Mantra Group Limited and its controlled entities
Appendix 4D
Financial statements for the half year ended 31 December 2015

Company details

Name of entity	Mantra Group Limited
ABN	69 137 639 395
Reporting period	For the half year ended 31 December 2015
Comparative reporting period	For the half year ended 31 December 2014

Results for announcement to the market

	$'000	**Up/Down**	**Movement $'000**
Revenue from ordinary activities	307,348	Up 21.7%	54,871
Profit from ordinary activities after tax attributable to members	24,251	Up 11.4%	2,479
Net profit for the period attributable to members	24,251	Up 11.4%	2,479

Dividend information

	Amount per share (cents)	**Franked amount per share (cents)**	**Tax rate for franking credits**
Interim dividend per share for the half year ended 31 December 2015	5	5	30%

Interim dividend dates	
Ex-dividend date	24 February 2016
Record date	26 February 2016
Payment date	24 March 2016

Key Terms of the Dividend Reinvestment Plan (DRP)

- The DRP will operate for the interim dividend
- No discount is applicable to the interim dividend
- Shares issued under the DRP will rank equally with the existing shares of the Company
- No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP
- The price at which shares are issued under the DRP is the volume weighted average market price of the Company's shares sold in the ordinary course of trading on the Australian Securities Exchange during the five trading days commencing on the first trading day after the dividend record date
- The last date for receipt of election notices for participation in the DRP is 29 February 2016

Net Tangible Assets per security

	31 Dec 2015	31 Dec 2014
	$	$
Net tangible assets /(liabilities) per ordinary security	(0.47)	(0.32)

This information should be read in conjunction with the 2015 Annual Financial Report of Mantra Group Limited and its controlled entities and any public announcements made in the period by Mantra Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules. Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2015.

This report is based on the consolidated financial statements for the half-year ended 31 December 2015 of Mantra Group Limited and its controlled entities, which have been reviewed by PricewaterhouseCoopers. The Independent Auditor’s Review Report provided by PricewaterhouseCoopers is included in the consolidated financial statements for the half-year ended 31 December 2015.

Signed ________________________ Date: 18 February 2016

Kerry Robert East
Chief Executive Officer
Gold Coast

Mantra Group Limited
ABN 69 137 639 395

Interim report
31 December 2015

Mantra Group Limited ABN 69 137 639 395
Interim report - 31 December 2015

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Mantra Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 half-year ended 31 December 2015.

Directors

The following persons were directors of Mantra Group Limited during the whole of the half-year and up to the date of this report:

Peter Bush
Andrew Cummins
Kerry Robert East (Bob East)
David Gibson
Melanie Willis

Review of operations

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of 126 properties and over 14,800 rooms across Australia, New Zealand and Indonesia. Through its portfolio, Mantra Group operates the second largest network of accommodation properties in Australia (by total room number).

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

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

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

Mantra Group has more than 5,000 team members to carry out its core functions, which include operations, sales, marketing and distribution, portfolio and asset management, information technology and corporate activities.

During the six months ended 31 December 2015, Mantra Group acquired nine new properties. There were three properties added to the CBD segment, namely BreakFree on Collins in Melbourne, Peppers Waymouth Hotel in Adelaide and Mantra on Mary in Brisbane. There were five properties acquired in the Resorts segment, namely Mantra Twin Towns, Mantra on View, Peppers Noosa, Peppers Soul and Mantra Towers of Chevron. Finally Mantra Boathouse Apartments was acquired under the management agreement model and is included in the Central Revenue and Distribution segment.

1.2 Business Segments

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

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

Review of operations (continued)

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 segment ('CR&D') 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.

1.3 Group financial performance

Operating revenue for the six months ended 31 December 2015 (‘the period’) was $307.3m, an increase of $54.9m or 21.7% to the same period last year. This increase was primarily driven by new properties acquired during the period, principally in the Resorts segment. Results for the year also benefitted from growth in domestic and international travel, particularly to all Queensland regions, and strong demand in the capital cities of Melbourne, Sydney and Canberra.

The Group attained occupancy of 79.9% at an average rate of $171.14 compared to last year's occupancy and rate of 78.1% and $165.17 respectively for the same period.

New properties increased available rooms by 18.5% in the six month period. There were five properties added to the Resorts segment during the period (Mantra on View, Peppers Noosa and Mantra Twin Towns, all part of the Outrigger acquisition in July 2015, Peppers Soul which transitioned from a Management Agreement following the acquisition of the Management Letting Rights business in July 2015, and Mantra Towers of Chevron). There were three properties added to the CBD segment during the period (BreakFree on Collins, Peppers Waymouth Hotel and Mantra on Mary). Finally there was one property under Management Agreement whose management fees are included in the CR&D segment.

Underlying* earnings before interest, taxation, depreciation, amortisation and impairment (‘underlying EBITDAI’) for the period was $53.2m, an increase of $11.0m or 26.1% on the prior corresponding period. The underlying EBITDAI margin of 17.3% also improved compared to that achieved in the previous comparable period (16.7%). New properties contributed $5.0m to EBITDAI in the period.

Transaction costs of $4.8m were incurred during the period in respect of properties added to the portfolio since 1 July 2015. As these properties were established businesses prior to joining the Mantra Group, the acquisitions have been treated as business combinations, under AASB 3 *Business Combinations*. As a result, all transaction costs associated with these transactions have been expensed in the consolidated statement of comprehensive income. The transaction costs have been included in the Corporate segment.

Underlying* net profit after tax for the period of $27.6m was $5.8m (26.8%) higher than the net profit after tax in the prior corresponding period. After taking account of the transaction costs incurred in business combinations, net profit after tax of $24.3m was $2.5m (11.4%) higher than the same period in the prior year. While finance costs have remained similar to the previous corresponding period, tax expense for the period of $10.6m was $1.3m or 14.0% ahead of the same period in the prior year which is in line with increased earnings in the period. The effective tax rate remains at 30.5%.

Mantra Group's revenue and underlying EBITDAI by business segment is summarised below with a comparison to revenue and EBITDAI in the previous corresponding period.

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*Underlying numbers are the statutory equivalent numbers excluding transaction costs of $4.8m incurred in respect of property acquisitions completed during the period.

Review of operations (continued)

	Segment revenues		Segment underlying EBITDAI	
	Dec 2015 $'000	Dec 2014 $'000	**Dec 2015 $'000**	Dec 2014 $'000
Resorts	**125,331**	95,090	**21,686**	15,007
CBD Properties	**157,447**	136,369	**27,726**	25,060
Central Revenue and Distribution	**23,054**	20,070	**16,801**	15,802
Corporate overhead and other	**1,516**	948	**(12,992)**	(13,667)
Total segment revenue / EBITDAI	**307,348**	252,477	**53,221**	42,202

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

Resorts

Resorts revenue increased by $30.2m, from $95.1m to $125.3m, an increase of 31.8%. As noted above, there were five new properties added to the Resorts segment during the period which increased available rooms by 22% on the same period last year and contributed $25.4m to revenue. Organic revenue grew by $4.8m. Underlying this organic growth in particular was increased average room rates across the Queensland region (5.6% on average). Occupancy in the Queensland region also increased from 76.5% to 79.6%, an increase of 3.1 percentage points or 4.0%. The Resorts segment has benefitted principally from strong short term domestic travel demand, particularly to Queensland, as well as an increase in international travellers taking advantage of low cost carriers.

Resorts underlying EBITDAI increased from $15.0m to $21.7m, an increase of $6.7m or 44.7%. $4.7m of this increase was from new properties. A positive EBITDAI contribution from new properties to the Group’s results in the first six months of the year highlights the continued excellent quality of assets being acquired. Tight cost control and the realisation of cost synergies across the Gold Coast market have ensured a higher increase in EBITDAI compared to the increase in revenue.

CBD

CBD revenue increased by $21.0m or 15.4% to $157.4m for the period compared with $136.4m in the previous corresponding period. As noted above there were three new properties added to the CBD segment. The new CBD properties contributed $6.8m to revenue in the period. The best performing regions in the period were Sydney, Melbourne and Canberra, where occupancy and average room rate increased by 5.6% and 5.0% on average respectively. City wide conferences and increased corporate demand together with higher leisure demand driven by special events and lower travel costs during the period has contributed to this result. Offset against these positive results were lower occupancy and average room rates in Brisbane, Darwin and Perth (down 1.8% and 6.6% on average respectively). These markets are coming off peak demand periods associated with infrastructure and resource projects. The Group’s declines are less than the respective market declines.

CBD underlying EBITDAI increased from $25.1m to $27.7m for the period, an increase of $2.6m or 10.4%. New properties contributed $0.3m to the period’s EBITDAI as a result of start-up costs and the timing of CBD acquisitions. The remaining EBITDAI increase was driven by a marginal increase in occupancy and a 13% increase in profits from food and beverage operations as a result of restaurant renovations.

Central Revenue and Distribution

Operating revenue in the CR&D segment has increased from $20.1m to $23.1m, an increase of $3.0m or 14.9%. Underlying EBITDAI in the CR&D segment increased by $1.0m, from $15.8m to $16.8m, or 6.3%. The results of this segment were driven by commission growth from the increase in turnover from Mantra Group's online channels and the full six months contribution from three management agreements entered into in the prior year, namely Breakfree on Cashel and the two Bell City properties, which offset the movement of the Soul property into the Resorts segment.

Review of operations (continued)

Corporate

Underlying EBITDAI in the Corporate segment has seen a saving of $0.7m or 5.1% in the period, compared to the prior corresponding period. This result has been achieved principally through distribution and central services cost synergies related to the Outrigger properties acquisition which were realised earlier than projected.

Cash, cash flow and dividends

The Group's cash balance returned to a normal level as at balance sheet date ($42.0m compared to $85.1m as at 30 June 2015). The June cash balance was inflated by cash held to complete the Outrigger and Soul acquisitions on 1 July 2015.

The Group continues to generate strong operating cash inflows from operations, with net cash inflow from operating activities increased by $3.5m or 16.8% from $20.6m to $24.1m in the current period.

During the period, the Group increased its borrowing facility by $40m in order to ensure sufficient facilities for acquisitions. This increase was completed at similar rates to the previous facility. As at 31 December 2015, the Group had drawn $161.0m on the facility.

Mantra Group's directors declared a fully franked 5 cents per share interim dividend to be paid on 24 March 2016 (record date for shareholders: 26 February 2016). This is in line with the dividend declared in the prior corresponding period.

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 5.

Rounding of amounts

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

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

Peter Bush
Director

Kerry Robert East
Director

Gold Coast
18 February 2016

Auditor's Independence Declaration

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

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

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

K. Stubbins

Kristin Stubbins	Sydney
Partner	18 February 2016
PricewaterhouseCoopers	

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	Notes	Half-year **2015 $'000**	2014 $'000
Revenue from continuing operations		**307,348**	252,477
Other income		**56**	168
Employee benefits expense		**(97,108)**	(79,331)
Operating expenses		**(94,611)**	(76,184)
Occupancy and utilities expenses		**(55,655)**	(48,971)
Depreciation and amortisation expense		**(11,072)**	(8,912)
Transaction costs associated with business combinations	11	**(4,816)**	-
Administration expenses		**(6,809)**	(5,957)
Finance costs		**(2,439)**	(2,178)
Profit before income tax		**34,894**	31,112
Income tax expense	5	**(10,643)**	(9,340)
Profit for the period		**24,251**	21,772
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**576**	459
Other comprehensive income for the period, net of tax		**576**	459
Total comprehensive income for the period		**24,827**	22,231
Total comprehensive income for the period attributable to the owners of Mantra Group Limited		**24,827**	22,231

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Earnings per share	12	**9.0**	8.7
Diluted earnings per share	12	**9.0**	8.7

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

	Notes	**31 December 2015 $'000**	30 June 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**41,970**	85,058
Trade and other receivables		**69,317**	39,731
Inventories		**2,801**	2,182
Other current assets		**2,949**	7,213
Total current assets		**117,037**	134,184
Non-current assets			
Receivables		**1,035**	2,684
Derivative financial instruments		**13**	-
Property, plant and equipment	6	**120,529**	100,285
Intangible assets	7	**474,766**	364,195
Total non-current assets		**596,343**	467,164
Total assets		**713,380**	601,348
LIABILITIES			
Current liabilities			
Trade and other payables		**45,312**	44,318
Current tax liabilities		**2,272**	4,785
Employee benefit obligations		**13,943**	15,476
Advance deposits		**44,726**	24,823
Total current liabilities		**106,253**	89,402
Non-current liabilities			
Borrowings	8	**160,431**	105,420
Derivative financial instruments		**-**	4
Deferred tax liabilities		**93,310**	66,470
Provisions		**3,169**	2,663
Total non-current liabilities		**256,910**	174,557
Total liabilities		**363,163**	263,959
Net assets		**350,217**	337,389
EQUITY			
Contributed equity	9	**299,406**	298,231
Other reserves		**229,664**	228,894
Accumulated losses		**(178,853)**	(189,736)
Total equity		**350,217**	337,389

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

	Note	Attributable to owners of Mantra Group Limited			
		Contributed equity $'000	**Other Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2014		241,357	229,103	(213,420)	257,040
Profit for the half-year		-	-	21,772	21,772
Other comprehensive income		-	459	-	459
Total comprehensive income for the period		**-**	**459**	**21,772**	**22,231**
Balance at 31 December 2014		**241,357**	**229,562**	**(191,648)**	**279,271**
Balance at 1 July 2015		298,231	228,894	(189,736)	337,389
Profit for the half-year		-	-	24,251	24,251
Other comprehensive income		-	576	-	576
Total comprehensive income for the period		**-**	**576**	**24,251**	**24,827**
Transactions with owners in their capacity as owners:					
Issue of shares on Dividend Reinvestment Plan	9	801	-	-	801
Issue of shares on share purchase plan	9	374	-	-	374
Employee share schemes – value of employee services	13	-	194	-	194
Dividends paid	10	-	-	(13,368)	(13,368)
		1,175	194	(13,368)	(11,999)
Balance at 31 December 2015		**299,406**	**229,664**	**(178,853)**	**350,217**

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

	Notes	Half-year 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**329,723**	268,751
Payments to suppliers and employees (inclusive of goods and services tax)		**(290,433)**	(242,515)
		39,290	26,236
Interest received		**795**	702
Interest paid		**(2,873)**	(2,765)
Income taxes paid		**(13,156)**	(3,572)
Net cash inflow from operating activities		**24,056**	20,601
Cash flows from investing activities			
Payments for property, plant and equipment	6	**(8,112)**	(7,089)
Payments for intangible assets	7	**(3,535)**	(14,480)
Proceeds from sale of property, plant and equipment		**102**	-
Proceeds from divestment of properties		**-**	446
Payments for business acquisitions, net of cash acquired	11	**(98,406)**	-
Net cash outflow from investing activities		**(109,951)**	(21,123)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**374**	-
Proceeds from borrowings		**55,000**	5,000
Dividends paid to Company's shareholders	10	**(12,567)**	-
Net cash inflow from financing activities		**42,807**	5,000
Net (decrease) / increase in cash and cash equivalents		**(43,088)**	4,478
Cash and cash equivalents at the beginning of the financial year		**85,058**	31,731
Cash and cash equivalents at end of period		**41,970**	36,209

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

1 Summary of significant accounting policies

(a) Basis of preparation

This interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Mantra Group Limited during the interim reporting period in accordance with the continuous disclosure requirements for the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(i) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. However the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(ii) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group. These standards, and their expected impact on the Group, are as follows:

IFRS 16 Leases	This standard was issued on 13 January 2016 by the International Accounting Standards Board and applies to accounting periods commencing on or after 1 January 2019. There is no current Australian equivalent standard, though it is expected that the standard will be adopted by the Australian Accounting Standards Board ('AASB') with little or no change. Given the number of properties the Group leases under operating leases, it is expected that the impact of this standard will be significant. Specifically, new assets will be realised (the right to use the leased asset) as will new liabilities, being the liability to pay rentals. The consolidated statement of comprehensive income will also be affected. Once this standard is adopted by the AASB, the Group will assess the full impact of this standard on the financial statements and report on this in future financial statements.
AASB 15 Revenue from contracts with customers	The Group has made a preliminary assessment of all contractual agreements in light of the new requirements of the standard. Overall, the Group does not expect this standard to have a significant impact on the current accounting treatment and does not expect to adopt the new standard before 1 July 2017.
AASB 9 Financial Instruments	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. While the Group is still assessing the full impact of this standard on the financial statements, it is not expected to have a significant impact as the Group does not hedge account at present and the financial assets and liabilities held are not complex.

(iii) Comparability

Comparative information has been reclassified where appropriate to enhance comparability.

2 Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments

(a) Fair value hierarchy

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 or indirectly (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 31 December 2015.

At 31 December 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	**-**	**13**	**-**	**13**
Total financial assets	**-**	**13**	**-**	**13**

At 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**

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 assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015 (30 June 2015: nil).

(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.

2 Fair value measurements (continued)

(b) 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, this 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 instruments since the last annual financial report.

3 Critical accounting estimates and judgements

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

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. The estimates and judgements made in the current period have not changed significantly from those of the previous financial year ended 30 June 2015. In preparing this interim financial report the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2015.

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 Rights (LR) agreements;
- Resorts - operates retreats and resorts in key leisure destinations, principally under Management Letting Right (MLR) agreements;
- Central Revenue and Distribution - operates the Group's in-house customer management and booking services, through which it earns fees from bookings made through its central reservation system. Management fees earned on properties under Management Agreements are also included in this segmentl; 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.

4 Segment information (continued)

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the half-year ended 31 December 2015 is as follows:

Half year December 2015	**Resorts** $'000	**CBD Properties** $'000	**Central Revenue and Distribution** $'000	**Corporate** $'000	**Total** $'000
Total segment revenue	125,347	157,459	23,054	10,999	316,859
Inter-segment revenue	(16)	(12)	-	(9,483)	(9,511)
Revenue from external customers	**125,331**	**157,447**	**23,054**	**1,516**	**307,348**
Underlying EBITDAI*	21,686	27,726	16,801	(12,992)	53,221
Transaction costs	-	-	-	(4,816)	(4,816)
EBITDAI	**21,686**	**27,726**	**16,801**	**(17,808)**	**48,405**

*Underlying EBITDAI is EBITDAI excluding transaction costs of $4,815,853 incurred in the acquisition of properties during the period. Refer to note 11 for more detail.

The segment information provided to the Chief Executive Officer for the reportable segments for the half-year ended 31 December 2014 is as follows:

Half year December 2014	**Resorts** $'000	**CBD Properties** $'000	**Central Revenue and Distribution** $'000	**Corporate** $'000	**Total** $'000
Total segment revenue	95,098	136,388	20,070	8,392	259,948
Inter-segment revenue	(8)	(19)	-	(7,444)	(7,471)
Revenue from external customers	**95,090**	**136,369**	**20,070**	**948**	**252,477**
EBITDAI	**15,007**	**25,060**	**15,802**	**(13,667)**	**42,202**

(c) Other segment information

(i) Segment revenue

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

4 Segment information (continued)

(c) Other segment information (continued)

(ii) 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 the operating profit before income tax is provided as follows:

	Half-year	
	2015 **$'000**	2014 $'000
Underlying EBITDAI*	**53,221**	42,202
Transaction costs	**(4,816)**	-
Finance costs	**(2,439)**	(2,178)
Depreciation	**(5,263)**	(4,110)
Amortisation	**(5,809)**	(4,802)
Profit before income tax	**34,894**	31,112

*Underlying EBITDAI is EBITDAI excluding transaction costs of $4,815,853 incurred in the acquisition of properties during the period. Refer to note 11 for more detail.

5 Income tax expense

Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 31 December 2015 is 30.5%, compared to 30% for the six months ended 31 December 2014.

6 Non-current assets - Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
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
At 1 July 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
Half-year ended 31 December 2015				
Opening net book amount	66,858	24,895	8,532	100,285
Exchange differences	40	22	7	69
Additions	141	7,786	185	8,112
Disposals	-	(103)	-	(103)
Depreciation charge	(1,178)	(3,477)	(608)	(5,263)
Acquisition of businesses	15,315	2,114	-	17,429
Closing net book amount	81,176	31,237	8,116	120,529
At 31 December 2015				
Cost	118,072	75,908	12,292	206,272
Accumulated depreciation	(36,896)	(44,671)	(4,176)	(85,743)
Net book amount	81,176	31,237	8,116	120,529

7 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 30 June 2015							
Cost	203,625	18,374	11,435	240,499	156,592	19,095	649,620
Accumulation 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
Half-year 31 December 2015							
Opening net book amount	83,955	2,536	10,435	128,461	120,021	18,787	364,195
Additions	-	792	-	26	-	2,717	3,535
Exchange differences	-	-	-	95	-	217	312
Amortisation charge	-	(862)	-	(2,711)	(1,886)	(350)	(5,809)
Acquisition of businesses	37,401	-	-	73,156	-	1,976	112,533
Closing net book amount	121,356	2,466	10,435	199,027	118,135	23,347	474,766
At 31 December 2015							
Cost	241,026	19,165	11,435	313,776	156,592	24,007	766,001
Accumulated amortisation	(119,670)	(16,699)	(1,000)	(114,749)	(38,457)	(660)	(291,235)
Net book amount	121,356	2,466	10,435	199,027	118,135	23,347	474,766

8 Borrowings

		31 December 2015			30 June 2015	
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**-**	**160,431**	**160,431**	-	105,420	105,420

In September 2015, the Group extended the Syndicated Facility Agreement with the addition of a second tranche of debt of $40m. This debt expires on 18 September 2018. The cost of this borrowing is similar to the tranche A debt.

This brings the current banking facility limit to $190,000,000. As at 31 December 2015 the drawdown on the Banking Facility was $161,000,000 and bank guarantees of $5,618,085 (June 2015: $106,000,000 and $5,269,358 respectively).

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.

9 Contributed equity

(a) Share capital

	31 December 2015 Shares	30 June 2015 Shares	**31 December 2015 $'000**	30 June 2015 $'000
Ordinary shares - fully paid	**267,696,844**	267,364,052	**299,406**	298,231

(b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
01/07/15	Opening balance	267,364,052	298,231
25/09/15	Issue of shares on share purchase plan	103,995	374
06/10/15	Issues of shares on Dividend Reinvestment Plan	228,797	801
		267,696,844	299,406

(c) Ordinary shares

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

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

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

10 Dividends

(a) Ordinary shares

	Half-year	
	31 December 2015 $'000	31 December 2014 $'000
Dividends paid during the half-year	**13,368**	-

(b) Dividends not recognised at the end of the half year

	Half-year	
	31 December 2015 $'000	31 December 2014 $'000
In addition to the above dividends since the end of the half year, the Directors have recommended the payment of an interim dividend of 5.0 cents per fully paid ordinary share (2014: 5.0 cents), fully franked based on tax paid at 30%. The aggregate of the proposed dividend expected to be paid on 24 March 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the end of the half year is:	**13,385**	12,474

11 Business combinations

(a) Summary of acquisitions

During the interim reporting period, the following acquisitions were completed:

- On 1 July 2015 Mantra Group acquired 100% of the issued share capital of 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 acquired the Soul Surfers Paradise management letting rights and caretaking businesses, together with the associated real estate. Mantra Group had been managing the property as agents for the receivers and managers since November 2013.

- On 2 July 2015 the Group acquired the Hotel Management Right in respect of the Darling Towers hotel in Melbourne. The property has been rebranded BreakFree on Collins, Melbourne.

- On 2 September 2015 Mantra Group acquired the lease and the property's related chattels of the Rendezvous Hotel, Adelaide. This property has been rebranded Peppers Waymouth Hotel Adelaide.

- On 17 September 2015 Mantra Group acquired the Chevron Renaissance management letting rights business and caretaking business, together with the associated real estate. This property has been rebranded Mantra Towers of Chevron.

- On 2 November 2015 Mantra Group acquired the management letting rights business and related real estate of a property in Brisbane called M on Mary. The property has subsequently been branded Mantra on Mary.

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

	$'000
Purchase consideration	
Cash paid (Note 11b)	**104,417**

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

	Fair value $'000
Cash	**294**
Trade receivables	**2,155**
Inventories	**120**
Other assets	**840**
Property, plant and equipment	**17,430**
Intangible assets	**75,132**
Trade payables	**(701)**
Provision for employee benefits	**(1,414)**
Net deferred tax liability	**(26,839)**
Net identifiable assets acquired	**67,017**
Add: goodwill	**37,400**
Net assets acquired	**104,417**

11 Business combinations (continued)

(a) Summary of acquisitions (continued)

The goodwill has principally resulted from the recognition of a net deferred tax liability arising from the acquisition of intangible and tangible assets. The balance of goodwill is in respect of the synergies expected to arise by bringing these properties into Mantra Group's operating model. None of the goodwill is expected to be deductible for tax purposes.

There were no acquisitions in the period ended 31 December 2014.

Acquisition related costs of $4,815,853 in respect of these transactions are included in other expenses in the consolidated statement of comprehensive income. Further, $240,908 acquisition related costs were incurred in respect of these transactions prior to 30 June 2015 and therefore are included in the results to 30 June 2015.

(i) Acquired receivables

The fair value of acquired trade receivables is $2,155,000. The gross contractual amount for trade receivables due is $2,155,000, of which $nil is expected to be uncollectible.

(ii) Revenue and profit contribution

The acquired businesses contributed revenues of $32,157,000 and net profit of $3,899,800 to the Group for the period from the date of acquisition to 31 December 2015.

If all of the acquisitions had occurred on 1 July 2015, consolidated revenue and consolidated profit for the half year ended 31 December 2015 would have been $315,082,000 and $26,370,000 respectively. These amounts have been calculated using the Group accounting policies and by adjusting the results of the operations to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to land and buildings and intangible assets had applied from 1 July 2015, together with the consequential tax effects.

(b) Purchase consideration - cash outflow

	Half-year	
	31 December 2015 $'000	31 December 2014 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration for the period ended 30 June 2015	**5,717**	-
Cash consideration for the period ended 31 December 2015	**98,700**	-
	104,417	-
Less: balances acquired		
Cash	**(294)**	-
Outflow of cash - investing activities	**104,123**	-

12 Earnings per share

(a) Basic earnings per share

	Half-year	
	31 December 2015 Cents	31 December 2014 Cents
From continuing operations attributable to the ordinary equity holders of the company	**9.0**	8.7
Total basic earnings per share attributable to the ordinary equity holders of the Group	**9.0**	8.7

(b) Diluted earnings per share

	Half-year	
	31 December 2015 Cents	31 December 2014 Cents
From continuing operations attributable to the ordinary equity holders of the company	**9.0**	8.7
Total diluted earnings per share attributable to the ordinary equity holders of the Group	**9.0**	8.7

(c) Weighted average number of shares used as denominator

	Half-year	
	31 December 2015 Number	31 December 2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**267,530,448**	249,471,229
Adjustments for calculation of diluted earnings per share:		
Employee Option Plan (note 13)	**379,791**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**267,910,239**	249,471,229

(d) Information on the classification of securities

(i) Options

Options granted to employees under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 13.

13 Share-based payments

(a) Employee Option Plan

The establishment of the Mantra Group Limited Long Term Incentive Plan (LTIP) was approved by shareholders at the 2014 Annual General Meeting. The LTIP is designed to assist with attraction, motivation and retention of key employees and executive Directors of the Company (or a subsidiary of the Company), and to align the interests of those employees and Directors with the interests of shareholders by matching rewards with the long term performance of the Company. Under the plan, participants are only granted performance rights which vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of performance rights that will vest depends on three factors as detailed below:
- 50% of the Performance Rights are subject to a vesting condition relating to the Company's TSR performance over a 3 year performance period from 1 July 2015 to 30 June 2018 (Performance Period), when ranked against the TSR of the ASX 200 Industrials Index (excluding Resources) (collectively, the Comparator Group);
- The remaining 50% of the Performance Rights are subject to a vesting condition relating to the growth in the Company's earnings per share (EPS) over the Performance Period, compounded annually; and
- The Performance Rights are also subject to the participant continuing to be employed by a member of the Group up to and including 30 June 2018, and not have given or received notice of termination of his employment, on or prior to 30 June 2018.

Performance rights are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each performance right is convertible into one ordinary share prior to the expiry date. There is no exercise price payable upon exercise of performance rights.

Grant date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
2015								
26/11/15	30/06/19	-	-	379,791	-	-	379,791	-

Fair value of options granted

The assessed fair value at grant date of performance rights granted during the half year ended 31 December 2015 linked to the Company's TSR performance was $1.785 per performance right. The fair value is independently determined using a Binomial Call Option Pricing Model which takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the performance right and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the half year ended 31 December 2015 included:
- performance rights are granted for no consideration and vest based on Mantra Group Limited's TSR ranking with a peer group of the initial members of the S&P/ASX 200 Industrials Index as at the TSR Start Date, Mantra Group Limited's EPS performance over three years and the continued employment of participants at specific dates

13 Share-based payments (continued)

(a) Employee Option Plan (continued)

Exercise price	Nil
Grant date:	26 November 2015
Expiry date:	30 June 2019
Share price at grant date:	$4.33
Expected price volatility of the company's shares:	35%
Expected dividend yield	2.7%
Risk-free rate	2.45%

The assessed fair value at grant date of performance rights granted during the half year ended 31 December 2015 linked to the growth in the Company's EPS was $4.33.

The expected price volatility is based on an analysis of the historical volatility of comparable companies and Industry Constituents adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

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

	Half-year	
	31 December 2015 $'000	30 June 2015 $'000
Long term incentive plan	**194**	-

14 Events occurring after the reporting period

Refer to note 10 for details of the interim dividend recommended by Directors, to be paid on 24 March 2016.

On 5 February 2016 the Group signed contract documents to acquire the management letting rights in respect of a portfolio of three permanent rental residential properties in Brisbane. These properties are under construction and it is expected that these properties will commence operation at different times with the first being in or around July 2016.

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

In the Directors' opinion:

(a) the interim report and notes set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date, and

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

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

Peter Bush
Director

Kerry Robert East
Director

Gold Coast
18 February 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mantra Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Mantra Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mantra Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mantra Group Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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K. Stubbins

<table>
<tr><td>Kristin Stubbins
Partner</td><td align="right">Sydney
18 February 2016</td></tr>
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