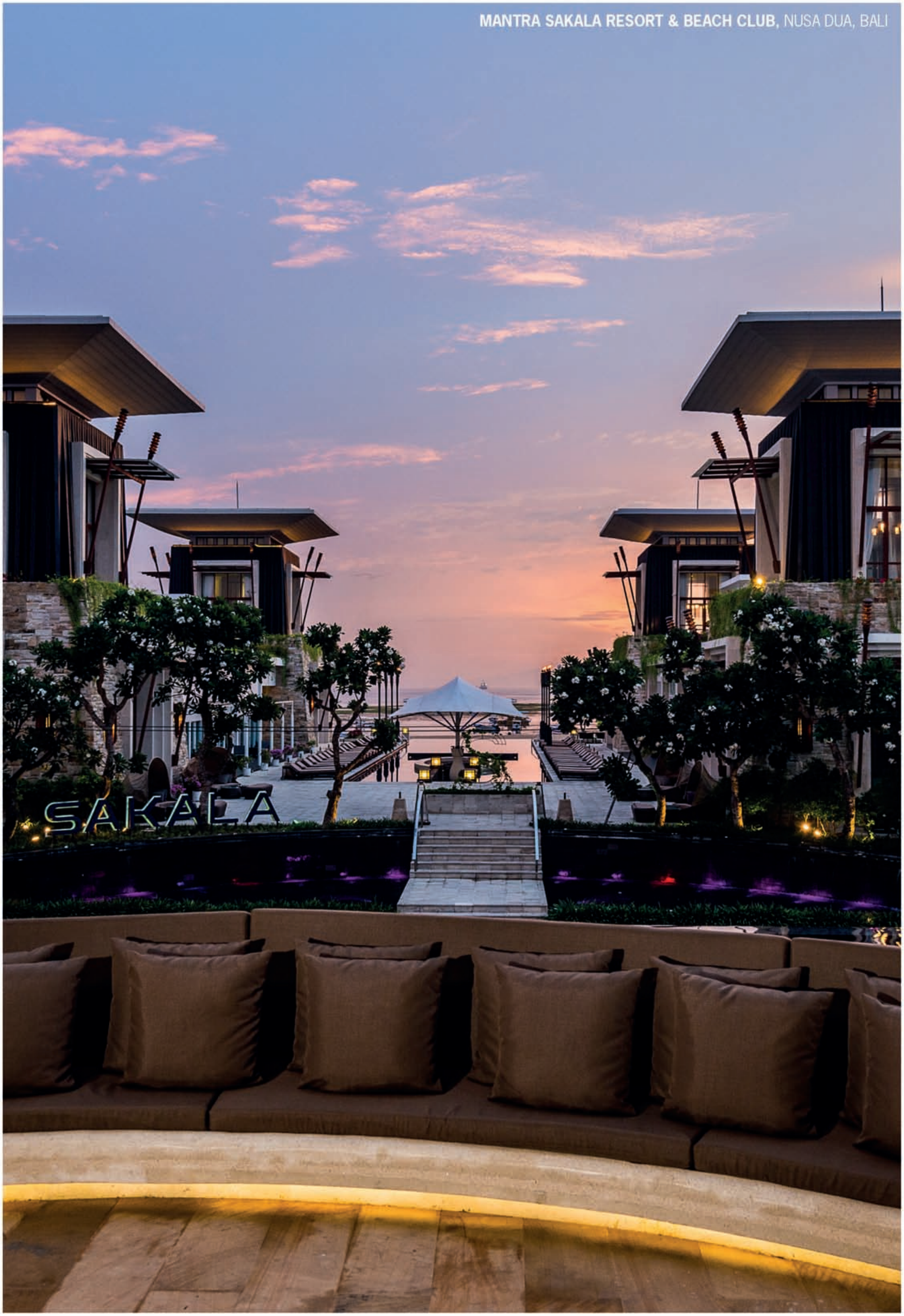
	Number held	Percentage
UBS Australia Holdings Pty Limited	49,450,314	18.50%
HSBC Custody Nominees (Australia) Limited	46,500,035	17.39%
J P Morgan Nominees Australia Limited	45,975,771	17.20%
EV Hospitality NV	31,549,686	11.80%
National Nominees Limited	24,541,423	9.18%
Citicorp Nominees Pty Limited	20,026,380	7.49%
BNP Paribas Noms Pty Limited	19,778,598	7.40%
	237,822,207	88.96%

D. Voting rights

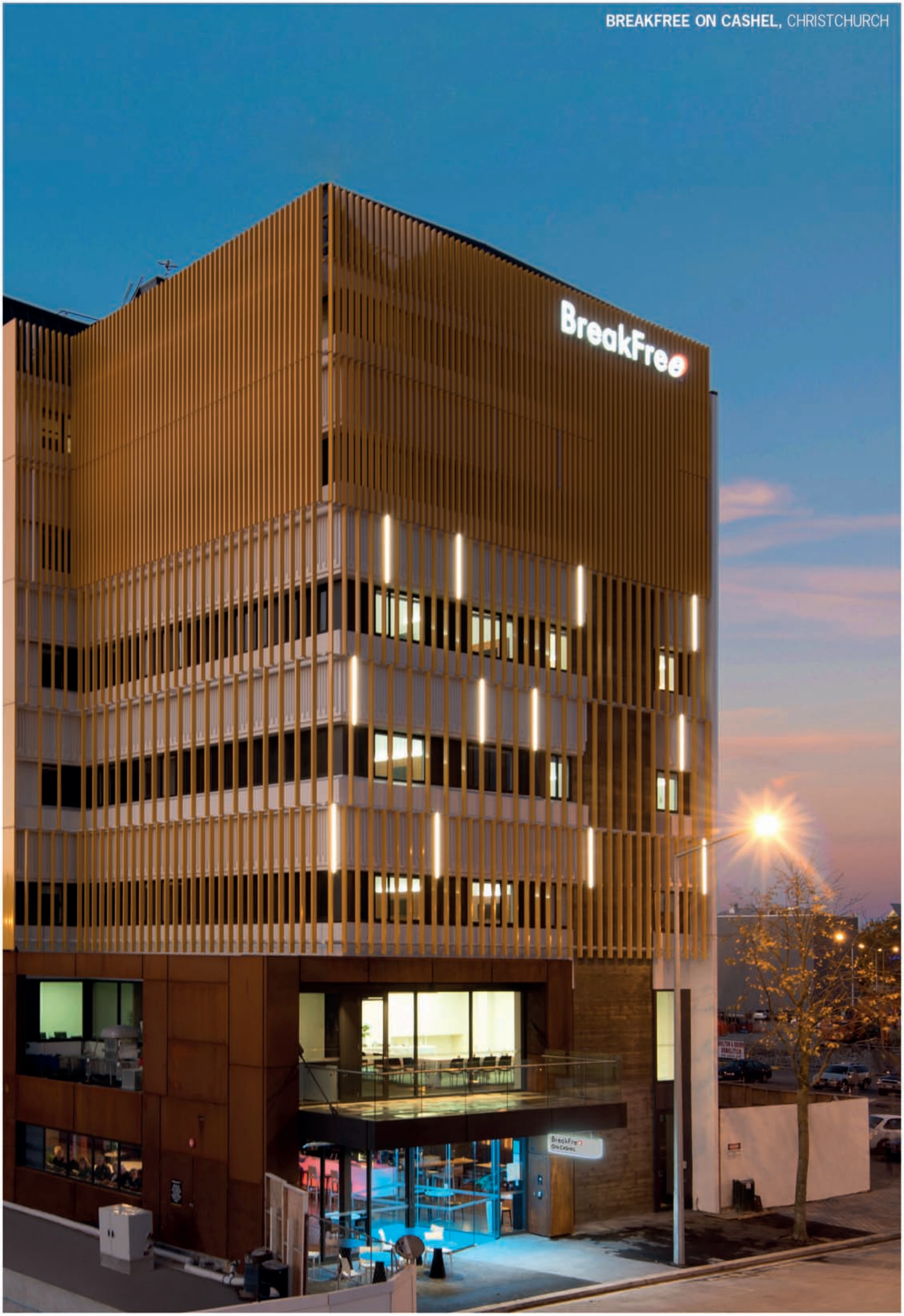
The voting rights attaching to each class of equity securities are set out below:

(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 (resigned 26 November 2014)	
	Andrew Cummins	
	Kerry Robert East	
	David Gibson	
	Melanie Willis (appointed 29 September 2014)	
Company Secretary	Fiona van Wyk	
Notice of Annual General Meeting	The annual general meeting of Mantra Group Limited	
	will be held at	Mantra on Queen 570 Queen Street Brisbane
	time	11.30 am (QLD)
	date	Wednesday 25 November 2015
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 registry	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 2000	
Stock exchange listing	Mantra Group Limited shares are listed on the Australian Securities Exchange (ASX code: MTR).	
Website	www.mantragroup.com.au	

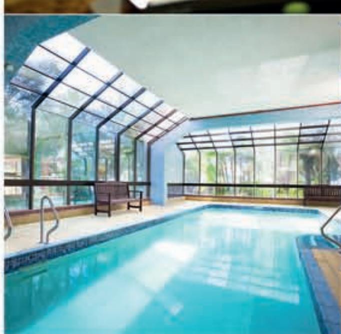


MANTRA SAKALA RESORT & BEACH CLUB, NUSA DUA, BALI



BREAKFREE ON CASHEL, CHRISTCHURCH

5,000+
employees



120+
properties

3
trusted brands

MANTRA GROUP

PEPPERS mantra BreakFree