

Mantra Group Limited and its controlled entities
Appendix 4D
Financial statements for the half year ended 31 December 2014

Company details

Name of entity	Mantra Group Limited
ABN	69 137 639 395
Reporting period	For the half year ended 31 December 2014
Comparative reporting period	For the half year ended 31 December 2013

Results for announcement to the market

	\$'000	Up/Down	Movement \$'000
Revenue from ordinary activities	252,477	Up 9%	21,628
Profit from ordinary activities after tax attributable to members	21,772	Up 1435%	23,403
Net profit for the period attributable to members	21,772	Up 1435%	23,403

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 2014	5	5	30%

Interim dividend dates	
Ex-dividend date	4 March 2015
Record date	6 March 2015
Payment date	31 March 2015

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 DRP price is based on a volume weighted average market price (VWAP) for the 5 trading days from 9 March 2015 to 13 March 2015 inclusive.
- The last date for receipt of election notices for participation in the DRP is 9 March 2015.

Net Tangible Assets per security

	31 Dec 2014	31 Dec 2013
	\$	\$
Net tangible assets /(liabilities) per ordinary security	(0.32)	(16.12)

This information should be read in conjunction with the 2014 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 2014.

This report is based on the consolidated financial statements for the half-year ended 31 December 2014 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 2014.



Signed _____

Date: 26 February 2015

Kerry Robert East
Chief Executive Officer
Gold Coast

Mantra Group Limited

ABN 69 137 639 395

Interim report

31 December 2014

Mantra Group Limited ABN 69 137 639 395

Interim report - 31 December 2014

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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 2014 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 2014.

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 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.

Review of operations

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of 114 properties and over 11,700 rooms across Australia, New Zealand and Indonesia. Through its portfolio, Mantra Group operates the second largest network of accommodation properties in Australia (by total room number).

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

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

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

Mantra Group has a team of approximately 3,700 employees 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 2014, Mantra Group acquired five new properties. There were three properties added to the CBD segment, namely Peppers Gallery Hotel in Canberra, and Mantra Midtown and Mantra on Edward in Brisbane. There were two properties acquired under the management agreement model and are included in the Central Revenue and Distribution segment, namely Mantra Terrace Hotel, Brisbane and BreakFree on Clarence, Sydney.

Review of operations (continued)

1.1 Operating structures

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

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

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

Lease Rights

Model summary - Mantra Group leases the property from the owner on a long-term basis and runs the business independently.

Revenue model - Mantra Group collects 100% of customer revenue from accommodation and related services.

Costs - Mantra Group pays the owner of the property a monthly or quarterly rental payment depending on the agreement. The rental payments can be calculated via a number of methods.

Management Letting Rights

Model summary - Mantra Group purchases the rights to operate the letting business of the property under which Mantra Group lets the individual rooms/apartments to its customers under its own brands. Mantra Group will also typically conduct the caretaking requirements and manage the associated real estate assets required to operate the letting business (e.g. restaurant, lobby, reception, administration offices). Mantra Group enters into contractual arrangements with the owner of the individual rooms/apartments to facilitate the generation and distribution of room revenue and to apportion the costs associated with running the letting business.

Revenue model - Mantra Group derives revenue by receiving a letting fee as contracted with the owner. Mantra Group also derives revenue by providing ancillary services such as cleaning of rooms, food and beverage, conferencing, tour booking and other services. Mantra Group also typically derives revenue as the caretaker of the property where it receives payment for conducting services on behalf of the body corporate for maintaining, cleaning and repairing common area property.

Costs - Costs associated with operating the letting business are typically shared between Mantra Group and the owner in accordance with the individual letting agreements held with each owner. Mantra Group typically incurs a cost of conducting services on behalf of the body corporate where it receives income for that service.

Management Agreements

Model summary - Mantra Group manages the property on behalf of the owner or for a third party management rights owner (for the benefit of multiple owners in an MLR business) in exchange for management fees.

Revenue model - The fees paid to Mantra Group under these types of agreements typically include:

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

Review of operations (continued)

Marketing Services Agreements

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

Revenue model - The fees paid to Mantra Group under these types of agreement include:

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

Hotel Management Rights

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

1.2 Business Segments

Mantra Group generates its revenue under the following three 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.

CBD Segment

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

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

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

Resorts Segment

The Resorts segment of Mantra Group's business operates leisure retreats and resorts. These properties are predominantly located in the key tourist regions in Queensland as well as regional New South Wales, Victoria and New Zealand.

Review of operations (continued)

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

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

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

Central Revenue and Distribution Segment

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

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

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

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

1.3 Group financial performance

Total operating revenue for the six months ended 31 December 2014 ('the period') was \$252.5m, an increase of \$21.7m or 9.4% on the same period in the previous year.

Earnings before interest, tax, depreciation, amortisation and impairment ('EBITDAI') for the period was \$42.2m, a 17.5% increase on the previous comparable period, with an improved EBITDAI margin of 16.7% compared to 15.5% for the previous comparable period to 31 December 2013.

Profit before tax for the period was \$31.1m, compared to a loss before tax of \$1.5m in the previous comparable period. The increase is primarily attributable to a \$26.2m decrease in finance costs for the period, as well as a growth in operations both organically and from acquisitions.

Results for the period reflect the growth in corporate and leisure demand across the majority of our hotel and resort locations. Occupancy across all hotels and resorts grew 2.7% points to 78.1%.

The Group's cash position at 31 December 2014 was \$35.0m (June 2014: \$31.4m). The net debt position increased by \$1.5m to \$80.2m as at 31 December 2014 compared to 30 June 2014, principally as a result of the cash required to fund acquisitions.

Review of operations (continued)

Resorts

The Resorts segment achieved growth in revenue for the period of 2.1% to \$95.1m. The growth was largely attributable to a 4.8% increase in rooms sold across the portfolio which represents occupancy of 71.9%. Gold Coast, Sunshine Coast and New Zealand regions benefited from increased domestic and Asian inbound demand. The EBITDAI contribution from the Resorts segment grew by 4.1% from \$14.4m to \$15.0m and an increase in EBITDAI margin from 15.5% to 15.8% driven by the increase in rooms sold.

CBD

Revenue for the period increased by \$16.1m or 13.5% to \$136.4m. Comparable CBD property revenue grew \$4.0m and revenue from three new H1FY15 properties across Brisbane and Canberra and three properties added late in FY14 contributed \$12.1m to the growth. The strongest growth came from improved corporate and conference demand in Darwin, Melbourne, Adelaide and the G20 conference in Brisbane. The EBITDAI contribution from the CBD Segment of \$25.1m was \$1.5m higher than the previous comparable period with \$1.2m of the period on period growth attributable to the new properties noted above.

Central Revenue and Distribution

Revenue for the period was up 24.1% to \$20.1m with the growth flowing to EBITDAI, which was up \$3.1m to \$15.8m. The growth reflects increased booking volumes through online distribution channels. Consumer direct commission revenue for the period increased by 20% compared to the previous comparable period. Facilitation fees from wholesale and online agent channels generated an additional \$1.3m in revenue compared to the same period last year. Hotel management fees also contributed to the increase, growing 27.3% to \$1.7m.

Corporate

Corporate overheads EBITDAI decreased by \$1.1m compared to the same period last year. This is mainly due to the absence of the IPO expenses which were \$856,409 during the same period last year.

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

	Segment revenues		Segment EBITDAI	
	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000
Resorts	95,090	93,140	15,007	14,418
CBD Properties	136,369	120,238	25,060	23,580
Central Revenue and Distribution	20,070	16,164	15,802	12,676
Corporate overhead and other	948	1,307	(13,667)	(14,808)
Total segment revenue / EBITDAI	252,477	230,849	42,202	35,866

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. Key milestones achieved with respect to the corporate strategy in the last six months include:

- Acquisition of the rights to manage five properties across Brisbane, Canberra and Sydney with at least four additional properties scheduled to come online in the second half of FY15.
- Re-signing Pat Rafter as ambassador for the Mantra brand.
- Continuation of property refurbishments to maintain property standards.
- RevPAR increase of 2.9% in the 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 7.

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
26 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Mantra Group Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
Partner
PricewaterhouseCoopers

Sydney
26 February 2015

Mantra Group Limited
Consolidated statement of comprehensive income
31 December 2014

	Notes	Half-year	
		2014 \$'000	2013 \$'000
Revenue from continuing operations		252,477	230,849
Other income		168	-
Employee benefits expense		(79,331)	(73,772)
Operating expenses		(76,184)	(69,793)
Occupancy and utilities expenses		(48,971)	(44,726)
Depreciation and amortisation expense		(8,912)	(8,981)
Administration expenses		(5,957)	(6,692)
Finance costs		(2,178)	(28,379)
Profit/(loss) before income tax		31,112	(1,494)
Income tax expense	5	(9,340)	(137)
Profit/(loss) for the period		21,772	(1,631)
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		459	690
Other comprehensive income/(loss) for the period, net of tax		459	690
Total comprehensive income/(loss) for the period		22,231	(941)
Total comprehensive income/(loss) for the period attributable to the owners of Mantra Group Limited		22,231	(941)
		Cents	Cents
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Earnings / (loss) per share		8.7	(9.1)
Diluted earnings / (loss) per share		8.7	(8.2)

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

Mantra Group Limited
Consolidated statement of financial position
31 December 2014

		31 December 2014 \$'000	30 June 2014 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		35,043	31,443
Trade and other receivables		50,195	35,606
Inventories		2,332	2,019
Current tax receivables		-	2,364
Other current assets		1,816	1,527
Total current assets		89,386	72,959
Non-current assets			
Receivables		1,525	1,508
Property, plant and equipment	6	96,424	93,742
Intangible assets	7	357,921	347,826
Total non-current assets		455,870	443,076
Total assets		545,256	516,035
LIABILITIES			
Current liabilities			
Trade and other payables		39,158	45,050
Current tax liabilities		3,224	-
Provisions		11,102	13,171
Advance deposits		27,218	20,959
Total current liabilities		80,702	79,180
Non-current liabilities			
Borrowings	8	115,275	110,161
Derivative financial instruments		36	37
Deferred tax liabilities		68,478	68,299
Provisions		1,494	1,318
Total non-current liabilities		185,283	179,815
Total liabilities		265,985	258,995
Net assets		279,271	257,040
EQUITY			
Contributed equity	9	241,357	241,357
Other reserves		229,562	229,103
Accumulated losses		(191,648)	(213,420)
Total equity		279,271	257,040

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

Mantra Group Limited
Consolidated statement of changes in equity
31 December 2014

	Attributable to owners of Mantra Group Limited			Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	
Balance at 1 July 2013	18,000	229,880	(200,797)	47,083
Loss for the half-year	-	-	(1,631)	(1,631)
Other comprehensive income	-	690	-	690
Share option reserve	-	(1,166)	-	(1,166)
Total comprehensive loss for the period	-	(476)	(1,631)	(2,107)
Balance at 31 December 2013	18,000	229,404	(202,428)	44,976
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

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

Mantra Group Limited
Consolidated statement of cash flows
31 December 2014

	Half-year	
Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	268,751	249,996
Payments to suppliers and employees (inclusive of goods and services tax)	(243,393)	(212,740)
	25,358	37,256
Interest received	702	423
Interest paid	(2,765)	(7,952)
Income taxes paid	(3,572)	(5,198)
Net cash inflow from operating activities	19,723	24,529
Cash flows from investing activities		
Payments for property, plant and equipment	6 (7,089)	(5,464)
Payments for intangible assets	(14,480)	(3,714)
Proceeds from divestment of properties	446	1,815
Net cash (outflow) from investing activities	(21,123)	(7,363)
Cash flows from financing activities		
Repayment of borrowings	-	(7,000)
Proceeds from borrowings	5,000	-
Net cash inflow (outflow) from financing activities	5,000	(7,000)
Net increase in cash and cash equivalents	3,600	10,166
Cash and cash equivalents at the beginning of the financial year	31,443	28,297
Cash and cash equivalents at end of period	35,043	38,463

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 2014 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 2014 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. There will be some changes to the disclosures in the 30 June 2015 financial report as a consequence of these amendments.

(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 2014 reporting periods and have not been early adopted by the Group. The most significant of the new accounting standards issued recently is IFRS 15 *Revenue from contracts with customers*. The Group 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.

The Group has assessed the impact of other new standards and has concluded that none of the relevant new accounting standards and interpretations will have a significant impact on the Group.

(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 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 2014.

2 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

At 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	(36)	-	(36)
Total financial liabilities	-	(36)	-	(36)
At 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 assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014.

(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.

(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.

3 Critical accounting estimates and judgements (continued)

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 2014. 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 2014.

4 Segment information

(a) Description of segments

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

The four reportable segments of the business are as follows:

- CBD - operates properties in major cities throughout Australia, principally under LR agreements;
- Resorts - operates retreats and resorts in key leisure destinations, principally under 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.
- Corporate - Revenue includes revenue received under Marketing Services Agreements. Costs include sales and marketing and head office costs.

(b) Segment information provided to the Chief Executive Officer

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

Half year December 2014	Resorts \$'000	CBD Properties \$'000	Central Revenue and Distribution \$'000	Corporate overhead and others \$'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

4 Segment information (continued)

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

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

Half year December 2013	Resorts \$'000	CBD Properties \$'000	Central Revenue and Distribution \$'000	Corporate overhead and others \$'000	Total \$'000
Total segment revenue	93,154	120,260	16,164	7,873	237,451
Inter-segment revenue	(14)	(22)	-	(6,566)	(6,602)
Revenue from external customers	93,140	120,238	16,164	1,307	230,849
EBITDAI	14,418	23,580	12,676	(14,808)	35,866

(c) Other segment information

(i) Segment revenue

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

(ii) 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 / (loss) before income tax is provided as follows:

	Half-year	
	2014 \$'000	2013 \$'000
EBITDAI	42,202	35,866
Finance costs	(2,178)	(28,379)
Depreciation	(4,110)	(4,316)
Amortisation	(4,802)	(4,665)
Profit / (loss) before income tax	31,112	(1,494)

5 Income tax expense

(a) 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 year to 31 December 2014 is 30%, compared to 9% for the six months ended 31 December 2013. The lower rate in the prior year resulted from the write off \$9,723,070 of borrowing costs.

6 Non-current assets - Property, plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
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
Half -year ended 31 December 2014				
Opening net book amount	65,989	20,894	6,859	93,742
Exchange differences	29	10	3	42
Additions	1,870	3,876	1,343	7,089
Depreciation charge	(1,013)	(2,557)	(540)	(4,110)
Disposals	(267)	(68)	(4)	(339)
Closing net book amount	66,608	22,155	7,661	96,424
At 31 December 2014				
Cost	101,315	59,341	10,655	171,311
Accumulated depreciation	(34,707)	(37,186)	(2,994)	(74,887)
Net book amount	66,608	22,155	7,661	96,424

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 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

Half-year 31 December 2014

Opening net book amount	83,955	2,261	10,391	120,842	123,768	6,609	347,826
Additions	-	1,353	1	11,673	-	1,455	14,482
Disposals	-	(4)	-	(1)	-	-	(5)
Exchange differences	-	-	-	49	-	371	420
Amortisation charge	-	(877)	43	(1,976)	(1,892)	(100)	(4,802)
Closing net book amount	83,955	2,733	10,435	130,587	121,876	8,335	357,921

At 31 December 2014

Cost	203,625	17,687	11,435	240,790	156,592	8,480	638,609
Accumulated amortisation	(119,670)	(14,954)	(1,000)	(110,203)	(34,716)	(145)	(280,688)
Net book amount	83,955	2,733	10,435	130,587	121,876	8,335	357,921

8 Borrowings

	31 December 2014			30 June 2014		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Secured						
Bank loans	-	115,275	115,275	-	110,161	110,161
Total secured borrowings	-	115,275	115,275	-	110,161	110,161

The current banking facility limit is \$150,000,000. As at 31 December 2014 the drawdown on the Banking Facility was \$116,000,000 and bank guarantees of \$5,234,983 (June 2014: \$111,000,000 and \$6,276,932 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 2014 Shares	30 June 2014 Shares	31 December 2014 \$'000	30 June 2014 \$'000
Ordinary shares - fully paid	<u>249,471,229</u>	249,471,229	<u>241,357</u>	241,357

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

	Half-year	
	31 December 2014 \$'000	31 December 2013 \$'000
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 (2013: nil), fully franked based on tax paid at 30%. The aggregate of the proposed dividend expected to be paid on 31 March 2015 out of retained earnings at 31 December 2014, but not recognised as a liability at the end of the half year is:	<u>12,474</u>	-

11 Events occurring after the reporting period

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

In the directors' opinion:

- (a) the interim report and notes set out on pages 8 to 18 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 2014 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
26 February 2015



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 2014, 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 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 2014 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 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
26 February 2015