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MANTRA GROUP

PROSPECTUS

INITIAL PUBLIC OFFERING OF
ORDINARY SHARES

MANTRA GROUP LIMITED (ACN 137 639 395)



JOINT LEAD MANAGERS

MACQUARIE UBS

FINANCIAL ADVISER

HIGHBURY PARTNERSHIP

IMPORTANT NOTICES

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Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (Shares) in Mantra Group Limited ACN 137 639 395 (Mantra Group or Company). This Prospectus is issued by the Company.

Lodgement and Listing

This Prospectus is dated 30 May 2014 and was lodged with ASIC on that date.

The Company will apply to the ASX for admission of the Company to the Official List and quotation of its Shares on the ASX (Listing). Neither ASIC nor the ASX take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued on the basis of this Prospectus after the Expiry Date, being 13 months after 30 May 2014.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 1.4 and Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underlying the Forecast Financial Information set out in Sections 4.9.1 and 4.9.2 and the risk factors that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

Exposure Period

The *Corporations Act 2001* (Cth) (Corporations Act) prohibits the Company from processing applications to subscribe for, or acquire, Shares under this Prospectus (Applications) in the seven day period after lodgement of this Prospectus with ASIC (Exposure Period). This Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian and New Zealand residents, without the Application Forms, at the Company's offer website, www.mantrashareoffer.com.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements which may be identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions that, at the date of the Prospectus, are expected to take place (including the key assumptions set out in Sections 4.9.1 and 4.9.2).

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors of the Company and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Section 4 and Section 5, and other information in the Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors in Section 5.

As set out in Section 7, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred Settlement basis.

The Company, Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY2011, FY2012, FY2013, FY2014 and FY2015 appearing in this Prospectus are to the financial years ended or ending 30 June 2011, 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 respectively, and all references to H1FY2013 and H1FY2014 are to the six monthly periods ending 31 December 2012 and 31 December 2013 respectively, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.

Historical Financial Information, including the Pro Forma Financial Information, has been prepared and presented in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards (as adopted by the Australian Accounting Standards Board (AASB)), except where otherwise stated. The Historical Financial Information also complies with the Australian equivalents to the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge during the Offer Period to any person in Australia and New Zealand by calling the Mantra Group IPO Information Line on 1800 606 866 (toll free within Australia) or +61 1800 606 866 (outside Australia) (if you are eligible to participate in the Offer and are calling from outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.mantrashareoffer.com. The Offer constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia and New Zealand. It is not available to persons in other jurisdictions, including the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Persons who have received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a hard copy of the Prospectus by telephoning the Mantra Group IPO Information Line on 1800 606 866 (toll free within Australia) or +61 1800 606 866 (outside Australia) (if you are eligible to participate in the Offer and are calling from outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its soft copy form which must be downloaded in its entirety from www.mantrashareoffer.com, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Cooling-off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States except to Eligible US Fund Managers. This Prospectus has been prepared for publication in Australia and New Zealand. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States. The Offer is not being extended to any investor outside Australia and New Zealand, other than to Institutional Investors as part of the Institutional Offer.

Information for New Zealand investors

This Offer to New Zealand investors is a regulated Offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 (NZ) and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008. This Offer and the content of the Offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

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Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's Register. In accordance with the requirements of the Corporations Act, information on the Register will be accessible by members of the public. The information must continue to be included in the Register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Register;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Financial Services Guide

The provider of the independent review of the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Financial Services Guide is provided in Section 8.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website are incorporated by reference unless otherwise specified in this Prospectus.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary in Section 10. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Mantra Group IPO Information Line on 1800 606 866 (toll free within Australia) or +61 1800 606 866 (outside Australia) between 8.30am and 5.30pm Sydney Time, Monday to Friday.

This document is important and should be read in its entirety.

FRONT COVER: MANTRA CIRCLE ON CAVILL, SURFERS PARADISE

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PEPPERS BLUEWATER RESORT, LAKE TEKAPO
PHOTO CREDIT: MAKI YANAGIMACHI

KEY OFFER DATES

Prospectus lodgement date	Friday, 30 May 2014
Retail Offer period opens (Opening Date)	Tuesday, 10 June 2014
Retail Offer period closes (Closing Date)	Tuesday, 17 June 2014
Commencement of trading on a conditional and deferred settlement basis	Friday, 20 June 2014
Settlement	Tuesday, 24 June 2014
Allotment	Wednesday, 25 June 2014
Commencement of trading on an unconditional and deferred settlement basis	Wednesday, 25 June 2014
Dispatch of holding statements completed	Thursday, 26 June 2014
Commencement of trading on the ASX on a normal settlement basis	Friday, 27 June 2014

Note:
This timetable is indicative only. Unless otherwise indicated, all times given are Sydney Time. The Company, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS

Offer Price[1]	$1.80
Total number of Shares to be offered under the Offer	132,845,911
Number of Shares to be held by EV Hospitality, UBSAHPL, and Mantra Group's Directors (other than the Chairman, Peter Bush) and Senior Management at Completion of the Offer	116,625,318
Total number of Shares on issue at Completion of the Offer[2]	249,471,229
Market capitalisation at the Offer Price	$449 million
Pro forma net debt (as at 31 December 2013)	$89.1 million
Enterprise value at the Offer Price[3]	$538.1 million
Enterprise value to pro forma adjusted forecast FY2014 EBITA multiple ratio[4]	11.2x
Enterprise value to pro forma adjusted forecast FY2015 EBITA multiple ratio[4]	9.8x
Offer Price to pro forma forecast adjusted FY2014 NPATA per Share multiple[5]	14.9x
Offer Price to pro forma forecast adjusted FY2015 NPATA per Share multiple[5]	12.7x
Implied forecast FY2015 dividend yield (based on dividend payout policy)[6]	5.5%

1. Shares may trade below the Offer Price upon Listing.
2. Prior to lodgement of the Prospectus, the Existing Shareholders approved a share split in which the Company's 18,000,000 Shares on issue as at the Prospectus Date are to be converted to 108,000,000 Shares following Listing but prior to Completion (Share Split). This Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company. This total also includes 8,625,318 Shares to be issued to Management Shareholders and Non-Executive Director Shareholders upon exercise of options at or immediately prior to Completion. See Section 6.3 for more details.
3. Enterprise value calculated as the market capitalisation at the Offer Price plus pro forma net debt as at 31 December 2013 as set out in Section 4.4.2.
4. This ratio is commonly referred to as an EV/EBITA ratio. The EV/EBITA ratio is calculated as the enterprise value divided by pro forma forecast adjusted EBITA (refer to Section 4.3 for more details).
5. This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated as the Offer Price of $1.80 per Share divided by pro forma forecast NPATA per Share (refer to Section 4.3 for more details) divided by total Shares on issue immediately after Completion of the Offer.
6. The implied forecast dividend yield is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 70% to 80% of the statutory NPAT) divided by the Offer Price.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Sections 1.7, 7.3, 7.4 and 7.5 of this Prospectus and on the back of the Application Form.

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CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Mantra Group.

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of a total of 113 properties and over 11,600 rooms in hotels, resorts and serviced apartments across Australia, New Zealand, and in Indonesia. Through its portfolio, Mantra Group operates the second largest network of accommodation properties (by total room number) in Australia. Mantra Group's well-located and diversified portfolio of properties and high standard of customer service attracts approximately two million guests per year[1] to stay in Mantra Group branded accommodation.

Mantra Group generates its revenue through three business divisions: CBD, Resorts and Central Revenue & Distribution. The CBD division operates properties in major cities throughout Australia, whilst the Resorts division operates retreats and resorts in key leisure destinations. The Central Revenue & Distribution division contains Mantra Group's in-house customer management and booking services, through which it earns fees from bookings made through its central reservation system (MG-Res).

Mantra Group's properties are operated under three strategically targeted accommodation brands:

- **Peppers:** positioned as luxury hotels and resorts predominantly in iconic leisure locations with a strong focus on high quality food and wine. The Peppers brand has been operating for over 30 years and is associated with escapes and getaways to vineyards, golf resorts, country estates and resorts;
- **Mantra:** positioned as premium hotels, resorts and serviced apartments in both corporate and leisure locations. Mantra is an all-inclusive brand with rooms catering to various types of visitor; and
- **BreakFree:** positioned as quality but affordable hotels, resorts and serviced apartments focused on providing a broad range of facilities for a reasonable price. BreakFree operates hotels and apartments in both capital city and key regional leisure locations.



The Hotel and Resorts and the Serviced Apartments segments of the Australian accommodation industry experienced strong revenue growth of 6.0% per annum between FY2004 and FY2013. Mantra Group is well-positioned to benefit from future growth in the accommodation industry given its increasing brand awareness, range of flexible operating structures and scalable operations.

Upon Completion of the Offer contained in this Prospectus, New Shareholders are expected to hold 53.3% of the Shares in Mantra Group. Existing Shareholders (being EV Hospitality and UBSAHPL), and certain Directors and Senior Management of Mantra Group, will hold the remaining Shares.

This Prospectus contains detailed information about the Offer, the accommodation industry in which Mantra Group operates and Mantra Group's operating and financial performance. Mantra Group's business is subject to a range of risks, including, exposure to a downturn in general economic conditions and to reduced tourism and travel demand, the risk of loss of contracts which underpin Mantra Group's ability to provide accommodation arrangements as well as other risks inherent in the operating structures adopted by the Company to provide accommodation and related services. These risks, as well as other risks of investing in Mantra Group are detailed in Sections 1.4 and 5. It is important that you read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder in Mantra Group.

Yours sincerely,

Peter Bush
Chairman

1. Total number of guests per year is determined by multiplying the consolidated number of rooms sold by the total number of guests per room on an annual basis, divided by the average length of stay, which is a standard industry measure of total guests per annum.

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SECTION 1

INVESTMENT OVERVIEW



PEPPERS SALT RESORT & SPA, KINGSCLIFF

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Topic	Summary

1.1 INTRODUCTION

What is Mantra Group?	Mantra Group is a leading Australian accommodation operator with the second largest network of hotels, resorts and serviced apartment properties in Australia (by total room number). Mantra Group has a total portfolio of 113 properties and over 11,600 rooms across Australia, New Zealand, and in Indonesia. Mantra Group's well-located and diversified portfolio of properties and high standard of customer service attracts approximately two million guests per year to stay in Mantra Group branded accommodation[1]. In addition to providing accommodation, its core services include management of guest relations and reception areas, restaurants and bars, conference and function centres, pool and entertainment facilities and offices. Mantra Group provides both leisure and business accommodation. Properties in Mantra Group's portfolio range from luxury retreats and coastal resorts to serviced apartments 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 has a team of approximately 3,572 employees (as at April 2014) who carry out its core functions including operations, sales, marketing and distribution, portfolio and asset management, information technology and corporate activities. **For more information: Section 3 contains details on Mantra Group and its business operations**
What industries does Mantra Group operate in?	Mantra Group operates in the Hotels and Resorts and Serviced Apartments segments of the accommodation industry in Australia, New Zealand and Indonesia. **For more information: Section 2 contains further details on the accommodation industry (and segments of that industry) in which Mantra Group operates**
Why is the Offer being conducted?	The Offer is being conducted to provide Mantra Group with: • a liquid market for its Shares; • funds to repay, in part, Mantra Group's existing debts; and • additional financial flexibility and access to capital markets, to assist it to pursue its corporate strategy. **For more information: Section 7 contains details of the Offer** **Section 3.9 outlines Mantra Group's corporate strategy**

1.2 KEY FEATURES OF MANTRA GROUP'S BUSINESS MODEL

How does Mantra Group generate its income?	Mantra Group primarily generates its income through the sale of accommodation and related services to its customers at the properties in its portfolio across its range of brands and operating structures. Mantra Group generates its revenue under three business divisions: CBD, Resorts, and Central Revenue and Distribution. **For more information: Sections 3 and 4 contain details on how Mantra Group generates its income**
What operating structures does Mantra Group utilise to generate its income?	Mantra Group does not own the properties in its portfolio but derives its interest in the properties, and the right to operate its business at the properties, under long-term contractual arrangements with the property owners. Mantra Group operates its properties under a range of operating structures, including Leases, Management Letting Rights, Management Agreements and Marketing Services Agreements. Mantra Group's range of operating structures provides it with flexibility when entering into contractual arrangements with property owners. **For more information: Section 3.4 contains details on Mantra Group's operating structures**

1. Refer to footnote 1 in the Chairman's Letter for further information.

SECTION 1
INVESTMENT OVERVIEW

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Topic	Summary
What is Mantra Group's corporate strategy?	Mantra Group's corporate strategy is to grow shareholder value through maintaining and growing its position in the accommodation industry. Mantra Group has a number of key strategies and initiatives including: • continue to build Mantra Group brands; • grow revenue per available room (RevPAR) and improve yield management; • continue to optimise distribution channels; and • continue to expand via new properties in targeted locations including South-East Asia. **For more information: Section 3.9 outlines Mantra Group's corporate strategy**
How does Mantra Group expect to fund its operations?	Mantra Group's operations (and past acquisitions of new properties in its portfolio) have historically been funded through cash flow generated by operations and by debt and equity capital. Mantra Group expects to fund its future operations through cash flow generated by operations and by debt and equity capital. After Completion of the Offer, Mantra Group will have in place a three year revolving facility (expiring in 2017 (as set out in Section 9.5)) which it will be able to use to fund its working capital requirements, its operations and other general corporate purposes (subject to complying with the terms of the facility agreement). **For more information: Section 4 contains information on how Mantra Group funds its operations and information on its debt facilities** **Section 9.5 contains information on Mantra Group's New Banking Facility**
What is Mantra Group's dividend policy?	The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014, and will become payable in March 2015. The Directors intend to target a dividend payout ratio between 70% and 80% of Mantra Group's statutory NPAT from FY2015. The level of payout ratio is expected to vary between periods depending on factors the Directors may consider relevant, including the general business environment, the operating results and financial condition of Mantra Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Mantra Group, and any other factors the Directors may consider relevant. In addition, Mantra Group may be subject to restrictions on paying dividends and other distributions under its New Banking Facility (see Section 9.5.14 for more details). No assurances can be given by any person, including the Directors, about the payment of a dividend or the level of franking of any such dividend. **For more information: Section 4.11 outlines Mantra Group's dividend policy**
What is the key financial information?	See table below.

	Pro Forma Historical Results[1]			Pro Forma Forecast[1]	
$ million, June year end	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Revenue	396.2	414.0	424.4	450.1	490.9
EBITDA	48.5	53.8	57.7	62.0	69.5
EBITA	33.2	39.1	44.1	48.0	54.8
EBIT	29.2	35.1	40.3	44.2	51.0
NPATA[2]	18.6	22.8	27.3	30.1	35.3
NPAT	15.8	20.0	24.6	27.4	32.6
Earnings per Share (cents per Share)[3]				12.1	14.2

1. Refer to Section 4.3.3 for reconciliations of Pro Forma Historical Results and Pro Forma Forecast to Statutory Historical Results and Statutory Forecast.
2. Mantra Group recognises management lease rights as intangible assets and these are amortised to the income statement over 40 years. The adjustment to calculate NPATA reverses the amortisation together with the associated credit to tax expense.
3. Based on pro forma FY2014 and FY2015 NPATA and the total number of Shares on issue on Completion of the Offer.

The Financial Information in the table above is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 4, as well as the risk factors set out in Section 5.

For more information: Section 4 contains full details of the Financial Information

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Topic	Summary

1.3 KEY STRENGTHS

Strong industry position with three established and complementary brands	Mantra Group is the second largest accommodation operator in Australia (by total room number). Mantra Group's total property portfolio consists of over 11,600 rooms in Australia and abroad. Over two million guests stay in Mantra Group branded accommodation per annum[2]. Mantra Group's three brands offer strong, recognisable and targeted engagement of a number of customer segments with their differentiated offerings. Mantra Group is also well-positioned to secure new properties and continue to successfully win bids for the management of existing properties. Mantra Group's increasing brand strength is demonstrated by the increasing proportion of bookings made directly through its websites. Direct bookings through Mantra Group's central reservation system have increased from 19% in FY2011 to 22% in FY2013. Mantra Group also has long-term customer relationships through arrangements in place with some of Australia's largest corporations and Government clients. **For more information: Sections 3.1 and 3.3 contain further details**
Quality, diversified property portfolio with long tenure	Mantra Group's property portfolio consists of 113 properties across Australia, New Zealand and Indonesia and includes properties in all major CBD locations and key leisure destinations in Australia. Mantra Group's property portfolio is diversified across geographies (by contribution to total earnings generated by Mantra Group's portfolio). Mantra Group's property portfolio is also diversified across customer segments (business and leisure). Mantra Group utilises a diversified mix of operating structures which provide flexible solutions for property owners and developers which Mantra Group believes gives Mantra Group a competitive advantage. Across Mantra Group's property portfolio there is an average remaining agreement tenure of 19 years[3], which means Mantra Group has long-term contractual rights to provide accommodation services at the properties. Mantra Group seeks to strengthen its management interest in properties through maintaining strong relationships with property owners and by strategically acquiring freehold ownership in certain areas in the properties (for example, lobby, restaurant, conference or other areas). **For more information: Sections 3.1 and 3.4 contain further details on Mantra Group's property portfolio and operating structures**
Positioned to benefit from attractive industry characteristics	The Australian accommodation industry has experienced strong long-term growth. Revenue across the Hotels and Resorts and Serviced Apartments segments has grown at a compound annual growth rate (CAGR) of 6.0% over the last 10 years. Favourable demand drivers such as increasing short-term visitors from emerging economies (such as China) and the growth of low cost airline carriers operating in Australia and abroad are expected to be positive influences over the forecast period (being FY2014 and FY2015). Mantra Group is also positioned to benefit from factors that would be expected to contribute to increased domestic tourism were they to continue, such as a weaker Australian dollar relative to other currencies and improved consumer and business sentiment. New short-term accommodation development activity in Australia has been subdued over the last three to four years. In combination with continuing strong demand for accommodation, this has supported an environment of increasing occupancy and average room rate. Mantra Group believes that accommodation operators such as Mantra Group who have an existing track record, the ability to add new properties to their portfolio for relatively low additional cost through centralised systems, strong brand awareness, sophisticated distribution systems which effectively reach customers and price products, and flexible operating structures, are well positioned to secure new properties. **For more information: Section 2 contains further details**

2. Refer to footnote 1 in the Chairman's Letter for further information.
3. This excludes Management Agreements and Marketing Services Agreements. Refer to Section 3.4 for further information on Mantra Group's operating structures, including Management Agreements and Marketing Services Agreements.

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Topic	Summary
Strong financial track record, attractive growth outlook and pipeline with strong cash conversion	Mantra Group has a strong financial track record and attractive growth outlook. Mantra Group operates a capital-light business model and has maintained consistently high cash flow generation over the last three years. Capital expenditure on properties in Mantra Group's portfolio is largely funded by owners of the properties or individual apartment owners rather than by Mantra Group. Mantra Group's established technology and distribution systems provide scalability and incremental growth with limited further investment required. Mantra Group has achieved a strong track record of portfolio expansion and has a significant pipeline of opportunities in Australia and New Zealand as well as in Indonesia. **For more information: Section 4 contains further details on Mantra Group's financial position and performance and pipeline of new properties**
Proven and highly experienced management team	Mantra Group has a stable and cohesive Senior Management team which has on average over 20 years' industry experience and most members of the Senior Management team have a minimum of six years experience with Mantra Group. The Senior Management team, led by Bob East and Steven Becker, has successfully led Mantra Group through its recent growth period and overseen and executed a range of core strategic initiatives (for example, the introduction of the MG-Res central reservation system). **For more information: Section 6.2 contains further details on Mantra Group's Senior Management team**

1.4 KEY RISKS

Exposure to a downturn in general economic conditions or reduced demand in the travel or tourism industries	Mantra Group's future performance may be materially adversely affected by: • **a downturn in general economic conditions** (including business confidence, consumer confidence, interest rates or exchange rates) in Australia or abroad; or • **events affecting the travel or tourism industries generally** (for example, a terrorist attack, major aviation disruptions, weather events or an epidemic); or • **events in destinations or regions in which Mantra Group operates** (for example, a tsunami or other significant weather events). Each of the events described above could result in a substantial reduction in demand for travel or tourism to Australia and the demand for accommodation at Mantra Group's properties. Mantra Group's future performance may be affected by an increase in the airfares of low cost airline carriers operating domestically or globally, significant changes to routes of low cost airline carriers or increased regulation or other events affecting the aviation industry. **For more information: see Section 5.1.1**
Loss of contractual rights to provide accommodation or related services at key properties	Because Mantra Group does not own the properties in its portfolio, Mantra Group's future success depends on its ability to preserve its contractual rights to provide accommodation and related services (for example, restaurant operations) at properties in its portfolio. The quality and strength of Mantra Group's relationships with bodies corporate, lessors and other property owners is, therefore, important to secure Mantra Group's right to continue to operate its business at, and to generate revenue from, its properties. Contractual arrangements may not be renewed by property owners at the expiration of their term or Mantra Group may be unable to renegotiate the contractual arrangements on favourable terms. Existing contractual arrangements could be terminated by property owners before the end of their term, whether by default of Mantra Group (for example, if Mantra Group does not satisfy its obligations under the relevant change of control provisions applicable to the contractual arrangements) or otherwise. Mantra Group may as a result lose significant future earnings from these properties and this may materially affect its future performance. **For more information: see Section 5.1.2**

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Topic	Summary
Risks relating to the operating structures used by Mantra Group to operate the properties in its portfolio	**Leases** During the term of its lease arrangements, Mantra Group is required to pay significant rent or other fees to the property owner even if it does not receive sufficient income from customers. Upon expiration of these leases (including renewals), there is a risk that the lease arrangements are not renewed, whether as a result of the property owner choosing not to renew or seeking to increase the rent or other costs or expenses payable by Mantra Group to such an extent that Mantra Group chooses not to renew the lease arrangements. As a result, Mantra Group's future revenues could be materially impacted. **Management Letting Rights (MLR)** Mantra Group uses Management Letting Rights (MLR) arrangements to operate a significant number of its key properties. There is a risk that individual apartment owners cease to use Mantra Group (or its representatives) as their letting agent, and Mantra Group loses the fees it would have received in relation to that apartment. There are also increased regulatory risks in operating MLR properties, including statutory restrictions which may limit the duration of MLR arrangements, or provide "without cause" termination or forced sale rights for apartment owners. **For more information: Section 3 provides further information on Mantra Group's operating structures and applicable regulatory regimes** **For more information: Section 5.1.3**
Reduction in the reputation and value of Mantra Group's brands	A reduction in overall customer satisfaction with Mantra Group's services could adversely impact on the reputation and value of Mantra Group's brands and its business. Its own actions, or actions of its partners or third parties, could negatively impact on the general public's trust or perception of Mantra Group and the value of its brands. Such actions could also affect customer loyalty, relationships with property owners, employee retention rates and the demand for Mantra Group's services, all of which could adversely affect Mantra Group's future performance. **For more information: Section 5.1.4**
Exposure to changes in government regulation	The accommodation industry may become subject to higher levels of government regulation (particularly strata laws, agency laws and building regulations). These changes could have a materially adverse effect on Mantra Group's business. For example, through increasing Mantra Group's compliance costs or capital expenditure requirements, including requirements to upgrade or refurbish properties. Mantra Group is currently required to comply with various statutory requirements, including holding certain licences in order to operate its business. If the conditions of these licences are breached, Mantra Group's business may be required to cease to operate in respect of a certain property, area or jurisdiction. Mantra Group could also be exposed to penalties or other claims, and a loss of reputation. **For more information: see Section 5.1.5** **Section 3.8 provides an overview of the regulatory environment applicable to Mantra Group's business**
New developments or future acquisitions of properties might not achieve forecasted returns	Mantra Group has a pipeline of new developments and acquisitions of management rights in properties which have not yet been finalised or completed with the property owners. Some of these properties are subject to the satisfaction of certain conditions precedent by the property owners, which may or may not be within the control of Mantra Group. The future financial performance of certain of these developments or acquisitions has been built (to varying degrees) into the Forecast Financial Information. Mantra Group may not ultimately finalise its right to operate a planned new development or property. There is also a risk these planned new developments or properties (if finalised) may not perform to the level expected by Mantra Group. As a result Mantra Group may not be able to achieve the returns forecasted in the Forecast Financial Information. **For more information: see Section 5.1.12** **Section 4.9.2.2 provides further information on New Properties**

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Topic	Summary
Limited development options and reduced ability to respond to changing demand	Mantra Group may not be in a position in the future to grow its business because of a limited supply of new properties available in the Australian accommodation industry. Mantra Group may not have the flexibility to respond quickly to changes in geographical or sector-specific customer demand or competitive threats because it is unable to obtain new properties. Mantra Group may also face increased costs to secure new or existing properties in the future and experience reduced growth or competitiveness **For more information: see Section 5.1.6**
Reduction in the integrity or effectiveness of technology systems and distribution channels	The value and performance of Mantra Group's business is dependent upon the maintenance, development and effective operation of its existing technology and any new technologies (in particular, its centralised MG-Res distribution platform). Mantra Group's technology could experience technical problems, or incur material expansion or other costs, which require significant additional investment from Mantra Group or reduce the effectiveness of Mantra Group's distribution channels in reaching customers. Rapid online technology changes may make technology acquired or developed by Mantra Group obsolete and require further capital expenditure. Any compromise of the security of Mantra Group's customers making online bookings (including through third party online service providers) could have an undue adverse effect on Mantra Group's business. **For more information: see Section 5.1.8** **Section 3.5 contains further detail on Mantra Group's distribution channels**
Loss of key management personnel and ability to access quality new staff	Mantra Group's success depends to a significant extent on its key personnel, and its ability to attract and retain experienced and high performing personnel. The loss of key management personnel, or any delay in their replacement, may therefore adversely affect Mantra Group's ability to develop and implement its corporate strategies or increase the cost of obtaining appropriate personnel. If Mantra Group is unable to find suitable replacements for departing staff members, or effectively access talent pools and attract new talent, it may be unable to appropriately grow its workforce as new properties are added to its portfolio without compromising the quality of services it provides. This could have a material adverse effect on the value of Mantra Group's business and its financial and operational performance. **For more information: see Sections 5.1.9 and 5.1.10**
Restrictions imposed under Mantra Group's New Banking Facility and refinancing risk	Mantra Group Holdings II Pty Ltd (a wholly owned subsidiary of Mantra Group) has entered into a New Banking Facility which will take effect from Completion of the Offer. Mantra Group is a guarantor under the New Banking Facility and, in addition, security has been granted to the Lenders in respect of the assets of the Mantra Group. Under the New Banking Facility, Mantra Group gives a number of covenants and undertakings, including in relation to leverage, fixed charge and interest cover ratios. There are also restrictions on incurring financial indebtedness, financial accommodation and making unpermitted investments and acquisitions. An event of default could occur if Mantra Group fails to maintain the financial covenants described above or comply with other requirements under the New Banking Facility. This may be caused by an unfavourable movement in interest rates or deterioration in the income or value of Mantra Group's business. If an event of default occurs, Mantra Group may be restricted from paying dividends to its Shareholders, or the Lenders may require immediate repayment of the facility. Mantra Group may need to dispose of some of its assets at less than face value in order to repay the facility. Mantra Group may not be able to refinance its debt under the New Banking Facility when it falls due. Mantra Group may not be able to negotiate as favourable terms or access debt or equity funding from capital markets on terms favourable to Mantra Group, or at all. **For more information: see Section 5.1.15** **Section 9.5 contains details about the New Banking Facility**

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Topic	Summary
Existing Shareholders retain a significant stake in Mantra Group post-Listing	Following Completion, the Existing Shareholders will hold approximately 43.3% of the issued capital of Mantra Group. These Shares will be subject to escrow restrictions until the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX (subject to certain exceptions, see Section 7.7 for more details). There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction, or sooner, in the event an exception to the restriction is available. In addition, the Existing Shareholders have entered into a Co-ordination Deed that governs the rights and obligations of EV Hospitality and UBSAHPL (as between themselves) with respect to their shareholding in Mantra Group following release of the voluntary escrow arrangements (see Section 9.3.3 for further details). The Existing Shareholders and other Escrowed Shareholders may not be long-term holders of the Shares. A significant sale of Shares by some or all of the Existing Shareholders or the other Escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares. Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares.

1.5 DIRECTORS AND KEY MANAGEMENT

Who are the Directors of Mantra Group?	• Peter Bush, Independent Non-Executive Chairman • Bob East, Chief Executive Officer • Elizabeth Gaines, Non-Executive Director • Andrew Cummins, Non-Executive Director • David Gibson, Independent Non-Executive Director **For more information: Section 6.1 contains details about the experience and qualifications of each of the Directors**
Who are the key management of Mantra Group?	• Bob East, Chief Executive Officer • Steven Becker, Chief Financial Officer • Tomas Johnsson, Executive Director of Operations • Mark Hodge, Director of Resort Operations • Kent Davidson, Executive Director of Sales, Marketing & Distribution • Cherie McGill, Group General Manager Human Resources • Luke Moran, Group Director of Revenue and Distribution • Kevan Funnell, General Manager Finance • Michelle Lalli, Group Asset Manager • Michael Moret-Lalli, Director of Acquisitions • Fiona Van Wyk, Company Secretary • Garry Rich, Group General Manager IT **For more information: Section 6.2 contains details about the experience and qualifications of each member of Mantra Group's Senior Management team**

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Topic | Summary

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Who are the Existing Shareholders and what will be their interest at the Completion of the Offer?

Shareholder	Shares held as at Prospectus Date (%)	Number of Shares held at Prospectus Date	Shares issued[1]	Shares held post-Completion (%)[4]	Number of Shares held post-Completion[1,4]
EV Hospitality	60%	10,800,000	–	26.0%	64,800,000[2]
UBSAHPL	40%	7,200,000	–	17.3%	43,200,000[2]
Management Shareholders and Non-Executive Director Shareholders[3]	–	–	8,625,318	3.5%	8,625,318[2]
New Shares to be issued under the Offer	–	–	132,845,911	53.3%	132,845,911
Existing Shares to be sold under the Offer	–	–	–	–	–
Total	**100.0%**	**18,000,000**	**141,471,229**	**100.0%**	**249,471,229**

1. The Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company.
2. These Shares will be subject to voluntary escrow arrangements which are described further in Section 7.7. These figures do not include any Shares purchased by Directors or Senior Management under the Offer.
3. Refer to Section 6.3.2.4 and the paragraph below for further detail.
4. Refer to Section 7.1.4 and the paragraph below for further detail about the deferred transfer arrangements between EV Hospitality and UBSAHPL, which are not reflected in the above table.

EV Hospitality and UBSAHPL hold all of the Shares in Mantra Group at the Prospectus Date.

As described in Section 9.3.1, EV Hospitality has agreed to transfer, for nil consideration, 22,733,752 of the Shares held by it following Completion (**Deferred Transfer Shares**) to UBSAHPL at a future date nominated by UBSAHPL after their release from the voluntary escrow arrangements referred to below and described in greater detail in Section 7.7. This deferred transfer obligation will be secured by way of EV Hospitality granting UBSAHPL security over the Deferred Transfer Shares. The Deferred Transfer Shares will at all times be subject to the voluntary escrow restrictions described in greater detail in Section 7.7.

In addition, Management Shareholders and Non-Executive Director Shareholders hold 1,795,742 Options. At Completion of the Offer, Mantra Group (or a member of the Mantra Group) will purchase and cancel up to 37.8% of these Options. Management Shareholders and Non-Executive Director Shareholders will exercise the remaining Options and the resulting Shares will be held subject to their Escrow Deed. As a result, Directors (other than the Chairman, Peter Bush) and Senior Management of Mantra Group will hold 8,625,318 Shares on (or immediately prior to) Completion of the Offer.

For more information: see Sections 6.3.2.4, 7.1.4 and 9.3.1

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Topic	Summary
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	

Directors	Options held as at the Prospectus Date	Shares held prior to Completion	Shares held post-Completion[1]
Peter Bush (Independent Chairman)	0	0	0
Bob East (Chief Executive Officer)	500,000	0	2,315,638
David Gibson (Independent Non-Executive Director)	20,202	0	93,559
Elizabeth Gaines (Non-Executive Director)	250,000	0	1,157,819
Andrew Cummins (Non-Executive Director)	250,000	0	1,466,570

1. The Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company.

As at the Prospectus Date, Directors and Senior Management of Mantra Group do not hold any Shares.

Directors (other than the Chairman, Peter Bush) and Senior Management of Mantra Group will receive Shares or cash on (or immediately prior to) Completion in exchange for the exercise or cancellation of outstanding Options (as described in more detail in Section 6.3.2.4).

Directors and Senior Management are entitled to remuneration and fees on commercial terms as disclosed in Section 6.3.2 and Section 6.3.3. In addition, Mantra Group has entered into a contract of employment with a Director (and Chief Executive Officer), Bob East, which is summarised in Section 6.3.3.

Advisers and other service providers are entitled to fees for services and UBS AG, Australia Branch (one of the Joint Lead Managers to the Offer and an affiliate of UBSAHPL, the second largest Existing Shareholder as at the Prospectus Date) will receive an exit fee as disclosed in Section 6.3.1. UBSAHPL will receive a proportion of the Pre IPO Dividend. In addition, as at the Prospectus Date, the Company has on issue $131.4 million of loan notes to the Existing Shareholders (or their holding companies). Further, prior to the Prospectus Date, Mantra Group has agreed to issue an additional $12.3 million worth of loan notes to the Existing Shareholders (or their holding Companies) to fund the payment of the Pre IPO Dividend. The issue of these additional loan notes to EVH and UBSAHPL is conditional on the Listing of the Company. Each of these loan notes will be fully repaid by Mantra Group (with interest, if applicable) at Completion out of the proceeds of the Offer and UBSAHPL will receive part of those proceeds.

For more information: see Section 6.3

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Topic	Summary
Will any Shares be subject to restrictions on disposal following Completion?	The following disposal restrictions will apply: • all Existing Shares held by EV Hospitality (including the Deferred Transfer Shares) and UBSAHPL at Completion will be subject to voluntary escrow restrictions until the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX, subject to a potential partial early release as set out below; and • from the date of issue (being on or immediately prior to Completion), all of the New Shares issued to and held by Directors and Senior Management of Mantra Group as a result of the exercise of Options held by those Directors and Senior Management will be subject to voluntary escrow restrictions until the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX. After these dates, all of the relevant Escrowed Shares will be released from the voluntary escrow restrictions. The disposal restrictions do not apply to any Shares purchased under the Offer (if any). Subject to certain exceptions, the Escrowed Shareholders must not dispose of, or agree to dispose of, their escrowed Shares whilst those escrowed Shares are subject to voluntary escrow arrangements. In the case of EV Hospitality and UBSAHPL, one of those exceptions to their voluntary escrow arrangements will permit them to each dispose (in one or more transactions) of up to 25% of their escrowed Shares at least 10 Business Days after both of the following conditions have been satisfied: • the half-yearly results of the Company for the period ending 31 December 2014 have been released to the ASX (Relevant Date); and • the Company VWAP on each trading day comprising the Company VWAP Period is at least 20% higher than the Offer Price. The Company VWAP on any trading day prior to the Relevant Date is not relevant to determining whether the exception is available. **For more information: see Section 7.7**
Will any Existing Shareholder have the right to appoint Directors?	In May 2014, Mantra Group entered into a Relationship Deed with EV Hospitality. Under the Relationship Deed, EV Hospitality has the right to appoint one Director to the Board for so long as it holds at least 10% of the issued share capital of Mantra Group. **For more information: Section 9.3.2**

1.7 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

What is the Offer?	The Offer is an initial public offering of 132,845,911 Shares that will be issued by the Company. Each Share will rank equally with Shares already on issue. A summary of the rights attaching to the Shares is set out in Section 7.10. **For more information: see Section 7.1 and 7.10**
Who is the issuer of the Prospectus?	Mantra Group Limited ACN 137 639 395, a public company registered in Victoria, Australia. **For more information: see Section 7.1**

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Topic	Summary
What is the proposed use of funds raised under the Offer?	The Offer is expected to raise $239.1 million. The funds received under the Offer, together with other cash available to the Company at Completion, will be applied (as set out in the table below) to: • repay (in part) debt drawn on Mantra Group's existing debt facilities; • repay (in full) outstanding shareholder debt (including additional shareholder debt drawn down in relation to the payment of the Pre IPO Dividend) together with other fees and costs payable to Existing Shareholders; • pay the costs associated with the Offer; and • pay cash consideration for the purchase and cancellation of outstanding Options held by certain Directors and Senior Management.

Sources of funds	$m	%	Uses of funds	$m	%
Cash proceeds received from issue of New Shares by Mantra Group	239.1	66.3	Payment of costs of the Offer by Mantra Group	15.7	4.4
Cash proceeds from New Banking Facility	111.0	30.8	Repay existing debt facilities	158.1	43.8
Existing cash[1]	9.9	2.7	Repay outstanding shareholder debt (including additional shareholder debt drawn down in relation to the payment of the Pre IPO Dividend)[2]	177.6	49.2
Proceeds from management options and the repayment of shareholder loans	0.8	0.2	Payment of cash consideration for the purchase and cancellation of certain outstanding Options	9.4	2.6
Total sources	360.8	100.0	Total uses	360.8	100.0

1. Balance sheet cash and cash equivalents are further outlined in Section 4.4.
2. Refer to Section 7.1.4 for further details on Mantra Group's existing shareholder debt.

For more information: see Section 7.1.3

Will the Shares be quoted on the ASX?	Mantra Group will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "MTR". Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. **For more information: see Section 7.9.1**
How is the Offer structured?	The Offer comprises of: • the Broker Firm Offer; • the Priority Offer; • the Property Owner Offer; and • the Institutional Offer. **For more information: see Section 7.1**

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Topic	Summary
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers. **For more information: see Sections 7.1 and 9.4**
What is the allocation policy?	The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the remainder of the Retail Offer (being the Shares to be allocated to the Priority Offer and the Property Owner Offer) was determined by the Joint Lead Managers and Mantra Group having regard to the allocation policy. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate firm stock among their eligible retail clients. With respect to the Priority Offer and the Property Owner Offer, it is at the absolute discretion of Mantra Group, provided that: • those allocations (in aggregate) do not exceed $3.7 million in proceeds (or 2,055,556 Shares); • Eligible Employees participating in the Priority Offer are entitled to a guaranteed minimum allocation of $1,000 worth of Shares (or 556 Shares); • any other Retail Offer Investors nominated to participate in the Priority Offer will be entitled to the guaranteed minimum allocation set out in their letter of invitation; and • applications in the Priority Offer will be given priority by Mantra Group to Applications received under the Property Owner Offer to the extent of their guaranteed minimum allocations. Participants in the Property Owner Offer do not have any guaranteed allocation of Shares and may only be allocated Shares to the extent that allocations of less than $3.7 million of Shares are made under the Priority Offer. The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers in agreement with Mantra Group. The Broker Firm Offer, the Priority Offer, Property Owner Offer and the Institutional Offer are not open to investors in the United States. **For more information: see Sections 7.3, 7.4 and 7.5**
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. **For more information: see Section 7.2**
What are the tax implications of investing in the Shares?	You may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. **For more information: see Section 9.8**

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Topic	Summary
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 26 June 2014. Refunds to Applicants under the Priority Offer or Property Owner Offer who make an Application and are scaled back, will be made as soon as possible after Settlement of the Offer, which is expected to occur on or about 24 June 2014. No refunds will be made where the overpayments relate solely to rounding at the Offer Price. **For more information: see Section 7.2**
What is the minimum Application size under the Offer?	The minimum Application under the Broker Firm Offer is approximately $2,000 (1112 Shares), and in multiples of $500 thereafter, as directed by the Applicant's Broker. The minimum Application under the Priority Offer and the Property Owner Offer is approximately $500 worth of Shares (278 Shares) and in multiples of $500 worth of Shares thereafter. **For more information: see Sections 7.3, 7.4 and 7.5**
How can I apply?	Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus. Eligible investors who are in Australia may apply online under the Priority Offer or the Property Owner Offer on Mantra Group's website, www.mantrashareoffer.com. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. **For more information: see Sections 7.3, 7.4 and 7.5**
Can the Offer be withdrawn?	Mantra Group may withdraw the Offer at any time before the issue of Shares to successful Applicants or bidders under the Broker Firm Offer, the Priority Offer, the Property Owner Offer and the Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act. **For more information: see Section 7.8**
Where can I find out more information about this Prospectus or the Offer?	Call the Mantra Group IPO Information Line on 1800 606 866 (toll free within Australia) or +61 1800 606 866 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Mantra Group is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

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MANTRA CIRCLE ON CAVILL, SURFERS PARADISE



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SECTION 2

INDUSTRY OVERVIEW

SECTION 2
INDUSTRY OVERVIEW

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Mantra Group operates in the accommodation industry in Australia, New Zealand and Indonesia. This section provides an overview of the Australian accommodation industry and discusses the recent performance, key participants and industry trends in that industry. It also provides a brief overview of the accommodation industry in New Zealand.

2.1 OVERVIEW OF THE AUSTRALIAN ACCOMMODATION INDUSTRY

As at June 2013, the Australian accommodation industry comprised 632,257 bed spaces within 230,064 rooms across 4,237 establishments and generated revenue of $9.0 billion in FY2013[1].

The Australian accommodation industry is generally segmented into three types of accommodation:

- Hotels and Resorts
- Serviced Apartments
- Motels

The Hotels and Resorts segment of the Australian accommodation industry typically includes establishments with 15 or more rooms where accommodation is provided on a per room/unit/apartment/suite basis. It is common for hotels and resorts to operate public facilities or common areas (for example, a public bar). Hotels and Resorts generally include a mix of resort hotels and spas, luxury hotels, boutique hotels and commercial hotels.

The Serviced Apartments segment of the Australian accommodation industry typically includes establishments with 15 or more units which mostly comprise self-contained units or apartments at the same location, which are provided on a per unit/apartment basis. Serviced apartments can generally be differentiated from hotels, resorts and motels because they have a kitchen or guests otherwise have access to cooking facilities.

The Motels segment of the Australian accommodation industry typically includes establishments with 15 or more rooms where accommodation is provided on a per room basis without public or common areas (for example, a public bar). This may include private hotels and guest houses. In Australia, motels are generally targeted at providing motorists with overnight accommodation. Motels tend to be personal residences which offer limited accommodation to paying guests while the owners remain on site.

2.2 HISTORICAL PERFORMANCE

The historical performance of the accommodation industry has been generally driven by broad macroeconomic conditions both in Australia and globally, including:

- general levels of economic activity in the Australian and global economy;
- business confidence;
- consumer sentiment;
- foreign exchange rates; and
- trends in the tourism industry including airline capacity, routes and prices, aviation regulation and international foreign relations.

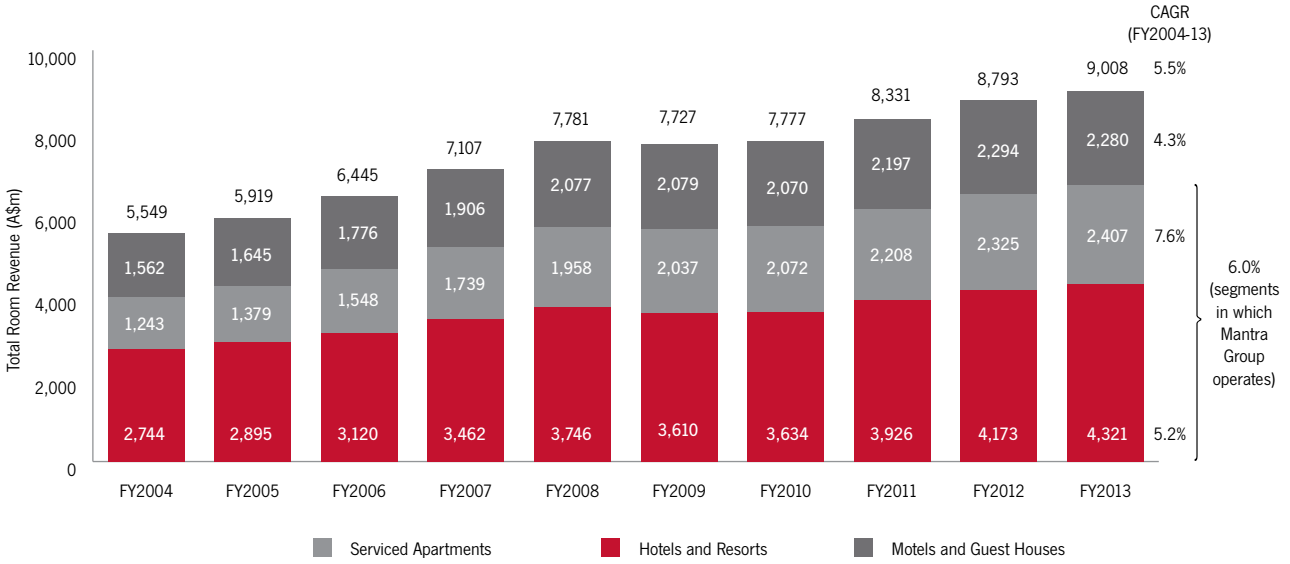
Across the Hotels and Resorts and Serviced Apartments segments of the Australian accommodation industry in which Mantra Group operates, revenue has grown at 6.0% CAGR from FY2004 to FY2013. The Hotels and Resorts and Serviced Apartments segments of the industry experienced strong growth of 9.4% on average per annum between FY2004 and FY2008. While the industry remained flat between FY2008 and FY2010 as a result of the impact of the global financial crisis on business and leisure travel, it experienced solid growth (at a CAGR of 5.6%) between FY2010 and FY2013, broadly in line with its 10 year average growth rate.

The Hotels and Resorts segment of the Australian accommodation industry has grown by a CAGR of 5.2% (from approximately $2.7 billion in 2004 to $4.3 billion in 2013). The Serviced Apartments segment of the Australian accommodation industry has experienced the highest long-term revenue growth of all three segments. This segment has grown over the previous 10 financial years by a CAGR of 7.6% (from approximately $1.2 billion revenue in FY2004 to $2.4 billion in FY2013). This growth was generally driven by a shift in the consumer sentiment of both leisure and business travellers recognising the benefits of serviced apartments over traditional hotels, such as greater space, ability to self-cater and typically lower prices. Additionally, developers have begun to cater to this growing segment of the industry due to the lower development costs and favourable strata schemes involved with providing serviced apartments.

1. Source: Australian Bureau of Statistics, 8635.0 Tourist Accommodation, Australia (June 2013).

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FIGURE 1: ROOM REVENUE BY TYPE OF ACCOMMODATION (2004-2013) (A$M, JUNE YE)

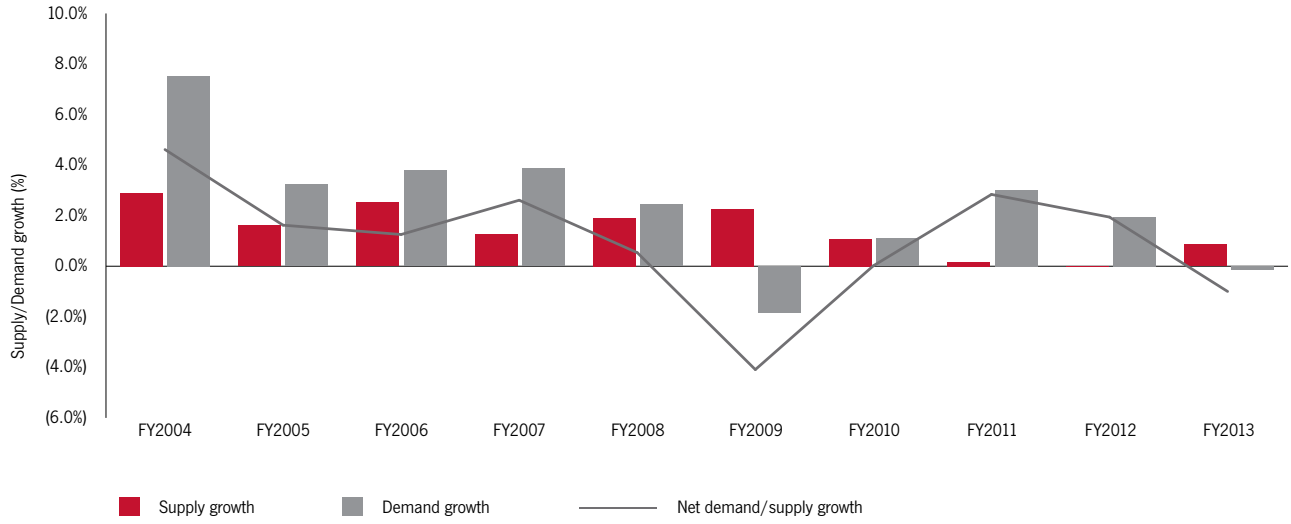


Source: Australian Bureau of Statistics, 8635.0 Tourist Accommodation, Australia (June 2013).

The demand for accommodation (room nights) in the Australian accommodation industry has grown steadily over the last decade (at a CAGR of 1.9%). The industry has experienced positive demand growth in eight of the last 10 years. Since 2009, demand has rebounded by 6.0% from the global financial crisis (from approximately 51.2 million room nights in FY2009 to 54.3 million room nights in FY2013).

Growth in the supply of accommodation (rooms available) over the last decade has been moderate to flat, with a CAGR of 1.3% between FY2004 and FY2013 and only 0.5% per year over the last four years. The accommodation industry has therefore generally been in a state of net demand growth over the last decade.

FIGURE 2: ROOMS AVAILABLE: SUPPLY, DEMAND AND NET DEMAND/ SUPPLY GROWTH (2004-2013) (JUNE YE)



Source: Australian Bureau of Statistics, 8635.0 Tourist Accommodation, Australia (June 2013).

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The relatively larger growth in demand (room nights) compared to supply (rooms available) in the Australian accommodation industry has contributed to the growth in revenue per available room (RevPAR)[2] over the last 10 years.

RevPAR has grown across all segments of the accommodation industry during the last 10 years. The RevPAR of both the Hotels and Resorts and the Serviced Apartments segments of the accommodation industry has grown at a CAGR of 3.9% over this period. Improvement in Average Room Rates (ARR) and occupancy rates has contributed to the growth in RevPAR in these segments.

RevPAR growth in the Hotels and Resorts segment of the accommodation industry declined between FY2008 and FY2010 but recovered between FY2010 and FY2013. Serviced Apartments have displayed more stable growth over time when compared to Hotels and Resorts.

FIGURE 3: REVENUE PER AVAILABLE ROOM (REVPAR) BY TYPE OF ACCOMMODATION (2004-2013) (JUNE YE)



Source: Australian Bureau of Statistics, 8635.0 Tourist Accommodation, Australia (June 2013).

Note: Calculated from categories "Total takings from accommodation", "Room nights occupied" and "Room occupancy rate".

2.3 KEY PARTICIPANTS

The key participants in the accommodation industry are the owners of the underlying properties (and other related assets) and the operators of the properties. Mantra Group utilises a "capital-light" operating model whereby it is almost exclusively an operator of properties which provide accommodation services, rather than an owner of the underlying properties.

Operators in the accommodation industry adopt a range of business models to manage and operate properties. The key distinction between competing business models is whether the operator owns the underlying properties or whether they assume the underlying risk profile of providing accommodation services (including occupancy rates) under contractual arrangements with the owners of the properties.

Operators typically provide accommodation services under multiple brands which reflect particular characteristics of the accommodation provided. For example, a particular brand may be used to position accommodation based on price range or type of guest. These brands will be used by operators either to brand properties which they own or lease, or to brand properties that they operate under a management agreement (but do not own). Some operators provide accommodation under brands which are franchised from other operators (for example, through marketing services agreements).

There is a diverse range of operators in the Australian accommodation industry which vary between having international or local operations, being listed or privately owned, and being run by local or offshore head offices.

2. RevPAR measures the total average room revenue received per room available throughout the period. It can also be calculated by taking the average occupied room rate and multiplying by the occupancy rate. It is used as a metric to compare relative profitability of the accommodation industry. RevPAR has been calculated based on figures released by the Australia Bureau of Statistics for the sub-segment "Takings from accommodation", "Room nights occupied" and "Room occupancy rates".

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2.3.1 Australian accommodation operator landscape

TABLE 1: AUSTRALIAN TOP TEN ACCOMMODATION OPERATORS BY TOTAL ROOM NUMBER

Participant	Rooms[1,2]	Locations	Brand offerings[3]		Head office
Accor	26,575	Global	• Sofitel/Sofitel Legend • Pullman • M Gallery • The Sebel • Mercure/Grand Mercure	• Adagio • Ibis • Novotel • hotelF1 • Thalassa Sea & Spa • Quay West	France
Mantra Group	**14,563**	**Australia, New Zealand, Indonesia**	• **Mantra** • **Peppers**	• **BreakFree**	**Australia**
Choice Hotels Australasia	8,843	Global	• Comfort Inn • Comfort Hotels • Clarion • Ascend	• Quality Inn • Quality Hotels • Econolodge	US
Amalgamated Holdings Ltd	7,543	Australia, New Zealand	• Rydges • QT	• Atura	Australia
Toga Hospitality Group of Companies	7,455	Australia, New Zealand	• Medina • Adina • Travelodge	• Vibe • Rendezvous	Australia
Quest Apartments	6,869	Australia, New Zealand	• Quest		Australia
InterContinental Hotels Group	6,524	Global	• Intercontinental • Crowne Plaza • Indigo • Staybridge	• Holiday Inn • Candlewood • Even • Hualuxe	UK
Best Western	6,399	Global	• Best Western		US
Oaks Hotels & Resorts	5,019	Australia, New Zealand	• Oaks		Thailand
Hilton Hotels	3,901	Global	• Hilton • Waldorf Astoria • Conrad • DoubleTree • Embassy Suites	• Hilton Garden Inn • Hampton • Homewood Suites • Home2 Suites	US

Source for columns titled "Rooms" and "Head office": Jones Lang LaSalle – Australian Top Owners & Operators Survey as at December 2013 (February 2014).

1. Room figures reflect total rooms available within each property as at 31 December 2013, however, the relevant accommodation operator does not necessarily manage all of the rooms within each property.
2. Room figures reflect hotels operated in Australia only.
3. Brands current as detailed on individual company websites.

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2.3.2 Recent activity and developments

Recent activity in the accommodation industry can be characterised by consolidation activity amongst the largest accommodation providers. In December 2010, the top 10 operators accounted for 35.1% of all rooms in the industry, whilst by December 2012 the top 10 accounted for 40.3% of rooms.

Recent examples of consolidation activity in the Australian accommodation industry include:

- In 2012, Accor acquired Mirvac Hotels & Resorts, adding approximately 5,000 rooms to Accor's portfolio.
- In 2011, SilverNeedle Hotels acquired and rebranded Constellation Hotels.
- In 2011, Minor International acquired Oaks Hotels & Resorts.

2.4 KEY INDUSTRY TRENDS AND OUTLOOK

2.4.1 Historical demand trends

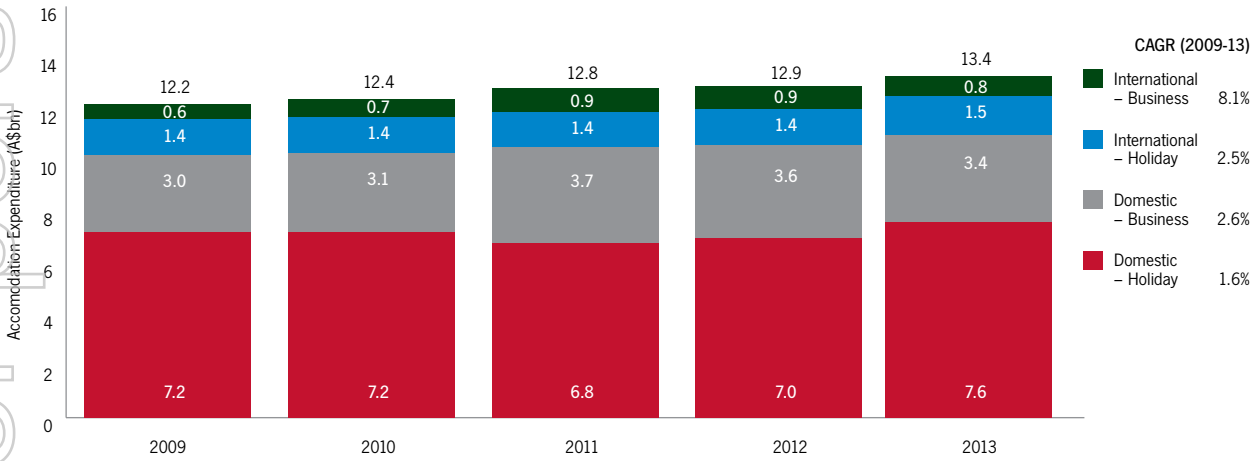
Demand for accommodation in Australia can be divided into four categories based on the origin of the visitor and the purpose of the visit:

- Origin of the visitor: domestic or international.
- Purpose of the visit: business or leisure.

In 2013, domestic visitors accounted for approximately 82% and international visitors accounted for approximately 18% of total accommodation expenditure. For both domestic and international visitors, leisure was the purpose of approximately 69% of total expenditure. Business visitors represented approximately 31% of total expenditure.

Accommodation expenditure increased over the last five years at a CAGR of 2.3%. In particular, expenditure by international business visitors has grown strongly over this period at a CAGR of 8.1%. Total accommodation expenditure for leisure purposes has grown moderately for both international visitors (CAGR of 2.5%) and domestic visitors (CAGR of 1.6%) over the last 5 years.

FIGURE 4: ACCOMMODATION EXPENDITURE BY ORIGIN OF VISITOR AND PURPOSE OF VISIT (2009-2013) (A$BN, SEPTEMBER YE)



Source: Tourism Research Australia, National Visitor Survey and International Visitor Survey (September 2013 release).

Note: Excludes visitors included in the "Visiting friends and relatives" and "Other" categories.

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2.4.2 Key demand drivers

TABLE 2: KEY DRIVERS OF DEMAND FOR ACCOMMODATION IN AUSTRALIA

Driver	Recent conditions and outlook
Economic drivers	
Economic activity	• Australia's real gross domestic product (GDP) growth rate has risen since the global financial crisis and is forecast to grow at 2.6% in 2014[3]. • Developing economies are forecast to continue to grow at a significantly higher pace compared to advanced economies (particularly within the Asian region). China's real GDP is forecast to grow by 7.5% in 2014 and the Association of South-East Asian Nations (ASEAN) region by 4.9%[3] over the same period. • Increases in domestic and global economic growth are expected to be a positive for the Australian accommodation industry due to increased demand for business and leisure travel. • Continued high GDP growth in China is expected to support increased demand for tourism and accommodation in Australia.
Business confidence	• Business confidence has increased to levels consistent with the long-term average[4]. • Business confidence increased to an average of 5.7 between February and April 2014, from an average of 0.7 over the three months leading up to the election in September 2013[4]. • An improving trend in business confidence would be expected to increase business spending and investment, which generally has a positive impact on growth in domestic business travel.
Consumer sentiment	• Consumer sentiment has had a gradual return to stability from the low levels experienced during the global financial crisis, with the Westpac-Melbourne Institute Consumer Sentiment Index rising year on year from 94.5 to 99.7 over the last two years[5]. • Overall, demand for domestic leisure travel would be expected to increase during times of improving consumer sentiment as more people become willing to spend on travel and accommodation.
Foreign exchange rates	• As at May 2014, the Australian dollar was trading against the US dollar at the lower end of its two year range and below the average rate recorded over the last two years. As at May 2014, the Australian dollar was at the lower end of its one year trading range with the Great British Pound and the Euro[6]. • Were there to be a continuation of the downwards trend in the value of the Australian dollar, it would generally be expected to benefit Australian-based accommodation providers by stimulating tourism activity in Australia by encouraging Australians to travel domestically rather than offshore, and increasing the relative affordability of Australia to international travellers.

3. Source: International Monetary Fund, World Economic Outlook Database – April 2014.
4. Source: National Australia Bank – Trading Economist, August 2013 and April 2014.
5. Source: Westpac-Melbourne Institute Consumer Sentiment Index, April 2014.
6. Source: Bloomberg, May 2014.

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Driver	Recent conditions and outlook
Industry-specific drivers	
Growth in low cost carriers	• The continued emergence and growth of low-cost carriers may be positive for domestic and international travel due to greater affordability and increased capacity and routes available. • The increased focus of low-cost carriers on leisure destinations (as opposed to traditional carriers) facilitates greater access to these locations, including: – Scoot, a Singapore-based low-cost carrier, has launched five direct flights per week between Singapore and Sydney/Gold Coast, equating to up to an additional 104,000 visitors per year (assuming all inbound flights are undertaken at full capacity) and have recently introduced flights to Perth; – Air Asia, a Malaysia-based low-cost carrier, has launched direct flights from Malaysia to Perth, Melbourne, Sydney and the Gold Coast; – Tiger Airways, a Singapore-based low-cost airline, has direct flights from Singapore to Perth, and connecting flights from 21 destinations in South-East Asia; – Tiger Airways Australia, an Australian low-cost airline jointly owned by Tiger Airways and Virgin Australia, has expanded into 14 Australian domestic routes including all capital cities and the regional centres of Cairns, Mackay, Alice Springs, the Gold Coast and the Sunshine Coast; and – Jetstar, Qantas' low-cost carrier, has expanded direct flights from Asia to Queensland and Darwin.
Airport infrastructure	• Australian airports have undertaken significant investment in capacity in recent years facilitated by increased rates of domestic and inbound travel. • Significant investment has occurred at airports located in key business and leisure destinations in Australia: – Sydney Airport is planning an expansion of its T1 and T2/3 terminal precincts[7]; – Melbourne Airport is planning a $1 billion investment over the next five years, including construction of a third runway[8]; – Brisbane Airport is planning construction of a new runway, scheduled to be operational in 2020[9]; – Gold Coast Airport has increased the number of international routes available through a runway extension which has facilitated direct flights to Asia[10]; and – The Sunshine Coast Airport has invested $419 million to upgrade runways and build a new terminal[11].
Promotion of Australia as a travel destination	• If Government and industry bodies (such as Tourism Australia) in Australia continue to release advertising campaigns to promote Australia as an attractive business and leisure travel destination, this may continue to encourage more international visitors to travel to Australia. • Recent campaigns have targeted the rapidly growing Asian region, in part due to its close proximity and similar time zones.

7. Source: Sydney Airport Master Plan 2033 – Preliminary Draft.
8. Source: Melbourne Airport 2013 Master Plan.
9. Source: Brisbane Airport Annual Report 2013.
10. Source: Gold Coast Airport 10 Year Infrastructure Plan.
11. Source: Sunshine Coast Airport 10 Year Infrastructure Plan.

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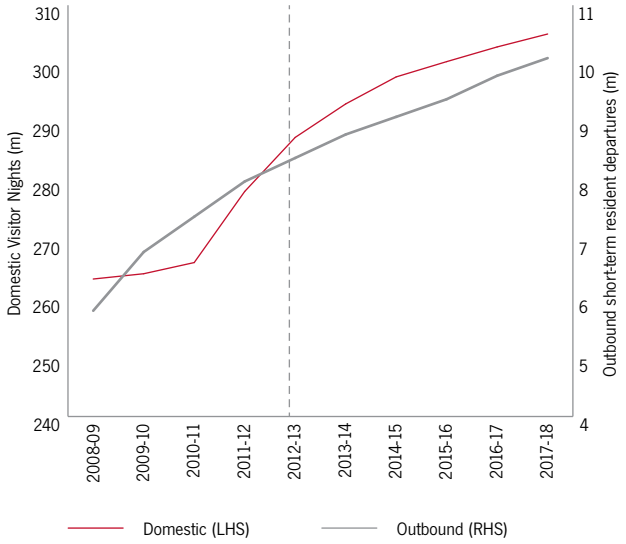
2.4.3 Demand outlook

2.4.3.1 Domestic visitor demand outlook

Growth in domestic travel by Australians has been moderate over the last five years, particularly between FY2009 and FY2011. In this period, the level of outbound departures by Australians grew at a faster rate compared to domestic travel. This may have been due to the appreciation of the Australian dollar relative to major international currencies (including the US Dollar and the Euro) over this period.

Room nights for both business and leisure travellers could be expected to increase further if the global economy continues to recover. Over the next five years, domestic travel for business purposes has been forecast to grow at a CAGR of 2.3% and domestic travel for leisure purposes is forecast to grow at a CAGR of 1.4% (based on total room nights).

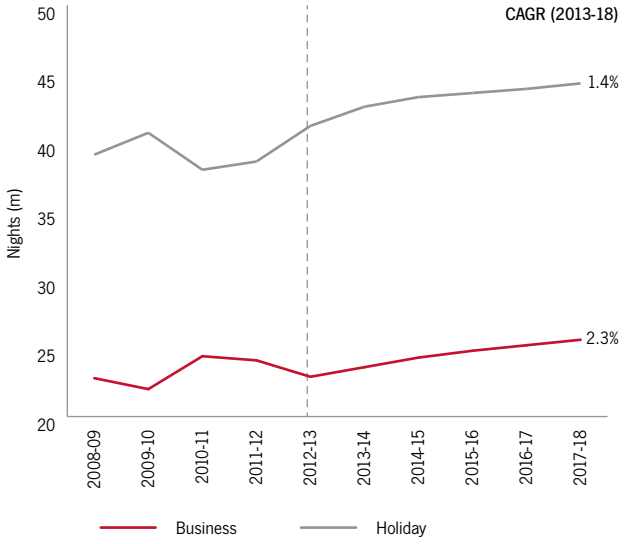
FIGURE 5: AUSTRALIAN RESIDENT TRAVEL DESTINATIONS – DOMESTIC VS. OUTBOUND (2009-2018) (SEPTEMBER YE)



Source: Tourism Research Australia, Forecasts Spring 2013.

Note: The periods ending 2009-2013 represent historical data, and the periods ending 2014-2018 represent forecast data.

FIGURE 6: DOMESTIC VISITORS – ACCOMMODATION ROOM NIGHTS (2009-2018) (SEPTEMBER YE)



Source: Tourism Research Australia, Forecasts Spring 2013.

Note: Excludes domestic visitors included in the "Visiting friends and relatives" and "Other" categories.

Note: The periods ending 2009-2013 represent historical data, and the periods ending 2014-2018 represent forecast data.


MANTRA ON RUSSELL, MELBOURNE

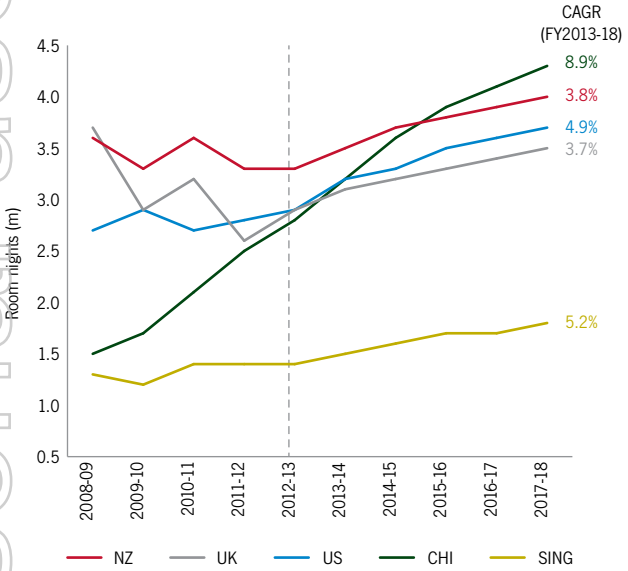
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2.4.3.2 International visitor demand outlook

Australia has experienced strong historical growth in inbound international visitors over the last five years. International visitors have increased from 5.5 million arrivals in 2009 to 6.3 million arrivals in 2013 (a CAGR of 3.2%). This has been primarily driven by strong growth in visitors from China, Indonesia, Malaysia, India and Singapore.

Growth in international visitor room nights over the next five years is expected to grow at a CAGR of 5.5%, which could be expected to place upward pressure on industry average room occupancy rates. Visitor numbers from China are forecast to grow rapidly and become Australia's largest source of international visitor room nights by 2016. International visitor demand for holidays to Australia is expected to continue to be a major driver of international visitor arrivals and is forecast to grow at a CAGR of 5.2% over the next five years. Travel for business purposes is also forecast to experience solid growth of 3.1% per annum over the next five years.

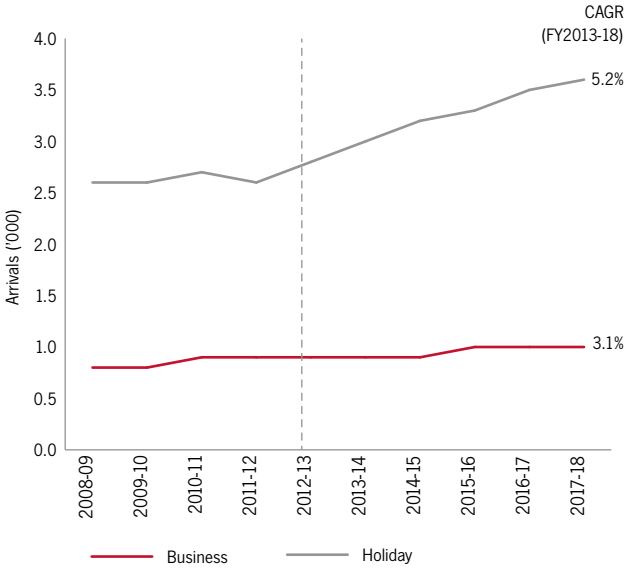
FIGURE 7: INTERNATIONAL VISITORS – ACCOMMODATION ROOM NIGHTS (2009-2018) (SEPTEMBER YE)



Source: Tourism Research Australia, Forecasts Spring 2013.

Note: The periods ending 2009-2013 represent historical data, and the periods ending 2014-2018 represent forecast data.

FIGURE 8: INTERNATIONAL VISITORS – ACCOMMODATION ROOM NIGHTS (2009-2018) (SEPTEMBER YE)



Source: Tourism Research Australia, Forecasts Spring 2013.

Note: Excludes international visitors included in the "Visiting friends and relatives" and "Other" categories.

Note: The periods ending 2009-2013 represent historical data and the periods ending 2014-2018 represent forecast data.

2.4.4 Supply trends and outlook

Development of new accommodation in Australia has been subdued over the last three to four years due to (among other factors) the challenges to obtaining funding for new developments. There is generally a limited availability of quality and affordable sites in Australia, and the sites that could be utilised for accommodation services are being used by developers for office and residential projects.

Over the last 10 years, the supply of new accommodation in Australia has generally not met with demand. As a result, there has been a level of under investment in the Australian accommodation industry.

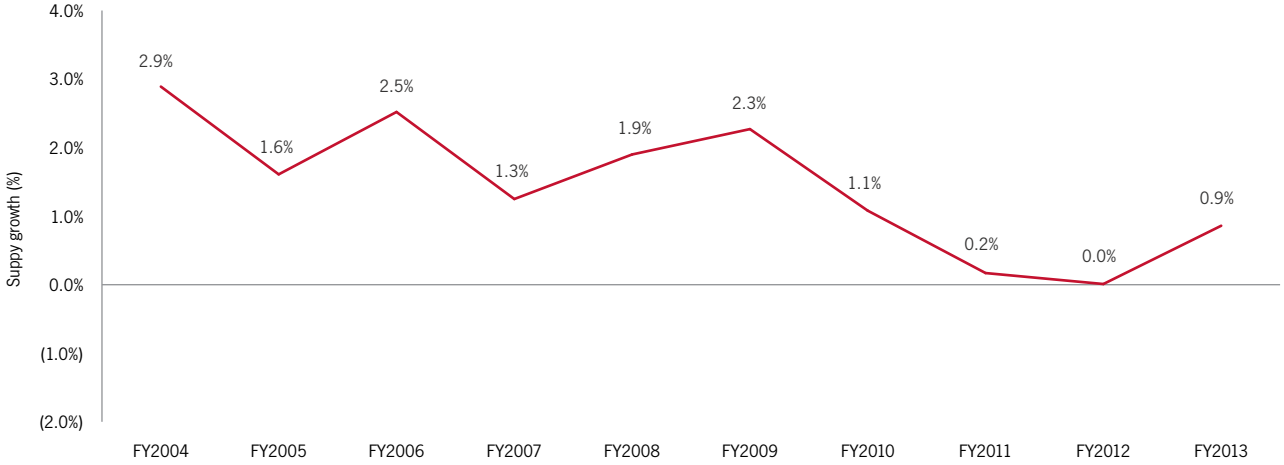
The absence of new supply, combined with solid demand, has supported increased occupancy and room rates in the accommodation industry over the last 10 years.



MANTRA ON KENT, SYDNEY

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FIGURE 9: NET INCREASE/(DECREASE) IN ACCOMMODATION SUPPLY (2004-2013)



Source: Australian Bureau of Statistics, 8635.0 Tourist Accommodation, Australia (June 2013).

The development pipeline (under construction and proposed) of new hotel and serviced apartment developments is well above the decade average. Average room supply across the ten major accommodation markets of Australia is forecast to increase at a CAGR of 2.0% between 2013 and 2017[12].

The development of new properties typically has a lead time of two years or more due to the time required to obtain relevant development approvals, obtain financing and complete design and construction. New property owners typically conduct competitive tenders where accommodation operators can bid for the management rights to the property. Mantra Group believes that accommodation operators such as Mantra Group who have an existing track record, the ability to add new properties to their portfolio for relatively low additional cost through centralised systems, strong brand awareness, sophisticated distribution systems which effectively reach customers and price products, and flexible operating structures are well-positioned to secure new properties. Additionally, Mantra Group expects to continue to successfully win new business from existing properties.

2.5 OVERVIEW OF THE NEW ZEALAND ACCOMMODATION INDUSTRY

As at March 2014, the New Zealand accommodation industry consisted of approximately 559 hotels (with approximately 32,000 rooms) as well as 1,791 motels and serviced apartments[13]. The North Island accounts for the majority of demand for accommodation in New Zealand (by guest nights) when compared to the South Island.

In New Zealand, demand for accommodation has historically been driven by international visitors, who account for approximately 40% of all rooms sold. This largely reflects New Zealand's status as both a leisure and a long-haul destination. Steadily increasing inbound tourism has been identified as a key driver of most new hotel developments in New Zealand.

Overall inbound visitor numbers to New Zealand are expected to increase from 2.6 million in 2012 to 2.7 million in 2015 (a CAGR of 2.0%)[14]. Inbound tourist levels have been historically supported by major promotional platforms, including international events and attractions and the promotion of New Zealand as a tourist destination (for example, the 2011 Rugby World Cup and the "Lord of the Rings" films). This is expected to continue through future events such as the ICC Cricket World Cup, which is scheduled to be held in New Zealand (and Australia) in 2015.[14]

Australia is a significant source of demand for New Zealand, accounting for over 1.2 million visitors in the year ended March 2014[15]. Growth in Australian visitors travelling to New Zealand has been supported by close economic and social ties between Australia and New Zealand. There has also been an increase in airline capacity to New Zealand. Growth from Australian visitors travelling to New Zealand is expected to continue at a CAGR of 1.9% between 2012 and 2015[15].

The growth of inbound visitors travelling from China to New Zealand has been significant in recent years, and this growth is forecast to continue at a CAGR of 11.9% between 2012 and 2015[14]. This future growth is expected to be driven by increasing economic activity between the two countries. This has been facilitated by direct flight services from New Zealand to Beijing and Shanghai and the New Zealand-China Free Trade Agreement.

12. Jones Lang LaSalle, Australian and New Zealand Hotel Development Register, June 2013.
13. New Zealand Statistics, *Accommodation Survey*, November 2013.
14. New Zealand Ministry of Business Innovation and Employment *2013-19 Tourism Forecasts*.
15. New Zealand Statistics, *International Arrivals to New Zealand*, March 2014.

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Notes:
1. Map not to scale.
2. Coloured boxes represent the presence of one or more properties with Mantra Group brands operating in that region.

113
PROPERTIES

3
BRANDS

11,600+
ROOMS MANAGED UNDER MANTRA GROUP BRANDS

PEPPERS

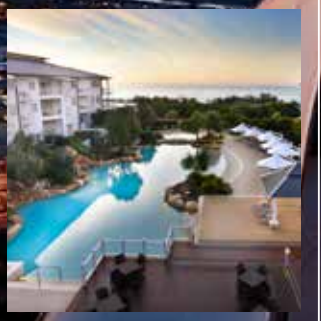
PEPPERS BROADBEACH, BROADBEACH

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SECTION 3
COMPANY OVERVIEW

MANTRA GROUP

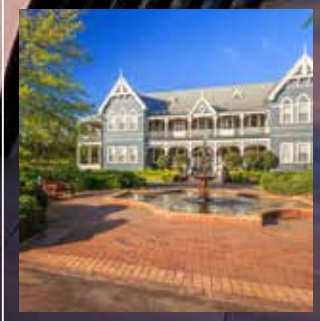
mantra



Hotels, resorts and serviced apartments.

Created in-house with spacious rooms, fresh decor, quality service and well located. Dual business and leisure focussed.

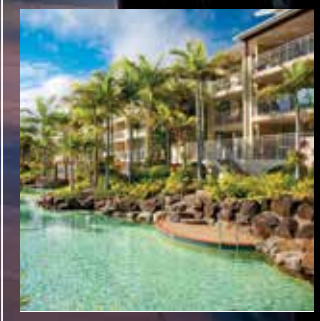
PEPPERS



Hotels, resorts, retreats and serviced apartments. Luxury range of escapes selectively located in destinations selected for their qualities.

Combines personal and friendly service with quality food and wine.

BreakFree



Hotels, resorts and serviced apartments. Holiday locations, city highlights and holiday attractions.

Quality but affordable resort provider.

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3.1 OVERVIEW OF MANTRA GROUP

Mantra Group is a leading Australian accommodation operator. Mantra Group's portfolio consists of a total of 113 properties and over 11,600 rooms across Australia, New Zealand, and in 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[1]. 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. In particular, Leases and Management Letting Rights provide Mantra Group with flexible and targeted development and operating options. Mantra Group has a team of approximately 3,572 employees to carry out its core functions, which include operations, sales, marketing and distribution, portfolio and asset management, information technology and corporate activities.

FIGURE 10: MANTRA GROUP OVERVIEW

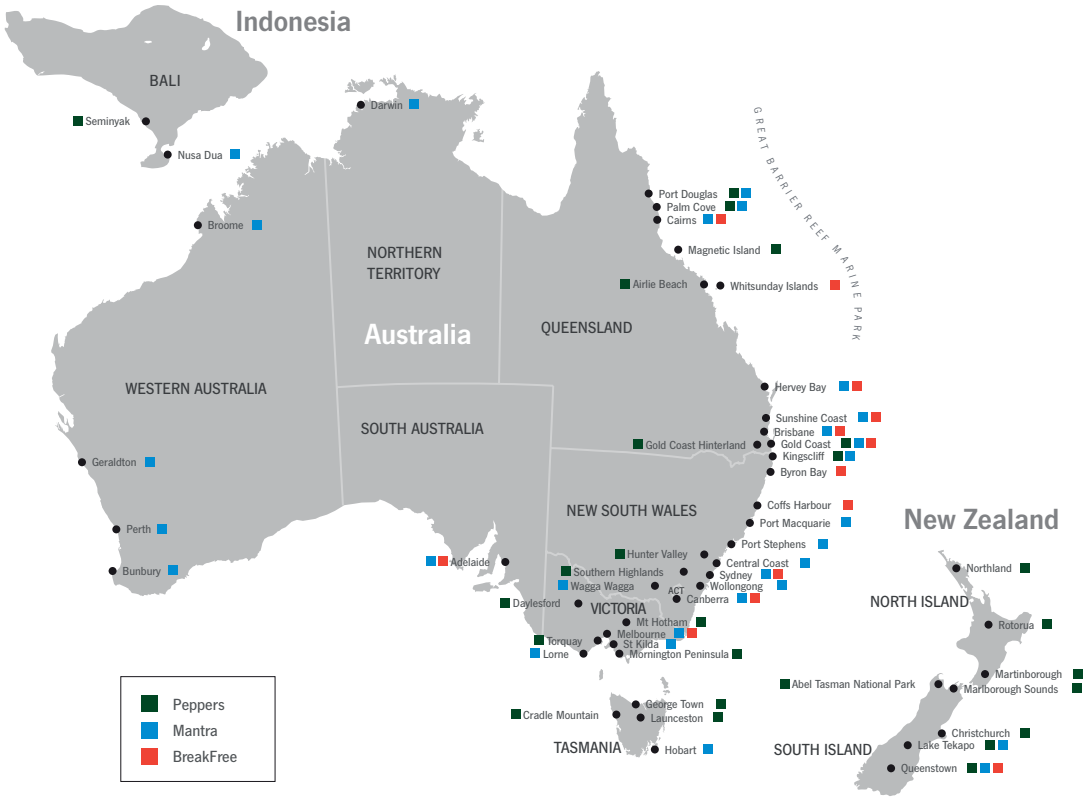
MANTRA GROUP

Business division	CBD	Resorts	Central Revenue and Distribution
Segment description	• Operates accommodation properties in capital cities throughout Australia targeted towards business travellers	• Provides leisure retreats and resorts throughout Australia and New Zealand, predominantly in attractive Queensland and regional locations • Focused on expanding into key leisure markets	• Manages Mantra Group's in-house customer management, online booking service and digital marketing platforms • Includes Management Agreements and Marketing Services Agreements • Distribution services
Key features	• Generally experiences relatively stable occupancy throughout economic cycles • Benefits from cyclical upside in certain industry sectors • Higher margin	• Benefits from cyclical upside in the tourism sector as economic activity increases	• Highly scalable
Operating structures	• Primarily leases	• Primarily Management Letting Rights	• Management Agreements and Marketing Services Agreements (revenue from these operating structures is recognised in this division)
Pro forma revenue (FY14)	$235.4 million	$175.1 million	$37.1 million
Pro forma EBITDA (FY14)[2]	$42.8 million	$22.5 million	$25.1 million

1. Total number of guests per year is determined by multiplying the consolidated number of rooms sold by the total number of guests per room on an annual basis, divided by the average length of stay, which is a standard industry measure of total guests per annum.
2. Excludes pro forma FY14 forecast expenses of $28.5 million contained in the Corporate segment of Mantra Group. Refer to Section 4.7.4 for further details.

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FIGURE 11: MANTRA GROUP ACCOMMODATION PORTFOLIO OVERVIEW[1,2]



Notes:
1. Map not to scale.
2. Coloured boxes represent the presence of one or more properties with Mantra Group brands operating in that region.

3.1.1 Company history

Mantra Group was formed in early 2005 through the acquisition by Mantra Group Operations Pty Ltd (a subsidiary of Mantra Group) of the BreakFree and Peppers businesses, which operated approximately 3,500 rooms across Australia and New Zealand. Since formation, it has continued to build its portfolio through various acquisitions including properties from portfolios associated with Pacific International, Saville, S8, Outrigger's Australian operations and selected properties from the Sunleisure accommodation portfolio. In 2009, Mantra Group was formed as a holding company for the Mantra Group. Through strategic acquisitions, Mantra Group has created a national platform with properties in every Australian capital city as well as key leisure destinations throughout Australia and New Zealand and in Indonesia.

In recent years, Mantra Group has undertaken a strategic program of consolidating its 10 brand offerings into three core brands. Strategic divestment of weaker performing assets and the acquisition of assets aligned to the portfolio has further enhanced the quality of Mantra Group's key brands and the overall quality of its property portfolio.

Mantra Group has continued to make strategic acquisitions to grow both its CBD and its Resorts portfolio, having successfully added 21 properties to its portfolio over the last three years. The majority of these new properties are operated under either Management Agreements or Marketing Services Agreements operating structures (refer to Section 3.4 for further information on Mantra Group's operating structures).

Additions to the portfolio in the current Financial Year include:

- Mantra Frangipani in Western Australia;
- BreakFree Long Island Resort in Tropical North Queensland;
- Soul Surfers Paradise in the Gold Coast;
- Peppers Seminyak in Bali, Indonesia;
- Breakfree Fortitude Valley in Brisbane;
- Mantra Wollongong in New South Wales;
- Mantra St Kilda Road in Melbourne; and
- Mantra on the Quay in Brisbane.

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Mantra Group has an attractive pipeline of opportunities to support future growth in its property portfolio. Mantra Group's pipeline spans properties located in key business and leisure destinations throughout Australia and New Zealand. Mantra Group's targeted opportunities also include several strategic opportunities in Indonesia, where Mantra Group is seeking to expand its presence.

Mantra Group's pipeline of new properties is described further in Section 4.

3.2 BUSINESS DIVISIONS

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

- CBD;
- Resorts; and
- Central Revenue and Distribution.

Mantra Group's CBD and Resorts divisions operate properties varied by location and targeted customer and utilise all three of the Mantra Group's brands and operating structures. The Central Revenue and Distribution division 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 division also includes fees earned by Mantra Group under Management Agreements and Marketing Services Agreements (refer to Section 3.4.1 for further information on Management Agreements and Marketing Services Agreements).

FIGURE 12: MANTRA GROUP – EBITDA BY DIVISION (2013) (JUNE YE)

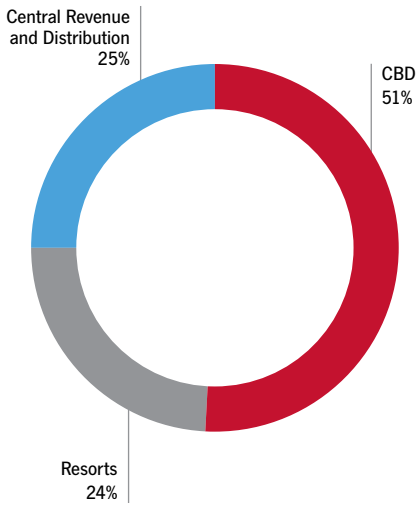
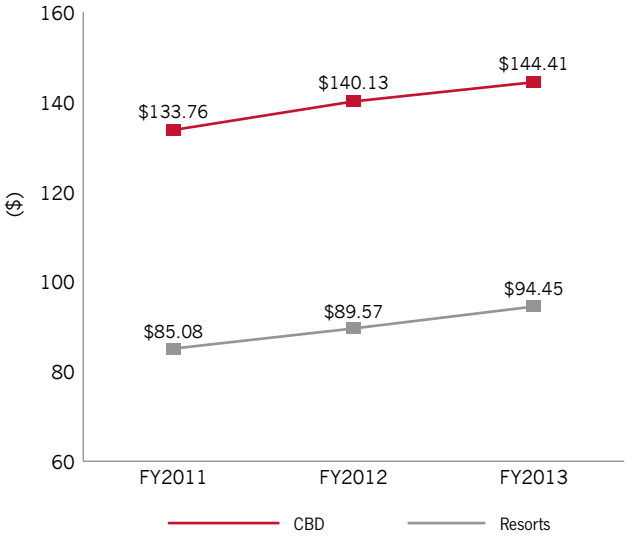


FIGURE 13: MANTRA GROUP – REVPAR BY DIVISION (2011-2013) (JUNE YE)



Over the last three years, RevPAR in both the CBD and the Resorts divisions of Mantra Group has increased strongly. The RevPAR for the CBD division has increased from $133.76 in FY2011 to $144.41 in FY2013 (a CAGR of 3.9%). The Resorts division has increased from $85.08 in FY2011 to $94.45 in FY2013 (a CAGR of 5.5%). This revenue growth has been driven by both an increase in occupancy rates and an increase in ARR over that period.

The increase in RevPAR has also been supported by the rationalisation and divestment of lower yielding properties in the Mantra and BreakFree brand portfolios. As a result of these strategic divestments, the total rooms operated by Mantra Group across both the CBD and the Resorts divisions have remained stable over the last three years, despite Mantra Group acquiring additional properties during this period.

3.2.1 CBD

The CBD division operates properties in major cities throughout Australia. Its CBD properties are predominantly located on the eastern seaboard, with over 50% of rooms located in Melbourne and Sydney. In recent years, revenue generated by Mantra Group from its CBD properties in Western Australia and the Northern Territory has grown considerably due to demand growth driven by increasing resources-related activities in these areas.

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

Mantra Group's CBD properties experience relatively stable occupancy base rates throughout the economic cycle. In addition to the demand generated by business travellers, CBD properties have benefited considerably from events in CBD locations (for example, music concerts or sporting events). These events can significantly drive up demand for CBD accommodation in particular locations. While such events are often "one-off" in nature, they tend to occur in a range of CBD destinations with a reasonable degree of regularity. The major city location and the relatively larger size and stability of these properties generally favour the use of Lease operating structures across Mantra Group's CBD property portfolio (refer to Section 3.4.1.1 for further information on Lease operating structures).

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FIGURE 14: CBD DIVISION – ROOMS BY LOCATION

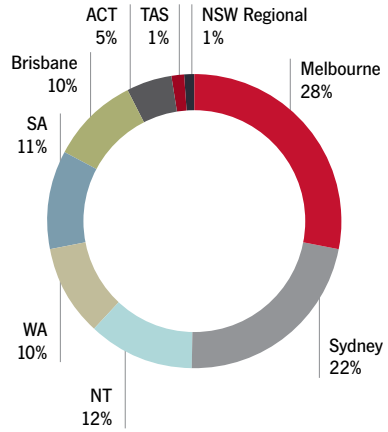


FIGURE 15: CBD DIVISION – ROOMS BY BRAND

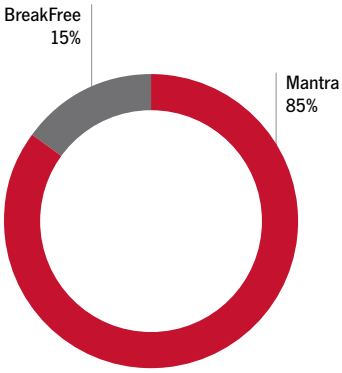
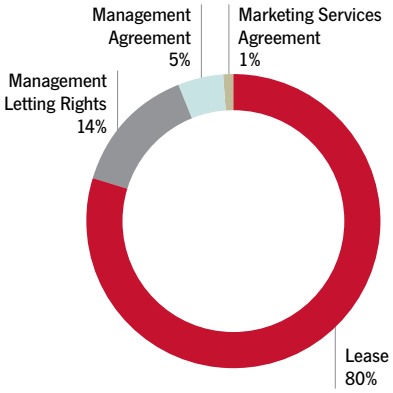


FIGURE 16: CBD DIVISION – ROOMS BY OPERATING MODEL



Note: Property and rooms data includes existing properties and rooms, and additional Completed New Properties (including rooms) as at May 2014.

3.2.2 Resorts

The Resorts division of Mantra Group's business operates leisure retreats and resorts. These properties are predominantly located in the key tourist regions in Queensland as well as regional New South Wales, Victoria and New Zealand. Mantra Group is also looking to expand into resort properties in South-East Asia, predominantly through Management Agreement structures.

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

Mantra Group utilises the various Mantra, BreakFree and Peppers brands to provide targeted quality and service offerings to different types of leisure customers. Mantra-branded properties make up the majority of rooms in the Resorts segments; however, Peppers and BreakFree properties also account for a considerable number of leisure locations. Peppers properties tend to target luxury resorts, often with a quality fine dining focus, whereas BreakFree properties are generally promoted as affordable, activity-based getaways. Properties within the Resorts portfolio of Mantra Group are generally operated through Management Letting Rights, which allow for the revenue and costs to be shared between the owner and the operator (refer to Section 3.4.1.2 for further detail).

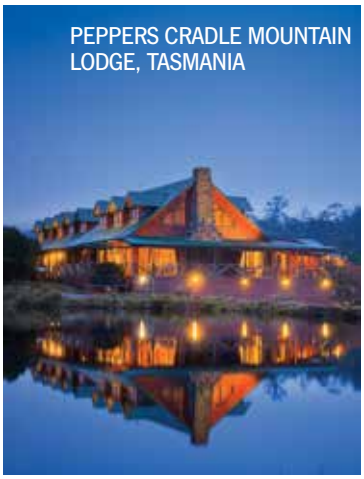

PEPPERS CRADLE MOUNTAIN LODGE, TASMANIA

FIGURE 17: : RESORTS DIVISION – ROOMS BY LOCATION

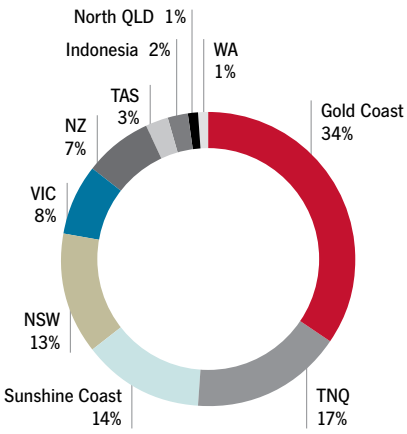


FIGURE 18: RESORTS DIVISION – ROOMS BY BRAND

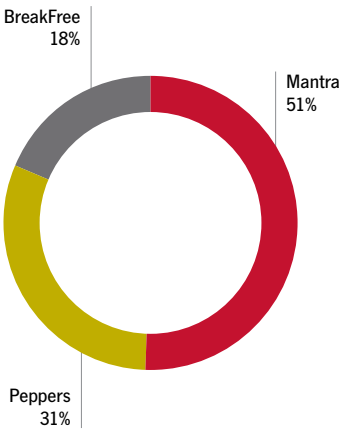
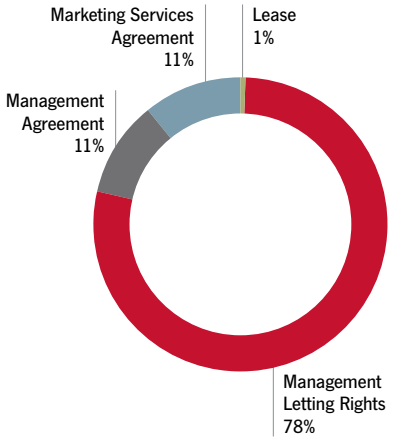


FIGURE 19: RESORTS DIVISION – ROOMS BY OPERATING MODEL



Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

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3.2.3 Central Revenue and Distribution

The Central Revenue and Distribution division contains Mantra Group's in-house customer management and booking services. The revenue generated by this division has been relatively stable over the last three years.

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. This distribution channel strategy is described further in Section 3.5.1.

The Central Revenue and Distribution division also accounts for fee-based revenue generated by properties operated under Management Agreements and Management Service Agreements. These operating structures are described further in Section 3.4.1.

3.3 BRAND PORTFOLIO

Mantra Group operates under three brands: Mantra, Peppers and BreakFree. These brands are strategically focused on reaching a broad range of customers in the business and leisure segments of the accommodation industry. The three core brands enable Mantra Group to provide targeted services and accommodation for specific customer types.

FIGURE 20: **BRAND PORTFOLIO OVERVIEW**

	mantra hotels resorts apartments	PEPPERS RETREATS • RESORTS • HOTELS	BreakFree HOTELS • RESORTS • APARTMENTS
Properties	58	29	26
Rooms	7,524	2,166	1,932
Positioning[1]	4-4.5 star	4-5 star	3-4 star
Property type	Hotels, resorts and serviced apartments	Hotels, resorts, retreats and serviced apartments	Hotels, resorts and serviced apartments
Brand attributes	• Created in-house • Spacious rooms, fresh decor, quality service and well located • Dual business and leisure focus	• Luxury range of escapes selectively located in destinations selected for their qualities • Combines personal and friendly service with quality food and wine	• Holiday locations, city highlights and holiday attractions • Quality but affordable resort provider
Recent awards	• Australian Traveller Magazine Readers Choice Awards 2013 – Best Affordable Hotel Brand in Australia • TripAdvisor 2013 – Certificate of Excellence: Broadbeach on the Park	• TripAdvisor 2014 – Best Hotel for Families in Australia: Broadbeach • HM Awards[2] 2013 – Best upscale property: Broadbeach • TripAdvisor 2013 – Travellers' Choice Award: Airlie Beach	• TripAdvisor 2013 – Certificate of Excellence: Eco Beach • HM Awards[2] 2012 – Best budget property

Note: Properties and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.
1. Self-rated by Mantra Group based on approximate market positioning of each brand.
2. HM Awards are awarded annually by HM Magazine; a hotel management industry publication.

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3.3.1 Mantra

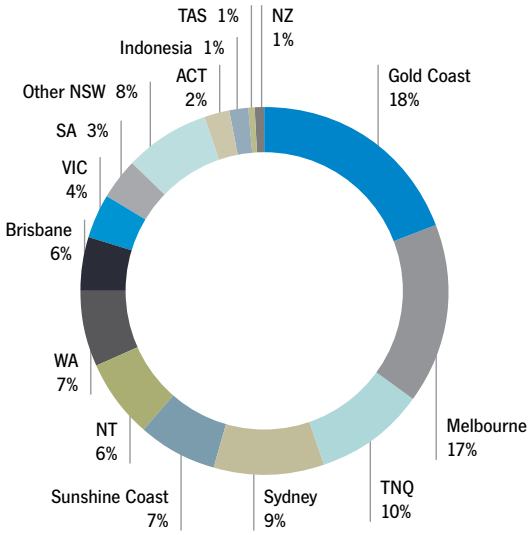
The Mantra brand is positioned at the premium end of the Hotels and Resorts and Serviced Apartments segments of the accommodation industry. The Mantra brand focuses on providing premium accommodation services to both the CBD and the Resorts segments.

Mantra is the predominant brand in the Mantra Group portfolio, with over 7,500 rooms across 58 properties managed under this brand. The Mantra brand was developed by Mantra Group with the intention to be an all-inclusive, premium brand with rooms catering for different types of visitor.

Mantra Group operates both CBD and coastal leisure properties under the Mantra brand throughout all states and territories of Australia, as well as in New Zealand and Indonesia. Mantra Group operates 27 properties and approximately 3,907 rooms under the Mantra brand in CBD locations, including all capital cities in Australia[3]. These CBD properties are generally operated under Leases (refer to Section 3.4.1.1 for further information on the operation of Mantra Group's properties under Lease arrangements).

The remaining 31 properties (and approximately 3,617 rooms) operated under the Mantra brand are Resort properties based in coastal and regional areas and targeted at providing accommodation close to specific leisure activities and attractions available at each location. These resort properties are generally operated under Management Letting Rights arrangements (refer to Section 3.4.1.2 for further information on the operation of Mantra Group's properties under Management Letting Rights arrangements).

FIGURE 21: MANTRA BRAND – ROOMS BY LOCATION





Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

3.3.2 Peppers

The Peppers brand is positioned at the luxury end of the Hotels and Resorts and Serviced Apartments segments of the accommodation industry. Mantra Group considers Peppers to be the most premium brand in the Mantra Group portfolio. It is also regarded as a luxury and well-established brand in the Australian accommodation industry, having been created 30 years ago and acquired by Mantra Group in 2005. Since 2005, Mantra Group has sought to expand the brand nationally, and create a brand image of escapes and getaways to vineyards, golf resorts, country estates and resorts.

Peppers is a premium brand offering focused on luxury accommodation in iconic destinations and high quality food and wine. The Peppers brand aims to provide luxury accommodation and services which are catered towards boutique resort-style accommodation.

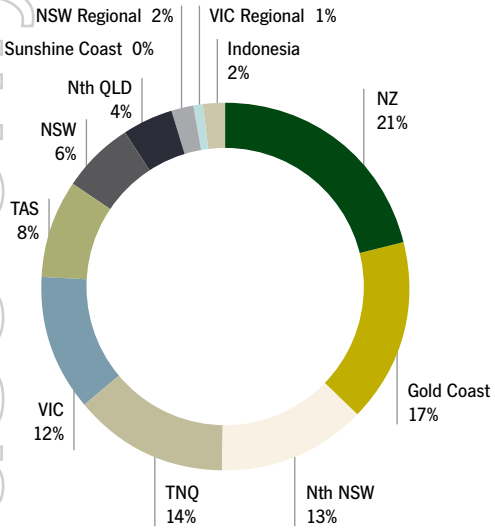
Mantra Group operates 29 properties and provides approximately 2,166 rooms under the Peppers brand[3]. The Peppers brand is used to operate properties in New South Wales, Queensland, Victoria, Tasmania, New Zealand and Indonesia.

Peppers properties are generally operated under Management Letting Rights arrangements (refer to Section 3.4.1.2 for further information on the operation of Mantra Group's properties under Management Letting Rights arrangements, Management Agreements and Marketing Services Agreements).

3. Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

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FIGURE 22: PEPPERS BRAND – ROOMS BY LOCATION




PEPPERS BLUE ON BLUE RESORT, MAGNETIC ISLAND

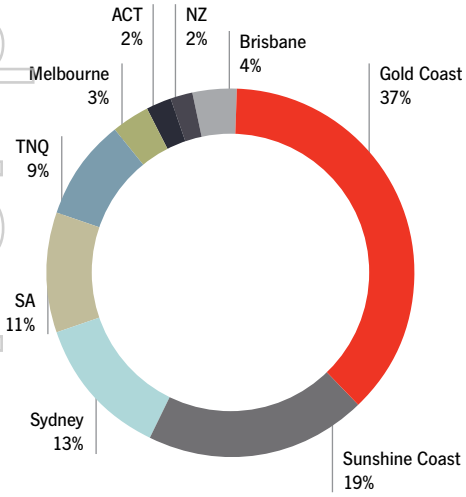
Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

3.3.3 BreakFree

The BreakFree brand is positioned as a quality but affordable brand in the Hotels and Resorts and Serviced Apartments segments of the accommodation industry. The BreakFree brand is focused on providing a broad range of facilities for a reasonable price. BreakFree provides beachside and city hotels and apartments servicing both the CBD and the Resorts segments. The BreakFree brand has existed for over 15 years and is considered to be a well-recognised brand in the Australian industry. The company which previously owned the BreakFree brand was acquired and privatised by Mantra Group in 2005. Under Mantra Group, management has sought to expand the brand nationally and develop it as a brand which provides "genuine value for money".

Mantra Group operates 26 properties and provides over 1,900 rooms under the BreakFree brand[4]. Mantra Group operates BreakFree properties in Australia and New Zealand in both cities and leisure locations. BreakFree is focused on both CBD and coastal locations. The BreakFree brand operates seven properties and approximately 630 rooms in CBD locations, including Sydney, Melbourne, Canberra and Adelaide. These CBD properties are generally operated under Lease arrangements. The remaining 19 BreakFree properties and approximately 1,302 rooms are Resort properties based in coastal regions in New South Wales and Queensland, as well as in Queenstown, New Zealand. These resort properties are generally operated under Management Letting Rights arrangements.

FIGURE 23: BREAKFREE BRAND – ROOMS BY LOCATION




BREAKFREE ALEXANDRA BEACH, ALEXANDRA HEADLAND

Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

4. Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

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3.4 PORTFOLIO STRUCTURE

Mantra Group is a strong cash flow business with limited capital expenditure requirements. Mantra Group's strategy is to continue to pursue "capital-light" operating structures by entering into management contracts and leases with property owners. Mantra Group does not hold material ownership in any of the properties in its portfolio. This allows Mantra Group to control a 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).

Depending on the nature of the contract, Mantra Group is able to pass on (in part or in full) costs incurred in relation to properties in its portfolio (for example, in relation to ongoing maintenance and refurbishment programs). These costs are typically funded by the property owners rather than Mantra Group.

Mantra Group's range of operating structures provides it with flexible and targeted development and operating options across its property portfolio.

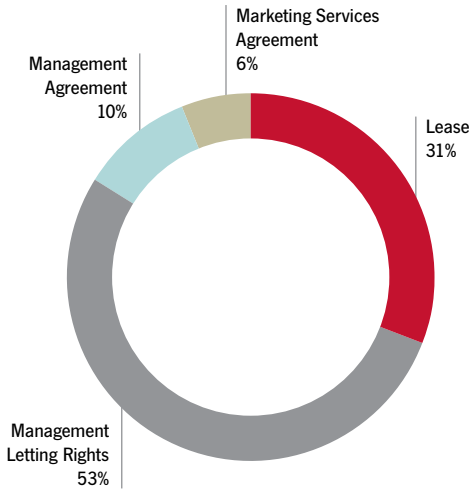
3.4.1 Overview of operating structures

Mantra Group utilises four general 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. The operating structures used by Mantra Group can generally be categorised as:

- Leases
- Management Letting Rights (MLRs)
- Management Agreements (MAs)
- Marketing Services Agreements (MSAs)

CBD properties are typically operated under Lease structures due to the stable nature of demand for accommodation at those properties. Resorts properties are typically operated under Management Letting Rights arrangements. Management Agreements and Marketing Services Agreements are used in relation to a number of properties; however, these properties have a relatively low contribution to EBITDA (these properties are accounted for in the Central Revenue and Distribution division of Mantra Group).

FIGURE 24: ROOMS BY OPERATING STRUCTURE




MANTRA 2 BOND STREET, SYDNEY

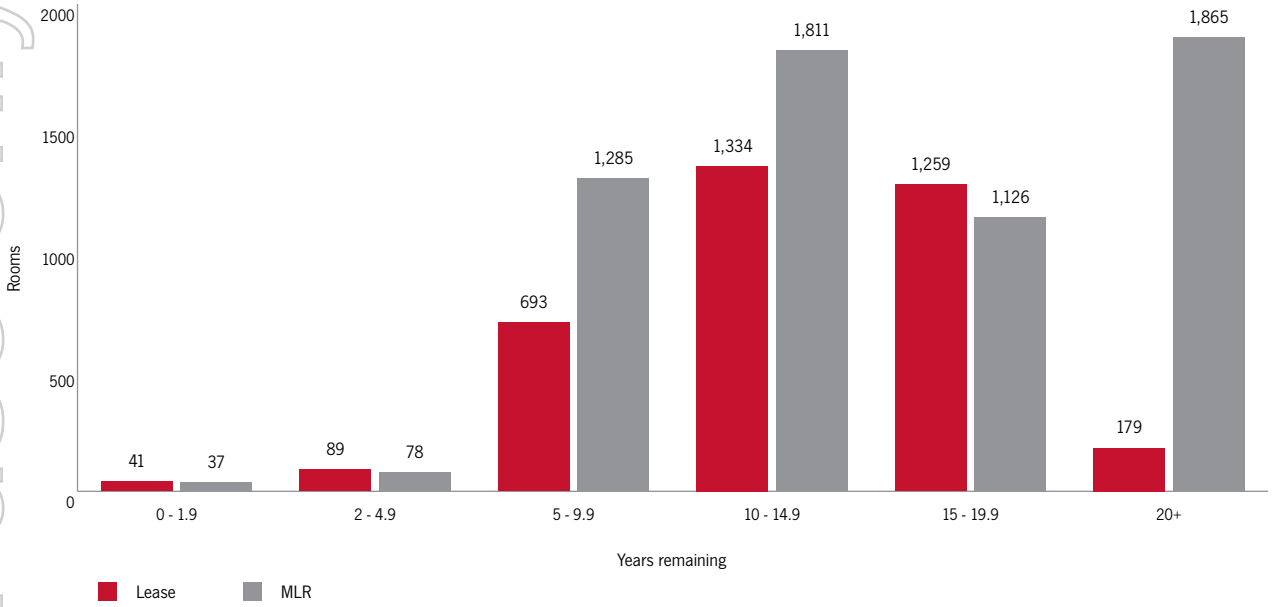
Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

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. Mantra Group's property portfolio has an average remaining agreement tenure of over 19 years[5] weighted by number of keys under management. Only 3% of rooms under management by Mantra Group are due to expire over the next five years (excluding MA and MSA properties). The average weighted agreement tenure for Management Letting Rights is approximately 20 years and for Leases is approximately 16 years.

5. This excludes Management Agreements and Marketing Services Agreements.

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FIGURE 25: PORTFOLIO ROOM TENURE BY OPERATING STRUCTURE (MLR AND LEASE STRUCTURES ONLY) AS AT MAY 2014



Note: Property and rooms data includes existing properties and rooms and additional Completed New Properties as at May 2014.

3.4.1.1 Lease

Lease	
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 agreement. The rental payments can be calculated via a number of methods.
Property capital expenditure	Individual lease agreements will detail the specific capital expenditure requirements; however, these will generally be split between soft furnishings (loose furniture), common areas (such as corridors) and hard furnishings (such as fixed fittings). Mantra Group will likely be responsible for expenditure on soft furnishings and common areas, whereas the owner will tend to bear the responsibility for hard furnishings. However, Mantra Group will typically retain the discretion with regard to the design and timing of the refurbishments.
Locations	Mantra Group generally considers leasehold opportunities for properties in major CBD locations.
Term	These agreements typically have an initial 20 year term. There are typically renewal options (for additional five year terms) at the option of Mantra Group.
Owners	Leased properties can be owned in whole or by individual apartment owners.
Strategic positioning	The lease model provides high operating leverage given that Mantra Group collects 100% of customer revenue from the accommodation it provides. This model also has a relatively fixed cost base. The higher operational leverage is complemented by the CBD location of these properties, which typically have relatively stable occupancy levels.



MANTRA ON LITTLE BOURKE, MELBOURNE
ALIBI KITCHEN & BAR

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3.4.1.2 Management Letting Rights

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.
Property capital expenditure	Mantra Group will typically be responsible for upgrades to real estate which is owned by Mantra Group or where Mantra Group has exclusive use (for example, reception, conference areas and restaurant areas). Mantra Group also organises and undertakes room renovations in-house; however, these costs are charged to the property owners on agreed terms.
Locations	Mantra Group uses MLRs for properties in CBD locations and regional locations.
Term	The majority of Mantra Group MLRs have a 20-25 year term.
Owners	Given that MLR properties are usually strata titled, owners are the individual investors who own one or a collection of rooms or apartments in a property. Mantra Group will typically hold freehold interests in strategic property relating to the letting business and ancillary services (e.g. reception areas, offices, restaurants, function centres or meeting rooms).
Strategic positioning	Mantra Group is marketed as one of the leading strata management operators in Australia and New Zealand. Ownership of strategic freehold real estate in MLR properties aligns Mantra Group's interests with other owners and enables Mantra Group to provide services complementary to the letting business. It also provides a degree of security of tenure within the property. Mantra Group considers that its technical expertise and strong track record in operating and marketing complex strata structures with bodies corporate and multi-use facilities provides it with a competitive advantage when seeking to secure new operator roles, especially with owners that desire ongoing exposure to the accommodation revenues generated by the property.


PEPPERS SALT RESORT & SPA,KINGSCLIFF

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3.4.1.3 Management Agreement

Management Agreement	
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 (typically 1.0-2.0% of gross revenue); • an incentive management fee (typically 6.0-10.0% of gross operating profit); and • reservation and group services fees.
Property capital expenditure	Typically, all upgrades and all costs are borne by the owners of the property in accordance with contracted brand standards.
Locations	Management Agreements may be used by Mantra Group for any type or size of property, from boutique hotels to fully integrated resorts. Mantra Group applies this model to CBD and regional properties offering rooms in one line or under a strata title structure. The majority of Management Agreements are marketed under the Peppers brand.
Term	These agreements typically have a 10 year term, plus options to extend/renew based on Mantra Group's performance.
Owners	The title to the whole property is typically owned by the same person/entity or group of persons/entities (other than any strategic interest Mantra Group may hold).
Strategic positioning	Mantra Group considers that there is potential for it to secure an increasing share of mainstream Management Agreements in key CBD properties through acquisitions of existing managers/operators of the properties or entering Management Agreements with properties which have removed any incumbent manager.



PEPPERS SENTOSA SEMINYAK, BALI

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3.4.1.4 Marketing Services Agreement

Marketing Services Agreement	
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 licence fee (typically 1.5-2.5% of gross room revenue); • a marketing services fee (typically 1.0-1.5% of gross room revenue); and • a booking fee.
Property capital expenditure	Mantra Group has no capital expenditure responsibilities under Marketing Services Agreements.
Locations	The majority of Marketing Services Agreements are with properties in leisure locations that are marketed mainly under the Peppers or Mantra brand.
Term	These agreements typically have a 10 year term.
Owners	The title to the whole property is typically owned by the same person/entity or group of persons/entities (other than any strategic interest Mantra Group may hold).
Strategic positioning	Mantra Group adopts a selective approach to engagement in Marketing Services Agreements. Partnership decisions are generally based on the quality and profile of property, its strategic location, and the scope of the potential commercial upside for both parties.



MANTRA NUSA DUA, BALI

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3.5 SALES, MARKETING AND DISTRIBUTION

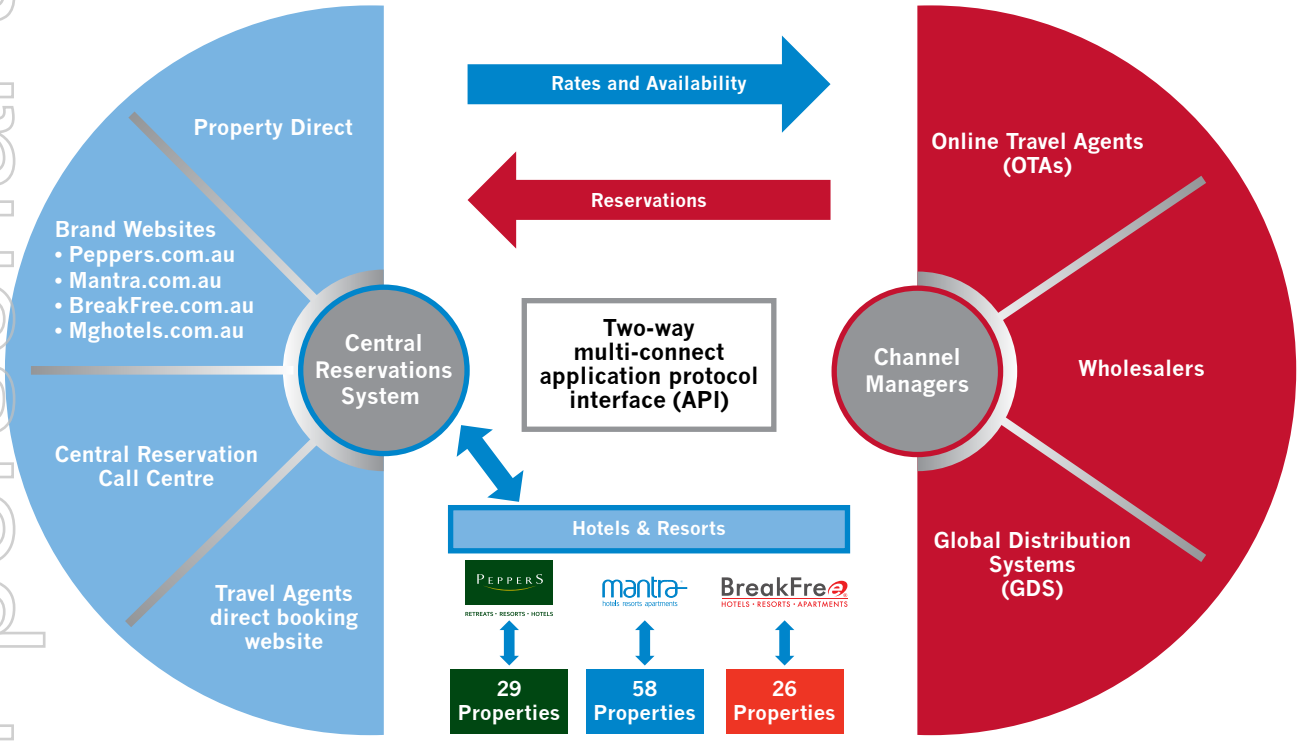
3.5.1 Distribution channel strategy

Mantra Group has made significant investment in its distribution capabilities, technologies and systems. It has spent over $11 million in the last four years to create an integrated and automated distribution platform. Mantra Group's centralised distribution platform enables it to analyse underlying supply and demand dynamics and optimise the management of its properties by targeting the highest yielding booking distribution channel. This distribution platform is supported by a dedicated team of 170 across the centralised areas of Sales, Marketing, Distribution, Revenue Management, MG Reservations and Accounts Receivable.

Mantra Group pursues a multi-faceted distribution strategy which utilises both external parties and its internally-managed central reservation system (called MG-Res) to reach customers. The central reservation system has direct linkages to multiple channels including individual properties, external distribution channels, Mantra Group websites and loyalty program, accounting systems and call centres.

Upon the completion of a booking, MG-Res is automatically informed and adjusts room-availability information immediately, regardless of the reservation channel used. The booking is then immediately communicated with the properties through the two property management systems and communicated to third-party channels through the application protocol interface. This system provides a strong cost-control tool and scalability, as new properties acquired by Mantra Group can be added to the system at minimal cost.

FIGURE 26: MANTRA GROUP'S DISTRIBUTION PLATFORM



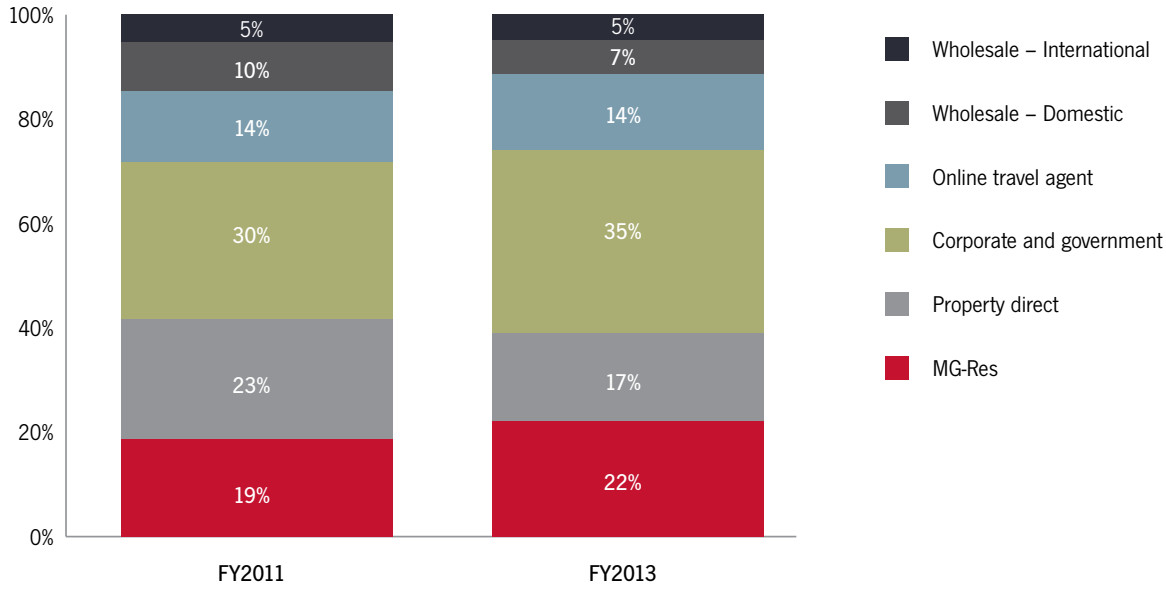
Mantra Group is generally able to direct sales through six main distribution channels:

- MG-Res: Bookings made directly through Mantra Group's central reservations systems (including Mantra Group websites, call centres and select travel agents);
- Property direct: Bookings made directly with the property;
- Corporate and government: Bookings made with Mantra Group's sales account managers either directly with the customer or through a booking agent intermediary (includes corporate, government, sports and entertainment, conference and industry rate customer segments);
- Online travel agents: Bookings made through online travel agents;
- Domestic wholesalers: Bookings made through domestic wholesalers (including travel agents and tour operators); and
- International wholesalers: Bookings made through international wholesalers (including travel agents and tour operators).

Bookings made through third-party channel managers typically incur commissions of 5-25% and represent a significant expense to Mantra Group and its property owners. Mantra Group does not incur third-party commission expenses for reservations made through its internal MG-Res system. Mantra Group's distribution channel strategy, facilitated by the significant investment in its technology platform, has driven a fundamental improvement in the channel sales mix. The impact of this is reflected in the volume of bookings made through Mantra Group's internal MG-Res channel, which has increased from 19% to 22% of gross room revenue between FY2011 and FY2013.

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FIGURE 27: GROSS ROOM REVENUE BY DISTRIBUTION CHANNEL (JUNE YE)



3.5.2 Brand engagement strategy

Mantra Group implements marketing strategies to increase awareness and engagement across its individual brands. The current strategy for the Mantra brand is to continue to increase brand awareness with corporations and business travellers to promote properties within its CBD division. As part of this strategy, Mantra Group has appointed Pat Rafter, a high-profile former Australian tennis professional, as ambassador for the Mantra brand and as the face of a number of its advertising campaigns and promotional activities.

The current strategy for the Peppers brand is to partner with premium food and wine brands, such as the Peppers Gourmet Food Trail events (with Gourmet Traveller) and previous partnerships with MasterChef. This strategy is focused on positioning Peppers properties as located in premium leisure destinations with high quality food and wine offerings.

The current strategy for the BreakFree brand is to continue to offer affordable accommodation experiences in key business and leisure locations. Mantra Group markets BreakFree through a digital and database marketing strategy with the intention to position BreakFree as a quality brand with no hidden extras and without the premium price.

In 2012, Mantra Group launched its loyalty program, Club CuSoon, whereby members can gain access to exclusive one-off deals across the three brands. Members are offered regular accommodation promotions through electronic direct marketing campaigns and digital and print marketing materials, as well as receiving benefits such as discounts on direct bookings and late check-outs.



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3.5.3 Corporate partnership strategy

Mantra Group has long-standing relationships with corporate partners including large corporate and Government clients. These partners have significant activities and a large workforce that regularly travels throughout Australia and New Zealand.

Mantra Group's corporate value proposition to potential partners is based on its scale (for example, as the second largest accommodation operator in Australia by total room number) and its accommodation offerings for business travellers in attractive locations throughout every capital city in Australia. Mantra Group also has significant capacity to provide facilities for meetings, incentives, conferences and exhibitions across its CBD and regional properties. Mantra Group's corporate partnership strategy is implemented through a centralised sales team that consists of specific segment experts in the Business Agency, Global Distribution Systems (GDS), Government, Airline and Sports and Entertainment sectors.

Mantra Group's corporate contracting strategy is based on supply and demand levels per location and targets the optimal balance between contracted and discretionary revenue. This contracting strategy is supported by reporting and revenue management tools which assist the management of these customer relationships and ensure compliance to commercial terms of corporate contracts.

Corporate contracts provide Mantra Group with a steady level of demand and were the largest distribution channel in FY2013. Corporate contracts typically involve discounted rates negotiated at the start of each year based on the customer's estimated usage. Corporate contracts are not on a fixed take-or-pay basis and are managed over time by Mantra Group to ensure the appropriate balance of pricing and room availability based on each customer's historical usage.



MANTRA ON KENT, SYDNEY

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3.5.4 Digital marketing strategy

Mantra Group's digital marketing strategy includes initiatives that have been launched to increase its online presence and exposure. The aim of these initiatives has been to drive increased traffic to Mantra Group's websites and broaden its customer engagement. Initiatives launched as part of Mantra Group's digital marketing strategy include the following:

Strategy	Media	Description
Social media integration	• TripAdvisor • Facebook • YouTube	• Properties bookable direct from select online portals such as TripAdvisor, the world's largest travel-related social media platform • Dedicated YouTube channel and Facebook page are regularly updated with travel tips and promotions involving brand ambassador, Pat Rafter
Search engine marketing and optimisation	• Google	• Accommodation pricing delivered direct into Google and other search distributor sites • Investment in search engine optimisation (SEO) to increase search engine rankings in priority destinations, and at a lower average cost compared to paid search engine marketing
Online reputation management	• Revinate	• Advanced natural language processing used to analyse the commentary of all reviews • Active monitoring of trending topics that guests are commenting about in reviews, based on feedback tone and sentiment
Direct website development	• Mantra Group • Individual brands • Property direct sites	• Strong growth in direct website sales over last 3 years • Enhanced user experience and repeat visitation to boost conversion rates • Ownership of customer relationship and experience enables targeted marketing initiatives and enhances repeat business
Real time chat	• LivePerson	• Mantra Group was an early adopter of real-time online customer engagement • Improved customer satisfaction and conversion rates
Mobile and tablet devices	• Apple • Android	• Strong growth in mobile channel since launch of mobile optimised websites • Websites are continuously developed and refined to suit various devices such as tablets





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3.6 PORTFOLIO MANAGEMENT

3.6.1 Asset management

Mantra Group employs a focused strategy of active portfolio management which aims to ensure that the composition of its property portfolio aligns with its brand standards and continues to realise strong yields. This is achieved by undertaking continuous refurbishment projects, portfolio assessments, contract extensions, property acquisition and divestments which aim to maintain the high quality and performance of the property portfolio.

Mantra Group aims to strategically acquire or divest properties where doing so would align with Mantra Group's targeted portfolio strategy after considering the mix of operating structures, segments, locations, brands and overall property yield. In the case of properties operating under the MLR structure, divestment is also considered in a situation in which Mantra Group has a low proportion of rooms in the apartment letting pool.

Mantra Group has divested 29 properties over the last 5 years. The divestment of these properties has improved portfolio quality and brand standards.

These divestments have been accompanied by the acquisition of high-quality property assets which complement Mantra Group's brand standards and strategic focus. Mantra Group has secured 20 properties over the last three years.

Mantra Group also undertakes an ongoing property refurbishment program in line with the requirements of each property's operating agreement. The operating agreements set out the responsibility for maintenance capital expenditure between Mantra Group and the property owners. In general across its property portfolio, costs associated with property refurbishment are largely funded by owners and not by Mantra Group.

Mantra Group refurbishes approximately 1,100 rooms and incurs maintenance capital expenditure on average of approximately $8 million each year at an average refurbishment cost of approximately $7,500 per room.

Mantra Group's maintenance capital expenditure is forecast to be $9.9 million in FY2014, comprised of approximately $7.2 million on property refurbishments and replacements and approximately $2.7 million on investment in information technology.[6]

In FY2014, maintenance capital expenditure on property refurbishments and replacements of approximately $7.2 million is comprised of approximately $5.8 million on Lease properties and approximately $1.4 million on Management Letting Rights and Management Agreement properties across Mantra Group's portfolio.

- Leases generally outline the specific capital expenditure requirements of both parties. The cost of property refurbishments in a leased property will generally be split between soft furnishings, common areas and hard furnishings.
- In MLR structures, Mantra Group typically owns or has exclusive use of reception, conference areas and restaurants and so is primarily responsible for upgrades. Mantra Group also organises and undertakes room renovations, and these costs are charged to the property owner in line with the various agreement models.
- Marketing Services Agreements do not impose any capital expenditure responsibilities on the Mantra Group.

3.6.2 Asset Management Department

Mantra Group has a strong reputation within the accommodation industry and considerable experience in managing its relationship with property owners under all operating structures. However, due to the highly legislated nature of the strata title industry (which includes MLRs), the Asset Management Department (AMD) was formed to predominantly assist and support MLR properties. Unit owners and bodies corporate represent Mantra Group's key stakeholders. Mantra Group seeks to maintain a healthy relationship with its stakeholders through initiatives driven by its AMD.

The AMD has five specialised divisions (as described below), which aim to position Mantra Group at the forefront of the strata segment of the accommodation industry and generate strong returns for all stakeholders.

3.6.2.1 Owner Relations

Mantra Group has a strata owner services team dedicated to providing extensive support and personalised services for apartment owners. Each MLR property has a dedicated owner relations manager and a central email address and toll-free telephone line to facilitate owner enquiries. Regular owner communication is maintained with the provision of secure online access to monthly newsletters. Owner satisfaction is enhanced through access to the Mantra Group Owner Loyalty program, which affords owners a range of benefits including discounts of up to 25% across all participating Mantra Group properties.

Mantra Group's owner relations team monitors and maintains an Equitable Distribution System (EDS) to monitor that owner revenue is fairly distributed across all apartments within the letting pool in properties where returns are based on income solely generated by each individual unit. The intention of the EDS is to provide owners with a heightened level of trust and complies with Mantra Group's best practice standards.

6. These figures are based on the FY2014 forecast.

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3.6.2.2 Asset Growth and Development

Mantra Group provides a centralised team with a focus on the organic growth and continuation of rooms under management. Specialised business development managers work with new property owners on the management options available to them and tailor appropriate letting options.

The design and implementation of programs such as "Peppers Owner Privileges" in strategic properties helps foster strong relationships between resident owners and the caretaking letting agent. User pays access allows resident owners with access to the hotel's guest services including concierge, daily housekeeping and personal shopping.

Complex financial modelling is undertaken in order to offer fixed monthly returns in certain properties and room types which balances risk and return for owners as well as Mantra for the purpose of increased retention and acquisition of rooms under management.

3.6.2.3 Strata Operations

With unit owners and bodies corporate representing Mantra Group's key stakeholders, the protection of their caretaking and letting agreements is viewed as paramount. The AMD department includes a team dedicated to strata operations, which is responsible for ensuring that its obligations to bodies corporate are met and that the duties under its caretaking agreements are fulfilled.

3.6.2.4 Compliance and Risk

Mantra Group's compliance objective is to promote a reputation based on transparency and integrity to its stakeholders and relevant legislative bodies. It aims to meet and exceed compliance obligations in a proactive and best practice manner and reduce exposure of Mantra Group to risk of liability. Regular audits are conducted in MLR properties with the aim for Mantra Group to comply with current legislation and regulations applicable to the business.

3.6.2.5 Refurbishment

Mantra Group considers that consistent accommodation quality is critical to optimising guest satisfaction, unit owner returns and long-term asset value. Mantra Group has approached this challenge by developing an in-house refurbishment team which provides a personalised value-add service to all unit owners.

Working with accomplished interior designers and project managers, a range of value add services are provided, from complete furniture packages and common area upgrades to ad-hoc replacement items, endeavouring to maintain the properties' ongoing standards and minimise owner costs.

3.7 EMPLOYEES

As at April 2014, Mantra Group employed approximately 3,572 team members. Of these, approximately 1,553 were classified as full-time, approximately 433 were classified as part-time and approximately 1,586 were classified as casual employees.

Mantra Group recognises that its ability to attract, develop and retain team members is important to the growth of the business. The scale of Mantra Group's business provides wide-ranging career opportunities for team members and further supports Mantra Group's ability to continue to attract and retain the best talent available.

Mantra Group conducts a range of training, talent identification and management programs aimed at improving service levels. Mantra Group also conducts a range of Corporate Social Responsibility programs in all regions.

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3.8 REGULATORY ENVIRONMENT

3.8.1 Australia

Mantra Group's business is subject to a number of laws and regulations relevant to the accommodation and hospitality industries generally. These laws and regulations relate generally to property management (including licensing of letting agents/real estate agents and onsite property managers and caretakers, as described below), residential tenancy laws (for example, the *Residential Tenancies Act 2010* (NSW)) and liquor licensing regimes. Mantra Group is also subject to general corporate law and regulation.

Mantra Group's properties which are operated under its Management Letting Rights (MLR) operating structure are subject to additional layers of regulation (depending on where they are located), for example:

- licensing requirements in various Australian states and territories where Mantra Group acts as a letting agent, real estate agent or onsite property manager (for example, under the *Property Agents and Motor Dealers Act 2000* (Qld)).[7] These laws regulate the relationship between Mantra Group, the apartment owners and guests. The different licensing regimes impose restrictions on agents, depending on the State or Territory in which the business is located. The restrictions include aspects such as the form of Mantra Group's appointment as agent, the maximum amount of commission that may be charged, codes of conduct, trust accounting/auditing requirements, termination rights for individual apartment owners and transfer of agent's appointment agreements and also provide for the disciplining of agents;
- regulation of Mantra Group's relationship with bodies corporate under caretaking and letting agreements (for example, under the *Body Corporate and Community Management Act 1997* (Qld)). The regulatory regimes applicable in various Australian states and territories include restrictions relating to matters such as engagement with bodies corporate and restrictions on what may be included in caretaking and letting agreements (for example, in relation to assignment, termination, length of tenure, and disputes and variations (including extensions)). Mantra Group is also required to comply with various codes of conduct as a caretaker or letting agent. The laws of the various states and territories differ, with Queensland being the most regulated;
- regulation of certain MLR properties operated by Mantra Group (in particular, ones that operate a letting pool) under the Corporations Act as "managed investment schemes"[8]. There are various exemptions granted by the ASIC that relieve Mantra Group from the majority of the managed investment provisions of the Corporations Act. To obtain the benefit of these exemptions there are certain requirements that apply to Mantra Group's operations which include: requirements for the operator to issue a product disclosure statement, provide for forced sale provisions[9] in its agreements with individual apartment owners, compliance with State real estate agent laws, the holding of scheme funds in trust and an obligation to allow owners to exit the letting pool with a maximum 90 days' notice; and
- town planning laws in the various jurisdictions in which Mantra Group operates, which regulate the use of the building complexes used by Mantra Group to carry out its MLR business and the use of owner's apartments for short term and long term letting.

3.8.2 New Zealand

In New Zealand, properties which are operated under the MLR operating structure are subject to the *Unit Titles Act 2010* (UTA). The UTA governs unit title developments in New Zealand, which can be created out of leasehold or freehold land. Mantra Group is a party to a number of leases in respect of individual units in several New Zealand properties which are leasehold unit title developments and is a member of various bodies corporate in respect of these leasehold unit title developments. As a body corporate member, Mantra Group is subject to the requirements of the UTA, which include compliance with body corporate operational rules, payment of levies to cover administration and maintenance, and setting long term plans for significant maintenance works. Mantra Group may also be required to comply with rules made by the body corporate even though it is not a member of the relevant body corporate (for example, where it leases units in a freehold unit title development).

The *Resource Management Act 1991* (RMA) is the key environmental legislation in New Zealand which regulates the effects of activities on the environment. As a lessee of certain properties under the MLR operating structure, Mantra Group may be required to hold one or more resource consent for activities being undertaken on the property. Enforcement or prosecution proceedings under the RMA can be initiated for failure to comply with the provisions of the RMA or resource consent conditions. Penalties under the RMA vary with the type of enforcement proceeding pursued.

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7. The *Property Occupations Act 2014* (Qld) and the *Agents Financial Administration Act 2014* (Qld) were recently enacted in Queensland and are expected to come into force in late 2014. These Acts replace the licensing and trust accounting provisions of the Property Agents and Motor Dealers Act with a more simplified licensing process, and (amongst other things) abolish the statutory cap on letting agent commission and reduce the minimum notice period to end the appointment of a letting agent from 90 days to 30 days. Mantra Group is in the process of assessing the changes introduced under these new Acts, but does not consider that the changes will have a material impact on its business.
8. ASIC considers that holiday letting in a strata titled hotel or resort complex through a letting pool is a "managed investment scheme" under the Corporations Act and therefore needs to comply with the requirements of operating such a scheme.
9. "Forced sale provisions" refers to provisions that must be included in the agreement between Mantra Group and the apartment owner and which allow for a majority of the apartment owners in the letting pool to force Mantra Group to sell its letting rights business for market value within a certain period if the owners are dissatisfied with Mantra Group's performance. As at the Prospectus Date, Mantra Group has not been subjected to any forced sale process using the forced sale provisions in relation to any of its properties.

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3.9 CORPORATE STRATEGY

Mantra Group's corporate strategy is to grow shareholder value through maintaining and growing its position in the accommodation industry, and it has a number of initiatives that aim to drive business growth.

3.9.1 Continue to build Mantra Group brands

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

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

3.9.2 Grow RevPAR and improve yield management

Mantra Group intends to achieve stronger RevPAR growth in its CBD division compared to its key competitors by targeting high yielding corporate accounts willing to pay a premium for its spacious apartment style rooms. Mantra Group will seek to maintain its RevPAR at a premium to the industry average across the properties in its Resorts division by targeting the higher yielding domestic and international visitors.

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

3.9.3 Continue to optimise distribution channels

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

3.9.4 Continue to expand via new properties in targeted locations including South-East Asia

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

Mantra Group will continue to target both existing properties and newly developed properties with a strategy to apply a range of both fixed lease and variable rent structures. Mantra Group believes it has a strong track record of securing new properties that generate attractive returns, and has secured 21 new properties and 1,860 new rooms in the last three years.

In line with this strategy, Mantra Group has recently entered into conditional agreements to operate new hotels to be built in the central business districts of Perth, Townsville and Melbourne. While these agreements are subject to the successful resolution of varying contractual, regulatory or commercial matters (including the actual construction of the hotels themselves) and may not complete, Mantra Group believes that they demonstrate Mantra's focus on securing new properties in CBD locations.[10]

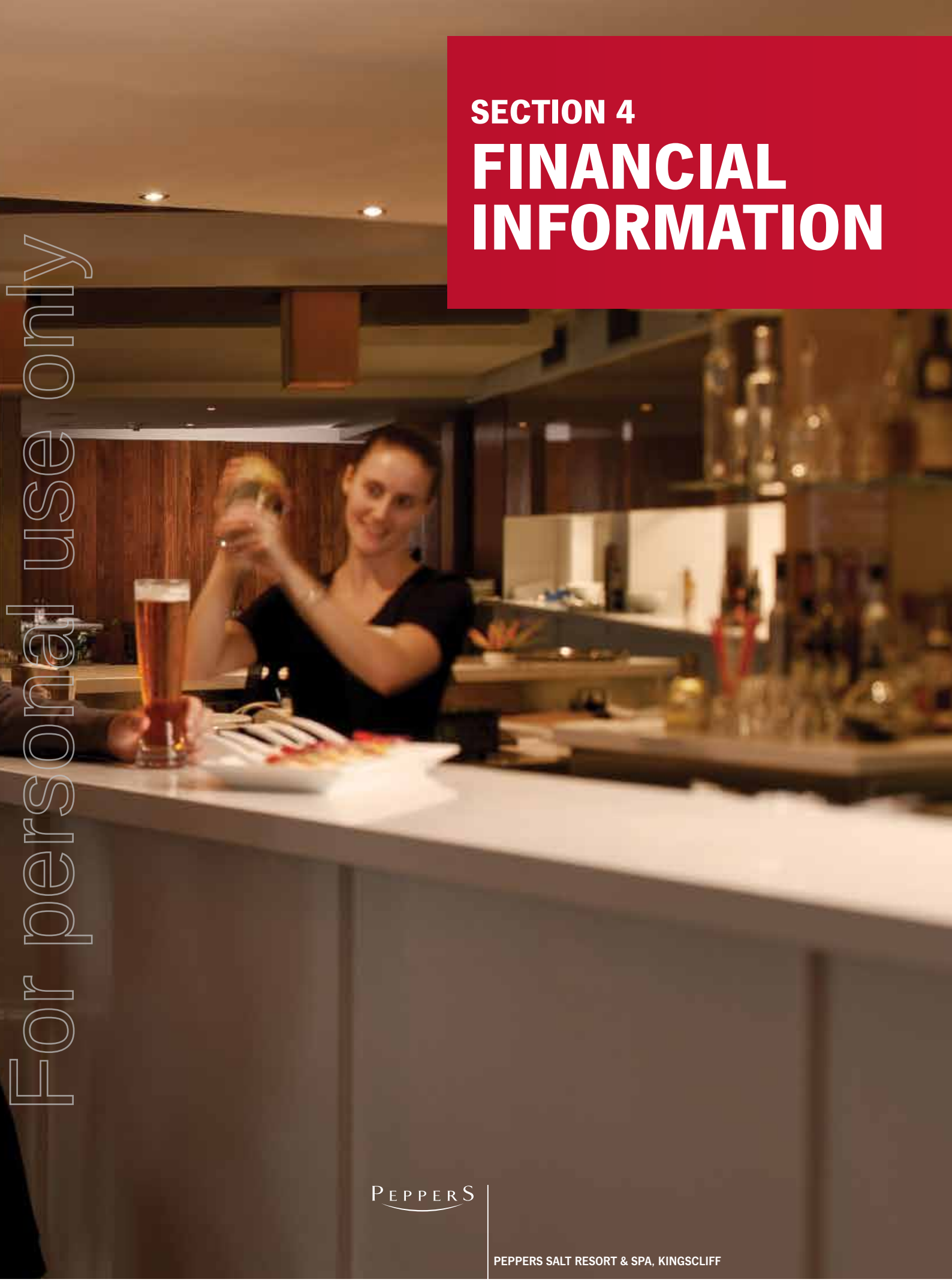
10. Note that it is expected that these potential new properties will not complete prior to the end of the Forecast Period, if at all.



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SECTION 4
FINANCIAL INFORMATION



PEPPERS

PEPPERS SALT RESORT & SPA, KINGSCLIFF

SECTION 4
FINANCIAL INFORMATION

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4.1 INTRODUCTION

The financial information for Mantra Group contained in Section 4 includes:

- Statutory historical financial information for Mantra Group being the:
  - statutory consolidated historical income statements for FY2011, FY2012, FY2013 and H1FY2013 and H1FY2014 (**Statutory Historical Results**);
  - statutory consolidated historical cash flow statements for FY2011, FY2012, FY2013 and H1FY2013 and H1FY2014 (**Statutory Historical Cash Flows**); and
  - statutory consolidated balance sheet as at 31 December 2013 (**Statutory Historical Balance Sheet**),

  (the **Statutory Historical Financial information**).
- Pro forma historical financial information for Mantra Group being the:
  - pro forma consolidated historical income statements for FY2011, FY2012, FY2013 and H1FY2013 and H1FY2014 (**Pro Forma Historical Results**);
  - pro forma consolidated historical cash flow statements for FY2011, FY2012, FY2013 and H1FY2013 and H1FY2014 (**Pro Forma Historical Cash Flows**); and
  - pro forma consolidated balance sheet as at 31 December 2013 (**Pro Forma Historical Balance Sheet**),

  (the **Pro Forma Historical Financial Information** and together with the Statutory Historical Financial Information, the **Historical Financial information**).
- Forecast financial information for Mantra Group being the:
  - statutory consolidated forecast income statements for FY2014 and FY2015 (**Statutory Forecast Results**);
  - statutory consolidated forecast cash flow statements for FY2014 and FY2015 (**Statutory Forecast Cash Flows**);
  - pro forma consolidated forecast income statements for FY2014 and FY2015 (**Pro Forma Forecast Results**); and
  - pro forma consolidated forecast cash flow statements for FY2014 and FY2015 (**Pro Forma Forecast Cash Flows**),

  (together the **Forecast Financial Information**).

The Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- the Directors' best estimate assumptions and general assumptions underlying the Forecast Financial Information (see Section 4.9) and key sensitivities in respect of the Forecast Financial Information (see Section 4.10); and
- Mantra Group's proposed dividend policy (see Section 4.11).

All amounts disclosed in the tables in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The statutory consolidated historical financial statements of Mantra Group for FY2011, FY2012 and FY2013 have been audited by PricewaterhouseCoopers (PwC). PwC has issued unqualified opinions in respect of all periods[1]. The statutory H1FY2013 and H1FY2014 historical financial statements have been reviewed by PricewaterhouseCoopers Securities Limited (PwCS) and PwCS has issued unqualified review opinions in respect of those periods.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Prospectus includes Forecast Financial Information, based on the best estimate assumptions of the Directors. The Forecast Financial Information is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

1. The statutory consolidated historical financial statements of Mantra Group for FY2012 and FY2013 were restated by the Company due to an adjustment in the accounting treatment of leases. The statutory consolidated historical financial statements for FY2011 have not been restated. As a result, a pro forma adjustment to lease expenses in FY2011 has been made to reflect the consistent treatment of leases.

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Mantra Group's key accounting policies are set out in Section 11. Other than for lease accounting, where a pro forma adjustment to FY2011 is detailed in Table 7, they have been consistently applied in all periods presented.

Mantra Group has four reportable segments under AASB 8 Operating Segments, which are CBD, Resorts, Central Revenue and Distribution, and Corporate.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited consolidated financial statements of Mantra Group for the FY2011, FY2012 and FY2013 years and the reviewed accounts for H1FY2013 and H1FY2014. These financial statements are available on the Offer website (www.mantrashareoffer.com).

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in the Prospectus. It has been derived from the Statutory Historical Financial Information, with pro forma adjustments made to reflect the impact of property Management Letting Rights that have been divested, to eliminate non-recurring items, to reflect standalone public company costs, to reflect the payment of the Pre IPO Dividend and to reflect the capital structure of Mantra Group following Completion as described in Table 7, Table 9 and Table 13.

Refer to Section 4.3.3 for a reconciliation between the Statutory Historical Results and Pro Forma Historical Results. Refer to Section 4.6 for a reconciliation between Statutory Historical Cash Flows and Pro Forma Historical Cash Flows. Refer to Section 4.4 for a reconciliation between the Statutory Historical Balance Sheet and the Pro Forma Historical Balance Sheet.

The Historical Financial Information included in this Prospectus has been reviewed, but not audited, by PwC. Investors should note the scope and limitations of the Investigating Accountant's Report included in Section 8.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The Pro Forma Forecast Results and Pro Forma Forecast Cash Flows have been derived from the Statutory Forecast Results and the Statutory Forecast Cash Flows after adjusting for pro forma transaction and other adjustments to reflect Mantra Group's operations following Completion and to eliminate non-recurring items and to reflect standalone public company costs as set out in Sections 4.5 and 4.6. The Statutory Forecast Results and Statutory Forecast Cash Flows for FY2014 consist of unaudited actual results for the 6 months to 31 December 2013 and the Director's best estimate forecasts for the 6 months to 30 June 2014. The Statutory Forecast Results and Statutory Forecast Cash Flows for FY2015 consist of the Director's best estimate forecasts for the 12 months to 30 June 2015.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and best estimate assumptions regarding future events and actions as set out in Sections 4.9.1 and 4.9.2. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of these assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed by PwC, but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report included in Section 8.

Mantra Group believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and this may have a material positive or material negative effect on Mantra Group's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of Mantra Group, the Directors or management and are not readily predictable. Accordingly, none of Mantra Group, the Directors or any other person can give investors assurance that the outcomes detailed in the Forecast Financial Information will arise.

The Forecast Financial Information in this Section 4 should be read in conjunction with the general assumptions set out in Section 4.9.1, the specific assumptions set out in Section 4.9.2, the sensitivity analysis set out in Section 4.10, the risk factors set out in Section 5 and other information in this Prospectus.

Explanation of certain non-IFRS financial measures

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

- EBITDA is earnings before interest, taxation, depreciation and amortisation;
- EBITDAI is earnings before interest, taxation, depreciation, amortisation and impairment charges;
- EBITA is earnings before interest, tax and amortisation of acquisition related lease rights, specifically lease rights as detailed at Table 3;
- EBIT is earnings before interest and taxation; and
- NPATA is net profit after taxation, but before the amortisation of acquisition related lease rights, specifically lease rights as detailed at Table 3.

These measures are reconciled to NPAT in Table 3.

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

4.3 HISTORICAL AND FORECAST CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

4.3.1 Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecasts

Table 3 below presents the pro forma historical income statements for FY2011, FY2012 and FY2013, the pro forma forecast income statements for FY2014 and FY2015 together with the statutory forecast for FY2014 and FY2015. The pro forma historical and forecast results are reconciled to the statutory historical and forecast results in Table 7 and Table 9.

TABLE 3: PRO FORMA HISTORICAL RESULTS FROM FY2011 TO FY2013, PRO FORMA FORECAST RESULTS FOR FY2014 AND FY2015 AND STATUTORY FORECAST RESULTS FOR FY2014 AND FY2015

June year end		Pro forma historical			Pro forma forecast		Statutory forecast	
$ million	Note	FY2011	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015
Revenue		396.2	414.0	424.4	450.1	490.9	451.6	490.9
Total operating expenses		(347.7)	(360.2)	(366.7)	(388.1)	(421.5)	(390.5)	(421.5)
EBITDA		48.5	53.8	57.7	62.0	69.5	61.2	69.5
Depreciation		(8.5)	(8.7)	(8.0)	(8.2)	(8.5)	(8.2)	(8.5)
Amortisation (excluding amortisation of lease rights)		(6.8)	(6.1)	(5.6)	(5.8)	(6.2)	(5.8)	(6.2)
EBITA		33.2	39.1	44.1	48.0	54.8	47.2	54.8
Amortisation of lease rights		(4.0)	(4.0)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
EBIT		29.2	35.1	40.3	44.2	51.0	43.4	51.0
Net finance costs		(6.6)	(6.5)	(5.2)	(4.4)	(4.1)	(45.8)	(4.1)
Profit before tax		22.5	28.6	35.1	39.8	46.9	(2.4)	46.9
Tax expense		(6.8)	(8.6)	(10.5)	(12.4)	(14.3)	0.2	(14.3)
NPAT		15.8	20.0	24.6	27.4	32.6	(2.2)	32.6
NPATA	1	18.6	22.8	27.3	30.1	35.3	0.5	35.3

Notes:
1. Mantra Group recognises management lease rights as intangible assets and these are amortised to the income statement over 40 years. The adjustment to calculate NPATA reverses the amortisation together with the associated credit to tax expense.

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Table 4 below presents the pro forma historical income statements for the six month periods ended 31 December 2012 and 31 December 2013, being the first halves of the FY2013 and FY2014 years.

TABLE 4: PRO FORMA HISTORICAL RESULTS FOR H1FY2013 AND H1FY2014

December half $ million	Pro forma historical H1FY2013	 H1FY2014
Revenue	**220.3**	**230.0**
Total operating expenses	(186.9)	(193.0)
EBITDA	**33.4**	**37.0**
Depreciation	(4.0)	(4.3)
Amortisation (excluding amortisation of lease rights)	(2.9)	(2.7)
EBITA	**26.5**	**30.0**
Amortisation of lease rights	(1.9)	(1.9)
EBIT	**24.6**	**28.0**
Net finance costs	(2.9)	(2.3)
Profit before tax	**21.7**	**25.7**
Tax expense	(6.5)	(7.7)
NPAT	**15.2**	**18.0**
NPATA	**16.6**	**19.4**

Note: Refer to Table 3 footnotes.

4.3.2 Key financial metrics

Set out below is a summary of Mantra Group's key historical operating metrics for FY2011, FY2012, FY2013, H1FY2013 and H1FY2014 derived from the Pro Forma Historical Results, and the forecast key operating metrics for FY2014 and FY2015 derived from the Pro Forma Forecast Results.

TABLE 5: KEY HISTORICAL FINANCIAL METRICS FOR FY2011 TO FY2013 AND FORECAST FINANCIAL METRICS FOR FY2014 AND FY2015

	Pro forma historical			Pro forma forecast	
June year end	FY2011	FY2012	FY2013	FY2014	FY2015
CBD – Total rooms available[1] ('000)	1,410	1,428	1,425	1,437	1,600
CBD – Paid rooms sold[2] ('000)	1,084	1,123	1,163	1,213	1,346
CBD – Occupancy (%)	76.9%	78.7%	81.7%	84.4%	84.1%
CBD – Average room rate ($)	173.93	178.11	176.86	174.53	178.13
CBD – RevPAR[3] ($)	133.76	140.13	144.41	147.34	149.77
Resorts – Total rooms available[1] ('000)	1,900	1,902	1,888	1,915	1,918
Resorts – Paid rooms sold[2] ('000)	1,118	1,189	1,208	1,263	1,280
Resorts – Occupancy (%)	58.8%	62.5%	64.0%	66.0%	66.7%
Resorts – Average room rate ($)	144.58	143.28	147.64	151.46	153.44
Resorts – RevPAR[3] ($)	85.08	89.57	94.45	99.94	102.40
Revenue growth		4.5%	2.5%	6.0%	9.1%
EBITDA growth		11.1%	7.2%	7.3%	12.1%
EBITDA margin	12.2%	13.0%	13.6%	13.8%	14.2%
EBIT growth		20.2%	14.9%	9.8%	15.2%
EBIT margin	7.4%	8.5%	9.5%	9.8%	10.4%
NPAT growth		27.0%	22.6%	11.8%	18.8%

Notes:
1. Total Rooms Available is the number of rooms managed multiplied by the days in the period.
2. Paid Rooms Sold is the number of rooms sold throughout the period.
3. RevPAR is the revenue earned per available room. RevPAR measures the total average room revenue received per room available throughout the period. It can also be calculated by taking the average room rate and multiplying by the occupancy rate. It is used as a metric to compare relative profitability of the accommodation industry.

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TABLE 6: KEY HISTORICAL FINANCIAL METRICS FOR H1FY2013 AND H1FY2014

	Pro forma historical	
December half	H1FY2013	H1FY2014
CBD – Total rooms available ('000)[1]	719	720
CBD – Paid rooms sold[2] ('000)	583	613
CBD – Occupancy (%)	81.0%	85.1%
CBD – Average room rate ($)	180.27	176.38
CBD – RevPAR[3] ($)	146.08	150.18
Resorts – Total rooms available ('000)[1]	945	970
Resorts – Paid rooms sold[2] ('000)	643	661
Resorts – Occupancy (%)	68.1%	68.2%
Resorts – Average room rate ($)	147.68	153.46
Resorts – RevPAR[3] ($)	100.52	104.60
Revenue growth		4.4%
EBITDA growth		10.7%
EBITDA margin	15.2%	16.1%
EBIT growth		13.9%
EBIT margin	11.2%	12.2%
NPAT growth		18.3%

Note: Refer to Table 5 footnotes.

4.3.3 Pro forma adjustments to the statutory consolidated historical statements of profit or loss

Table 7 to Table 10 below set out the pro forma adjustments made to EBITDA and NPATA contained in the statutory income statements, to reflect the impact of property Management Letting Rights that have been divested, to eliminate non-recurring items, to reflect standalone public company costs and to reflect the capital structure of Mantra Group following Completion as described in Table 7 and Table 9. These adjustments are summarised in the footnotes below.

TABLE 7: RECONCILIATION OF THE HISTORICAL AND FORECAST STATUTORY EBITDA TO PRO FORMA EBITDA FROM FY2011 TO FY2015

		Historical			Forecast	
June year end $ million	Note	FY2011	FY2012	FY2013	FY2014	FY2015
Statutory EBITDA		**53.2**	**56.9**	**60.6**	**61.2**	**69.5**
Listed company expenses	1	(1.0)	(1.0)	(1.0)	(1.0)	–
Management Options expense	2	–	–	–	1.1	–
IPO expenses	3	–	–	–	0.1	–
Divested properties	4	(2.7)	(4.8)	(2.3)	0.1	–
Other operating adjustments	5	(1.0)	2.8	0.4	0.5	–
Pro forma EBITDA		**48.5**	**53.8**	**57.7**	**62.0**	**69.5**

Notes:

1. Listed company expenses – an adjustment has been made to the historical periods to include Mantra Group's estimate of the incremental annual costs that it will incur as a listed company. These costs include Directors' remuneration, additional audit and tax adviser costs, additional staff costs, listing fees, share registry fees, as well as annual general meeting and annual report costs.
2. Management Options expense – expenses incurred in relation to the settlement of management Options have been excluded from the pro forma forecast for FY2014.
3. IPO expenses – total expenses of the Offer will be up to $11.7 million, of which $11.6 million are directly attributable to the issue of New Shares and will be offset against equity raised in the Offer. The remaining $0.1 million is expensed in the Statutory Forecast.
4. Divested properties – an adjustment has been made to eliminate the impact of properties divested from FY2011 onwards in the historical periods. Any gains, losses or one-off cash flows arising from the sale of these properties have also been eliminated. Mantra Group is not forecasting any further disposals, and regards the previous disposals as non-recurring.
5. Other operating adjustments – an adjustment has been made to normalise the impact of non-recurring and non-trading events in the historical period. These include income related to sales tax re-imbursements relating to periods prior to FY2011 and an adjustment to exclude costs associated with one-off capital structure projects. Mantra Group has not applied straight-line lease accounting to lease expenses in FY2011. Lease expenses in FY2011 have been increased by $1.2 million to reflect consistent application of lease straight-lining over all periods.

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TABLE 8: RECONCILIATION OF THE STATUTORY EBITDA TO PRO FORMA EBITDA FOR H1FY2013 AND H1FY2014

December half $ million	Note	Historical H1FY2013	 H1FY2014
Statutory EBITDA		**33.3**	**35.9**
Listed company expenses	1	(0.5)	(0.5)
Management Options expense	2	–	0.9
Divested properties	4	(1.3)	0.0
Other operating adjustments	5	1.8	0.8
Pro forma EBITDA		**33.4**	**37.0**

Note: Refer to Table 7 for the footnotes.

TABLE 9 RECONCILIATION OF THE HISTORICAL AND FORECAST STATUTORY NPAT TO PRO FORMA NPAT AND NPATA FROM FY2011 TO FY2015

June year end $ million	Note	Historical FY2011	 FY2012	 FY2013	Forecast FY2014	 FY2015
Statutory NPAT		**(30.9)**	**(7.4)**	**9.2**	**(2.2)**	**32.6**
Listed company expenses	1	(1.0)	(1.0)	(1.0)	(1.0)	–
Management Options expense	2	–	–	–	1.1	–
IPO expenses	3	–	–	–	0.1	–
Divested properties	4	(2.7)	(4.8)	(2.3)	0.1	–
Other operating adjustments	5	(1.0)	2.8	0.4	0.5	–
Total operating adjustments		**(4.7)**	**(3.0)**	**(2.9)**	**0.8**	**–**
Net finance costs	6	17.3	15.1	23.1	41.5	0.1
Finance costs – upfront fees	7	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total net finance cost adjustments		**17.2**	**15.0**	**23.0**	**41.4**	**–**
Net impairment losses/ (gains)	8	56.9	8.8	(2.5)	–	–
Other one-off adjustments	9	0.9	0.2	–	–	–
Total other adjustments		**57.8**	**9.1**	**(2.5)**	**–**	**–**
Tax expense	10	(23.5)	6.4	(2.2)	(12.6)	0.0
Pro forma NPAT		**15.8**	**20.0**	**24.6**	**27.4**	**32.6**
Amortisation of acquired leases	11	2.8	2.8	2.7	2.7	2.7
Pro forma NPATA		**18.6**	**22.8**	**27.3**	**30.1**	**35.3**

Notes:

1. Listed company expenses – refer to Table 7 footnote.
2. Management Options expense – refer to Table 7 footnote.
3. IPO expenses – refer to Table 7 footnote.
4. Divested properties – refer to Table 7 footnote.
5. Other operating adjustments – refer to Table 7 footnote.
6. Net finance costs – the net finance costs included in the pro forma consolidated historical income statements have been adjusted to reflect the net finance cost applicable to Mantra Group under the terms of the New Banking Facility and the anticipated debt profile of Mantra Group following Completion of the Offer. The adjustment uses base interest rates that prevailed during the relevant periods (BBSW), or in relation to FY2014 & FY2015, the prevailing rate at 31 January 2014, and margins required by the New Banking Facility. The adjustment takes into account interest revenue based on the average net operating cash profile of Mantra Group over the historic period and as expected over the forecast period. In addition, an adjustment has been made to remove the impact of the write-off of unamortised borrowing costs in the Statutory Historical Results and Statutory Forecast Result relating to the historical debt structure of Mantra Group.
7. Upfront fees – upfront fees to be incurred through establishment of the New Banking Facility will be amortised evenly over the term of the facility. The ongoing amortisation charge of $0.1 million under the New Banking Facility has been applied to the historical periods.
8. Net impairment losses – an adjustment has been made to remove the impact of impairments and revaluations of Management Letting Rights that arose due to market conditions between FY2011 and FY2013, that are not expected to recur, and recognised in the Statutory Historical Financial Information. These adjustments have been made to reflect the assumption that the carrying value as at 31 December 2013 was consistent across the period.
9. Other one-off adjustments – this adjustment removes restructuring costs of $0.3 million in FY2011 and amortisation expenses relating to divested properties in FY2011 and FY2012.
10. Tax expense – adjustments have been made to the statutory income tax expense of Mantra Group to reflect the income tax effect of the above adjustments and to exclude the impact of one-off tax events; these include non-permanent changes to the tax base of assets, and a charge of $6.3 million reflecting the settlement of a matter with the ATO in FY2013 relating to the historical ownership of the Mantra Group prior to FY2009. The adjusted tax rate applicable to Mantra Group assumes a tax rate of 30% which is the Australian corporate tax rate, adjusted for the impact of known permanent differences.
11. Amortisation of acquired leases – Accounting Standards require that fair values are assigned to intangible assets when they are acquired through a business combination and amortised over an estimated useful life. Intangible asset values for lease rights have arisen through historical acquisitions; however, cash outlay is not required when individual lease rights are signed. Amortisation of these intangibles does not impact ongoing cash available for investment and has been added back to arrive at NPATA.

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TABLE 10: RECONCILIATION OF THE STATUTORY NPAT TO PRO FORMA NPATA FOR H1FY2013 AND H1FY2014

December half $ million	Note	Historical H1FY2013	 H1FY2014
Statutory NPAT		**12.0**	**(1.6)**
Listed company expenses	1	(0.5)	(0.5)
Management options expense	2	–	0.9
Divested properties	4	(1.3)	0.0
Other operating adjustments	3,5	1.8	0.8
Total operating adjustments		**0.1**	**1.1**
Net finance costs	6	7.4	26.1
Finance costs – upfront fees	7	(0.1)	(0.1)
Total net finance cost adjustments		**7.4**	**26.1**
Tax expense	10	(4.2)	(7.6)
Pro forma NPAT		**15.2**	**18.0**
Amortisation of acquired leases	11	1.4	1.4
Pro forma NPATA		**16.6**	**19.4**

Note: Refer to Table 7 and Table 9 for footnotes.

TABLE 11: STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENTS FOR FY2011 TO FY2013

June year end $ million	Note	FY2011	FY2012	FY2013
Revenue		**427.9**	**431.0**	**430.0**
Other income	1	–	1.4	1.4
Total operating expenses		(374.7)	(375.5)	(370.7)
EBITDAI		**53.2**	**56.9**	**60.7**
Impairment	2	(57.2)	(8.8)	2.5
Depreciation		(8.5)	(8.7)	(8.0)
Amortisation (excluding amortisation of lease rights)		(7.4)	(6.3)	(5.6)
EBITA		**(19.9)**	**33.0**	**49.6**
Amortisation of lease rights		(4.0)	(4.0)	(3.8)
EBIT		**(23.9)**	**29.0**	**45.8**
Net finance costs		(23.8)	(21.4)	(28.2)
Profit before tax		**(47.7)**	**7.6**	**17.5**
Tax (expense) / credit		16.8	(15.0)	(8.4)
NPAT		**(30.9)**	**(7.4)**	**9.2**

Notes:
1. Other income includes net gains on disposal of assets.
2. Impairment includes $0.3 million of costs associated with restructuring in FY2011.

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TABLE 12: STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENTS FOR H1FY2013 AND H1FY2014

June year end $ million	Note	H1FY2013	H1FY2014
Revenue		222.5	230.8
Other income	1	0.9	–
Total operating expenses		(190.1)	(194.9)
EBITDA		33.3	35.9
Depreciation		(4.0)	(4.3)
Amortisation (excluding amortisation of lease rights)		(2.9)	(2.7)
EBITA		26.4	28.8
Amortisation of lease rights		(1.9)	(1.9)
EBIT		24.5	26.9
Net finance costs		(10.2)	(28.4)
Profit before tax		14.3	(1.5)
Tax (expense) / credit		(2.3)	(0.1)
NPAT		12.0	(1.6)

Notes:
1. Refer to Note 1 to Table 11.

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4.4 PRO FORMA CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION

Table 13 below sets out the adjustments that have been made to the reviewed consolidated historical balance sheet for Mantra Group as at 31 December 2013 to prepare a pro forma consolidated historical balance sheet for Mantra Group. These adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer as if it had occurred or was in place as at 31 December 2013.

TABLE 13: PRO FORMA CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION

As at 31 December 2013 $ million	Note	Statutory	Impact of the Offer and New Banking Facility	Pro forma
Assets				
Current assets				
Cash and cash equivalents	2a	38.9	(17.3)	21.5
Trade and other receivables		45.3	–	45.3
Inventories		2.3	–	2.3
Other current assets		1.7	–	1.7
Total current assets		**88.2**	**(17.3)**	**70.8**
Non-current assets				
Receivables		0.8	–	0.8
Property, plant and equipment		91.0	1.8	92.8
Intangible assets	4	335.1	5.8	340.9
Total non-current assets		**426.8**	**7.6**	**434.4**
Total assets		**515.0**	**(9.7)**	**505.2**
Liabilities				
Current liabilities				
Trade and other payables		(41.1)	1.3	(39.8)
Borrowings	2b	(312.0)	312.0	–
Current tax liabilities		(4.7)	–	(4.7)
Provisions		(13.1)	4.0	(9.1)
Advance deposits		(24.9)	–	(24.9)
Total current liabilities		**(395.7)**	**317.3**	**(78.5)**
Non-current liabilities				
Borrowings	2c	–	(110.6)	(110.6)
Deferred tax liabilities		(72.7)	6.7	(66.0)
Provisions		(1.6)	–	(1.6)
Non-current tax liabilities		–	–	–
Total non-current liabilities		**(74.3)**	**(103.8)**	**(178.2)**
Total liabilities		**(470.0)**	**213.4**	**(256.6)**
Net assets		**45.0**	**203.6**	**248.5**
Equity				
Contributed equity	3	18.0	223.9	241.9
Other reserves	2d	229.4	0.3	229.7
Retained earnings	2d/2e	(202.4)	(20.7)	(223.1)
Total equity		**45.0**	**203.6**	**248.5**

Notes:

1. Mantra Group will repurchase and cancel a number of outstanding management Options resulting in a net cash payment of $8.7 million to Option holders.
2. Upon Completion of the Offer:
   a) Cash balances will decrease by $17.3 million due to a scheduled amortisation payment of $7.5 million before the IPO and other costs related to the IPO.
   b) Borrowings at 31 December 2013 of $312.0 million, plus interest accrued until Completion, less repayments made since 31 December 2013 will be repaid in full.
   c) New Banking Facility will be drawn down to $111.0 million at the date of Listing with arrangement fees paid of $0.45 million. Further drawings will be made on this facility to fund new property acquisitions.
   d) IPO transaction fees of up to $11.0 million are expected to be incurred. $10.9 million will be deducted from equity (and $0.1 million will be expensed in FY2014) along with interest on Borrowings to Completion Date of $11.3 million and associated tax entries.
   e) Retained earnings decreased by $20.7 million which includes a $12.3 million reduction due to the payment of the Pre IPO Dividend.
3. Equity will increase as a result of new shares issued under the Offer. See Section 7 for further details.
4. Intangible assets have increased $5.8 million and Property, Plant & Equipment have increased $1.8 million as a result of new properties contracted since 31 December 2013.

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4.4.1 Pro forma adjustments to the statutory consolidated statement of financial position

In conjunction with the Offer, Mantra Group will issue new equity and draw down on its New Banking Facility (described in Sections 4.4.3 and 9.5). Proceeds from the Offer and the New Banking Facility, together with existing cash on hand, will be used to pay:

- amounts owing by Mantra Group under debt facilities and associated derivatives in place immediately prior to Completion of the Offer (including repayment of additional shareholder debt drawn down in relation to the Pre IPO Dividend);
- establishment costs in respect of the New Banking Facility applicable post the Offer; and
- other transaction advisory fees, costs and expenses arising in connection with the Offer.

Details of the pro forma adjustments made to the statutory consolidated statement of the financial position of Mantra Group as at 31 December 2013 are set out in the notes to Table 13 above. The pro forma consolidated historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Mantra Group's future financial position. Further information on the sources and uses of funds of the Offer and the New Banking Facility is contained in Sections 7.1.3 and 9.5.

4.4.2 Indebtedness

Table 14 below sets out the indebtedness of Mantra Group as at 31 December 2013, before and adjusted for the Pro Forma impact of the Offer.

TABLE 14: PRO FORMA CONSOLIDATED INDEBTEDNESS AS AT 31 DECEMBER 2013

As at 31 December 2013 $ million	Note	Statutory (before Completion of the Offer)	Pro forma (after Completion of the Offer)
Current borrowings		312.0	–
Non-current borrowings		–	110.6
Total borrowings		**312.0**	**110.6**
Cash and cash equivalents		38.9	21.5
Net total indebtedness		**273.1**	**89.1**
Net debt/ FY2013 pro forma historical EBITDA			1.5x
Net debt/ FY2014 pro forma forecast EBITDA			1.4x
Net debt/ FY2015 pro forma forecast EBITDA			1.3x
FY2014 pro forma forecast EBITDA/ FY2014 forecast net financing cost			14.1x
FY2015 pro forma forecast EBITDA/ FY2015 forecast net financing cost			16.9x

From the historical balance sheet date of 31 December 2013 to 30 June 2014, management expects to maintain net debt to FY2014 pro forma forecast EBITDA within a range of 1.3x to 1.6x.

4.4.3 Description of the New Banking Facility

Mantra Group has entered into a facility agreement relating to the provision by Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation (as mandated lead arrangers and lenders) of a secured three year revolving facility (New Banking Facility). On, and conditional to, Completion of the Offer, funding provided under the New Banking Facility (together with proceeds from the issue of New Shares under the Offer) will be utilised to repay Mantra Group's existing debt facilities and to repurchase and cancel the Options (see Section 6.3.2.4 for details). The facility limit under the New Banking Facility is A$150,000,000, and is available for drawings in Australian dollars, New Zealand dollars and US dollars, of which approximately A$111,000,000 will be drawn in Australian dollars at the date of Completion of the Offer. Refer to Section 9.5 for more details of the Mantra Group's New Banking Facility.

4.4.4 Liquidity and capital resources

Following Completion of the Offer, Mantra Group's principal sources of funds will be cash flow from operations and borrowings under its New Banking Facility as described in Sections 4.4.3 and 9.5.

Mantra Group expects that it will have sufficient funds available from the cash proceeds of the Offer, in addition to the cash and cash equivalents (as outlined further in Section 4.4.2) available from its ongoing operations, to fulfil the purposes of the Offer and meet its stated business objectives. Mantra Group expects that its operating cash flows, together with borrowings and undrawn facilities under its New Banking Facility, will position Mantra Group to grow its business and manage its capital position in order to achieve financial performance consistent with the Forecast Financial Information.

Non-Australian dollar revenue represented approximately 2.6% of Mantra Group's revenue in FY2013. Mantra Group does not hedge movements in foreign currency.

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Mantra Group is exposed to changes in its finance costs to the extent that borrowings are tied to prevailing interest rates. Mantra Group's interest rate policy is to fix estimated interest rate exposure at a minimum of 50% for a period of at least 12 months or as otherwise determined by the Board. Mantra Group reassesses the adequacy of its hedging at least every three months.

4.5 SUMMARY PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED STATEMENTS OF CASH FLOWS AND STATUTORY FORECAST CONSOLIDATED STATEMENTS OF CASH FLOWS

Set out below is a summary of Mantra Group's pro forma historical consolidated statements of cash flows for FY2011, FY2012, FY2013, H1FY2013, H1FY2014, pro forma forecast consolidated statements of cash flows for FY2014 and FY2015 and statutory forecast consolidated statements of cash flows for FY2014 and FY2015.

TABLE 15: SUMMARY PRO FORMA CONSOLIDATED HISTORICAL STATEMENTS OF CASH FLOWS FOR FY2011 TO FY2013 AND PRO FORMA CONSOLIDATED FORECAST STATEMENTS OF CASH FLOWS FOR FY2014 AND FY2015

June year end		Pro forma historical			Pro forma forecast		Statutory forecast	
$ million	Note	FY2011	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015
EBITDA	1	48.5	53.8	57.7	62.0	69.5	61.2	69.5
Non-cash EBITDA adjustments	2	1.5	1.5	1.4	0.3	(0.4)	0.5	(0.4)
Changes in working capital	3	(2.3)	1.5	6.4	(1.3)	1.7	(2.0)	1.7
Maintenance capital expenditure	4	(8.4)	(13.2)	(6.6)	(9.9)	(10.6)	(9.9)	(10.6)
New property growth expenditure	5	(8.1)	(1.4)	(2.1)	(22.3)	(8.0)	(22.3)	(8.0)
Proceeds from sale of property	6	–	–	–	–	–	1.8	–
Net cash flow before financing and taxation		**31.2**	**42.2**	**56.8**	**28.8**	**52.1**	**29.3**	**52.1**
Tax	7				(15.9)	(16.5)	(10.6)	(17.3)
Net interest and other costs paid on financial debt	8				(4.4)	(4.1)	(12.6)	(4.1)
Repayment of loans and borrowings before Offer date	9				–	–	(14.5)	–
Repayment of existing financing	10				–	–	(323.4)	–
Proceeds from New Banking Facility	9				–	–	111.0	–
Proceeds from issue of new Shares	9				–	–	239.1	–
Cancellation of Management Options	9				–	–	(8.6)	–
IPO transaction costs	9				–	–	(15.0)	–
Upfront senior debt fees	9				–	–	(0.5)	–
Pre IPO dividend	9				–	–	(12.3)	–
Net cash flow pre-dividends (other than the Pre IPO Dividend)					**8.5**	**31.5**	**(18.0)**	**30.7**

Notes:

1. EBITDA has been adjusted to reflect the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Results as outlined in Table 7 and Table 9.
2. Non-cash EBITDA adjustments in the period FY2011 – FY2013 reflect the non-cash accounting entry related to the straight-lining of lease expense included in pro forma EBITDA; and entries of $0.2 million in FY2011 and $0.3 million in FY2013 related to non-cash gains on foreign exchange. The statutory forecast statement of cash flows for FY2014 includes an amount of $0.1 million for IPO transaction fees. This has been reclassified to below net cash flows before financing and taxation to present on a consistent basis across the periods. The amount is included within IPO transaction costs of $15.0 million.
3. Changes in working capital are due to timing factors around the receipt of advance deposits from customers and payment of supplier invoices. See Section 4.8.1.3 for a description of drivers of working capital.

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4. Maintenance capital expenditure represents room refurbishment, both to maintain standards and to improve product service offerings. Key items are described in Sections 4.8 and 4.9.
5. New property growth expenditure represents payments to acquire management rights. Key items are described in Sections 4.8 and 4.9.
6. Consistent with adjustments made to the pro forma statement of historical and forecast consolidated income statement (see Note 4 to Table 7) cash flows associated with the divestment of properties, including the proceeds of sale, have been excluded from the pro forma historical and forecast consolidated statement of cash flows.
7. Tax – Tax cash flows are based on the tax expense calculations summarised in Table 3, adjusted for deferred tax items, principally the amortisation of intangibles. The statutory forecast includes payments detailed in Note 10 to Table 9.
8. Interest – Interest payments are based on loan amounts outstanding of approximately $111 million in the pro forma forecast periods. The statutory FY2014 forecast amount of $12.6 million includes interest on the higher amount outstanding of approximately $312 million prior to Completion (refer Table 14).
9. All remaining adjustments relate to non-recurring cash flows that are forecast to occur in FY2014 in association with the repayment of certain of the existing debt of the Mantra Group, draw down of funds under the New Banking Facility and payments and receipts relating to the Offer. Refer to the Sources and Uses of Funds in Section 7.1.3 for details.
10. Borrowings of $312.0 million at 31 December 2013 are expected to be repaid as well as additional interest of $11.3 million and borrowings in respect of new property acquisitions of $7.6 million, offset by a $7.5m repayment of borrowings pre IPO.

TABLE 16: SUMMARY PRO FORMA CONSOLIDATED HISTORICAL STATEMENTS OF CASH FLOWS FOR H1FY2013 AND H1FY2014

December half		Pro forma historical	
$ million	Note	H1FY2013	H1FY2014
EBITDA	1	33.4	37.0
Non-cash EBITDA adjustments	2	1.0	0.3
Changes in working capital	3	6.3	1.0
Maintenance capital expenditure	4	(3.6)	(5.3)
New property growth expenditure	5	(0.8)	(3.8)
Pro forma net cash flow before financing and taxation		**36.2**	**29.2**

Note: Refer to Table 15 for the footnotes.

4.6 PRO FORMA ADJUSTMENTS TO THE STATUTORY CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 17 to Table 19 set out the adjustments to the Statutory Historical Cash Flows as well as the Statutory Forecast Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following Completion of the Offer as if it was in place as at 30 June 2011 and to eliminate certain non-recurring items in the year that they occurred.

TABLE 17: PRO FORMA ADJUSTMENTS TO THE STATUTORY CONSOLIDATED HISTORICAL STATEMENTS OF CASH FLOWS FOR FY2011 TO FY2013

June year end		Historical		
$ million	Note	FY2011	FY2012	FY2013
Statutory net cash flow before financing and taxation		**43.5**	**65.2**	**68.9**
Cash impact of other adjustments to pro forma EBITDA	1	(1.2)	2.1	1.0
Listed company expenses	2	(1.0)	(1.0)	(1.0)
Divested properties	3	(10.2)	(24.0)	(8.9)
Reclassification of operating cash flow	4	–	–	(3.2)
Pro forma net cash flow before financing and taxation		**31.2**	**42.2**	**56.8**

Notes:
1. Cash flow impact of pro forma adjustments – Table 7 details pro forma adjustments to the income statement. This adjustment relates to those adjustments that impact cash flow.
2. Listed company expenses – the cash flow impact of listed company expenses to be incurred after Listing has been reflected in the pro forma consolidated statement of cash flows.
3. Divested properties – consistent with adjustments made to the pro forma statement of historical and forecast consolidated income statements (see note 4 of Table 7) cash flows associated with the earnings and proceeds of sale related to divested properties have been excluded from the pro forma historical and forecast consolidated statement of cash flows.
4. Reclassification of operating cash flow – the statutory statement of cash flows for FY2013 includes non-operating items of $3.2 million within the change reported for working capital. Adjustments have been made to the statutory operating cash flow to present the information on a consistent basis with net cash flow before financing and taxation reported in the other periods.

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TABLE 18: PRO FORMA ADJUSTMENTS TO THE STATUTORY CONSOLIDATED FORECAST STATEMENT OF CASH FLOWS FOR FY2014 AND FY2015

June year end		Forecast	
$ million	Note	FY2014	FY2015
Statutory net cash flow pre-dividends		**(18.0)**	**30.7**
Operating cash flow adjustments	1	0.4	–
Listed company expenses	4	(1.0)	–
Tax	2	(5.3)	0.8
Net finance costs	3	8.2	–
Repayment of loans and borrowings before Offer date	4	14.5	–
Repayment of existing financing	4	323.4	–
Proceeds from New Banking Facility	4	(111.0)	–
Proceeds from issue of new Shares	4	(239.1)	–
Cancellation of Management Options	4	8.6	–
IPO transaction costs	4	15.0	–
Upfront senior debt fees	1	0.5	–
Pre IPO dividend	4	12.3	–
Pro forma net cash flow pre-dividends (other than the Pre IPO Dividend)		**8.5**	**31.5**

Notes:
1. Operating cash flow adjustments – refer to Table 17 for footnote.
2. Tax – an adjustment to tax payments has been made to show tax payments related to the pro forma earnings in each of FY2014 and FY2015. The tax adjustment includes an amount of $4.2 million in FY2014 and $2.1 million in FY2015 relating to the pro forma tax adjustment referred to in the footnotes to Table 9; which related to periods prior to FY2011.
3. Interest – an adjustment to interest has been made in FY2014 to exclude cash payments made in FY2014 that will not be recurring under the New Banking Facility.
4. All remaining adjustments relate to non-recurring cash flows that are forecast to occur in FY2014 in association with the repayment of the existing financing, draw down of funds under the New Banking Facility and payments and receipts relating to the Offer. Refer to the Sources and Uses of Funds in Section 7.1.3.

TABLE 19: PRO FORMA ADJUSTMENTS TO THE STATUTORY CONSOLIDATED HISTORICAL STATEMENTS OF CASH FLOWS FOR H1FY2013 AND H1FY2014

December half		Historical	
$ million	Note	H1FY2013	H1FY2014
Statutory net cash flow before financing and taxation		**40.9**	**30.0**
Cash impact of other adjustments to pro forma EBITDA	1	1.8	1.7
Listed company expenses	2	(0.5)	(0.5)
Divested properties	3	(6.0)	(2.0)
Pro forma net cash flow before financing and taxation		**36.2**	**29.2**

Note: Refer to Table 17 for footnotes.

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4.7 SEGMENT INFORMATION

Mantra Group has three operating segments (CBD, Resorts, and Central Revenue and Distribution) and a corporate centre supporting the businesses.

4.7.1 CBD

This segment operates in the major capital cities in Australia, servicing both business and leisure customers. The CBD division operates properties predominantly located on the eastern seaboard, with over 50% of rooms located in Melbourne and Sydney.

4.7.2 Resorts

The Resorts segment is primarily focused on the key tourist regions of Queensland, with the majority of properties in the regions of the Gold Coast, the Sunshine Coast and Tropical North Queensland.

4.7.3 Central Revenue and Distribution

The Central Revenue and Distribution segment contains Mantra Group's in-house customer management and booking services. The Central Revenue and Distribution segment also accounts for fee-based revenue generated by properties operated under Management Agreements and Marketing Services Agreements and renovation and design services to the owners of properties.

4.7.4 Corporate

The Corporate segment includes costs relating to executive, finance, sales, marketing, E-commerce, IT and asset management support.

The Corporate segment also receives revenue where Mantra Group recharges a portion of the cost of sales and marketing services.

Table 20 and Table 21 contain a summary of Mantra Group's revenue by segment for FY2011, FY2012, FY2013, FY2014, FY2015, H1FY2013 and H1FY2014.

TABLE 20: REVENUE SUMMARY BY SEGMENT FOR FY2011 TO FY2014 AND FY2015

	Pro forma historical			Pro forma forecast		CAGR	
June year end $ million	FY2011	FY2012	FY2013	FY2014	FY2015	FY2011-FY2013	FY2013-FY2015
CBD	208.4	220.9	226.6	235.4	270.3	4.3%	9.2%
Resorts	153.9	162.9	166.6	175.1	180.3	4.0%	4.0%
Central Revenue and Distribution	30.4	27.6	28.7	37.1	37.7	(2.8%)	14.6%
Corporate	3.5	2.6	2.5	2.5	2.7	(15.9%)	4.2%
Total	**396.2**	**414.0**	**424.4**	**450.1**	**490.9**	**3.5%**	**7.6%**

TABLE 21: REVENUE SUMMARY BY SEGMENT FOR H1FY2013 AND H1FY2014

	Pro forma historical		Change %
December half $ million	H1FY2013	H1FY2014	H1FY2013-H1FY2014
CBD	115.6	120.2	3.9%
Resorts	88.0	91.8	4.3%
Central Revenue and Distribution	15.3	16.6	8.3%
Corporate	1.4	1.3	(7.8%)
Total	**220.3**	**230.0**	**4.4%**

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Table 22 and Table 23 contain a summary of Mantra Group's EBITDA by segment for FY2011, FY2012, FY2013, FY2014, FY2015, H1FY2013 and H1FY2014.

TABLE 22: EBITDA SUMMARY BY SEGMENT FOR FY2011 TO FY2014 AND FY2015

	Pro forma historical			Pro forma forecast		CAGR	
June year end $ million	FY2011	FY2012	FY2013	FY2014	FY2015	FY2011-FY2013	FY2013-FY2015
EBITDA							
CBD	38.0	45.2	44.1	42.8	48.0	7.8%	4.3%
Resorts	16.8	18.9	20.7	22.5	24.0	11.1%	7.7%
Central Revenue and Distribution	20.1	19.7	21.4	25.1	26.0	3.0%	10.3%
Corporate	(26.4)	(29.9)	(28.5)	(28.5)	(28.6)	3.8%	0.2%
Total EBITDA	**48.5**	**53.8**	**57.7**	**62.0**	**69.5**	**9.2%**	**9.7%**
EBITDA margin							
CBD	18.2%	20.4%	19.5%	18.2%	17.8%		
Resorts	10.9%	11.6%	12.4%	12.9%	13.3%		
Central Revenue and Distribution	66.3%	71.5%	74.4%	67.7%	68.9%		
Corporate	n.m	n.m	n.m	n.m	n.m		
Total EBITDA margin	**12.2%**	**13.0%**	**13.6%**	**13.8%**	**14.2%**		

TABLE 23: EBITDA SUMMARY BY SEGMENT FOR H1FY2013 AND H1FY2014

	Pro forma historical		Change %
December half $ million	H1FY2013	H1FY2014	H1FY2013-H1FY2014
EBITDA			
CBD	23.8	23.6	(0.8%)
Resorts	13.7	14.3	4.6%
Central Revenue and Distribution	12.0	13.1	9.8%
Corporate	(16.0)	(14.0)	(12.7%)
Total EBITDA	**33.4**	**37.0**	**10.9%**

4.8 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

4.8.1 General factors affecting the operating results

Below is a discussion of the general factors which affected Mantra Group's operations and relative financial performance in FY2011, FY2012, FY2013 and H1FY2014 which the Directors expect may continue to affect it in the future.

The discussion of those general factors is intended to provide a brief summary only and does not detail all factors that affected Mantra Group's historical operating and financial performance, nor everything which may affect operations and financial performance in the future.

4.8.1.1 Revenue

An overview of the different revenue streams generated by Mantra Group and the key drivers of each revenue stream across operating segments is set out below.

CBD and Resorts

The key revenue drivers across both CBD and Resorts are occupancy rates, average room rates and available room volumes. These depend on a range of factors including:

- Demand for Mantra Group's CBD and Resort accommodation, which in turn depends on business confidence, consumer demand and economic conditions, including foreign exchange rates (and, in particular, the relative value of the Australian dollar to other foreign currencies).
- Mantra Group's ability to maintain agreements with third-party owners and relationships with developers to support room availability.
- Competition from other accommodation operators, which may have an impact on Mantra Group's ability to maintain occupancy and average room rates.

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- The availability of room supply which is a function of additional supply entering the accommodation industry as well as Mantra Group's ability to obtain a share of new supply.
- The ability for Mantra Group to acquire contracts in relation to existing properties to increase industry share.
- Inbound tourism volumes contribute to demand for accommodation and consequently Mantra Group's capacity to maintain occupancy and average room rates.
- Accessibility of affordable airfares, particularly driven by low cost carriers, contributes to inbound tourism volumes, in particular for the Resorts segment.
- The occurrence of one-off events held in Australia which can enhance demand for domestic accommodation, including for example the 2013 British Lions Tour.

Central Revenue and Distribution

Key revenue drivers across Central Revenue and Distribution (CR&D) are:

- Mantra Group's ability to maintain industry leading information technology systems and websites to support continued demand for CR&D bookings.
- Competition levels from other booking channels and the effectiveness of sales and marketing activities to continue to drive network traffic through Mantra Group's websites.
- Continuation of existing and procurement of new Management Agreements and Marketing Services Agreements, which depends on Mantra Group's ability to meet the terms of existing agreements as well as third party demand for these agreements.

4.8.1.2 Operating expenses

Key expenses include:

- Lease expenses – costs attributable to lease arrangements with property owners. Lease expenses vary according to a range of formulas including agreed percentage changes, CPI-based changes and market reviews.
- Other operating expenses – relate to costs considered by management to be fixed and variable, associated with operating a hotel business and corporate headquarters.
  - Variable costs such as payroll and benefits, contract cleaning, guest supplies, food and beverage expenses and other costs fluctuate as a percentage of guest services turnover and account for approximately 60% of other operating expenses.
  - Fixed costs such as administration, property maintenance, sales, marketing and distribution and corporate headquarters centralised services for finance, human resources, IT and asset management represent approximately 40% of other operating expenses.

An adjustment has been made to the historical periods to include Mantra Group's estimate of the incremental annual costs that it will incur as a listed company. These costs include Director's remuneration, additional audit and tax advisor costs, additional staff costs, listing fees, share registry fees, as well as annual general meeting and annual report costs.

4.8.1.3 Working capital

Working capital includes trade and other receivables, inventories, other current assets, trade payables, advance deposits and other liabilities.

Average net working capital is typically in a negative position due to prepaid revenue creditor balances which result from advance bookings.

4.8.1.4 Maintenance capital expenditure

Maintenance capital expenditure is comprised of maintenance expenditure on Mantra Group's information technology systems and infrastructure and its share of refurbishment of its portfolio of properties. The majority of the maintenance capital expenditure relates to Mantra Group's CBD property portfolio where it typically has a shared obligation with its owners in relation to property maintenance and refurbishment. Maintenance capital expenditure is lower in the Resorts sector as the majority of refurbishments and maintenance expenditure is funded by property owners.

4.8.1.5 New property growth expenditure

New property growth expenditure includes the costs associated with Mantra Group acquiring interests in new or existing properties through the purchase of Management Letting Rights and other rights to operate the building as a hotel. These costs can also include the purchase of strategic freehold property within the buildings. This could include reception areas, conference facilities and food and beverage facilities, which are integral to the operation of the building as a hotel.

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4.8.2 Pro forma consolidated historical income statements: FY2012 compared to FY2011

Table 24 sets out the summary pro forma consolidated historical income statement and selected key performance indicators for FY2011 and FY2012.

TABLE 24: SELECTED PRO FORMA CONSOLIDATED INCOME STATEMENT: FY2012 COMPARED TO FY2011

June year end	Pro forma historical			
$ million	FY2011	FY2012	Change	Change %
Revenue	**396.2**	**414.0**	**17.8**	**4.5%**
Lease expenses	(63.3)	(67.5)	(4.2)	6.7%
Other operating expenses	(284.4)	(292.7)	(8.2)	2.9%
Total operating expenses	(347.7)	(360.2)	(12.4)	3.6%
EBITDA	**48.5**	**53.8**	**5.4**	**11.1%**
Depreciation	(8.5)	(8.7)	(0.2)	2.7%
Amortisation (excluding amortisation of lease rights)	(6.8)	(6.1)	0.8	(11.2%)
EBITA	**33.2**	**39.1**	**5.9**	**17.8%**
Amortisation of lease rights	(4.0)	(4.0)	–	0.0%
EBIT	**29.2**	**35.1**	**5.9**	**20.2%**
Summary financial performance metrics				
CBD – Total rooms available ('000)	1,410	1,428	18	1.3%
CBD – Paid rooms sold ('000)	1,084	1,123	39	3.6%
CBD – Occupancy (%)	76.9%	78.7%	1.8%	2.3%
CBD – Average room rate ($)	173.93	178.11	4.18	2.4%
CBD – RevPAR ($)	133.76	140.13	6.36	4.8%
Resorts – Total rooms available ('000)	1,900	1,902	2	0.1%
Resorts – Paid rooms sold ('000)	1,118	1,189	71	6.3%
Resorts – Occupancy (%)	58.8%	62.5%	3.7%	6.2%
Resorts – Average room rate ($)	144.58	143.28	(1.30)	(0.9%)
Resorts – RevPAR ($)	85.08	89.57	4.49	5.3%
EBITDA margin	12.2%	13.0%	0.8%	6.3%
EBIT margin	7.4%	8.5%	1.1%	15.1%

4.8.2.1 Revenue

Revenue increased by 4.5% to $414.0 million in FY2012 from $396.2 million in FY2011. A summary of the key factors affecting Mantra Group's revenue growth in FY2012 is set out below:

- CBD revenue increased by $12.5 million, from $208.4 million to $220.9 million, an increase of 6.0%. This was primarily driven by occupancy increases in Western Australia, Brisbane and the Northern Territory coupled with average room rate (ARR) increases in Melbourne. Occupancy increases of 2.3% were as a result of a continuing rebound in demand following the global financial crisis and strength in resources markets. ARR increases of 2.4% were driven by restricted room supply in Mantra Group's markets, coupled with the completion of major refurbishments to Mantra on the Park and 100 Exhibition Street (both in Melbourne), resulting in a higher quality product and consequently increased room rates.
- Resorts revenue increased by $9.0 million, from $153.9 million to $162.9 million, an increase of 5.8%. The strategy to drive increased room night volume generated a 5.3% growth in RevPAR across all regions driven by occupancy growth in Tropical North Queensland (TNQ), Salt (Northern NSW), New Zealand and Sunshine Coast properties. Significant demand growth was achieved via the lower priced room rates from online distribution channels and Asian inbound tourism which overall resulted in a small decrease in ARR. The strategy to drive higher Resorts occupancy coupled with increased in-house conference volumes contributed to a 12.6% increase in food and beverages revenue. Additionally, the improvements in occupancy at Peppers Broadbeach (Gold Coast), which was acquired in November 2010, contributed to revenue growth.
- Central Revenue and Distribution revenue decreased by $2.8 million, from $30.4 million to $27.6 million, a decrease of 9.1%. This was as a result of a lower level of refurbishments funded by unit owners in FY2012 of $3.2 million and the sale of part of the Schoolies business, which was replaced by commissions based on rooms sold.

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4.8.2.2 Total operating expenses

Total operating expenses increased by 3.6% to $360.2 million in FY2012 from $347.7 million in FY2011. This was primarily driven by the increased operating cost of sales to service the additional 110,117 rooms sold and $5.1 million incremental food and beverage turnover.

- Lease expenses increased by $4.2 million, from $63.3 million to $67.5 million, an increase of 6.7%. One-off factors of $1.2 million influenced the lease cost increase including a new lease for Mantra Geraldton, the 18% room revenue growth at Mantra Bunbury which has a lease cost linked to revenue, the addition of seven new rooms at Mantra 2 Bond Street (Sydney) and a triennial market rent review at Mantra South Bank (Brisbane). Lease expenses as a proportion of total CBD revenue remained stable over this period.
- Other operating expenses increased by $8.2 million, from $284.4 million to $292.7 million, an increase of 2.9%. This was a result of higher direct operating cost of sales, sales and marketing, administrative and payroll costs in CBD, increased payroll and direct operating cost of sales in Resorts, and increased corporate overheads associated with higher marketing costs.

4.8.2.3 EBITDA

EBITDA increased 11.1% to $53.8 million in FY2012 from $48.5 million in FY2011. This was driven by a $17.8 million increase in revenue, partially offset by a $12.4 million increase in operating expenses.

The key driver of the increase in EBITDA was a 19.0% rise in CBD EBITDA from $38.0 million to $45.2 million, reflecting 6.0% revenue growth and higher margins from ARR growth.

Resorts EBITDA also increased strongly, by 12.3% from $16.8 million to $18.9 million, as a result of an increase in EBITDA margins from higher guest services turnover revenues.

4.8.2.4 Depreciation and amortisation

Depreciation increased by $0.2 million to $8.7 million in FY2012 from $8.5 million in FY2011, an increase of 2.7%. This reflected an increase in capital expenditure attributable to the refurbishment of Mantra on the Esplanade (Darwin) and Mantra on the Park (Melbourne).

Amortisation (excluding amortisation of lease rights) declined from $6.8 million to $6.1 million, reflecting a decline in intangibles relating to impairment of Management Letting Rights in the previous 12 months. Amortisation of lease rights remained stable.

4.8.3 Pro forma consolidated statements of cash flows: FY2012 compared to FY2011

Table 25 sets out the summary pro forma consolidated historical cash flow statements for FY2011 and FY2012.

TABLE 25: SELECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS: FY2012 COMPARED TO FY2011

June year end	Pro forma historical			
$ million	FY2011	FY2012	Change	Change %
EBITDA	48.5	53.8	5.4	11.1%
Non-cash EBITDA adjustments	1.5	1.5	0.0	0.7%
Changes in working capital	(2.3)	1.5	3.8	(167.2%)
Maintenance capital expenditure	(8.4)	(13.2)	(4.8)	57.3%
New property growth expenditure	(8.1)	(1.4)	6.6	(82.3%)
Net cash flow before financing and taxation	**31.2**	**42.2**	**11.1**	**35.6%**

4.8.3.1 Changes in working capital

Working capital decreased by $1.5 million in FY2012 driven by an increase in advance deposits (liabilities) held and lower trade receivables outstanding at year end.

4.8.3.2 Maintenance capital expenditure

Maintenance capital expenditure increased by $4.8 million, from $8.4 million in FY2011 to $13.2 million in FY2012, an increase of 57.3%. Scheduled large refurbishments at Mantra on the Esplanade (Darwin) and Mantra on the Park (Melbourne) were undertaken as part of Mantra Group's ongoing room refurbishment maintenance requirements and to improve the product service offering at these properties.

4.8.3.3 New property growth expenditure

During FY2012, new property growth expenditure of $1.4 million was spent on Peppers Broadbeach (Gold Coast), Peppers Cradle Mountain (Tasmania) and Peppers Anchorage (Port Stephens, New South Wales).

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4.8.4 Pro forma consolidated historical income statements: FY2013 compared to FY2012

Table 26 sets out the summary pro forma consolidated historical income statements and selected key performance indicators for FY2012 and FY2013.

TABLE 26: SELECTED PRO FORMA CONSOLIDATED INCOME STATEMENTS: FY2013 COMPARED TO FY2012

June year end	Pro forma historical			
$ million	FY2012	FY2013	Change	Change %
Revenue	**414.0**	**424.4**	**10.4**	**2.5%**
Lease expenses	(67.5)	(69.6)	(2.1)	3.1%
Other operating expenses	(292.7)	(297.1)	(4.4)	1.5%
Total operating expenses	(360.2)	(366.7)	(6.5)	1.8%
EBITDA	**53.8**	**57.7**	**3.9**	**7.2%**
Depreciation	(8.7)	(8.0)	0.8	(8.7%)
Amortisation (excluding amortisation of lease rights)	(6.1)	(5.6)	0.4	(7.1%)
EBITA	**39.1**	**44.1**	**5.1**	**13.0%**
Amortisation of lease rights	(4.0)	(3.8)	0.1	(3.3%)
EBIT	**35.1**	**40.3**	**5.2**	**14.9%**
Summary financial performance metrics				
CBD – Total rooms available ('000)	1,428	1,425	(3)	(0.2%)
CBD – Paid rooms sold ('000)	1,123	1,163	40	3.6%
CBD – Occupancy (%)	78.7%	81.7%	3.0%	3.8%
CBD – Average room rate ($)	178.11	176.86	(1.25)	(0.7%)
CBD – RevPAR ($)	140.13	144.41	4.28	3.1%
Resorts – Total rooms available ('000)	1,902	1,888	(14)	(0.7%)
Resorts – Paid rooms sold ('000)	1,189	1,208	19	1.6%
Resorts – Occupancy (%)	62.5%	64.0%	1.5%	2.3%
Resorts – Average room rate ($)	143.28	147.64	4.36	3.0%
Resorts – RevPAR ($)	89.57	94.45	4.88	5.5%
EBITDA margin	13.0%	13.6%	0.6%	4.6%
EBIT margin	8.5%	9.5%	1.0%	12.0%

4.8.4.1 Revenue

Revenue increased by 2.5% to $424.4 million in FY2013 from $414.0 million in FY2012. The increase was primarily driven by increased ARRs in Resorts and occupancy growth across both CBD and Resorts.

A summary of the key factors affecting Mantra Group's revenue growth in FY2013 is set out below:

- CBD revenue increased by $5.7 million, from $220.9 million to $226.6 million, an increase of 2.6%. This was primarily due to increased occupancy and ARR growth in Darwin from government and infrastructure projects, and strong occupancy growth partially offset by small declines in ARR in Melbourne and Sydney.
- Resorts revenue increased by $3.7 million, from $162.9 million to $166.6 million, an increase of 2.3%. This was due to ARR and occupancy increases across all regions as a result of continuing growth in domestic leisure and Asian inbound demand particularly in Tropical North Queensland. The Gold Coast achieved a 2.0% increase in rooms sold, however suffered a reduction in available rooms at Mantra Wings as apartments were placed in permanent let with the commencement of the light rail construction.
- Central Revenue and Distribution revenue increased by $1.1 million, from $27.6 million to $28.7 million, an increase of 4.1%. This was as a result of increases in central reservation system revenues and commissions attributable to Mantra Group's continued strategic focus on increasing bookings made through its central reservations system.

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4.8.4.2 Total operating expenses

Total operating expenses increased by 1.8% to $366.7 million in FY2013 from $360.2 million in FY2012. This was primarily driven by direct operating costs associated with the increased occupancy in both CBD and Resorts.

- Lease expenses increased by $2.1 million, from $67.5 million to $69.6 million, an increase of 3.1%. This was a consequence of increased CBD lease costs in line with rental agreements (fixed rental reviews or CPI), with the exception being Mantra on Hay (Perth) which received a market rent review increase in August 2012 of 14%. Mantra on Hay leases require a market rent review every two and a half years.
- Other operating expenses increased by $4.4 million, from $292.7 million to $297.1 million, an increase of 1.5%. This was a result of increased operating costs directly attributable to the incremental 58,889 rooms sold and market driven utility cost increases. All other expenses including deductions, general tenancy agreements, minimum income agreements, other owner expenses and corporate overheads remained stable.

4.8.4.3 EBITDA

EBITDA increased 7.2% to $57.7 million in FY2013 from $53.8 million in FY2012. This was driven by a $10.4 million increase in revenue, partially offset by a $6.5 million increase in operating expenses.

4.8.4.4 Depreciation and amortisation

Depreciation decreased by $0.8 million to $8.0 million in FY2013 from $8.7 million in FY2012, a decrease of 8.7%. This reflected plant and equipment which had been fully depreciated during the year.

Amortisation (excluding amortisation of lease rights) declined from $6.1 million in FY2012 to $5.6 million in FY2013, reflecting a decline in the Management Letting Rights balance being amortised following prior period impairments. Amortisation of lease rights remained stable.

4.8.5 Pro forma consolidated statements of cash flows: FY2013 compared to FY2012

Table 27 sets out the summary pro forma consolidated historical cash flow statements for FY2012 and FY2013.

TABLE 27: SELECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS: FY2013 COMPARED TO FY2012

June year end	Pro forma historical			
$ million	FY2012	FY2013	Change	Change %
EBITDA	**53.8**	**57.7**	**3.9**	**7.2%**
Non-cash EBITDA adjustments	1.5	1.4	(0.1)	(5.1%)
Changes in working capital	1.5	6.4	4.9	316.5%
Maintenance capital expenditure	(13.2)	(6.6)	6.6	(50.3%)
New property growth expenditure	(1.4)	(2.1)	(0.6)	44.7%
Net cash flow before financing and taxation	**42.2**	**56.8**	**14.6**	**34.6%**

4.8.5.1 Changes in working capital

Working capital decreased by $6.4 million in FY2013 primarily driven by an increase in advance deposits (liabilities) and timing of liabilities outstanding at year end.

4.8.5.2 Maintenance capital expenditure

Maintenance capital expenditure decreased by $6.6 million, from $13.2 million to $6.6 million, a decrease of 50.3%. The decrease reflects the lower level of scheduled refurbishments in FY2013. Refurbishments included soft refurbishments to Mantra on Kent (Sydney) which was completed in FY2013.

4.8.5.3 New property growth expenditure

New property growth expenditure increased by $0.6 million, from $1.4 million to $2.1 million. The acquisition of additional rooms in the holiday letting pool and associated furniture fit-outs in Peppers Broadbeach was the key contributor to new property growth expenditure in FY2013.

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4.8.6 Pro forma consolidated historical income statements: H1FY2013 compared to H1FY2014

Table 28 sets out the summary pro forma consolidated historical income statements and selected key performance indicators for H1FY2013 and H1FY2014.

TABLE 28: SELECTED PRO FORMA CONSOLIDATED INCOME STATEMENTS: H1FY2014 COMPARED TO H1FY2013

December half	Pro forma historical			
$ million	H1FY2013	H1FY2014	Change	Change %
Revenue	**220.3**	**230.0**	**9.7**	**4.4%**
Lease expenses	(35.0)	(35.9)	(0.9)	2.7%
Other operating expenses	(151.9)	(157.0)	(5.2)	3.4%
Total operating expenses	(186.9)	(193.0)	(6.1)	3.3%
EBITDA	**33.4**	**37.0**	**3.6**	**10.7%**
Depreciation	(4.0)	(4.3)	(0.3)	8.4%
Amortisation (excluding amortisation of lease rights)	(2.9)	(2.7)	0.2	(6.0%)
EBITA	**26.5**	**30.0**	**3.4**	**12.9%**
Amortisation of lease rights	(1.9)	(1.9)	–	0.0%
EBIT	**24.6**	**28.0**	**3.4**	**13.9%**
Summary financial performance metrics				
CBD – Total rooms available ('000)	719	720	0	0.1%
CBD – Paid rooms sold ('000)	583	613	30	5.1%
CBD – Occupancy (%)	81.0%	85.1%	4.1%	5.1%
CBD – Average room rate ($)	180.27	176.38	(3.9)	(2.2%)
CBD – RevPAR ($)	146.08	150.18	4.1	2.8%
Resorts – Total rooms available ('000)	945	970	25	2.6%
Resorts – Paid rooms sold ('000)	643	661	18	2.7%
Resorts – Occupancy (%)	68.1%	68.2%	0.1%	0.1%
Resorts – Average room rate ($)	147.68	153.46	5.8	3.9%
Resorts – RevPAR ($)	100.52	104.60	4.1	4.1%
EBITDA margin	15.2%	16.1%	0.9%	6.0%
EBIT margin	11.2%	12.2%	1.0%	9.1%

4.8.6.1 Revenue

Revenue increased by 4.4% to $230.0 million in H1FY2014 from $220.3 million in H1FY2013. The increase was primarily driven by CBD and Resort RevPAR growth across most regions, coupled with increased turnover from Central Reservation and Distribution's online channels.

A summary of the key factors affecting Mantra Group's revenue growth in H1FY2014 is set out below:

- CBD revenue increased by $4.6 million, from $115.6 million to $120.2 million, an increase of 3.9%. This was primarily due to occupancy increases in Melbourne, Sydney, Adelaide and Darwin coupled with ARR increases in both Melbourne and Darwin. Improved business sentiment drove corporate demand and a number of special events such as the Ashes Cricket Tour contributed to increased leisure demand. Western Australia and Brisbane ARRs continued to normalise to pre-resource boom levels.
- Resorts revenue increased by $3.8 million, from $88.0 million to $91.8 million, an increase of 4.3%. This was due to ARR increases across all regions particularly at Salt (Northern NSW) and New Zealand. ARR increases of 3.9% reflect the continued product improvements such as Mantra French Quarter Noosa (Queensland).
- Central Revenue and Distribution revenue increased by $1.3 million, from $15.3 million to $16.6 million, an increase of 8.3%. This was as a result of increased commissions from the increase in turnover through Mantra Group's online channels.

4.8.6.2 Total operating expenses

Total operating expenses increased by 4.2% to $193.0 million in H1FY2014 from $186.9 million in H1FY2013.

- Lease expenses increased by $0.9 million, from $35.0 million to $35.9 million, an increase of 2.7%. This was a consequence of CPI and/or fixed rental review increases, the lease cost of an additional 24 rooms at Mantra Geraldton (Western Australia), and variable lease cost increases from increased revenue growth at Mantra on Jolimont and Mantra Tullamarine (Melbourne).
- Other operating expenses increased by $5.2 million, from $151.9 million to $157.1 million, an increase of 3.4%. This was a result of increased direct operating costs for cleaning and linen associated with the higher occupancy rates offset by corporate overhead expense decreases attributable to headcount reductions and lower marketing costs from an increased focus toward online marketing.

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4.8.6.3 EBITDA

EBITDA increased 10.7% to $37.0 million in H1FY2014 from $33.4 million in H1FY2013. This was driven by a $9.8 million increase in revenue, partially offset by a $6.2 million increase in operating expenses. Mantra Group's earnings in the first half of each financial year are generally higher than the second half, particularly in the Resorts segment which experiences peak occupancy and ARR levels over the school and traditional Christmas/ summer holiday periods. The Resort segment typically experiences lower earnings (driven by lower ARR and occupancy) during the winter months of May and June.

4.8.6.4 Depreciation and amortisation

Depreciation increased by $0.3 million to $4.3 million in H1FY2014 from $4.0 million in H1FY2013, an increase of 8.4%. This reflected the fit-out of new corporate offices and a minor acceleration in the depreciation of assets.

Amortisation (excluding amortisation of lease rights) declined from $2.9 million in H1FY2013 to $2.7 million in H1FY2014, reflecting a decline in the amortisation of intangibles which have been fully amortised. Amortisation of lease rights remained stable.

4.8.7 Pro forma consolidated statements of cash flows: H1FY2013 compared to H1FY2014

Table 29 sets out the summary pro forma consolidated historical cash flow statements for H1FY2013 and H1FY2014.

TABLE 29: SELECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS: H1FY2014 COMPARED TO H1FY2013

December half	Pro forma historical			
$ million	H1FY2013	H1FY2014	Change	Change %
EBITDA	**33.4**	**37.0**	**3.6**	**10.8%**
Non-cash EBITDA adjustments	1.0	0.3	(0.7)	(67.7%)
Changes in working capital	6.3	1.0	(5.2)	(83.6%)
Maintenance capital expenditure	(3.6)	(5.3)	(1.7)	46.3%
New property growth expenditure	(0.8)	(3.8)	(3.1)	392.8%
Net cash flow before financing and taxation	**36.2**	**29.2**	**(7.0)**	**(19.4%)**

4.8.7.1 Changes in working capital

Working capital decreased by $1.0 million in H1FY2014, primarily driven by an increase in advanced deposits which is normal over the first half year of each year.

4.8.7.2 Maintenance capital expenditure

Maintenance capital expenditure increased by $1.7 million to $5.3 million in H1FY2014. The increase reflects the timing of property refurbishments, resulting in an increase in maintenance capital expenditure in H1FY2014.

4.8.7.3 New property growth expenditure

New property growth expenditure increased by $3.1 million, from $0.8 million to $3.8 million. The increase reflects the acquisition of a new Management Letting Rights and unit at a property in Western Australia in H1FY2014.

4.9 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Mantra Group, which are in accordance with the Accounting Standards, and are disclosed in the Key Accounting Policies section. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Mantra Group's accounting policies during the forecast period.

The Forecast Financial Information is based on a number of best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Mantra Group has analysed historical performance and made assumptions in order to forecast future performance for FY2014 and FY2015. Mantra Group believes it has prepared the Forecast Financial Information with due care and attention, and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.9.1.

However, actual results are likely to vary from the forecast and the variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingent events, many of which are outside the control of Mantra Group and its Directors, and are not readily predictable.

Accordingly, none of Mantra Group, its Directors or any other person can give any assurance that the Forecast Financial Information or any other prospective statement contained in the Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information.

The assumptions detailed below should be read in conjunction with the sensitivity analysis set out in Section 4.10, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8. A reconciliation of the Pro Forma Forecasts to the Statutory Forecasts is set out in Section 4.3.3.

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4.9.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the forecast period:

- No material change in the competitive operating environment in which Mantra Group operates.
- No significant variation from current market expectations of global and Australian economic conditions relevant to domestic and inbound travel and demand for accommodation.
- No significant new competitor hotels in the markets in which Mantra Group operates.
- No material change in Commonwealth, State or local government legislation, taxation, regulatory legislation and requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Mantra Group during the forecast period.
- No material loss of contracts or customers.
- No material change in key personnel, and Mantra Group maintains its ability to recruit and retain the personnel required to support future growth.
- No material change in Australian Accounting Standards or other mandatory professional reporting requirements which have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Mantra Group during the forecast period.
- No material cash flow or income statement impact from contingent liabilities, legal claims or litigation (existing or otherwise).
- No material divestments of existing management rights or new properties to be managed, other than as set out in the Prospectus.
- No material restructuring, change in operating model or capital structure, or disruption to operations.
- No material amendment to any material agreement, lease or contract.
- None of the key risks set out in Section 5 occur, or if they do, none of them has a material adverse impact on the operations of Mantra Group.
- No long term incentive plan introduced during the forecast period.
- The Offer proceeds in accordance with the timetable and terms detailed in Section 7 of the Prospectus and is underwritten.

4.9.2 Specific assumptions

The Forecast Financial Information has had regard to the trading performance of Mantra Group up until 31 December 2013.

4.9.2.1 Revenue

Mantra Group's revenue relates to 113 properties and many significant contracts. The Forecast Financial Information has been prepared based on a number of assumptions following an assessment of historical available rooms, occupancy and average room rates at each of Mantra Group's properties. The aggregation of the individual assumptions made across the CBD and Resorts segments based on the above assessment results in the following key metrics:

TABLE 30: HISTORICAL AND FORECAST FINANCIAL METRICS BY SEGMENT FOR FY2014 AND FY2015

	Period	Available rooms '000	Occupancy %	Average Room Rate $
CBD	FY2013	1,425	81.7%	176.86
	FY2014	1,437	84.4%	174.53
	FY2015	1,600	84.1%	178.13
Resorts	FY2013	1,888	64.0%	147.64
	FY2014	1,915	66.0%	151.46
	FY2015	1,918	66.7%	153.44

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4.9.2.2 Forecast New Properties

Mantra Group's strategy involves the addition of properties under management. Additional property earnings and cash flow that have been included in the Forecast Financial Information comprise earnings and cash flow from the Completed New Properties, Specific Expected New Properties and Probability Weighted New Properties identified below (together Forecast New Properties). The Forecast New Properties are forecast to contribute, in aggregate, $27.5 million to FY2015 revenue and $4.6 million to FY2015 EBITDA as outlined in Table 31 below.

Completed New Properties

During H2FY2014, Mantra Group completed contracts for the commencement of four new properties (Completed New Properties):

- Peppers Sentosa Seminyak located in Bali, Indonesia (which is operated under a Management Agreement) commenced operations in H2FY2014 and is included in the Central Revenue and Distribution segment;
- Breakfree Fortitude Valley located in Brisbane (which is operated under Management Letting Rights) commenced operations in H2FY2014 and is included in the CBD segment; and
- the Mint Hotel & Apartment properties in Melbourne and Brisbane, which will commence operations in H2FY2014 as Mantra St Kilda Road Melbourne (offering 159 hotel rooms and suite apartments) and Mantra on the Quay (offering 86 suite apartments) respectively and are included in the CBD segment.

The Completed New Properties are forecast to contribute EBITDA of $0.2 million in FY2014, in the form of $0.1 million of Management Fees for Peppers Sentosa Seminyak and $0.1 million earnings from Breakfree Fortitude Valley. No EBITDA for the other Completed New Properties has been forecasted for FY2014. The Completed New Properties are forecasted to contribute revenue of $14.2 million and EBITDA of $2.7 million in FY2015, for a combined capital cost of $17.6 million.

Specific Expected New Properties

Mantra Group also expects four specific new properties to complete and commence operations within the Mantra Group during the Forecast Period (Specific Expected New Properties). These properties include Peppers Canberra and Mantra on Edward Brisbane, which will be included in the CBD segment, and Mantra on Terrace Brisbane and Mantra Wollongong, which will be included in the Central Revenue and Distribution segment.

The Specific Expected New Properties are forecast to contribute revenue of $10.0 million in FY2015 for a combined capital cost of $3.8 million. The aggregate forecast EBITDA contribution from the Specific Expected New Properties is forecast to be $1.4 million in FY2015.

Mantra Group is confident that the Specific Expected New Properties will be successfully completed in the forecast period however their completion is subject to the successful resolution of varying contractual, regulatory or commercial matters. Whilst the Directors believe that these matters will be resolved within the forecast timeframes, there is a risk, as described in Section 5.1.12, that completion of these transactions will be delayed or will not occur.

Probability Weighted New Properties

In addition to the Specific Expected New Properties, Mantra Group has identified a pipeline of further opportunities which includes numerous properties in relation to which Mantra Group is currently engaged in varying stages of negotiation.

From this pipeline, Mantra Group has assumed an additional probability weighted aggregate contribution of $3.3 million to FY2015 revenue and $0.4 million to FY2015 EBITDA based on a number of those properties being added to the Mantra Group portfolio during the forecast period (Probability Weighted New Properties).

TABLE 31: FORECAST EBITDA IMPACT OF FORECAST NEW PROPERTIES IN FY2015

$m	FY2015
Impact on Revenue	27.5
Impact on EBITDA	4.6

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4.9.2.3 Other revenue assumptions

Central Revenue and Distribution

Total CRD Revenue is expected to increase by 19.1% to $36.6 million in FY2014 and a further 3.2% to $37.7 million in FY2015 reflecting the continued shift from wholesale agents to Mantra Group's website and online agents and the reflection of the commencement of the new Management Agreements as discussed above.

4.9.2.4 Other

Expenses

Lease expenses ($69.6 million in FY2013) are expected to increase by 3.7% in FY2014 and 11.6% in 2015. The FY2014 increase is the result of a new lease for part of the year on an additional 24 rooms at the Mantra Geraldton (Western Australia) and the improved performance at Mantra on Jolimont which has a lease linked to revenue. The expected FY2015 increase is the result of the Forecast New Properties lease cost of $6.1 million and the full year impact of the new rooms at Mantra Geraldton and the triggering of a variable lease expense increase as a result of the improved financial performance at Mantra Tullamarine (Melbourne).

Other operating expenses ($299.2 million in FY2013) are forecast to increase by 4.9% in FY2014 and 6.7% in FY2015. Included within Other operating expenses are:

- Operating costs of the Forecast New Properties which account for $15.3million of the increase in FY2015.
- Corporate employment expenses ($22.9 million in FY2013) are expected to increase by 2.6% to $23.5 million in FY2014 and 5.0% to $24.7 million in FY2015. The forecast increase of 5.0% in FY2015 is due to an increase in sales and marketing headcount as a result of the Forecast New Properties contract acquisitions. Forecasted employment expenses also make an allowance for expected wage and superannuation guarantee increases.
- Central Revenue and Distribution expense increases are expected to remain low or consistent with prior years, reflecting Mantra Group's previous investment in information technology.

4.9.2.5 Taxation

Taxation

An effective tax rate of 31.1% in FY2014 and FY2015 is more conservative than the effective tax rate of 30.0% in FY2013, reflecting a small expected increase in non-deductible expenditure.

Working capital

Investment in working capital is forecast to increase by $1.3 million in FY2014 and decrease by $1.7 million in FY2015. This is expected to be primarily driven by a number of one off accruals and provisions from FY2013 reversing in FY2014 and returning to a normal state of working capital movement in FY2015.

Maintenance capital expenditure

Maintenance capital expenditure is expected to increase by $3.3 million in FY2014 from $6.6 million in FY2013 and subsequently increase by $0.7 million in FY2015. This is primarily driven by the refurbishment plans for Mantra 2 Bond Street (Sydney), Mantra Southbank Brisbane and Mantra on Russell (Melbourne).

New property growth expenditure

New property growth expenditure is expected to increase by $20.2 million in FY2014 from $2.1 million in FY2013 and subsequently decrease by $14.3 million in FY2015. This is primarily driven by a high level of investment in a range of management letting rights and lease agreements in FY2014, including a $16.8 million investment in the Completed New Properties across Brisbane, Melbourne and Bali.

Depreciation and amortisation (excluding amortisation of lease rights)

Depreciation is forecast to increase slightly in FY2014 and increase 3.4% in FY2015 ($0.3 million) from $8.0 million in FY2013. This is primarily as a result of the increased maintenance capital expenditure and property acquisitions.

Amortisation (excluding amortisation of lease rights) is forecast to increase by 3.6% in FY2014 ($0.2 million) and a further 6.6% in FY2015 ($0.4 million) from $5.6 million in FY2013. This will be driven by the acquisition of new Management Letting Rights properties.

Amortisation of lease rights

Amortisation of lease rights is forecast to remain stable in both FY2014 and FY2015.

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4.9.3 Pro forma consolidated statements of profit or loss: FY2014 compared to FY2013

The pro forma consolidated forecast income statement for FY2014 has been prepared on the basis of actual results to 31 December 2013 and forecast results for the six months to 30 June 2014.

Table 32 sets out the pro forma consolidated forecast income statement for FY2014 compared to the pro forma consolidated historical income statement for FY2013.

TABLE 32: SELECTED PRO FORMA CONSOLIDATED INCOME STATEMENTS: FY2014 COMPARED TO FY2013

June year end	Pro forma forecast			
$ million	FY2013	FY2014	Change	Change %
Revenue	**424.4**	**450.1**	**25.6**	**6.0%**
Lease expenses	(69.6)	(72.2)	(2.6)	3.7%
Other operating expenses	(297.1)	(315.9)	(18.8)	6.3%
Total operating expenses	(366.7)	(388.1)	(21.4)	5.8%
EBITDA	**57.7**	**62.0**	**4.2**	**7.3%**
Depreciation	(8.0)	(8.2)	(0.2)	3.0%
Amortisation (excluding amortisation of lease rights)	(5.6)	(5.8)	(0.2)	3.6%
EBITA	**44.1**	**48.0**	**3.8**	**8.6%**
Amortisation of lease rights	(3.8)	(3.8)	0.0	(1.2%)
EBIT	**40.3**	**44.2**	**3.8**	**9.5%**
Summary financial performance metrics				
CBD – Total rooms available ('000)	1,425	1,437	12	0.8%
CBD – Paid rooms sold ('000)	1,163	1,213	50	4.3%
CBD – Occupancy (%)	81.7%	84.4%	2.8%	3.4%
CBD – Average room rate ($)	176.86	174.53	(2.32)	(1.3%)
CBD – RevPAR ($)	144.41	147.34	2.93	2.0%
Resorts – Total rooms available ('000)	1,888	1,915	27	1.4%
Resorts – Paid rooms sold ('000)	1,208	1,263	56	4.6%
Resorts – Occupancy (%)	64.0%	66.0%	2.0%	3.1%
Resorts – Average room rate ($)	147.64	151.46	3.82	2.6%
Resorts – RevPAR ($)	94.45	99.94	5.48	5.8%
EBITDA margin	13.6%	13.8%	0.2%	1.2%
EBIT margin	9.5%	9.8%	0.3%	3.5%

4.9.3.1 Revenue

Revenue is forecast to increase by 6.0% to $450.1 million in FY2014 from $424.4 million in FY2013. The increase is driven primarily by higher ARR in the Resorts division and increased occupancy rates in the CBD division offset by marginally lower ARR in Western Australia.

A summary of the key factors driving the forecast growth in Mantra Group's revenue in FY2014 is set out below:

- CBD revenue is forecast to increase by $8.9 million, from $226.6 million to $235.4 million, an increase of 3.9%. This is expected to be driven by increases in occupancy and ARR in Melbourne and Sydney offset by decreased ARR in Western Australia, Brisbane and Canberra. The Northern Territory region is also forecast to grow occupancy and achieve increased ARR as a result of growth in the oil and gas sector.
- Resorts revenue is forecast to increase by $6.9 million, from $166.6 million to $175.1 million, an increase of 5.1%. This is expected to be driven by higher room rates, improved occupancy and the sale of new available rooms on the Gold Coast and Tropical North Queensland due to healthy leisure market demand.
- Central Revenue and Distribution revenue is forecast to increase by $7.9 million, from $28.7 million to $37.1 million, an increase of 29.1%. This is primarily expected to be driven by an increase in fees and commissions from higher booking volumes and increased revenue in Mantra Group's in-house refurbishment department.

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4.9.3.2 Total operating expenses

Total operating expenses are forecast to increase by 5.8% to $388.1 million in FY2014 from $366.7 million in FY2013.

- Lease expenses are forecast to increase by $2.6 million, from $69.6 million to $72.2 million, an increase of 3.7%. The FY2014 increase is the result of a new lease for part of the year on an additional 24 rooms at the Mantra Geraldton (Western Australia) and the improved performance of Mantra at Jolimont which has a lease linked to revenue. Other lease expenses are forecast to increase in line with rental agreements (fixed rental reviews or CPI) with no leases expiring in FY2014.
- Other operating expenses are forecast to increase by $18.8 million, from $297.1 million to $315.9 million, an increase of 6.3%. This is expected to be primarily driven by an increase in CBD overhead costs due to utility cost increases and performance related incentives, offset by corporate overhead expenses decreases attributable to headcount reductions and lower marketing costs from a continued shift toward online marketing. Payroll and on-costs are expected to remain stable as a percentage of room revenue and food and beverage turnover. Travel agent commissions are expected to remain stable and cleaning and laundry costs are expected to increase as a result of forecast higher occupancy rates.

4.9.3.3 EBITDA

EBITDA is forecast to increase by 7.2% to $62.0 million in FY2014 from $57.7 million in FY2013. This is expected to be driven by a $25.6 million increase in revenue, partially offset by a $21.4 million increase in operating expenses.

4.9.3.4 Depreciation and amortisation

Depreciation is forecast to increase by $0.2 million to $8.2 million in FY2014 from $8.0 million in FY2013, mainly due to the expected increase in capital expenditure in FY2014.

Amortisation excluding amortisation of lease rights is forecast to increase by $0.2 million to $5.8 million in FY2014 from $5.6 million in FY2013, an increase of 3.6%. This is expected to be driven by the new Management Letting Rights properties to be acquired. Amortisation of lease rights is forecast to remain stable.

4.9.4 Pro forma consolidated statements of cash flows: FY2014 compared to FY2013

Table 33 sets out the summary pro forma consolidated cash flow statement for FY2014 compared to the pro forma consolidated cash flow statement for FY2013.

TABLE 33: SELECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS: FY2014 COMPARED TO FY2013

June year end	Pro forma forecast			
$ million	FY2013	FY2014	Change	Change %
EBITDA	**57.7**	**62.0**	**4.2**	**7.3%**
Non-cash EBITDA adjustments	1.4	0.3	(1.1)	(77.4%)
Changes in working capital	6.4	(1.3)	(7.7)	(120.0%)
Maintenance capital expenditure	(6.6)	(9.9)	(3.3)	50.9%
New property growth expenditure	(2.1)	(22.3)	(20.2)	977.8%
Net cash flow before financing and taxation	**56.8**	**28.8**	**(28.1)**	**(49.4%)**

4.9.4.1 Changes in working capital

Working capital is forecast to increase by $1.3 million in FY2014 driven by the reversal of liabilities in FY2013 reversing in FY2014.

4.9.4.2 Maintenance capital expenditure

Maintenance capital expenditure is forecast to increase by $3.3 million, from $6.6 million to $9.9 million. The increase reflects the planned soft refurbishment at Mantra 2 Bond Street (Sydney) and Mantra Southbank Brisbane.

4.9.4.3 New property growth expenditure

New property growth expenditure is forecast to increase by $20.2 million, from $2.1 million to $22.3 million. The increase over FY2013 is primarily driven by a $16.8 million investment in the Completed New Properties across Brisbane, Melbourne and Bali which are forecast to contribute $2.9 million to FY2015 EBITDA.

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4.9.5 Pro forma consolidated statements of profit or loss: FY2015 compared to FY2014

Table 34 sets out the pro forma consolidated forecast income statement for FY2015 compared to the pro forma consolidated forecast income statement for FY2014.

TABLE 34: SELECTED PRO FORMA CONSOLIDATED INCOME STATEMENT: FY2015 COMPARED TO FY2014

	Pro forma forecast			
June year end, $ million	FY2014	FY2015	Change	Change %
Revenue	**450.1**	**490.9**	**40.9**	**9.1%**
Lease expenses	(72.2)	(80.6)	(8.4)	11.6%
Other operating expenses	(315.9)	(340.9)	(25.0)	7.9%
Total operating expenses	(388.1)	(421.5)	(33.4)	8.6%
EBITDA	**62.0**	**69.5**	**7.5**	**12.1%**
Depreciation	(8.2)	(8.5)	(0.3)	3.4%
Amortisation (excluding amortisation of lease rights)	(5.8)	(6.2)	(0.4)	6.6%
EBITA	**48.0**	**54.8**	**6.7**	**14.0%**
Amortisation of lease rights	(3.8)	(3.8)	-	0.0%
EBIT	**44.2**	**51.0**	**6.7**	**15.2%**
Summary financial performance metrics				
CBD – Total rooms available ('000)	1,437	1,600	164	11.4%
CBD – Paid rooms sold ('000)	1,213	1,346	133	10.9%
CBD – Occupancy (%)	84.4%	84.1%	(0.3%)	(0.4%)
CBD – Average room rate ($)	174.53	178.13	3.60	2.1%
CBD – RevPAR ($)	147.34	149.77	2.44	1.7%
Resorts – Total rooms available ('000)	1,915	1,918	4	0.2%
Resorts – Paid rooms sold ('000)	1,263	1,280	17	1.3%
Resorts – Occupancy (%)	66.0%	66.7%	0.8%	1.1%
Resorts – Average room rate ($)	151.46	153.44	1.98	1.3%
Resorts – RevPAR ($)	99.94	102.40	2.46	2.5%
EBITDA margin	13.8%	14.2%	0.4%	2.8%
EBIT margin	9.8%	10.4%	0.6%	5.6%

4.9.5.1 Revenue

Revenue is forecast to increase by 9.1% to $490.9 million in FY2015 from $450.1 million in FY2014. The increase is driven by expected increases in ARR in both the CBD and Resorts segments in addition to the revenue of $27.5 million from the Forecast New Properties.

A summary of the key factors driving the forecast growth in Mantra Group's revenue in FY2015 are set out below:

- CBD revenue is forecast to increase by $34.9 million, from $235.4 million to $270.3 million, an increase of 14.8%. $26.8 million is expected to be contributed by new property contract acquisitions as referred to in Section 4.9.2.2 and the remainder driven by expected occupancy rate stabilisation at 84.1% which is expected to allow for increases in average room rates to drive revenue growth, as well as the expected expansion of total rooms available by 11.4% due to the expected acquisition of five of the Forecast New Properties. RevPAR is forecast to grow 3.4% in Melbourne, 4.2% in Darwin and 2.3% in Sydney. Brisbane ARR and occupancy rates are expected to continue to recover in FY2015 as a result of improvements in the conference sector and the G20 conference driving increased occupancy. Western Australian ARR and occupancy rates are also expected to recover due to Western Australian hotel industry stabilisation, additional corporate contracts secured and the end of refurbishments at Mantra on Hay.
- Resorts revenue is forecast to increase by $5.2 million, from $175.1 million to $180.3 million, an increase of 2.9%. This is expected to be driven by improved occupancy and average room rates due to higher tourist demand and region popularity.
- Central Revenue and Distribution revenue is forecast to increase by $0.7 million, from $37.1 million to $37.7 million, an increase of 1.8%. This is expected to be driven by a marginal increase in central reservations revenue growth due to increased bookings volumes from the continued shift to bookings through online wholesalers, from additional rooms available and additional Management Fee Revenue related to the new managed properties; Peppers Sentosa Seminyak, Soul Surfers Paradise and Mantra Wollongong acquired during FY2014.

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4.9.5.2 Total operating expenses

Total operating expenses are forecast to increase by 8.6% to $421.5 million in FY2015 from $388.1 million in FY2014.

- Lease expenses are forecast to increase by $8.4 million, from $72.2 million to $80.6 million, an increase of 11.6%. New property contract acquisitions are forecast to contribute $7.1 million of the additional lease expense. The lease expense increase includes $0.5 million for the full year impact of the additional keys at Mantra Geraldton in FY2014. The balance of the lease expense increase comes from lease expenses for existing properties that are forecast to increase in line with rental agreements (fixed rental reviews or CPI). No leases expire in FY2015.
- Other operating expenses are forecast to increase by $25.0 million, from $315.9 million to $340.9 million, an increase of 7.9%. Operating costs of the Forecast New Properties account for $15.3 million of the increase. For the existing properties, payroll and benefits are expected to increase at 2.8%, travel agent commissions are expected to remain stable, cleaning and laundry costs are expected to increase as a result of forecast higher occupancy rates and food and beverage costs are forecasted to remain stable as a percentage of turnover.

4.9.5.3 EBITDA

EBITDA is forecast to increase by 12.1% to $69.5 million in FY2015 from $62.0 million in FY2014. This is expected to be driven by a $40.9 million increase in revenue, partially offset by a $33.4 million increase in operating expenses.

A new Management Agreement in relation to a property located in the Soul property (Gold Coast) commenced in the first half of FY2014. This is expected to contribute EBITDA of $0.4 million in FY2015.

4.9.5.4 Depreciation and amortisation

Depreciation is forecast to increase by $0.3 million to $8.5 million in FY2015 from $8.2 million in FY2014, an increase of 3.4%, driven by the plant and equipment related to planned property acquisitions.

Amortisation excluding amortisation of lease rights is forecast to increase by $0.4 million to $6.2 million in FY2015 from $5.8 million in FY2014, an increase of 6.6%. This is expected to be driven by the full year amortisation of prior year planned Management Letting Rights property acquisitions. Amortisation of lease rights is forecast to remain stable.

4.9.6 Pro forma consolidated statements of cash flows: FY2015 compared to FY2014

Table 35 sets out the pro forma consolidated cash flow statements for FY2015 compared to the pro forma consolidated cash flow statement for FY2014.

TABLE 35: SELECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS: FY2015 COMPARED TO FY2014

	Pro forma forecast			
June year end, $ million	FY2014	FY2015	Change	Change %
EBITDA	**62.0**	**69.5**	**7.5**	**12.1%**
Non-cash EBITDA adjustments	0.3	(0.4)	(0.7)	(234.7%)
Changes in working capital	(1.3)	1.7	3.0	(232.5%)
Maintenance capital expenditure	(9.9)	(10.6)	(0.7)	7.1%
New property growth expenditure	(22.3)	(8.0)	14.3	(63.9%)
Net cash flow before financing and taxation	**28.8**	**52.1**	**23.3**	**81.0%**

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4.9.6.1 Changes in working capital

Working capital is forecast to decrease by $1.7 million in FY2015 primarily due to an increased receipt of advanced deposits commensurate with forecast growth in Resort revenue. Trade receivables and payables are forecast to increase in line with growth in revenue and expenses.

4.9.6.2 Maintenance capital expenditure

Maintenance capital expenditure is forecast to increase by $0.7 million, from $9.9 million to $10.6 million. The increase over FY2014 is primarily driven by the soft refurbishment of Mantra on Russell (Melbourne), BreakFree on George (Sydney), BreakFree Heritage on Little Bourke (Melbourne) and Mantra 2 Bond Street (Sydney).

4.9.6.3 New property growth expenditure

New property growth expenditure is forecast to decrease by $14.3 million, from $22.3 million to $8.0 million. Investments forecast for FY2015 include $3.8 million for the Specific Expected New Properties noted in Section 4.9.2.2 and $1.7 million for new rooms at Peppers Broadbeach (Gold Coast) and Peppers Sentosa Seminyak (Bali). In addition to these, Mantra Group has identified a pipeline of further opportunities. From this pipeline of opportunities Mantra Group has assumed the Probability Weighted New Properties will require investment of $2.5 million in FY2015.

4.10 Sensitivity analysis

The Forecast Financial Information detailed in Section 4.9 includes estimates based on a number of assumptions as described in Sections 4.9.1 and 4.9.2. The assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Mantra Group, the Directors and management. The assumptions include future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Pro Forma Forecast Results to changes in a number of the key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual outcomes could exceed the range shown. For the purposes of the sensitivity analysis, each sensitivity is presented in terms of its impact on NPAT in FY2014 and FY2015 of $27.4 million and $32.6 million respectively.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Pro Forma Forecast Result, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely management would respond to adverse changes to seek to minimise the net effect on Mantra Group's earnings and cash flow.

TABLE 36: SENSITIVITY ANALYSIS ON PRO FORMA FORECAST NPAT FOR FY2014 AND FY2015

Assumption	Note	Variance	FY2014 NPAT impact ($ million)	FY2015 NPAT impact ($ million)
Revenue				
CBD – Total rooms available	1	+/- 1%	+/- 0.2	+/- 1.3
CBD – Occupancy	2	+/- 1%	+/- 0.2	+/- 1.6
CBD – Average room rate	3	+/- 1%	+/- 0.2	+/- 1.4
Resorts – Total rooms available	1	+/- 1%	+/- 0.1	+/- 0.6
Resorts – Occupancy	2	+/- 1%	+/- 0.1	+/- 0.8
Resorts – Average room rate	3	+/- 1%	+/- 0.1	+/- 0.6
Operating expenses				
Total operating expenses	4	+/- 1%	+/- 0.4	+/- 3.0
Finance costs				
Change in interest rates	5	+/- 25 bps	+/- 0.1	+/- 0.4

Notes:
1. Sensitivity based on +/- 1% variance in assumed total rooms available.
2. Sensitivity based on +/- 1% variance in assumed occupancy.
3. Sensitivity based on +/- 1% variance in assumed average room rate.
4. Sensitivity based on +/- 1% variance in total Mantra Group operating expenses.
5. Sensitivity based on +/- 25bp variance in BBSW base rate used to calculate Mantra Group's interest expense and interest income.

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4.11 Dividend policy

Depending on available profits and the financial position of Mantra Group, it is the current intention of the Board to pay dividends.

The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014, and will become payable in March 2015. Assuming FY2014 and FY2015 results consistent with the Forecast Financial Information are achieved the Board's current intention is to declare a dividend of 5.0 cents per Share in respect of the period from 1 July 2014 to 31 December 2014, and 5.0 cents per Share in respect of the period from 1 January 2015 to 30 June 2015, based on NPAT in FY2015 of $32.6 million. Mantra Group expects that sufficient franking credits will be generated from tax paid post-Listing to allow the First Dividend and Second Dividend to be fully franked. The payment of a dividend by Mantra Group is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of Mantra Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), and contractual, legal or regulatory restrictions on the payment of dividends by Mantra Group and any other factors the Directors may consider relevant.

The Directors intend to target a dividend payout ratio between 70% and 80% of Mantra Group's statutory NPAT from FY2015. The level of payout ratio is expected to vary between periods depending on factors the Directors may consider, including the general business environment, the operating results and financial condition of Mantra Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Mantra Group, and any other factors the Directors may consider relevant. In addition, Mantra Group may be subject to restrictions on paying dividends and other distributions under its New Banking Facility (see Section 9.5.14 for more details).

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisors regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

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SECTION 5
RISKS



mantra

MANTRA CIRCLE ON CAVILL,
SURFERS PARADISE

SECTION 5
RISKS

This Section 5 describes some of the potential risks associated with Mantra Group's business and the industry in which it operates, and the risks associated with an investment in the Shares.

Mantra Group is subject to risk factors that are both specific to its business activities and that are more general in nature. Individually or in combination, these factors may affect the future operating and financial performance of Mantra Group, its investment returns and the value of an investment in Mantra Group.

Each of the risks set out below could, if they eventuate, have a material adverse impact on Mantra Group's business, financial condition and results of operations. Investors should be aware that this Section does not purport to list every risk that may be associated with an investment in Mantra Group or the Shares now, or in the future, and many of the risks described below are outside the control of Mantra Group and its Directors and management. This Section should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that Mantra Group will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Shares, you should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.1 RISKS SPECIFIC TO AN INVESTMENT IN MANTRA GROUP AND THE INDUSTRIES IN WHICH IT OPERATES

5.1.1 Exposure to reduced demand in the tourism or travel industries as a result of a downturn in general economic conditions or specific events

Mantra Group's future business performance may be affected by general economic conditions in Australia and internationally. The performance of the accommodation industry is generally driven by broad macroeconomic conditions and is particularly sensitive to a deterioration in macroeconomic conditions. In particular, overall economic conditions (including business and consumer confidence and exchange rates) and specific events may impact on the amount of domestic and international travel and tourism which affects the demand for accommodation in the regions where Mantra Group operates.

Mantra Group derives a substantial proportion of its revenue from domestic business and leisure travellers. There is a risk that a downturn in overall economic conditions would significantly impact on the level of domestic travel to regions where Mantra Group operates and reduce occupancy rates and average room rates in Mantra Group's properties. This could have a material adverse impact on Mantra Group's operating and financial performance.

Growth in international travel rates (especially from China and other Asian countries) has been identified as a factor which is forecast to increase the demand for accommodation in Australia. There is a risk that a significant downturn, economic collapse or other general economic (or political) event in foreign countries (particularly, China) could significantly reduce the level of international travel to Australia and potentially adversely affect Mantra Group's future growth prospects.

Mantra Group's forecasted future performance may be affected by an increase in the prices of low cost airline carriers (for example, as a result of reduced competition in the low cost airline industry). It is also possible that increased regulation in the aviation industry (including in relation to low cost airline carriers) or a domestic or international event (such as air accidents, an epidemic or terrorism) could significantly impact the demand for airline travel and, as a result, the demand for accommodation in Australia.

There is a risk that if the Australian dollar appreciates, this will lead to higher levels of Australians travelling overseas (in order to take advantage of relatively cheaper costs abroad) and lower levels of international travellers visiting Australia (due to the relative increase in the cost of travelling in Australia). This could lead to a significant reduction in the level of demand for Mantra Group's accommodation from domestic and international travellers. Increased interest rates and levels of inflation may impact the payments which Mantra Group is obligated to make (or the costs it incurs) under its debt facilities, including the New Banking Facility, and other contractual arrangements (for example, Leases).

It is also possible that an event could occur in a region where Mantra Group operates (for example, a tsunami or other substantial weather event, or a terrorist attack) which dramatically affects the tourism or travel industry and the demand for accommodation in that destination. As a result, there could be a significant reduction in occupancy rates and average room rates in Mantra Group's properties in that region, and a material adverse impact on Mantra Group's operating and financial performance.

These events (or a combination of these events) could result in a material adverse impact on the future operating and financial performance of Mantra Group and the value of an investment in Shares.

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5.1.2 Mantra Group may lose its contractual rights to provide accommodation or other services at key properties

Mantra Group does not own any of the properties in its portfolio[1], rather its interest in the properties and its right to operate its business at these properties is derived from its contractual arrangements with the owners of the properties.

Mantra Group generates a substantial proportion of its revenue through these contractual arrangements and relies on securing its interest in the properties in order to provide accommodation (and related services, such as restaurant operations) to its customers. As a result, Mantra Group's future operating and financial performance depends, to a large extent, on its ability to preserve these contractual arrangements (and its interest in the properties) and maintaining good relationships with bodies corporate, lessors and other property owners.

There is a risk that these contractual arrangements may not be renewed by property owners at the expiration of their term or that Mantra Group is unable to renegotiate the contractual arrangements on favourable terms. In addition, there is a risk that in some circumstances Mantra Group's existing contractual arrangements could be terminated by property owners before the end of their term, whether by default of Mantra Group (for example, if Mantra Group does not satisfy its obligations under the relevant change of control provisions applicable to the contractual arrangements) or otherwise.

If these risks materialised (particularly in relation to one of Mantra Group's key properties or in relation to a number of its properties at the same time), this could have a materially adverse effect on Mantra Group's future operating and financial performance and the value of an investment in Shares.

5.1.3 Risks relating to the operating structures used by Mantra Group to operate the properties in its portfolio

5.1.3.1 Leases

Mantra Group operates a significant number of key properties in its portfolio (by location, size and value) under lease arrangements with the owner of the property, including a substantial proportion of its high value CBD properties (refer to Section 3.4.1.1 for further information on Mantra Group's Lease operating structure).

Upon expiration of the term of any of its lease arrangements (including renewals), there is a risk that the lease arrangements are not renewed, whether as a result of the property owner choosing not to renew or seeking to increase the rent or other costs or expenses payable by Mantra Group to such an extent that Mantra Group chooses not to renew the lease arrangements. If Mantra Group were to incur significant additional fees or expenses or lose its leasehold rights in any of its key properties operated under lease arrangements it could experience a material reduction in revenue and profitability.

Under lease arrangements, Mantra Group is required to pay significant rent or other fees to the property owner for the duration of the term of lease, regardless of whether the property is occupied by Mantra Group's customers. If Mantra Group fails to find a sufficient number of customers to occupy these properties during the term of the lease arrangement (for example, due to an economic downturn) this may have a materially adverse effect on Mantra Group's future operating and financial performance and the value of an investment in Shares.

5.1.3.2 Management Letting Right (MLR) arrangements

A significant number of key properties in Mantra Group's portfolio are operated by it under Management Letting Right (MLR) arrangements (refer to Section 3.4.1.2 for further information on Mantra Group's MLR operating structure). MLR arrangements are subject to certain statutory restrictions which may limit the duration of the terms of agreements with bodies corporate or provide "without cause" termination rights for the agreements with apartment owners (refer to Section 3.8 titled "Regulatory Environment").

Under MLR arrangements, there is a risk that apartment owners cease to use Mantra Group (or its representatives) as their letting agent and Mantra Group loses the fees it would have received in relation to those apartments. This may be due to actions within or outside of the control of Mantra Group; for example, a reduction in service quality, reputational issues, a reduction in price competitiveness or an increase in competition amongst letting agents.

When the terms of certain MLR arrangements with bodies corporate expire, the agreements may be required to be renegotiated and renewed by a resolution of the relevant body corporate. There is a risk that a body corporate will not grant Mantra Group a renewal of its agreement or an agreement on commercial terms acceptable to Mantra Group. Forced sale provisions may also apply to MLR arrangements which require Mantra Group to transfer its management and letting rights to another manager (at market value) by a majority vote of apartment owners in the letting pool.

Given these regulatory requirements, Mantra Group's properties that are subject to MLR arrangements may be more exposed to the risk that those contractual arrangements are either terminated early or not renewed. If a significant number of apartment owners ceased to use Mantra Group (or its representatives) as their letting agents, this may have a material adverse effect on its future operating and financial performance.

In addition, MLR properties (as "managed investment schemes") are required to comply with certain Corporations Act and exemption notice requirements and conditions. If Mantra Group (or its individual representatives) breaches these requirements, there is a risk that Mantra Group may lose its letting rights, and experience a reduction in its operating and financial performance, which may in turn reduce the value of an investment in Shares.

Some owners of MLR properties have entered into agreements (for example, general tenancy agreements) with Mantra Group which require it to meet certain performance requirements or guarantee a minimum level of income to the owner, regardless of whether the property is occupied. If Mantra Group fails to meet such requirements, there is a risk that it may still have to pay ongoing income to the property owners for the term of the arrangement or that it loses letting (or other) rights in relation to the property.

1. Mantra Group has freehold ownership in certain areas of some properties in its portfolio (for example, the lobby, restaurant, conference or other areas).

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5.1.4 Reduction in the reputation and value of Mantra Group's brands

Mantra Group's brands (and related intellectual property) are key assets of the business. There is a risk that the reputation and value associated with these brands could be adversely impacted by particular events or other factors that are within and outside of Mantra Group's control.

Mantra Group derives a substantial portion of its revenue from luxury/premium accommodation, which may be particularly sensitive to the quality and consistency of services that Mantra Group provides. A reduction in overall customer satisfaction with Mantra Group's services could impact on the value of Mantra Group's brands and its reputation and have a significant impact on the future operating and financial performance of Mantra Group and the value of an investment in Shares.

Actions or events outside of Mantra Group's control, including actions of its partners or brand ambassadors, could negatively impact on the general public's trust or perception of Mantra Group and the value of its brands. Some of the properties in Mantra Group's portfolio are operated by third parties who pay Mantra Group to use its brands. There is a risk that actions of these third parties are attributed to Mantra Group or have an adverse impact on the value of Mantra Group's brands.

The impact of the events and risks described above on Mantra Group's business could be particularly severe if Mantra Group became subject to a dispute or litigation, or if negative information relating to the Mantra Group entered the public domain through the media (including social media).

Significant erosion in the value or reputation of Mantra Group's brands could have an adverse flow-on effect for customer loyalty, relationships with property owners, employee retention rates and the demand for Mantra Group's services, all of which could adversely affect the future operating and financial performance of Mantra Group and the value of an investment in Shares.

Mantra Group has invested significant amounts in pursuing a strategy targeted at increasing brand awareness. There is a risk that this strategy will prove to be ineffective or will not have the desired effect in relation to Mantra Group's brands.

5.1.5 Exposure to changes in government regulation

Mantra Group's business is subject to a number of laws and regulations relevant to the accommodation, property management and hospitality industries generally (for further information, refer to Section 3.8 titled "Regulatory Environment").

It is possible that the industries in which Mantra Group operates become subject to higher levels of regulation. There is a risk that governments and courts may from time to time make decisions that change the applicable legislation in the accommodation industry (particularly in relation to letting agents and MLR properties[2]) or how it has been interpreted. These decisions could have adverse effects on Mantra Group's business including its commission structures, compliance costs and capital expenditure requirements which could adversely affect profitability.

In particular, changes in strata laws and building regulations and codes (for example, for class 2 or 3 buildings) could have adverse effects on Mantra Group's business by introducing additional requirements for properties managed by Mantra Group, including requirements to upgrade or refurbish properties, the cost of all or part of which might be required to be funded by Mantra Group. There is also a risk that courts could make rulings (for example, in relation to the reclassification of buildings to higher classes with additional requirements) that could directly or indirectly impact Mantra Group.

If Mantra Group fails to transition to new regulatory requirements, or the additional requirements impose costs that reduce Mantra Group's profitability and makes management of certain properties in its portfolio unprofitable, Mantra Group could experience a reduction in operating and financial performance which could impact the value of an investment in Shares.

Mantra Group is required to comply with various statutory requirements in relation to its properties, including to hold and maintain licences which may impose a number of conditions and requirements on Mantra Group (for example, property licences and liquor licences). There is a risk that Mantra Group or its representatives breach conditions of these licences or other statutory or other requirements. This may result in the relevant licence being suspended or revoked and Mantra Group's business ceasing to operate in a certain area or jurisdiction. Mantra Group could be exposed to penalties or other claims, and a loss of reputation, which could affect Mantra Group's operating and financial performance and the value of an investment in Shares.

5.1.6 Limited development options and ability to respond to changing geographic or sector-specific demand for accommodation

Mantra Group may not be in a position in the future to grow its business because of a limited supply of new properties available to the accommodation industry in Australia (including those subject to the competitive bid process).

Whilst Mantra Group's strategy is to enhance the level of diversification in its property portfolio, there is a risk that Mantra Group may not have the flexibility to respond quickly to changes in geographical or sector-specific customer demand or competitive threats because it is unable to obtain new properties in the required timeframe due to a limited supply of new properties being made available. The lack of supply of new accommodation in the Australian accommodation industry may also increase the costs faced by Mantra Group to secure new or existing properties in the future. This could result in a deterioration of Mantra Group's competitive position, which in turn could materially adversely impact its future operating and financial performance and the value of an investment in Shares.

2. For example, the *Property Occupations Act 2014* (Qld) and the *Agents Financial Administration Act 2014* (Qld) which were recently enacted in Queensland (refer to Section 3.8 for further information).

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Mantra Group relies on good relationships with property developers and MLR brokers as sources of future opportunities to manage properties. Although Mantra Group has in the past maintained good relationships with the persons highlighted in this section, there is a risk that Mantra Group may not continue to receive opportunities from these sources, including if an event occurs which damages Mantra Group's reputation. This may impact on the growth of Mantra Group's business and adversely impact its future operating and financial performance and the value of an investment in Shares.

5.1.7 Responsiveness to changes in consumer behaviour and use of online technology

The accommodation industry is continuing to move away from traditional distribution channels to online technologies (for example, search engines and price comparison platforms). Consumers of accommodation are increasingly making transactions online and are more price conscious and sensitive to new technology.

If Mantra Group does not respond in the appropriate way (or at all) to changing consumer behaviour or technologies, there is a risk that it may experience a deterioration in its brand awareness, competitive position, the attractiveness of its business to new or existing consumers, or its effectiveness in reaching new or existing customers or making correct pricing decisions. As a result, Mantra Group could experience a reduction in its future revenue and profitability which may in turn reduce the value of an investment in Shares.

5.1.8 Integrity and effectiveness of Mantra Group's technology systems and distribution channels

The value and performance of Mantra Group's business is dependent upon the maintenance, development and effective operation of its existing technology and any new technologies. In particular, Mantra Group's MG-Res IT platform provides centralised services to its individual properties and includes distribution functions which enable it to reach customers and appropriately price its accommodation.

There is a risk that Mantra Group's technology (including its IT platform) could experience technical problems, or incur material expansion or other costs, which require significant additional investment from Mantra Group or reduce the effectiveness of Mantra Group's distribution channels in reaching customers. There is also a risk that rapid online technology changes make technology acquired or developed by Mantra Group obsolete, which may adversely affect Mantra Group's financial performance by requiring greater levels of capital expenditure to replace or update that technology or reduce the effectiveness of Mantra Group's distribution channels in reaching customers.

A significant amount of consumer transactions relating to Mantra Group's business are made online through third party booking sites. As a result, Mantra Group relies on customers having confidence in the security of online transactions and the internet generally, including the protection of their personal information. Mantra Group has limited control and influence over the security measures of third party online service providers (including payment providers). Any compromise of the security of Mantra Group's customers could have an undue adverse effect on Mantra Group's business, reputation and financial performance.

5.1.9 Loss of key management personnel

Mantra Group's success depends to a significant extent on its key personnel, and its ability to attract and retain experienced and high performing personnel. The current Senior Management team has extensive experience in, and knowledge of, Mantra Group's business and the accommodation industry.

The loss of key management personnel, or any delay in their replacement, may therefore adversely affect Mantra Group's ability to develop and implement its business strategies or increase the cost of obtaining appropriate personnel. This may result in a material adverse impact on Mantra Group's future operating and financial performance, and the value of an investment in Shares.

5.1.10 Quality of Mantra Group's staff and ability to attract new talent

The quality of services that Mantra Group provides to its customers at its properties and the value of its brands depends to a significant degree on the quality and skillset of Mantra Group's staff (including its temporary and full-time employees and its casual staff).

Mantra Group is of the view that there is a growing shortage of appropriately skilled workers in the accommodation industry in Australia and a high degree of competition between accommodation providers to attract the top staff. There is a risk that Mantra Group is unable to find suitable replacements for departing staff members, and its ability to access talent pools and attract new talent is reduced, such that it is unable to appropriately grow its workforce as new properties are added to its portfolio without reducing the quality of services it provides. As a result, the value of Mantra Group's brands may be reduced, which could have a material adverse effect on the value of Mantra Group's business and its financial and operational performance.

5.1.11 Increased competition from online travel agents or accommodation providers

Mantra Group is of the view that the level of competition in the Australian accommodation industry has intensified as a result of the high growth rates of tourists and domestic travellers, and the emergence and growth of low cost airline carriers.

There is a risk that growth in the use of online technology will strengthen the competitive position of travel providers to operate across multiple markets (including the accommodation industry) by providing packages of products at competitive rates. This could result in increased competition for Mantra Group, a reduction in its market share for its own distribution channels, and increased costs for new marketing initiatives, all of which could impact Mantra Group's profitability. There is a risk that the actions of an existing competitor or the entry of new competitors in a segment of the market in which Mantra Group operates may make it difficult for Mantra Group to grow or maintain its own channel revenues, which in turn may impact its revenues and profitability.

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5.1.12 New developments or future acquisitions of properties might not achieve forecasted returns

As described in Section 4.9.2.2, Mantra Group has a pipeline of new developments and acquisitions of management rights in properties which have not yet been finalised or completed with the property owners. Some of these properties are subject to the satisfaction of certain conditions precedent by the property owners, which may or may not be within the control of Mantra Group. The future financial performance of certain of these developments or acquisitions has been built (to varying degrees) into the Forecast Financial Information (refer to Section 4.9.2.2 for further information on the accounting treatment of pipeline developments/acquisitions in the Forecast Financial Information).

Mantra Group may not ultimately finalise its right to operate a planned new development/property. There is also a risk these planned new developments or properties (if finalised) may not perform to the level expected by Mantra Group due to events within or outside of its control (for example, as a result of a lack of international brand awareness or a failure of Mantra Group's IT or distribution systems to operate effectively to support global expansion). As a result, Mantra Group may not be able to achieve the returns forecasted in the Forecast Financial Information in relation to these planned new properties/developments and its future financial and operational performance, and the value of an investment in Shares, could be materially adversely affected.

5.1.13 Future strategies and initiatives might not meet their objectives

Mantra Group's future success is dependent on its ability to develop and execute appropriate strategies and initiatives, including those strategies and initiatives described in Section 3.9. Mantra Group's current strategies to grow brand awareness, portfolio size, and increase the efficiency of its centralised distribution systems, may not be successful in part or at all. If key strategies are ineffective or are achieved later than expected, Mantra Group's future financial performance could be adversely affected.

Any growth in Mantra Group's business may expose Mantra Group to integration risk, including achieving reduced average property costs and other benefits of economies of scale. With a larger portfolio, there is a risk that this growth strategy, if it is not appropriately controlled and implemented by Mantra Group, could impact overall service levels, and the quality of Mantra Group's brands and reputation.

5.1.14 Counterparty risk

There is a risk that property owners default on their lease or other contractual obligations. This may include failing to pay fees to Mantra Group or failing to repair or maintain properties in Mantra Group's portfolio in the manner required. This may result in an adverse impact on Mantra Group's financial performance, either directly (through unrecovered revenue) or indirectly (for example, by a loss of value of Mantra Group's brands or its reputation as a result of a deterioration in the quality of accommodation marketed by Mantra Group).

There is also a risk that customers staying in Mantra Group's portfolio properties take actions which cause damage (for example, fire damage) or otherwise affect other customers at the property. This could expose Mantra Group to litigation, reputational, or other risks which may adversely impact the future operating and financial performance of Mantra Group.

5.1.15 Restrictions imposed under the Mantra Group's New Banking Facility and default/ refinancing risk

Mantra Group Holdings Pty II Ltd has entered into a New Banking Facility (as described in Section 9.5), which will take effect from Completion, and under which the existing bank facilities of the Mantra Group (including Mantra Group and its subsidiaries) will be refinanced.

Mantra Group is a guarantor under the New Banking Facility and, in addition, security has been granted to the Lenders in respect of the assets of the Mantra Group. Under the New Banking Facility, Mantra Group gives a number of covenants and undertakings, including in relation to leverage, fixed charge and interest cover ratios. There are also restrictions on incurring financial indebtedness, financial accommodation, and making unpermitted investments and acquisitions.

An event of default could occur if Mantra Group fails to maintain the financial covenants described above. This may be caused by an unfavourable movement in interest rates or deterioration in the income or value of Mantra Group's business. Payment of dividends and distributions by Mantra Group will only be permitted under the New Banking Facility provided that there is no actual or potential event of default or review event subsisting, or will immediately occur as a result of the dividend or distribution. There is a risk that Mantra Group may not be able to pay dividend or other distributions to its Shareholders because of the restrictions in the New Banking Facility. In the event that an event of default occurs, the lenders may require immediate repayment of the facility. Mantra Group may need to dispose of some of its assets at less than face value in order to repay the facility.

Mantra Group is subject to the risk of not being able to refinance its debt under the New Banking Facility when it falls due. If this occurs, the terms available to Mantra Group (including in relation to pricing) on refinancing with a new bank facility may not be on as favourable terms as its existing bank facilities. In addition, Mantra Group may in the future require additional debt or equity capital in order to fund capital expenditure and any acquisitions, among other things. There is a risk that Mantra Group may be unable to access debt or equity funding from capital markets on terms favourable to Mantra Group, or at all.

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5.2 GENERAL RISKS OF AN INVESTMENT IN MANTRA GROUP

5.2.1 Price of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if Mantra Group's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Mantra Group operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Mantra Group specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

5.2.2 Existing Shareholders retain a significant stake in Mantra Group post-Listing

Following Completion, the Existing Shareholders will hold 43.3% of the issued capital of Mantra Group and the Board will continue to contain Directors who were nominated by the Existing Shareholders.

In addition, on or immediately prior to Completion, Directors (other than the Chairman, Peter Bush) and Senior Management of Mantra Group will be issued Shares in exchange for Options which they held prior to the Offer.

108,000,000 Existing Shares, representing 43.3% of the issued capital of Mantra Group, will be subject to escrow restrictions until the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX (subject to certain exceptions, see Section 7.7 for more details). There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction, or sooner, in the event an exception to the restriction is available. In addition, the Existing Shareholders have entered into a Co-ordination Deed that governs the rights and obligations of EV Hospitality and UBSAHPL (as between themselves) with respect to sales of their respective shareholdings in Mantra Group following release of the voluntary escrow arrangements (see Section 9.3.3 for further details).

The Existing Shareholders and other Escrowed Shareholders may not be long-term holders of the Shares. A significant sale of Shares by some or all of the Existing Shareholders or the other Escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.2.3 Exposure to changes in tax rules or their interpretation

Tax rules or their interpretation in relation to equity investments, divestments and other transactions entered into in the ordinary course of Mantra Group's business may change. In particular, both the level and basis of taxation may change.

In addition, from time to time the Australian Taxation Office also reviews the tax treatment of transactions entered into by Mantra Group. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Mantra Group.

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5.2.4 Risk of Shareholder dilution

In the future, Mantra Group (or its subsidiaries) may elect to issue Shares in connection with fundraisings, including raising proceeds, for acquisitions Mantra Group may decide to make. While Mantra Group (and its subsidiaries) will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

5.2.5 Litigation risk

In the ordinary course of its business, Mantra Group is subject to the risk of litigation and other disputes with its employees, tenants, lessors, bodies corporate, regulators, partners, competitors and other third parties. Proceedings may result in high legal costs, adverse monetary judgements and/or damage to Mantra Group's reputation, which could have an adverse effect on the financial performance of Mantra Group's business.

5.2.6 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of Mantra Group and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Mantra Group's services and its ability to conduct business.

Mantra Group has a limited ability to insure against some of the risks mentioned above.

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SECTION 6

KEY PEOPLE INTERESTS & BENEFITS

PEPPERS

PEPPERS CRAIGIEBURN, BOWRAL

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6.1 BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.1.1 Experience and background

Director	Experience
	**Peter Bush** *Independent Non-Executive Director and Chairman* • Peter has been involved in the Fast Moving Consumer Goods industry for over 30 years and has held a range of directorships and executive roles with various companies since 1990, including Chief Executive Officer of ABG-McNair Australia Limited, Schwarzkopf Australasia and McDonald's. • Peter was formerly an Executive Director of McDonald's Australia Limited from 2003 to 2010 (serving as Chairman from 2006 to 2010) and each of McDonald's Restaurants New Zealand Ltd and McDonald's South Africa from 2005 to 2010. During this time, Peter was also a Non-Executive Director of Ronald McDonald House Charities. • More recently, Peter was Chairman of Nine Entertainment Holdings from 2011 to 2013 and led the Nine team in the refinancing of the business over the course of 2012. • Peter is currently a Non-Executive Director and Chairman of Pacific Brands Limited and is a member of Pacific Brands Limited's Nominations Committee, and a Non-Executive Director of Insurance Australia Group Limited (IAG) and a member of IAG's Remuneration Committee. • Peter holds a Bachelor of Arts from Macquarie University. • Peter is a Fellow of the Australian Marketing Institute.
	**Kerry Robert East (Bob East)** *Chief Executive Officer* • Bob joined Mantra Group in 2006 and was appointed Director and Chief Executive Officer in 2007. • Bob is a Director of all of the Mantra Group companies and has more than 20 years' industry experience. • Prior to joining the Mantra Group, Bob held senior management and development roles with Daikyo Australia and Mirvac and spent two years working in Asia in Tourism and Travel. • Bob is the Chair of the Tourism and Transport Forum's Accommodation Sector Panel (TTF) and a Board Member of the Gold Coast Tourism Board, the Gold Coast Football Club (AFL), Tourism and Transport Forum and the Tourism Accommodation Association. Bob holds a Master of Business Administration from the University of New England. • Bob is a member of the Australian Institute of Company Directors.
	**Andrew Cummins** *Non-Executive Director* • Andrew was appointed a Non-Executive Director of the Company in July 2009 as a representative of EV Hospitality (a substantial shareholder of the Company) and served as Chairman from July 2009. • Andrew is a member of the Company's Audit and Risk Management Committee and the Nomination and Remuneration Committee. • Andrew is the Chairman or a director of a number of CVC portfolio companies or CVC related entities and has been a director of a number of global companies in a broad range of industries, including Inchcape Plc from 1992 to 1997, Pacific Brands Limited from 2004 to 2010 and Nine Entertainment Co. Pty Ltd from 2008 to 2013. He is currently a director of Helloworld Limited (formerly Jetset Travelworld Group Limited). • Previously, Andrew was a consultant with CVC Capital Partners and joined the partnership of CVC Asia Pacific Hong Kong when it was formed in 2000. Since 2005 he has been an advisor to CVC and is currently Chairman of the Pan Asia Team. • Andrew received a Bachelor's degree in Engineering from Monash University, a Graduate Business Degree from The University of Newcastle and an MBA from Stanford University.

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Director	Experience
	**Elizabeth Gaines** *Non-Executive Director* • Elizabeth was appointed a Non-Executive Director of the Company as a representative of EV Hospitality (a substantial shareholder of the Company) and member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Mantra Group in June 2009. • Elizabeth is the Chief Executive Officer (Executive Director) of Helloworld Limited (formerly Jetset Travelworld Group Limited) and is a Non-Executive Director of Fortescue Metals Group Limited. • Elizabeth's previous roles include Chief Operating Officer and Chief Financial Officer of Helloworld Limited (formerly Jetset Travelworld Group Limited), Chief Financial Officer of the Stella Group (which included the business now owned by the Company), Chief Finance and Operations Director of UK-based Entertainment Rights Plc. and Chief Executive Officer of Heytesbury Pty Limited. • Elizabeth has also held senior treasury and finance roles at Bankwest in Australia and Kleinwort Benson in the UK. • Elizabeth received a Bachelor of Commerce from Curtin University, a Master of Applied Finance from Macquarie University and qualified as a Chartered Accountant with Ernst & Young. • Elizabeth is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.
	**David Gibson** *Independent Non-Executive Director* • David was appointed as an Independent Non-Executive Director of the Company in March 2011 and is a member of the Company's Nomination and Remuneration Committee. • David is currently Chairman of Sunotel Corporation and a Non-Executive Trustee Director of Host-PLUS Superannuation. • David has over 35 years' experience in the tourism industry and prior to joining the Company, held various roles over a 14 year period with Jones Lang LaSalle Hotels, most recently as Chief Executive Officer, Asia Pacific. • David received a Diploma in Financial Markets from the Securities Institute of Australia. He is a Licensed Real Estate Agent. • David is a member of the Australian Institute of Company Directors and a Founding Executive Advisory Board Member of the Bond University School of Hotel Resort and Tourism Management.

The composition of the Company's Board committees and a summary of its key corporate governance policies are set out in Section 6.4.

EV Hospitality will have a continuing right to appoint one nominee Director after Completion, as well as the right to a board observer (see Section 9.3.2).

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6.2 SENIOR MANAGEMENT

Profiles of the Company's Senior Management team are set out below.



Kerry Robert East (Bob East)

Chief Executive Officer

Refer to Section 6.1.



Steven Becker

Chief Financial Officer

- Steven was appointed Chief Financial Officer of Mantra Group in November 2007.
- Steven has overall responsibility for the finance, IT, procurement and legal, risk and governance areas of the Company's business.
- Prior to joining Mantra Group, Steven held a number of senior roles, including Leader of Global Operations at Flight Centre Ltd and prior to that worked in corporate finance for Ernst & Young.
- Steven holds an MBA from Herriot Watt Business School, a Graduate Diploma in Investment and Finance and a Bachelor of Commerce Degree from the University of Queensland.
- Steven is a member of the Institute of Chartered Accountants, the Financial and Securities Institute of Australia. Steven is also a member of the Australian Institute of Company Directors.



Tomas Johnsson

Executive Director of Operations

- Tomas joined Mantra Group in July 2007.
- As Executive Director of Operations, Tomas is responsible for all hotel and resort operations across the Company's brands in Australia and New Zealand.
- Tomas has over 25 years' experience in senior management roles in the tourism industry.
- Prior to joining the Company, Tomas was the Senior Asset Manager for General Property Trust, responsible for its leisure portfolio including Sheraton Four Points Darling Harbour, Ayers Rock Resort and Voyages Resorts. Tomas has also held senior management roles with Mirvac and Rydges Hotels.
- Tomas is a member of the Australian Institute of Company Directors.



Kent Davidson

Executive Director Sales, Marketing & Distribution

- Kent joined Mantra Group in July 2002 as Group General Manager – Sales & Marketing of Peppers Retreats and Resorts and took on the role of Group General Manager of Peppers in 2004.
- Kent is responsible for the overall management and control of Mantra Group's revenue functions, including sales, marketing and distribution.
- Kent has more than 20 years' sales and marketing experience in the hospitality industry both internationally and in Australia.
- Kent holds a Bachelor of Business (Marketing) from Charles Sturt University.
- Kent has served as a member of the Tourism NSW Regional Advisory Board and the Tourism Australia Domestic Advisory Board.

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Kevan Funnell

General Manager Finance

- Kevan joined Mantra Group as General Manager Finance in March 2006.
- Kevan is responsible for the management of the Mantra Group's operational finance functions including historical and forecast reporting and analysis of all segments.
- Kevan has over 22 years' experience in senior finance roles in the hospitality industry, including in the Marriott International and Sheraton Hotel Groups.
- Prior to joining the hospitality industry, Kevan worked as a Chartered Accountant with Ernst & Young in Brisbane.
- Kevan holds a Bachelor of Business (Accounting) from the Queensland University of Technology, Brisbane.
- Kevan is a member of the Institute of Chartered Accountants.



Cherie McGill

Group General Manager Human Resources

- Cherie joined Mantra Group in 2004.
- As Group General Manager Human Resources, Cherie is responsible for the human resources practices for all brands across the organisation, including payroll, OH&S, learning and development and corporate social responsibility.
- Cherie has over 15 years' experience in the human resources sector.
- Cherie has held senior human resource management positions with both the Saville Hotel Group and P&O Australian Resorts.
- Cherie is a member of the Australian Human Resources Institute and is an advisory board member for the Southern Cross University Tourism and Hospitality School.



Michelle Lalli

Group Asset Manager

- Michelle joined Mantra Group as Group Asset Manager in 2005.
- Michelle is responsible for the maintenance and renewal of all contracts relating to Mantra Group's Management Letting Rights business, managing investor relationships and ensuring all company policies and business processes are in accordance with applicable legislation.
- Michelle has more than 14 years' experience in the hospitality industry and is a Licensed Real Estate Agent.
- Prior to joining the Company, Michelle worked as Licensed Director with Sunleisure, which developed and operated properties such as Palazzo Versace.



Mark Hodge

Director of Resort Operations

- Mark joined Mantra Group in September 2006.
- As Director of Resort Operations, Mark has operational responsibility across all three Mantra Group brands for Northern New South Wales, Queensland, New Zealand and Fiji.
- Mark has over 28 years' experience in the tourism and hospitality industry spanning both corporate and leisure portfolios.
- Prior to joining the Company, Mark held various senior executive management roles including Group General Manager of Southern Cross Hotel Group.
- Mark holds a Certificate IV in Property Services (Real Estate) from Property Training Queensland.
- Mark was previously a Director on the National Board of Accommodation Association of Australia (AAoA) and previously represented Tropical North Queensland as Regional Chairman for the Hotel, Motel and Accommodation Association (the predecessor of AAoA).

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Luke Moran

Group Director of Revenue and Distribution

- Luke joined Mantra Group in 2009 as General Manager, Revenue.
- Luke is directly responsible for Mantra Group's revenue management teams, central reservation system (MG-Res) and distribution of rates and inventory.
- Luke has over 20 years' experience in the hospitality industry both internationally and in Australia, and has held operational roles across multiple international brands, including Holiday Inn, Starwood, Hayman Island and the Langham Group.
- Luke holds a Diploma in Hospitality Management from Gen'sis Solutions.
- Luke is a member of the Bond University Hotel, Resort and Tourism Management Advisory Board.



Michael Moret-Lalli

Director of Acquisitions

- Michael joined Mantra Group in June 2008 as Regional General Manager for Southern Gold Coast and Northern NSW regions, and was appointed as the Director of Acquisitions in 2010.
- Michael is responsible for driving the expansion of Mantra Group's Peppers, Mantra and BreakFree brands into the Australian, New Zealand and South-East Asia markets.
- Michael has more than 20 years' experience in the hospitality sector including fund and asset management roles over the Park Hyatt Sydney and Sheraton Mirage Resorts, and various senior management roles for Accor Hotels, Outrigger Hotels and Resorts and Southern Pacific Hotel Corporation.
- Michael holds a Bachelor of Business from The University of Queensland.



Garry Rich

Group General Manager IT

- Garry joined Mantra Group in August 2005.
- As Group General Manager IT, Garry is responsible for developing and delivering operational technology, services and infrastructure for Mantra Group.
- Garry has over 15 years' experience in the IT industry.
- Prior to joining the Company, Garry held positions with various internet service providers and software development companies.
- Garry holds a Graduate Certificate in Management (Information Technology) and an MBA from Charles Sturt University.



Fiona Van Wyk

Company Secretary

- Fiona joined Mantra Group in 2007 as Group Company Secretary.
- Fiona has over 20 years' experience in the company secretariat sector.
- Prior to migrating from South Africa in 2006, Fiona worked for KPMG, where she headed the Company Secretarial Department within the Private Business Services Division. Fiona has also worked in a variety of senior consultancy roles where she provided advice to both private and publicly listed companies.
- Fiona is a qualified Chartered Secretary and holds a Diploma in Corporate Law from the University of Johannesburg (formerly the Rand Afrikaans University).
- Fiona is a Member of the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia (formerly known as Chartered Secretaries Australia).

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6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Macquarie Capital (Australia) Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.4;
- Highbury Partnership Pty Limited has acted as Financial Adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, up to 0.5% of Enterprise Value[1] (excluding disbursements and GST) for the services up to the date of this Prospectus;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $1,650,000 (excluding disbursements and GST) for the services up to the date of this Prospectus. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant on, and has performed work in relation to due diligence enquiries, the Financial Information in relation to the Offer and has performed work in relation to its Investigating Accountant's Report in Section 8. The Company has paid, or agreed to pay, approximately $775,000 (excluding disbursements and GST) for these services up to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under time-based charges;
- PricewaterhouseCoopers has acted as taxation adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $425,000 (excluding disbursements and GST) for these services up to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers under time-based charges;
- Bell Gully has acted as New Zealand legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ$99,128 (excluding disbursements and New Zealand goods and services tax) for the services up to the date of this Prospectus. Further amounts may be paid to Bell Gully in accordance with its normal time-based charges; and
- Hickey Lawyers has acted as specialist property legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $202,090 (excluding disbursements and GST) for the services up to the date of this Prospectus. Further amounts may be paid to Hickey Lawyers in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

UBS Australia Holdings Pty Limited (an affiliate of UBS AG, Australia Branch) will receive, at Completion, the repayment of the existing shareholder debt owed by Mantra Group to UBS Australia Holdings Pty Limited of $51.5 million. In addition, the Company will be paying a fee of $4.0 million to UBS AG, Australia Branch at Completion pursuant to an exit fee letter entered into between the Company and UBS AG, Australia Branch as part of a refinancing of the Company's debt in April 2013, as well as an amount to UBS Australia Holdings Pty Limited of up to $390,000 (excluding GST) to reimburse it for its costs in connection with the Offer.

1. Enterprise Value is calculated as the market capitalisation at the Offer Price plus pro forma net debt as at 31 December 2013 as set out in Section 4.4.2.

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6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director to the Company. However, under the Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

This amount has been fixed by the Company at $1,500,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. The Listing Rules require that the remuneration of Directors must not include a commission on, or a percentage of, operating revenue.

Annual Directors' fees to be paid by the Company are $250,000 to the Chairman, Peter Bush, and $125,000 to each of Andrew Cummins, Elizabeth Gaines and David Gibson.

In addition to the above Directors' fees, the Chairman of the Audit and Risk Management Committee will be paid $15,000 annually and each member of this committee will be paid $10,000 annually for their services provided to that committee. The Chairman of the Nomination and Remuneration Committee will be paid $15,000 annually and each member of this committee will be paid $10,000 annually for their services provided to that committee. The Chairman is not entitled to receive any fees for acting as a member of a committee.

All Directors' fees are stated exclusive of superannuation at 9.5% in addition to the respective amounts.

6.3.2.2 Reimbursement of other expenses properly incurred by Directors and other remuneration

Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company including travel and other expenses in attending to the Company's affairs.

If a Director renders or is called on to perform extra services or to make any special exertions in connection with the affairs of the Company, the Directors may arrange for a special remuneration to be paid to that Director, either in addition to or in substitution for that Director's remuneration set out in this Section 6.3.2.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

6.3.2.3 Deeds of access, insurance and indemnity

The Company has entered into deeds of access, indemnity and insurance with each Director, which confirms and extends the Director's general law rights of access to certain books and records of the Company and its subsidiaries for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before that seven year period expires.

Pursuant to the Constitution, the Company must indemnify any current and former Directors and officers of the Company against any liability incurred by that person in that capacity, including legal costs, for the period from when the person becomes a Director or officer until seven years after the person ceases to be a Director or officer of the Company or its subsidiaries. The deed provides that the Company must advance to the Director, costs reasonably incurred by the Director in conducting or defending certain proceedings.

The Constitution also allows the Company to enter into and pay premiums on contracts insuring any liability incurred by any current and former Directors and officers of the Company, which is incurred by them in that capacity, including legal costs, for the period from when the person becomes a Director or officer until seven years after the person ceases to be a Director or officer of the Company. Accordingly, the deed requires the Company to maintain, to the extent permitted by law, an insurance policy, which insures the Director against liability as a Director and officer of the Company from the date of the deed until the date which is seven years after the Director ceases to hold office as a Director of the Company.

6.3.2.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

As at the Prospectus Date, the Directors (except for Peter Bush) and all members of Senior Management hold (in aggregate) share options over the Shares pursuant to management equity plans currently in place (Options), which would represent approximately 9.1% of the fully diluted share capital of the Company (as at the Prospectus Date) if converted to Shares. The Options are exercisable at the Company's discretion and are held subject to the terms of option deeds. As at the Prospectus Date, there are 1,795,742 Options on issue which, depending on the type of option, are exercisable for either nil consideration or $1.00 per Option. It is intended that no more than 37.8% of these Options will be bought back by a member of the Mantra Group and cancelled in exchange for cash and the other proportion of the Options will be exercised in exchange for new Shares on or immediately prior to Completion.

The Options that are cancelled will be bought back by a member of the Mantra Group at a price equal to $13.89 per Option. Each Option that is exercised will result in the issue to the relevant option holder of 7.7188 new Shares by the Company.

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The Directors' interests in Shares and other securities in the Company as at the Prospectus Date and upon Completion are set out below.

Directors	Shares held on the Prospectus Date	Shares held on Completion[1]	Options held as at the Prospectus Date	Options held on Completion
Peter Bush	0	0	0	0
Bob East	0	2,315,638	500,000	0
Andrew Cummins	0	1,466,570	250,000	0
Elizabeth Gaines	0	1,157,819	250,000	0
David Gibson	0	93,559	20,202	0

Directors may hold their interests in securities shown above directly or indirectly through holdings by companies or trusts.

The Directors are entitled to apply for Shares under the Offer.

All of these Shares will be subject to voluntary escrow restrictions as outlined in Section 7.7.

6.3.2.5 Related party arrangements

The following related party arrangements have been entered into by a Director of the Company:

- loan facility whereby the Company loaned $300,000 to Bob East to subscribe for Options. Bob East will be required to repay this amount (with interest) on Listing; and
- loan facility whereby the Company loaned $100,000 to Elizabeth Gaines to subscribe for Options. Elizabeth Gaines will be required to repay this amount (with interest) on Listing.

Each of the facilities listed above are secured by a mortgage over the rights attaching to the Options in favour of the Company.

In addition, the Company has entered into a contract of employment with Bob East which is summarised in Section 6.3.3 below.

The Company has also issued certain shareholder loan notes to its Existing Shareholders (or their holding companies) for a total outstanding principal amount of $131.4 million as at the Prospectus Date. Mantra Group will issue an additional $12.3 million (in aggregate) worth of loan notes to its Existing Shareholders following Listing to facilitate the payment of the Pre IPO Dividend. All of these loan notes will be fully repaid by the Company (with interest) at Completion.

Prior to Completion, each of the Existing Shareholders will receive a Pre IPO Dividend. The Pre IPO Dividend will be paid to each Existing Shareholder in its capacity as a member of the Company pro rata according to its respective Shareholding.

The Board does not consider that there are any risks associated with these related party arrangements. The arrangements were in each case entered into prior to Mantra Group being a public company, during which time the related party provisions of the Corporations Act did not apply to the Company. Other than the contract of employment with Bob East (which in the Board's view constitutes reasonable remuneration for his role), none of the above related party arrangements will be on-going post Completion.

The Company has agreed to reimburse each of the Existing Shareholders a portion of their costs incurred in association with the Offer, subject to a cap of $390,000 (excluding GST) for UBSAHPL and $585,000 (excluding GST) for EV Hospitality (and in doing so has determined that it is not discriminating unfairly against either Existing Shareholder).

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

6.3.3 Executive remuneration

Chief Executive Officer

Mantra Hospitality Admin Pty Ltd has entered into an employment contract with Bob East to govern his employment as Chief Executive Officer of the Mantra Group. Bob East will, on and from Completion, be entitled to receive fixed annual remuneration of $564,300 plus superannuation. Bob East is entitled to a discretionary annual bonus as determined by the Board from time to time, subject to his performance against agreed key performance indicators. In addition to this, Bob East will on or around Completion be issued with 2,315,638 Shares upon the close out of the pre-existing management equity plan (see Section 6.3.2.4 for further details).

Bob East may terminate his employment with Mantra Group at any time by giving six months' notice in writing. Mantra Group may terminate Bob East's employment for any reason (including illness in specified circumstances) by giving him 12 months' notice in writing. If either party gives notice to the other, Mantra Group may make a payment in lieu of all or part of the notice period and/or direct Bob East not to attend the office, not to undertake any work or to perform limited work during any notice period of termination (during which time he will remain an employee of Mantra Group).

Mantra Group may terminate the employment of Bob East immediately and without payment in lieu of notice in certain circumstances, including serious misconduct.

2. The Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company.

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Upon termination of Bob East's employment agreement, he will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements, and does not apply where Bob East resigns as a result of a material breach of his employment agreement by Mantra Group or otherwise at the discretion of the Board.

Chief Financial Officer

Mantra Hospitality Admin Pty Ltd has entered into an employment contract with Steven Becker to govern his employment as Chief Financial Officer of the Mantra Group. Steven Becker will, upon Completion, be entitled to receive a fixed annual salary of $384,750 plus superannuation. Steven Becker is entitled to a discretionary annual bonus as determined by the Board from time to time, subject to his performance against agreed key performance indicators. In addition to this, Steven Becker will on or around Completion be issued with 1,389,383 Shares upon the close out of the pre-existing management equity plan (see Section 6.3.2.4 for further details).

Steven Becker may terminate his employment with Mantra Group at any time by giving six months' notice in writing. Mantra Group may terminate Steven Becker's employment for any reason (including illness in specified circumstances) by giving him six months' notice in writing. If either party gives notice to the other, Mantra Group may make a payment in lieu of all or part of the notice period and/or direct Steven Becker not to attend the office, not to undertake any work or to perform limited work during any notice period of termination (during which time he will remain an employee of Mantra Group).

Mantra Group may terminate Steven Becker's employment immediately and without payment in lieu of notice in certain circumstances, including serious misconduct.

Upon termination of Steven Becker's employment agreement, he will be subject to a restraint period of six months. The enforceability of the restraint clause is subject to all usual legal requirements, and does not apply where Steven Becker resigns as a result of a material breach of his employment agreement by Mantra Group or otherwise at the discretion of the Board.

Other Senior Management

The Company's other members of Senior Management are employed under individual employment agreements. These establish:

- total remuneration including base salary and superannuation contribution to a fund of the individual's election;
- eligibility to participate in an incentive scheme;
- variable termination provisions including notice periods of up to six months;
- the Company may terminate without notice or payment in lieu in the event of serious misconduct;
- non-solicitation obligations applicable for varying periods of up to 12 months' post termination. The enforceability of these provisions is subject to all usual legal requirements; and
- leave entitlements which generally reflect the minimum requirements at law.

In addition, at the date of this Prospectus, each member of Senior Management holds Options (refer to Section 6.3.2.4 for further information).

Incentive arrangements to be developed after Completion

The Company has not established a long term incentive plan (LTIP). The Board intends to consider the introduction of an appropriate LTIP which may involve the granting of options, performance rights or shares to certain employees on terms and conditions, including as to vesting and exercise, determined by the Board. If any such plan is implemented by the Board, grants under it will not be made until after publication of the Company's results in respect of FY2015. When considering whether to introduce an LTIP, the Board expects that it will seek advice from appropriately qualified remuneration consultants and take into account the nature of LTIPs utilised by comparable companies.

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations (ASX Recommendations) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Copies of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.mantragroup.com.au.

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6.4.1 Board of Directors

The Board of Directors is comprised of the Non-Executive Chairman who is independent, three Non-Executive Directors of whom one is independent and the Chief Executive Officer. The Board comprises:

- Peter Bush – Independent Non-Executive Director and Chairman;
- Bob East – Chief Executive Officer;
- Andrew Cummins – Non-Executive Director;
- Elizabeth Gaines – Non-Executive Director; and
- David Gibson – Independent Non-Executive Director.

Detailed biographies of the Board members are provided in Section 6.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director as the case may be, without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining "independence" on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers that Peter Bush is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgement and is able to fulfil the role of Independent Non-Executive Director and Chairman for the purpose of the ASX Recommendations.

Although David Gibson expects to hold 0.0339% of the Shares on Completion of the Offer (refer to Section 6.3.2.4 for further details), the Board is of the opinion that this does not compromise the independence of David Gibson as a Director due to the nominal size of the holding. Accordingly, the Board considers that David Gibson is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Bob East, Andrew Cummins and Elizabeth Gaines are currently considered by the Board not to be independent. Bob East is currently the Chief Executive Officer of the Company. Andrew Cummins and Elizabeth Gaines are representatives of EV Hospitality, a substantial shareholder of the Company.

Accordingly, as at Listing, the Board will not consist of a majority of independent Directors. Although the composition of the Board does not comply with Recommendation 2.1 of the ASX Recommendations, which requires that a majority of the Board should be comprised of independent Directors, the Board believes that independent judgement is achieved and maintained in respect of its decision-making process. In preparing for Listing, the Board has elected not to increase its size by the addition of a further two Directors in order to achieve a majority of independent Directors, because it considered that at five members, the Board is an appropriate size.

The three Directors who are not considered to be independent add significant value to Board deliberations with their considerable experience and skills. Each of these three Directors brings objective and independent judgement to the Board's deliberations. Furthermore, all Directors are entitled to seek independent professional advice as and when required.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

6.4.1.1 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It envisages that the Board should comprise Directors with a range of skills, expertise, experience and diversity which are relevant to the Company's businesses and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

6.4.1.2 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Under the Board Charter, Board committee performance evaluations will occur regularly.

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6.4.1.3 Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's internal control structure and risk management systems. The Audit and Risk Management Committee also confirms the quality and reliability of the financial information prepared by the Company, works with the external auditor on behalf of the Board and reviews non-audit services provided by the external auditor, to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Board has adopted a policy regarding the services that the Company may obtain from its auditor. It is the policy of the Company that its external auditor:

- must be independent of the Company and the Directors and senior executives. To ensure this, the Company requires a formal report from its external auditor on an annual basis setting out the relationships that may affect its independence; and
- may not provide services to the Company that are, or are perceived to be, materially in conflict with the role of the external auditor. Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgement or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are, or may be perceived to be, materially in conflict with the role of the auditor if the Board or Audit and Risk Management Committee has approved those additional services.

The Charter of the Audit and Risk Management Committee provides that the committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members, each of whom are Non-Executive Directors, and a majority of whom are independent. The chair of the committee shall be an independent Non-Executive Director who does not chair the Board.

All Directors are able to and do review and challenge policies and practices to ensure decisions taken are in the best interests of the Company.

The Audit and Risk Management Committee will meet as often as is required by the Audit and Risk Management Committee Charter or other policy approved by the Board to govern the operations of the Audit and Risk Management Committee. The chair of the Audit and Risk Management Committee may invite other Directors, members of Senior Management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. The Audit and Risk Management Committee will regularly report to the Board about committee activities, issues and related recommendations.

The committee comprises David Gibson (chair), Peter Bush, Elizabeth Gaines and Andrew Cummins. The Board acknowledges ASX Recommendation 4.2 that a majority of the members of an audit committee should be independent directors. Although only 2 of 4 Directors on the Audit and Risk Management Committee are classified as independent (David Gibson (who is the Chairman of the committee) and Peter Bush), all members of the committee are Non-Executive Directors. The Board believes that the current members of the committee are the most appropriate to achieve its objectives (having regard to their experience and skills) and that each member will bring independent judgement to the Audit and Risk Committee's deliberations.

6.4.1.4 Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resources objectives. The Nomination and Remuneration Committee is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and Senior Management). Independent advice will be sought where appropriate.

The Nomination and Remuneration Committee will meet as often as is required by the Nomination and Remuneration Committee Charter or other policy approved by the Board to govern the operation of the Nomination and Remuneration Committee. Following each meeting, the Nomination and Remuneration Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Nomination and Remuneration Committee that requires Board approval.

The committee comprises David Gibson (chair), Peter Bush, Elizabeth Gaines and Andrew Cummins. The Board acknowledges ASX Recommendation 8.2 that a majority of the members of a remuneration committee should be independent directors. Although only 2 of 4 Directors on the Nomination and Remuneration Committee are classified as independent (David Gibson (who is the Chairman of the committee) and Peter Bush), all members of the committee are Non-Executive Directors. The Board believes that the current members of the committee are the most appropriate to achieve its objectives (having regard to their experience and skills) and that each member will bring independent judgement to the Nomination and Remuneration Committee's deliberations.

6.4.1.5 Risk Management Policy

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

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

The Company will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Chief Executive Officer or Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act.

The Company has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

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6.4.1.6 Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company will be required to disclose to the ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Board aims to ensure that Shareholders and stakeholders are informed of all major developments affecting the Company's state of affairs. As such, the Company has adopted a Disclosure Policy and Shareholder Communication Policy, which together establish procedures to ensure that Directors and Senior Management are aware of, and fulfil their obligations in relation to, providing timely, full and accurate disclosure of material information to the Company's stakeholders and comply with the Company's disclosure obligations under the Corporations Act and Listing Rules. The Disclosure Policy also sets out procedures for communicating with Shareholders, the media and the market.

The Company is committed to observing its disclosure obligations under the ASX Listing Rules and Corporations Act. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements will be made available on the Company's website at www.mantragroup.com.au.

6.4.1.7 Securities Trading Policy

The Company has adopted a Securities Trading Policy which will apply to the Company and its Directors, company secretary and Senior Management and other persons nominated by the Board from time to time (Key Management Personnel).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to Key Management Personnel dealing in the Shares.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "closed periods" during which trading in Shares by Key Management Personnel is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing from the end of 31 December until the end of the trading day on which the Company's half-year financial results are released to the ASX;
- the period commencing from the end of 30 June until the end of the trading day on which the Company's annual financial results are released to the ASX;
- the period commencing four weeks prior to the Company's Annual General Meeting and ending at the end of the day on which the Company's Annual General Meeting is held; and
- any such other periods designated by the Board.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information in a manner contrary to the Corporations Act.

6.4.1.8 Diversity Policy

The workforce of the Company is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected. The Company acknowledges the positive outcomes that can be achieved through a diverse workforce and recognises and utilises the contribution of diverse skills and talent from its workforce. For the purposes of this policy, "diversity" encompasses (without limitation) diversity of gender, age, ethnicity, cultural background, impairment or disability, sexual orientation and religion.

6.4.1.9 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, which sets out the way the Company conducts business. The Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The policy document outlines the Company's employees' obligations of compliance with the Code of Conduct, and explains how the code interacts with the Company's other corporate governance policies.

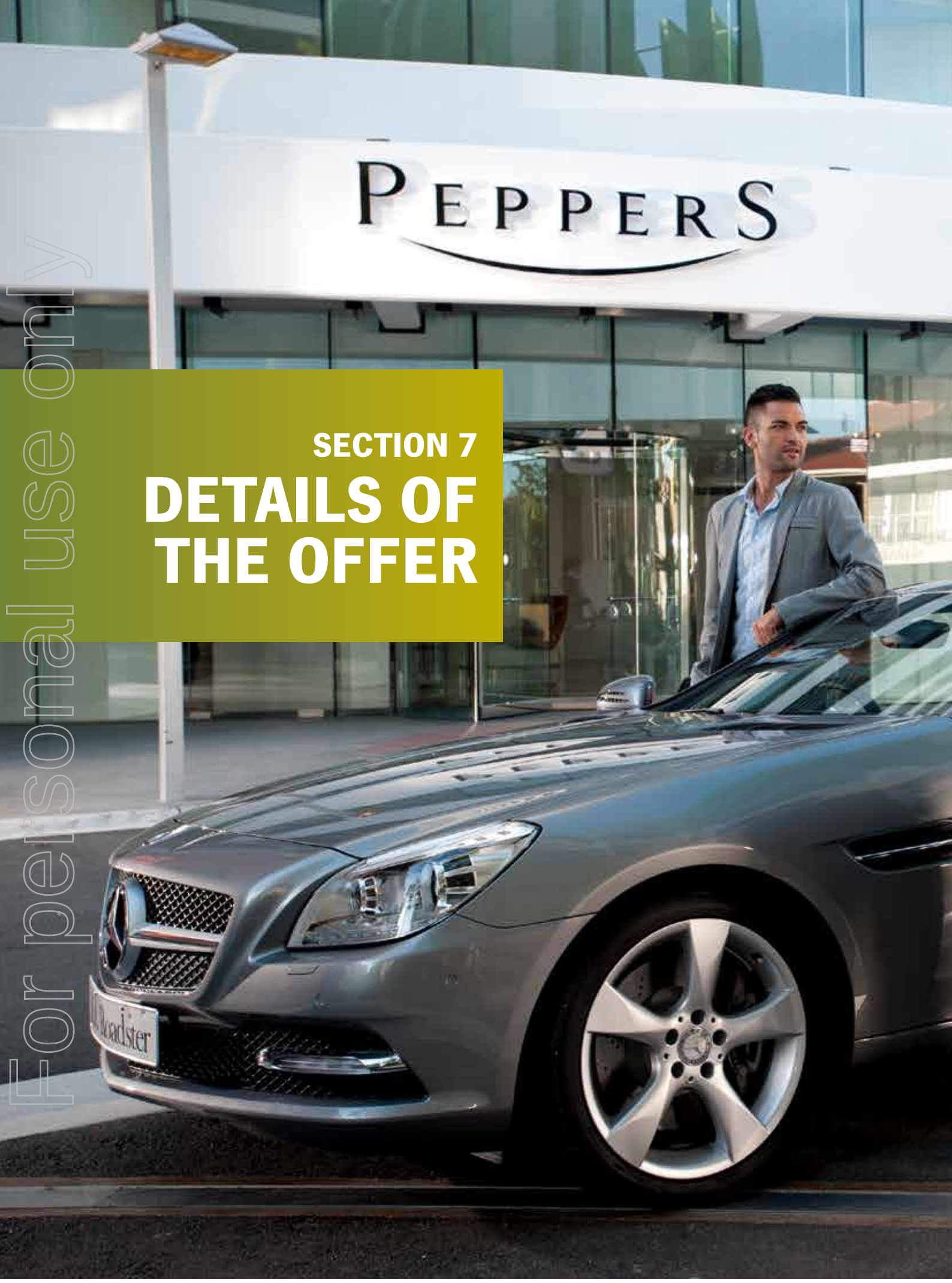
Responsibilities include protection of the Company's business, using the Company's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

6.4.1.10 Communications with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all other information with the ASX required by the Company's continuous disclosure obligations and publishing information on the Company's website.

In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All announcements made to the market and any other relevant information will be posted on the Company's website at www.mantragroup.com.au as soon as they have been released to the ASX.

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SECTION 7

DETAILS OF THE OFFER

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7.1 THE OFFER

This Prospectus relates to an initial public offering (**Offer**) of 132,845,911 Shares in Mantra Group at an offer price of $1.80 per Share (**Offer Price**). The Offer consists of an offer of 132,845,911 New Shares to be issued by Mantra Group.

The total number of Shares on issue at Completion will be 249,471,229 million[1]. The Shares offered under this Prospectus will represent approximately 53% of the Shares on issue on Completion. All Shares will rank equally with each other.

The Offer is expected to raise $239.1 million.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer**, which consists of:
  - **Broker Firm Offer** – open to Australian and New Zealand resident retail clients of Brokers, who have received a firm allocation from their Broker and who are Retail Offer Investors;
  - **Priority Offer** – open to Eligible Employees and certain other Retail Offer Investors nominated by Mantra Group, which is limited to $3.7 million in aggregate proceeds; and
  - **Property Owner Offer** – open to Eligible Property Owners who are Retail Offer Investors nominated by Mantra Group, who do not have a guaranteed allocation of Shares, which, together with the Priority Offer, is limited to $3.7 million in aggregate proceeds; and
- the **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors in Australia and in a number of other eligible jurisdictions.

No general public offer will be made under the Offer.

Details of the Retail Offer and the allocation policy under the Retail Offer are described in Section 7.3 and 7.4.1.

Details of the Institutional Offer and the allocation policy under the Institutional Offer are described in Section 7.5.

The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Joint Lead Managers, in agreement with Mantra Group, having regard to the allocation policies outlined in Sections 7.3, 7.4 and 7.5.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.4.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- repay Mantra Group's bank debt (in part) and shareholder debt (in full)[2];
- provide a liquid market for Shares in Mantra Group;
- provide Mantra Group with the benefits of an increased profile that arises from being a listed entity;
- provide Mantra Group with access to the capital markets to improve capital management flexibility; and
- assist Mantra Group in attracting and retaining quality staff.

7.1.3 Use of proceeds from the Offer

The Offer is expected to raise approximately $239.1 million. The funds received under the Offer, together with other cash available to the Company at Completion, will be applied (as set out in the table below) to:

- repay (in part) debt drawn on Mantra Group's existing debt facilities;
- repay (in full) outstanding shareholder debt (including additional shareholder debt drawn down in relation to the payment of the Pre IPO Dividend) together with other fees and costs payable to Existing Shareholders;
- pay the costs associated with the Offer; and
- pay cash consideration for the purchase and cancellation of outstanding Options held by certain Directors and Senior Management.

1. The Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company. This total also includes 8,625,318 Shares to be issued to Management Shareholders and Non-Executive Director Shareholders upon exercise of Options at or immediately prior to Completion. See Section 6.3.2.4 for more details.
2. Including an amount of $12.3 million drawn down as shareholder debt to pay the Pre IPO Dividend.

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Sources of funds	$m	%
Cash proceeds received from issue of New Shares by Mantra Group	239.1	66.3
Cash proceeds from New Banking Facility	111.0	30.8
Existing cash[1]	9.9	2.7
Proceeds from management options and the repayment of shareholder loans	0.8	0.2
Total sources	**360.8**	**100.0**

Uses of funds	$m	%
Payment of costs of the Offer by Mantra Group	15.7	4.4
Repay existing debt facilities	158.1	43.8
Repay outstanding shareholder debt (including additional shareholder debt drawn down in relation to the payment of the Pre IPO Dividend)[2]	177.6	49.2
Payment of cash consideration for the purchase and cancellation of certain outstanding Options	9.4	2.6
Total uses	**360.8**	**100.0**

1. Balance sheet cash and cash equivalents are further outlined in Section 4.4.
2. Refer to Section 7.1.4 below for further details on Mantra Group's existing shareholder debt.

7.1.4 Mantra Group's capital structure at Completion

On Completion, Shares will be held by the Existing Shareholders, the Non-Executive Director Shareholders and the Management Shareholders, and New Shareholders, as described in the table below.

Shareholder	Shares held at Prospectus Date (%)	Number of Shares held at Prospectus Date	Shares issued[1]	Shares held post-Completion (%)	Number of Shares held post-Completion[1]
EV Hospitality	60%	10,800,000	–	26.0%[2]	64,800,000[3,4]
UBSAHPL	40%	7,200,000	–	17.3%[2]	43,200,000[3,4]
Management Shareholders and Non-Executive Director Shareholders[6]	–	–	8,625,318	3.5%	8,625,318[5]
New Shares to be issued under the Offer	–	–	132,845,911	53.3%	132,845,911
Total	**100.0%**	**18,000,000**	**141,471,229**	**100.0%**	**249,471,229**

1. The Share Split will increase the number of Shares held by each Shareholder at the time the Share Split takes effect without changing the proportion of total Shares that they hold in the Company.
2. As described in Section 9.3.1, EV Hospitality has agreed to transfer, for nil consideration, the Deferred Transfer Shares at a future date nominated by UBSAHPL after their release from the voluntary escrow arrangements described in Section 7.7. Had the Deferred Transfer Shares instead been transferred to UBSAHPL as at Completion, this would have resulted in EV Hospitality holding 16.9% of the Shares and UBSAHPL holding 26.4% of the Shares at that time.
3. These Shares will be subject to voluntary escrow arrangements which are described further in Section 7.7.
4. As described in Section 9.3.1, EV Hospitality has agreed to transfer the Deferred Transfer Shares to UBSAHPL (or a nominee of UBSAHPL) at a future date nominated by UBSAHPL after their release from the voluntary escrow arrangements described in Section 7.7. Had the Deferred Transfer Shares instead been transferred to UBSAHPL as at Completion, this would have resulted in EV Hospitality holding 42,066,248 Shares and UBSAHPL holding 65,933,752 Shares at that time.
5. These Shares will be subject to voluntary escrow arrangements which are described further in Section 7.7. These figures do not include any Shares purchased by Directors or Senior Management under the Offer.
6. Refer to Section 6.3.2.4 for further detail.

As described in Section 9.3.1, EV Hospitality has agreed to transfer for nil consideration the Deferred Transfer Shares to UBSAHPL (or a nominee of UBSAHPL) at a future date nominated by UBSAHPL after their release from the voluntary escrow arrangements referred to in Section 7.7. This deferred transfer obligation will be secured by way of EV Hospitality granting UBSAHPL security over the Deferred Transfer Shares. The Deferred Transfer Shares will at all times be subject to the voluntary escrow restrictions described in Section 7.7.

As at the Prospectus Date, Mantra Group has on issue (in aggregate) $25 million of loan notes to Europe Voyager Holdings Sarl (the parent entity of EV Hospitality) (**EVH**) and an additional $106.4 million of loan notes to EVH and UBSAHPL. On Completion, all outstanding loan notes will be repaid by Mantra Group (with interest) to EVH and UBSAHPL from the proceeds of the Offer.

In addition, prior to the Prospectus Date, Mantra Group has agreed to issue an additional $12.3 million worth of loan notes to EVH and UBSAHPL to fund the payment of the Pre IPO Dividend. The issue of these additional loan notes to EVH and UBSAHPL is conditional on the Listing of the Company and will be repaid by Mantra Group (with interest) to EVH and UBSAHPL from the proceeds of the Offer.

Also, Management Shareholders and Non-Executive Director Shareholders hold (in aggregate) 1,795,742 Options. At Completion of the Offer, the Company (or a member of the Mantra Group) will purchase and cancel up to 37.8% of these Options. Management Shareholders and Non-Executive Director Shareholders will exercise the remaining Options and the resulting Shares will be subject to their Escrow Deed. As a result, Directors (other than Peter Bush) and Senior Management of Mantra Group will hold 8,625,318 Shares (on or immediately prior to) Completion of the Offer (leaving aside any Shares acquired by them under the Offer (if any)). Refer to Section 6.3.2.4 for further details.

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Option holders	Options held at Prospectus Date (%)	Number of Options held at Prospectus Date	Options (sold or cancelled)	Options held post-Completion (%)	Number of Options held post-Completion
Management Shareholders and Non-Executive Director Shareholders	100.0%	1,795,742	(1,795,742)	0%	0
Total	**100.0%**	**1,795,742**	**(1,795,742)**	**0%**	**0**

7.1.5 Other information relating to the effect of the Offer on Mantra Group

7.1.5.1 Pro forma historical balance sheet

Mantra Group's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.4.

7.1.5.2 Capitalisation and indebtedness

Mantra Group's capitalisation and indebtedness as at 31 December 2013, before and pro forma for Completion of the Offer, is set out in Sections 4.4.2 and 4.4.4.

7.1.5.3 Control implications of the Offer

The Directors do not expect any Shareholder to control Mantra Group on Completion.

7.1.5.4 Potential effect of the fundraising on the future of Mantra Group

The Directors believe that on Completion, Mantra Group will have sufficient funds available from the cash proceeds of the Offer, in addition to the cash and cash equivalents (as outlined further in Section 4.4) available from its ongoing operations, to fulfil the purposes of the Offer and meet its stated business objectives.

7.2 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of Mantra Group).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10 below.
What is the consideration payable for each security?	The Offer Price payable by Successful Applicants under the Offer is $1.80 per Share.
What is the Offer Period?	The Retail Offer opens at 9.00am (Sydney Time) on 10 June 2014 and closes at 5.00pm (Sydney Time) on 17 June 2014. The key dates, including details of the Offer Period, are set out in Key Offer Dates on page 2. This timetable is indicative only. Unless otherwise indicated, all times given are Sydney Time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act), to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants. If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No securities will be issued on the basis of this Prospectus later than the Expiry Date, being 13 months after the date of this Prospectus.
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the terms and conditions of the Underwriting Agreement. Details are provided in Section 7.6.
What are the cash proceeds to be raised?	Approximately $239.1 million is expected to be raised under the Offer. Refer to Section 7.1.3 for further information.

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Topic	Summary
What is the minimum and maximum Application size under the Retail Offer?	**Broker Firm Offer** The minimum Application under the Broker Firm Offer is approximately $2,000 (1112 Shares), and in multiples of $500 thereafter, as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer (subject to any instructions provided by the Applicant's Broker). **Priority Offer and Property Owner Offer** The minimum Application for Eligible Employees and Retail Offer Investors nominated by Mantra Group under the Priority Offer is approximately $500 worth of Shares (278 Shares) and in multiples of $500 worth of Shares thereafter. Unless specified in a letter of invitation provided by Mantra Group to a Retail Offer Investor invited to participate in the Priority Offer, there is no maximum value of Shares that may be applied for under the Priority Offer or by Eligible Property Owners under the Property Owner Offer; however: • the maximum size of the Priority Offer and the Property Owner Offer is $3.7 million in aggregate (being 2,055,556 Shares); and • Eligible Employees participating in the Priority Offer are entitled to a guaranteed minimum allocation of $1,000 worth of Shares (or 556 Shares); • any other Retail Offer Investors nominated to participate in the Priority Offer will be entitled to the guaranteed minimum allocation set out in their letter of invitation; and • applications in the Priority Offer will be given priority by Mantra Group to Applications received under the Property Owner Offer to the extent of their guaranteed minimum allocations. Participants in the Property Owner Offer do not have any guaranteed allocation of Shares and may only be allocated Shares to the extent that allocations of less than $3.7 million of Shares are made under the Priority Offer. The Joint Lead Managers and Mantra Group reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for under the Retail Offer. In addition, Mantra Group and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer.

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Topic	Summary
What is the allocation policy?	The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the remainder of the Retail Offer (being the Shares to be allocated to the Priority Offer and the Property Owner Offer) was determined by the Joint Lead Managers and Mantra Group having regard to the allocation policy outlined in Section 7.3, Section 7.4 and Section 7.5. With respect to the Broker Firm Offer, the individual Brokers will decide how they allocate firm stock among their eligible retail clients. Please contact your Broker if you have any questions on their allocation policy. For further information on the Broker Firm Offer, see Section 7.3. With respect to the Priority Offer and the Property Owner Offer, the allocation of Shares is at the absolute discretion of Mantra Group, provided that: • those allocations (in aggregate) do not exceed $3.7 million, or 2,055,556 Shares; • Eligible Employees participating in the Priority Offer are entitled to a guaranteed minimum allocation of $1,000 worth of Shares (or 556 Shares); • any other Retail Offer Investors nominated to participate in the Priority Offer will be entitled to the guaranteed minimum allocation set out in their letter of invitation; and • applications in the Priority Offer will be given priority by Mantra Group to Applications received under the Property Owner Offer to the extent of their guaranteed minimum allocations. Participants in the Property Owner Offer do not have any guaranteed allocation of Shares and may only be allocated Shares to the extent that allocations of less than $3.7 million of Shares are made under the Priority Offer. For further information on the Priority Offer and the Property Owner Offer, see Section 7.4. The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers in agreement with Mantra Group. For further information on the Institutional Offer, see Section 7.5. The Broker Firm Offer, the Priority Offer, Property Owner Offer and the Institutional Offer are not open to investors in the United States. Mantra Group and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion.
When will I receive confirmation whether my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about about Thursday, 26 June 2014. Refunds to Applicants under the Priority Offer and Property Owner Offer who make an Application and are allocated a lesser number of Shares than they applied for (or, in the case of participants in the Property Owner Offer, none at all), will be made as soon as possible after Settlement. Settlement is expected to occur on or about Tuesday, 24 June 2014.
Will the securities be listed?	Mantra Group will apply to the ASX for admission to the Official List and quotation of Shares on the ASX under the ticker code "MTR". Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

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Topic	Summary
When are the securities expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about Friday, 20 June 2014, initially on a conditional and deferred settlement basis. Refer to Section 7.9.3 for further information on conditional and deferred settlement trading. On or about Wednesday, 25 June 2014 trading will then be on an unconditional but deferred settlement basis until Mantra Group has advised the ASX that holding statements have been dispatched to Shareholders. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Mantra Group and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Mantra Group IPO Information Line, by a Broker or otherwise. Normal trading of Shares is expected to commence on or about about Friday, 27 June 2014.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.7.
Has any ASIC relief or ASX waivers been obtained or been relied on?	No. Certain confirmations have been received from ASX in respect of the application of the Listing Rules. No relief is being sought from ASIC. Details are provided in Section 9.6.
Are there any tax considerations?	Refer to Section 9.8.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Mantra Group IPO Information Line on 1800 606 866 (toll free within Australia) or +61 1800 606 866 (outside Australia) from 8.30am to 5.00pm Sydney Time, Monday to Friday (Business Days only). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Mantra Group is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.
New Zealand investors	This Offer is being extended to New Zealand investors under the mutual recognition regime applicable to public offers of securities in Australia and New Zealand. Any New Zealand investor considering this Prospectus should be aware that there are considerations particular to you. Some (but not all) of them are described throughout this Prospectus or referred to under the "Important notices" including under "Information for New Zealand investors". A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the "Registrar of Financial Service Providers" under the mutual recognition regime.

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7.3 BROKER FIRM OFFER

7.3.1 Who can apply?

The Broker Firm Offer is open to Retail Offer Investors who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or in its paper copy form which may be downloaded in its entirety from Mantra Group's offer website, www.mantrashareoffer.com. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

The minimum Application under the Broker Firm Offer is approximately $2,000 worth of Shares (1112 Shares) and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer (subject to any instructions provided by the Applicant's Broker). However, Mantra Group and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Mantra Group may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens on 10 June 2014 and is expected to close on 17 June 2014. Mantra Group and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

7.3.4 Application Monies

Mantra Group reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application amount by the Offer Price. Where the Offer Price does not divide evenly into the Application amount, the number of Shares to be allocated will be determined by the Applicant's Broker. Refunds will not be provided for differences caused by rounding at the Offer Price.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to Mantra Group to subscribe for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by Mantra Group and the Joint Lead Managers in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

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7.3.6 Broker Firm Offer allocation policy

The allocation of firm stock to Brokers will be determined by the Joint Lead Managers and Mantra Group. Shares which have been allocated to Brokers for allocation to their Australian or New Zealand resident retail clients will be issued to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of Mantra Group and the Joint Lead Managers to reject or scale back Applications). It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not Mantra Group or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.3.6.1 Announcement of final allocation policy in the Broker Firm Offer

Mantra Group expects to determine the final allocation policy under the Broker Firm Offer on or about 18 June 2014. If required by ASX, this information will be advertised in The Sydney Morning Herald, The Melbourne Age, The Australian and The Australian Financial Review on that same day. In any event, applicants in the Broker Firm Offer will be able to call the Mantra Group IPO Information Line on 1800 606 866 from 8.30am to 5.00pm Sydney Time, Monday to Friday (Business Days only), from 18 June 2014 to confirm their allocations. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Mantra Group IPO Information Line or confirmed your allocation through a Broker.

7.4 THE PRIORITY OFFER AND THE PROPERTY OWNER OFFER

7.4.1 Priority Offer

7.4.1.1 Who can apply?

Under the Priority Offer, the following persons may apply for Shares:

- Eligible Employees (who are employed as at 5.00pm (Sydney Time) on 23 May 2014); and
- Retail Offer Investors who are nominated by a personalised invitation from Mantra Group.

7.4.1.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation.

Eligible Applicants in the Priority Offer who are in Australia may apply for Shares online by complying with the instructions on the website, www.mantrashareoffer.com and the online Application Form. Applicants who apply online must pay for Shares applied for online by BPAY® only.

Applicants in the Priority Offer may also apply for Shares via cheques, bank drafts or money orders. Applications for Shares can be made on an Application Form attached to or accompanying this Prospectus or in its paper copy form which may be downloaded in its entirety from Mantra Group's Offer website, www.mantrashareoffer.com. Application Forms must be completed in accordance with the instructions set out on the Application Form.

It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5.00pm (Sydney Time) on Tuesday, 17 June 2014.

If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society.

Applicants paying via cheque, bank drafts or money orders should post their Application with sufficient time to ensure the Registry receives the relevant documents no later than Tuesday, 17 June 2014.

Applications under the Priority Offer must be for a minimum of approximately $500 worth of Shares (278 Shares) and in multiples of $500 worth of Shares thereafter. It is the responsibility of each Applicant under the Priority Offer to ensure payments are received by 5.00pm Sydney Time on Tuesday, 17 June 2014.

Unless specified in a letter of invitation provided by Mantra Group to a Retail Offer Investor invited to participate in the Priority Offer, there is no maximum value of Shares that may be applied for under the Priority Offer; however, the maximum size of the Priority Offer (together with the Property Owner Offer) is $3.7 million, or 2,055,556 Shares.

If the amount of your BPAY® or cheque, bank draft or money order payment for Application Monies (or the amount for which those BPAY® or cheque, bank draft or money order payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

By making an Application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

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7.4.1.3 Priority Offer allocation policy

Eligible Employees participating in the Priority Offer will be entitled to receive a guaranteed minimum allocation of $1,000 worth of Shares at the Offer Price, subject to an aggregate total allocation under the Priority Offer of $3.7 million of Shares.

Any other Retail Offer Investors nominated to participate in the Priority Offer will be entitled to receive the guaranteed minimum allocation set out in their letter of invitation, subject to an aggregate total allocation under the Priority Offer and the Property Owner Offer of $3.7 million of Shares.

If this $3.7 million threshold is reached, Applications will be subject to scale back in a manner determined by Mantra Group in its absolute discretion.

Participants in the Priority Offer may elect to apply for a greater number of Shares if they wish, however Mantra Group may accept or reject an Application for Shares to the extent it exceeds the guaranteed minimum allocation of the Applicant in its absolute discretion.

Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Applications Monies, as applicable. Interest will not be paid on any monies refunded.

Allocation of Shares under the Priority Offer is at the absolute discretion of Mantra Group, and Mantra Group may reject an application, or allocate fewer Shares than the amount applied for, in its absolute discretion.

7.4.2 Property Owner Offer

7.4.2.1 Who can apply?

Under the Property Owner Offer, the Eligible Property Owners may apply for Shares.

7.4.2.2 How to apply

Eligible Property Owners who are in Australia may apply for Shares online by complying with the instructions on the website, www.mantrashareoffer.com and the instructions in the online Application Form. Applicants who apply online must pay for Shares applied for online by BPAY® only.

Applicants in the Property Owner Offer may also apply for Shares via cheques, bank drafts or money orders. Applications for Shares can be made on an Application Form attached to or accompanying this Prospectus or in its paper copy form which may be downloaded in its entirety from Mantra Group's Offer website, www.mantrashareoffer.com. Application Forms must be completed in accordance with the instructions set out in the Application Form.

It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5.00pm (Sydney Time) on on Tuesday, 17 June 2014.

If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society.

Applicants paying via cheque, bank draft or money order should post their Application with sufficient time to ensure the Registry receives the relevant documents no later than Tuesday, 17 June 2014.

Applications under the Property Owner Offer must be for a minimum of approximately $500 worth of Shares (278 Shares) and in multiples of $500 worth of Shares thereafter. It is the responsibility of each Applicant under the Property Owner Offer to ensure payments are received by 5.00pm Sydney Time on Tuesday, 17 June 2014.

There is no maximum value of Shares that may be applied for under the Property Owner Offer; however, the maximum size of the Property Owner Offer (together with the Priority Offer) is $3.7 million, or 2,055,556 Shares. Since Applicants under the Priority Offer will be given priority to the extent of their guaranteed minimum allocations, if each eligible participant in the Priority Offer applies for their guaranteed minimum allocation, no Shares will be allocated by Mantra Group under the Property Owner Offer.

Mantra Group reserves the right to scale back Applicants under the Property Owner Offer in its absolute discretion (including to zero). Any amount applied for in excess of the amount allocated to you (or, if applicable, all of your Application Monies), will be refunded in full (without interest). No refunds will be made where the overpayments relate solely to rounding at the Offer Price.

If the amount of your BPAY® or cheque, bank draft or money order payment for Application Monies (or the amount for which those BPAY® or cheque, bank draft or money order payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

By making an Application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.4.2.3 Property Owner Offer allocation policy

Allocation of Shares under the Property Owner Offer is at the absolute discretion of Mantra Group, provided that those allocations (in aggregate) do not, together with allocations made under the Priority Offer, exceed $3.7 million (or 2,055,556 Shares).

Applications in the Priority Offer will be given priority by Mantra Group to Applications received under the Property Owner Offer to the extent of their guaranteed minimum allocations.

If Applications are received under the Priority Offer for less than the guaranteed minimum allocation of Shares, Mantra Group may elect, in its absolute discretion, to allocate those Shares to investors under the Priority Offer or to investors under the Property Owner Offer.

Mantra Group reserves the right to scale back Applicants under the Property Owner Offer in its absolute discretion (including to zero if no allocations of Shares are to be made under the Property Owner Offer).

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7.5 INSTITUTIONAL OFFER

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer.

7.5.2 Institutional Offer allocation policy

The allocation of Shares between the Institutional Offer and the Retail Offer was determined by the Joint Lead Managers in agreement with Mantra Group. The Joint Lead Managers, in consultation with Mantra Group, had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced by all of the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Mantra Group's desire for an informed and active trading market following Listing;
- Mantra Group's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer, the Priority Offer, the Property Owner Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Mantra Group and the Joint Lead Managers considered appropriate.

7.6 UNDERWRITING ARRANGEMENTS

The Offer is fully underwritten. The Joint Lead Managers and Mantra Group have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as manager and underwriter of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer.

The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and its underwriting obligations. A summary of certain terms of the Underwriting Agreement, including the termination provisions, is provided in Section 9.4.

7.7 ESCROW ARRANGEMENTS

On Completion, EV Hospitality will hold 26.0% of the Shares and UBSAHPL will hold 17.3% of the Shares[3]. In addition, on Completion Directors (other than the Chairman, Peter Bush) and Senior Management will hold (in aggregate) 3.5% of the Shares as a result of conversion of Options[4].

All of the Shares held at Completion by the persons described in the preceding paragraph (being the Escrowed Shareholders), excluding any Shares acquired by them under the Offer (if any), will be subject to voluntary escrow arrangements which prevent them from disposing their escrowed Shares for a specified period. Subject to the early release exceptions set out below, Shares held by the Escrowed Shareholders will be escrowed until the date on which Mantra Group's full year results for the period ending 30 June 2015 are released to the ASX.

Each of these Escrowed Shareholders has entered into an escrow deed in respect of their escrowed Shareholding retained following the Offer, which prevent them from disposing of their respective escrowed Shares for the applicable escrow period. The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control (including economic ownership or control) of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares if at least half of the holders of the Shares which are the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- the Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

3. Before the transfer of the Deferred Transfer Shares to UBSAHPL, which will occur after the end of the escrow period at a time nominated by UBSAHPL.
4. This does not include any Shares acquired by Directors or Senior Management under the Offer.

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In addition, EV Hospitality and UBSAHPL may be released early from these escrow obligations to the extent required in order to dispose of up to 25% of the escrowed Shares at least 10 Business Days after both of the following conditions have been satisfied:

- the half-yearly results of the Company for the period ended 31 December 2014 have been released to the ASX (Relevant Date); and
- the Company VWAP on each trading day comprising the Company VWAP Period is at least 20% higher than the Offer Price.

The Company VWAP on any trading day prior to the Relevant Date is not relevant to determining whether the exception is available.

Further, EV Hospitality and UBSAHPL also have an exception to their escrow restrictions in order to transfer (in one or more transactions) any or all escrowed Shares to an affiliate of the Shareholder provided such affiliate agrees to be bound by the voluntary escrow arrangements for the term of those arrangements. EV Hospitality has an exception that facilitates the establishment of the arrangements in connection with the Deferred Transfer Shares that are described in Section 9.3.1 (however, the Deferred Transfer Shares remain subject to the escrow restrictions for their term of operation).

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow, may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

7.8 DISCRETION REGARDING THE OFFER

Mantra Group may withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Mantra Group and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.9 ASX LISTING, REGISTERS AND HOLDING STATEMENT, DEFERRED/ CONDITIONAL SETTLEMENT TRADING

7.9.1 Application to the ASX for listing of the Company and quotation of Shares

Mantra Group will apply for admission to the official list of the ASX and quotation of the Shares on the ASX. Mantra Group's expected ASX code is "MTR".

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Mantra Group to the Official List is not to be taken as an indication of the merits of Mantra Group or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Application for admission is made (or any later date permitted by law), all Application Monies received by Mantra Group will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Mantra Group from time to time), Mantra Group will be required to comply with the ASX Listing Rules.

7.9.2 CHESS and issuer sponsored holdings

Mantra Group has applied to participate in the ASX's Clearing House Electronic Sub-register System (CHESS) and is required to comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Mantra Group and the Share Registry may charge a fee for these additional issuer sponsored statements.

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7.9.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX will commence on or about 20 June 2014, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications will be conditional on the ASX agreeing to quote the Shares on the ASX, and on settlement occurring under the Underwriting Agreement (Settlement). Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on the ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until Mantra Group has advised the ASX that both the Share Split and Settlement has occurred, which is expected to be on or about 24 June 2014.

Trading will then be on an unconditional but deferred settlement basis until Mantra Group has advised the ASX that holding statements have been dispatched to Shareholders (which will be on or about 26 June 2014).

Normal settlement trading (that is, trading on a T+3 settlement basis) is expected to commence on or about 27 June 2014.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.

Mantra Group, the Joint Lead Managers, the Financial Adviser and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by Mantra Group IPO Information Line, by a Broker or otherwise.

7.10 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

7.10.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution, which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

This summary assumes that Mantra Group is admitted to the official list of the ASX (at which time, the Constitution will come into immediate effect).

7.10.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each fully paid Share held and in respect of each partly paid Share, entitled to a fraction of a vote equivalent to the proportion which the amount paid up (excluding any amount credited as paid up) on that partly paid Share bears to the total issue price of that Share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.10.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

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7.10.4 Dividends

Subject to the Constitution, the Corporations Act and the terms of issue of the Shares, the Board may from time to time:

- resolve to pay any interim, special or final dividends as, in their judgement, the financial position of the Company justifies;
- fix the amount, time and method of payment of the dividends; and
- determine that a dividend is payable to the holders of one class of shares to the exclusion of any other class.

A dividend may only be paid in accordance with the Corporations Act.

For further information in respect of the Company's proposed dividend policy, see Section 4.11.

7.10.5 Transfer of Shares

Subject to the Constitution and the rights or restrictions attached to any Shares, Shares may be transferred by:

- a proper ASX Settlement and Transfer Corporation (ASTC) transfer, which is in the form required or permitted by the Corporations Act or the ASX Settlement Rules;
- a written instrument of transfer in any usual form or in any other form that the directors approve.

The Board may refuse to register a transfer of Shares:

- if permitted to do so under the Constitution, the ASX Listing Rules or the ASX Settlement Operating Rules; or
- on which the Company has a lien or which are subject to forfeiture.

The Board must refuse to register a transfer of Shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law, the ASX Listing Rules or the terms of issue of the Shares.

7.10.6 Issue of further Shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board has full discretion to issue additional shares or other equity securities and determine the terms of such issue.

7.10.7 Winding up

If the Company is wound up, then:

- subject to the Constitution and any special resolution or preferential rights or restrictions attached to a class of Shares, any surplus must be divided among the Shareholders of the Company in the proportions which the amount paid and payable (including amounts credited) on the Shares of a member is of the total amount paid and payable (including amounts credited) on the shares of all members of Mantra Group; and
- the liquidator may, with the sanction of a special resolution of the Company:
  - divide the surplus assets of the Company remaining after payment of its debts among the Company's Shareholders in proportion to the number of Shares held by them (with partly paid Shares counted as fractions of fully paid Shares); and
  - for that purpose, fix the value of assets and determine how the division is to be carried out between the Shareholders and different classes of Shareholders.

7.10.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.10.9 Share buy-backs

The Company may in accordance with the Corporations Act buy back its own shares.

7.10.10 Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by special resolution of the Shareholders in general meeting by the third anniversary of the date of the Constitution's adoption.

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7.10.11 Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of the Company is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of not less than 75% of the issued shares included in that class; or
- the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

7.10.12 Dividend plans

The Constitution contains a provision allowing the Board to implement one or more dividend plans under which some or all Shareholders may elect, for a period and to the extent provided in the plan:

- that dividends paid in respect of some or all of the Shares from time to time held by the Shareholder will be satisfied by the issue of fully paid shares (dividend reinvestment plan);
- that dividends will not be declared or paid in respect of some or all of the Shares from time to time held by the Shareholder and that instead a payment or distribution other than a dividend (including bonus shares) be made to the Shareholder by the Company; or
- that cash dividends from the Company not be paid in respect of some or all of the Shares from time to time held by the Shareholder and that instead a cash dividend or payment or other distribution (including an issue or transfer of shares) be received by the Shareholder from the Company, a related body corporate or any other entity determined by the Board.

It is not currently intended that a dividend plan will be in effect at the time of Listing.

7.10.13 Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than 12 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any Managing Director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

7.10.14 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes cast by Directors present and entitled to vote at the meeting at which a quorum is present. If an equal number of votes is cast for and against a resolution, the chairperson does not have a casting vote in addition to the chairperson's vote as a Director and the resolution is not passed.

7.10.15 Directors – remuneration

See Section 6.3.2 for a description of the remuneration arrangements for Directors.

7.10.16 Indemnity and insurance

The Company, to the fullest extent permitted by the Corporations Act, must indemnify any current or former Director, or officer, of the Company or its related body corporate against any liability incurred by that person in that capacity, including legal costs.

The Company, to the fullest extent permitted by the Corporations Act, may enter into and pay premiums on a contract insuring any current or former Director, or officer, of the Company or its related body corporate against any liability incurred by that person in that capacity, including legal costs.

Under the Constitution, the Company must provide indemnification and may obtain insurance for each Director, or officer, of the Company or its related body corporate during their period of office and for a period of seven years after the person ceases to be a Director, or officer, of the Company or its related body corporate.

The Company has entered into deeds of access and indemnity with each Director and the Company Secretary. These are summarised above in Section 6.3.2.3.

7.10.17 Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

Once Listed, Mantra Group must give at least 28 days written notice of a general meeting of Mantra Group.

7.11 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify the Prospectus, the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The Prospectus and the Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be released or distributed in the United States.

Each Applicant in the Retail Offer will be taken to have represented, warranted, agreed and acknowledged as follows:

- it agrees to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- it acknowledges having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) accompanying the Application Form and having read them all in full;
- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties, acknowledgements and covenants set out in the confirmation of allocation letter distributed to it. Refer to Section 9.11 for further details on the selling restrictions relating to foreign jurisdictions.

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SECTION 8

INVESTIGATING ACCOUNTANT'S REPORT

mantra

MANTRA ON RUSSELL, MELBOURNE

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The Directors
Mantra Group Limited
Level 1, 50 Cavill Avenue
Surfers Paradise
QLD 4217

30 May 2014

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Mantra Group Limited Historical Financial Information and Forecast Financial Information and Financial Services Guide

We have been engaged by Mantra Group Limited (the **Company**) to report on the Financial Information (defined below) for inclusion in the prospectus (the **Prospectus**) dated on or about 30 May 2014 and relating to the issue of ordinary shares in the Company.

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd review the following financial information of the Company included in the Prospectus :

- statutory consolidated historical income statements and pro forma consolidated historical income statements for the years ending 30 June 2011, 30 June 2012, 30 June 2013 and the six months ended 31 December 2012 and 31 December 2013
- statutory net cash flow before financing and taxation, and pro forma consolidated historical cash flow statements for the years ending 30 June 2011, 30 June 2012, 30 June 2013 and the six months ended 31 December 2012 and 31 December 2013
- statutory consolidated balance sheet as at 31 December 2013, and
- pro forma consolidated balance sheet as at 31 December 2013, which assumes pro forma adjustments (e.g. completion of the Offer),

collectively the **Historical Financial Information;**

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
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- pro forma consolidated forecast income statements for the years ended 30 June 2014 and 30 June 2015
- statutory consolidated forecast income statements for the years ended 30 June 2014 and 30 June 2015
- pro forma consolidated forecast cash flow statements for the years ended 30 June 2014 and 30 June 2015, and
- statutory consolidated forecast cash flow statements for the years ended 30 June 2014 and 30 June 2015,

collectively the **Forecast Financial Information**, which together with the Historical Financial Information forms **the Financial Information.**

The Statutory Consolidated Historical Income Statements, the Statutory Net Cash Flow before Financing and Taxation and the Statutory Consolidated Balance Sheet noted above are collectively the Statutory Historical Financial Information.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from financial reports of the Company for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six month periods ended 31 December 2012 and 31 December 2013, which were audited by PricewaterhouseCoopers and reviewed by PricewaterhouseCoopers Securities Ltd respectively, in accordance with Australian Auditing Standards. PricewaterhouseCoopers and PricewaterhouseCoopers Securities Ltd issued unmodified audit and review opinions respectively, on the financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of the pro forma adjustments described in section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, as described in section 12 of the Prospectus, applied to the Statutory Historical Financial Information and the events and transactions to which the pro forma adjustments relate as if those events and transactions had occurred as at the date of the Pro Forma Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

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Statutory Forecast

The statutory consolidated forecast income statements and cash flow statements of the Company for the years ending 30 June 2014 and 30 June 2015 (the **Statutory Forecast**), as described in section 4.3 of the Prospectus have been prepared in accordance with the directors' best-estimate assumptions underlying the Forecast as described in section 4.9 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast

The pro forma consolidated forecast income statements and cash flow statements of the Company for the years ending 30 June 2014 and 30 June 2015 (the **Pro Forma Forecast**), as described in section 4 of the Prospectus have been derived from the Company's Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in section 4 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the events and transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events and transactions had occurred as at 1 July 2013. Due to its nature, the Pro Forma Forecast does not represent the Company's actual prospective financial performance, and/or cash flows for the years ending 30 June 2014 and 30 June 2015.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are responsible for the preparation of the Statutory Forecast, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast.

This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and the Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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

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enable us to obtain reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events and transactions had occurred as at the date of the Pro Forma Historical Financial Information.

Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast
- in all material respects, the Statutory Forecast :
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.9 of the Prospectus, and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies, and
- the Statutory Forecast itself is unreasonable.

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Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast do not provide reasonable grounds for the Pro Forma Forecast, and
- in all material respects, the Pro Forma Forecast :
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.9 of the Prospectus, and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro Forma Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast, and
- the Pro Forma Forecast itself is unreasonable.

Statutory Forecast and Pro Forma Forecast

The Statutory Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the years ending 30 June 2014 and 30 June 2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast and Pro Forma Forecast since anticipated events and transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based, however such evidence is generally future-oriented and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.10 of the Prospectus. The sensitivity analysis described in section 4.10 of the Prospectus demonstrates the impact on the Statutory Forecast and Pro Forma Forecast of changes in key best-estimate

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assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully



Mark Haberlin
Authorised Representative

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 30 May 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Mantra Group Limited (the **Company**) to provide a report in the form of an Investigating Accountant's Report in relation to its proposed initial public offering and listing on the Australian Securities Exchange for inclusion in the prospectus dated 30 May 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this report amount to approximately $775,000 (excluding disbursements and GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

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6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mark Haberlin
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2,
201 Sussex Street,
GPO Box 2650,
SYDNEY NSW 1171

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SECTION 9
ADDITIONAL INFORMATION



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9.1 REGISTRATION

The Company was registered in Victoria, Australia on 12 June 2009 as a private company limited by shares and was converted into a public company limited by shares on 28 February 2014.

9.2 COMPANY TAX STATUS

The Company will be subject to tax at the Australian corporate tax rate.

9.3 ARRANGEMENTS RELATING TO THE EXISTING SHAREHOLDERS

9.3.1 Transfer of the Deferred Transfer Shares

UBSAHPL and EV Hospitality are parties to a Call Option Deed dated 31 July 2009 (as amended and restated), which requires EV Hospitality to transfer 22,733,752 Shares (**Deferred Transfer Shares**), and any dividends or other returns paid on those Shares after Completion, to UBSHAPL. The transfer of the Deferred Transfer Shares will occur at a future date nominated by UBSAHPL after the voluntary escrow restrictions which apply to EV Hospitality's Shares are no longer in place. If the conditions for early partial release under the escrow deed with EV Hospitality described in Section 7.7 are satisfied, the transfer may be made, as to 25% of the Deferred Transfer Shares (and the corresponding amount of accumulated dividends), after that time.

EV Hospitality has agreed with UBSAHPL that it will not transfer any of any its other Existing Shares before it completes the transfer of the Deferred Transfer Shares to UBSAHPL and UBSAHPL will not transfer any of its Existing Shares unless and until it has transferred the Deferred Transfer Shares that it has received from EV Hospitality. EV Hospitality will also grant security over the Deferred Transfer Shares in favour of UBSHAPL, to secure performance of its obligation under the Call Option Deed. UBSHAPL will not be permitted to exercise any rights under the security until after the voluntary escrow restrictions have ceased to apply to the Shares held by EV Hospitality.

9.3.2 Relationship Deed

Mantra Group has entered into a Relationship Deed with EV Hospitality which provides that EV Hospitality retains the right, should they wish, to appoint one Director to the Board while they hold at least 10% or the issued share capital of Mantra.

In addition, during the term of the Relationship Deed if, either:

- EV Hospitality has not appointed a Director to the Board (**Nominee**) (or any such Nominee is no longer on the Board and has not yet been replaced); or
- the Nominee is unable to attend a Board meeting,

then EV Hospitality will be entitled to appoint one observer to attend the Board meeting in the absence of any Nominee. The observer has no entitlement to vote or to require the Board to follow any advice.

The Relationship Deed also includes provisions for access to EVH to information provided to a Nominee or an observer and confidentiality restrictions in relation to that information.

The Relationship Deed terminates upon EV Hospitality ceasing to hold at least 10% of the issued share capital of Mantra Group.

9.3.3 Co-ordination Deed

EV Hospitality and UBSAHPL have entered into a Co-ordination Deed which will govern the rights and obligations of EV Hospitality and UBSAHPL with respect to disposals of their shareholding in Mantra following release of the voluntary escrow arrangements set out in Section 7.7. The key terms of the Co-ordination Deed are as follows:

- if, following release of the voluntary escrow arrangements set out in Section 7.7, either of EV Hospitality or UBSAHPL wishes to sell any of the Shares held by it to a third party buyer (other than by way of an on or off market sell-down or block trade), then the seller grants the other Existing Shareholder party the right to tag, in proportion, to the sale; and
- if, following release of the voluntary escrow arrangements set out in Section 7.7, either of EV Hospitality of UBSAHPL wishes to conduct an on or off market sell-down or block trade of its Shares, then it grants the other Existing Shareholder party the right to participate, on a proportional basis, in such a sell-down.

In either case, the sales are to occur on the same terms and conditions for both Shareholders.

The Co-ordination Deed will terminate approximately 29 months following Completion.

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9.4 SUMMARY OF THE UNDERWRITING AGREEMENT

Mantra Group and the Joint Lead Managers have entered into an underwriting agreement on or about the Prospectus Date (Underwriting Agreement) pursuant to which the Joint Lead Managers agree to arrange, manage and underwrite the Offer.

9.4.1 Fees, costs and expenses

Based on the Offer being completed successfully, Mantra Group must pay to the Joint Lead Managers an offer management and underwriting fee in the amount of 2.25% and, in Mantra Group's absolute discretion, an incentive fee of 1.00% (exclusive of any applicable GST) of the gross proceeds of the Offer (being the Offer Price multiplied by the number of Shares issued under the Offer). The offer management and underwriting fee is payable to the Joint Lead Managers by 5.30pm on the day of settlement for the Offer (Settlement Date). Any incentive fee is payable by 15 July 2014. Mantra Group must also pay and reimburse the Joint Lead Managers in relation to all costs and expenses of and incidental to the Offer.

9.4.2 Termination events not limited to materiality

If any of the following events occurs, the Joint Lead Managers may terminate their obligations under the Underwriting Agreement on or before the Settlement Date:

- (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (**compliance with law**) any of the Offer Documents, the Public Information or any aspect of the Offer does not comply with the Corporations Act or any other applicable law or regulation:
- (**supplementary prospectus**)
  - Mantra Group issues, or in the reasonable opinion of the terminating Joint Lead Manager, are required to issue, a supplementary prospectus to comply with section 719 of the Corporations Act; or
  - Mantra Group lodges a supplementary prospectus with ASIC in a form that has not been approved by the Joint Lead Managers in circumstances required by the Underwriting Agreement;
- (**market fall**) the S&P/ ASX 200 share price index falls to a level that is 87.5% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for two consecutive business days during any time after the date of the Underwriting Agreement; or
  - on the business day immediately prior to the Settlement Date;
- (**restriction agreement**) a Voluntary Escrow Deed is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any of them (other than with the consent of the Joint Lead Managers);
- (**forecasts**) there are not, or there ceases to be, reasonable grounds in the opinion of the terminating Joint Lead Manager for any statement or estimate in the Prospectus or any other Offer Documents which relate to a future matter;
- (**fraud**) Mantra Group or any of its Directors or officers, engage, or has engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, for:
  - Mantra Group's admission to the official list of the ASX on or before the date by which the ASX is to have confirmed quotation of the Shares; or
  - the quotation of all of Mantra Group's Shares, including the Shares issued under the Offer, on the ASX or for Mantra Group's Shares, to be traded through CHESS on or before the date on which deferred settlement and conditional trading of the Shares commences,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (**notifications**) any of the following notifications are made in respect of the Offer (other than a notification that isn't made public and that is withdrawn after 3 business days or prior to 8.00am on the Settlement Date, whichever is earlier):
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than a Joint Lead Manager seeking to Terminate) who has previously consented to the inclusion of its name in the Prospectus withdraws its consent; or
  - any person (other than a Joint Lead Manager seeking to Terminate) gives a notice under section 730 of the Corporations Act in relation to the Offer Document;
- (**certificate not provided**) Mantra Group does not provide a closing certificate as and when required by the Underwriting Agreement;
- (**withdrawal**) Mantra Group withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- (**insolvency events**) Mantra Group becomes insolvent, or there is an act or omission which is likely to result in Mantra Group becoming insolvent;

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- (**timetable**) an event specified in the timetable set out in the Underwriting Agreement up to and including the Settlement Date is delayed by more than two business days (other than any delay agreed between Mantra Group and the Joint Lead Managers);
- (**unable to issue shares**) Mantra Group is prevented from allotting and issuing the Shares, within the time required by the timetable included in the Underwriting Agreement, the Offer Documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- (**change to company**) Mantra Group:
  - alters the issued capital of Mantra Group (except as disclosed in the Prospectus); or
  - disposes or attempts to dispose of a substantial part of the business or property of Mantra Group or the Mantra Group,

  without the prior written consent of the Joint Lead Managers;
- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for Mantra Group to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents; or
- **(vacancy in office)** the chairman, chief executive officer or chief financial officer of Mantra Group vacates his or her office, or there is a change in any of those positions; or
- (**prosecution**) any of the following occur:
  - a director or proposed director named in the Prospectus is charged with an indictable offence;
  - any governmental agency commences any public action against Mantra Group or any of its respective directors in its capacity as a director of Mantra Group, or announces that it intends to take action; or
  - any director or proposed director named in the Prospectus is disqualified from managing a corporation under the Corporations Act.

9.4.3 Termination events limited to materiality

If any of the following events occur, the Joint Lead Managers may terminate their obligations under the Underwriting Agreement if the Joint Lead Managers have reasonable grounds to believe that the event has or is likely to have a materially adverse effect on: the success, settlement or marketing of the Offer, or on the ability of the Joint Lead Managers to market or promote or settle the Offer or on the likely price at which the Shares will trade on the ASX; or the willingness of investors to subscribe for the Shares, or could give rise to a liability of the Joint Lead Managers under any applicable law:

- (**change in management**) a change in Senior Management or the board of directors of Mantra Group occurs (except for the chairman, chief executive officer or chief financial officer);
- (**disclosures in the due diligence report and any other information**) the due diligence reports or any other information supplied by or on behalf of Mantra Group to the Joint Lead Managers in relation to the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- (**material contracts**) if any of the obligations of the relevant parties under any of the contracts that are material to the business of Mantra Group are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Managers) or if all or any part of any of such contracts: is amended or varied without the consent of the Joint Lead Managers; is terminated; breached; ceases to have effect, otherwise than in accordance with its terms; or is or becomes void, voidable, illegal, invalid or unenforceable;
- (**adverse change**) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Mantra Group, and the Mantra Group (insofar as the position in relation to an entity in the Mantra Group member affects the overall position of Mantra Group), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Mantra Group or the Mantra Group from those disclosed in any Offer Document;
- (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or New Zealand or any State or Territory of Australia a new law or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (**breach of laws**) there is a contravention by Mantra Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act (including any regulations under those acts), its constitution, or the ASX Listing Rules or any other applicable law or regulation;
- (**compliance with law**) any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that act), the ASX Listing Rules or any other applicable law or regulation;
- (**representations and warranties**) a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Mantra Group is breached, becomes not true or correct or is not performed;
- (**breach**) Mantra Group defaults on one or more of its obligations under the Underwriting Agreement;
- (**constitution**) Mantra Group varies any term of its constitution other than as contemplated by the Prospectus without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed);
- (**legal proceedings**) any of the following occurs:

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- the commencement of legal proceedings against Mantra Group, any other Group Member or any director of Mantra Group or a Group Member in that capacity; or
- any regulatory body commences an enquiry or public action against Mantra Group;

- (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Indonesia, the United Kingdom, the United States, the People's Republic of China, or a major terrorist act is perpetrated on any of those countries;
- (**certificate incorrect**) a statement in any closing certificate provided by Mantra Group to the Joint Lead Managers is false, misleading, inaccurate or untrue or incorrect; or
- (**disruption in financial markets**) any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, the United Kingdom or the United States, or in foreign exchange rates; or
  - trading in all securities quoted or listed on the ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

9.4.4 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains common representations, warranties and undertakings provided by Mantra Group to the Joint Lead Managers relating to matters such as the conduct of the parties, the conduct and outcome of the due diligence process, information provided to the Joint Lead Managers, financial information, material contracts, licences, compliance with ASX Listing Rules and laws, information contained in this Prospectus and the conduct of the Offer.

The undertakings provided by Mantra Group include that no Mantra Group company will, during the period following the date of the Underwriting Agreement until 180 days after completion of the Offer, issue or agree to issue any Shares or other securities other than in relation to the Offer or upon exercise of the Options, or reorganise or otherwise alter or restructure its capital structure without the prior written consent of the Joint Lead Managers, or until 120 days after the completion of the Offer dispose or agree to dispose of the whole or a substantial part of its business or property except as disclosed in this Prospectus, or change Mantra Group's constitution except with the prior written consent of the Joint Lead Managers other than as disclosed in this Prospectus.

In addition, the Underwriting Agreement contains common conditions precedent to the Joint Lead Managers' obligations, including the entry by Escrowed Shareholders into the Voluntary Escrow Deeds (and those deeds not having been breached or terminated).

9.4.5 Indemnity

Subject to certain exceptions, Mantra Group indemnifies the Joint Lead Managers and persons associated with the Joint Lead Managers against certain liabilities which relate to or arise from the Underwriting Agreement, this Prospectus (or any related document) or the Offer.

9.5 SUMMARY OF MANTRA GROUP'S NEW BANKING FACILITY

Mantra Group Holdings II Pty Ltd (a wholly owned subsidiary of the Company) and Westpac Banking Corporation, National Australia Bank Limited and Commonwealth Bank of Australia (the Lenders) have entered into a facility agreement for the provision by the Lenders of a secured three year revolving facility (New Banking Facility), with effect from (and conditional upon) Completion of the Offer.

The key terms of the New Banking Facility are summarised below.

9.5.1 Amount

The facility limit under the New Banking Facility is $150,000,000, and is available for drawings in Australian dollars, New Zealand dollars and US dollars.

9.5.2 Maturity date

The New Banking Facility will mature on the date falling three years after financial close, being the date of first drawdown (Financial Close), at which point all amounts owing will be repayable. No amortisation payments are payable under the New Banking Facility.

9.5.3 Use of funds

The New Banking Facility may be used:

- to refinance existing debt facilities (and any derivative transactions associated with them) and to pay for related financing and IPO transaction advisory fees, costs and expenses;
- for working capital and other general corporate purposes of the Mantra Group;
- for capital expenditure and certain permitted acquisitions (and related advisory and other fees, costs and expenses); and

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- for the issuance of letters of credit, bank guarantees or performance bonds.

9.5.4 Guarantees

The New Banking Facility is guaranteed by:

- the Company and its wholly owned subsidiaries incorporated in Australia, New Zealand, Hong Kong or Singapore that contribute greater than 5% of LTM EBITDA or own more than 5% of the total assets of the Mantra Group; and
- any wholly owned members of the Company that in aggregate (when combined with the subsidiaries in (a) above) contribute at least 85% of LTM EBITDA and own at least 85% of the total assets of the Mantra Group.

(together, the Security Providers).

9.5.5 Security

The Security Providers will grant security over all their respective assets and undertakings (subject to certain agreed exceptions) in favour of a security trustee for the Lenders and as security for their obligations under the New Banking Facility and any associated hedging arrangements with the Lenders.

9.5.6 Interest rates and payments

The New Banking Facility will attract a variable rate of interest, comprising the applicable base rate for borrowings in the relevant currency (see below), plus a margin, which varies depending on the Net Leverage Ratio of the Mantra Group.

The base rate applicable to drawings in the different currencies will be based on the following:

- for Australian dollar drawings, BBSY;
- for New Zealand dollar drawings, BKBM; and
- for US dollar drawings, LIBOR.

Interest is payable on the last day of each interest period by reference to one, two, three or six month periods, as selected by the borrowers or any other period agreed between the borrower and the facility agent. There is a default interest of 2% per annum over the applicable interest rate, which is payable on overdue amounts only.

9.5.7 Facility fees

Fees payable in connection with the New Banking Facility are market for a facility of this type and include the following:

- an upfront fee payable on Financial Close; and
- an undrawn commitment fee payable quarterly in arrears from Financial Close.

9.5.8 Financial covenants

The New Banking Facility will include the following financial covenants, which will be tested semi-annually with the first testing date falling on 31 December 2014:

- Net Leverage Ratio not greater than 3.0x;
- Interest Cover Ratio of at least 3.0x; and
- Fixed Charge Cover Ratio of at least 1.30x.

A breach of a financial covenant will be an event of default under the New Banking Facility. It will also prevent the Company from being entitled to pay any dividends (see Section 9.5.14 below).

Overview of the key terms of the financial covenants:

Net Leverage Ratio	This is the ratio of: (i) the total net debt of the Mantra Group outstanding as at the covenant testing date (including under the New Banking Facility), less the Mantra Group's contingent liabilities under bank guarantees, performance bonds and letters of credit which are not used to secure third party debt on that date, less any unencumbered cash or cash equivalents held by the Mantra Group, less any amounts outstanding under finance leases and under permitted hedging agreements and less any debt subordinated to the New Banking Facility, to (ii) LTM EBITDA, being EBITDA of the Mantra Group (on a consolidated basis) for the previous 12 months to that testing date.

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Interest Cover Ratio	This is the ratio of: (i) LTM EBITDA of the Mantra Group (on a consolidated basis) as at the relevant testing date, to (ii) the total sum of net total cash interest that has been paid or was payable for the 12 months to the relevant testing date (adjusted, if necessary, for any interest expense arising out of market disruption). Until the first anniversary of Financial Close, when calculating the Interest Cover Ratio, the net total cash interest will be based on actual figures from the period from Financial Close until the relevant testing date, but annualised for 12 months.
Fixed Charge Coverage Ratio	This is the ratio of: (i) LTM EBITDA of the Mantra Group (on a consolidated basis) plus the total rental payments paid or payable by the Mantra Group in accordance with all operating leases under which a member of the Mantra Group is the lessee in respect of the 12 month period ending on the relevant testing date, to (ii) interest and other amounts in the nature of interest shown in the latest accounts for the Mantra Group as having been paid or incurred by the Mantra Group (on a consolidated basis), plus or minus the net amount of any difference payments paid by or to a member of the Mantra Group under any permitted hedge transaction during that period (Interest Expense), plus the total rental payments paid or payable by the Mantra Group in accordance with all operating leases under which a member of the Mantra Group is the lessee in respect of the 12 month period ending on the relevant testing date. Until the first anniversary of Financial Close, when calculating the Fixed Charge Coverage Ratio, the Interest Expense will be based on actual figures from the period from Financial Close until the relevant testing date, but annualised for 12 months.

9.5.9 Other covenants and undertakings

The New Banking Facility will include affirmative and negative covenants which are standard for a facility of its nature, including:

- provision of financial statements to the Lenders;
- provision to the Lenders of a written notice of default, specifying the nature and extent thereof;
- provision of such information regarding the financial condition, business and operations of the Mantra Group as any Lender may reasonably request;
- negative pledge; and
- restrictions on incurring financial indebtedness, financial accommodation, making investments and acquisitions, other than as permitted.

9.5.10 Events of default

The agreement under which the New Banking Facility is made will contain certain events of default which are customary for facilities of its nature and a business of the nature of the Mantra Group and include the following:

- non-payment with a two business day cure period for technical or administrative failure;
- failure to comply with financial covenants;
- failure to comply with other obligations, with a 15 business day remedy period where remediable;
- misrepresentation, with a 15 business day remedy period where remediable;
- cross-default, with a threshold of A$5,000,000;
- an insolvency event occurs or insolvency proceedings are commenced in respect of a Security Provider subject to carve-outs for solvent liquidation and remedy periods for dismissal of proceedings within 15 business days;
- an event or series of events occurs that has or will have a material adverse effect.

At any time after and during the continuance of an event of default, the Lenders will be entitled to, among other things, cancel their commitments and declare the loans then outstanding to be due and payable in whole or part.

9.5.11 Review event

A review event will occur under the New Banking Facility if there is a "Change of Control", which is defined under the New Banking Facility as:

- the acquisition by any person, other than UBSAHPL or any of the CVC Entities, directly or indirectly, of beneficial ownership of 50% or more of the ordinary voting power of the outstanding voting shares of the Company or Mantra Group Holdings II Pty Ltd; or
- if the Company is removed from the Official List, or any class of securities in the Company are suspended from trading on the ASX for a continuous period of 10 business days or longer (for reasons other than there being an imminent announcement of a major acquisition or merger transaction).

If a review event occurs, the parties have agreed to negotiate in good faith for 30 days to agree revised terms for the New Banking Facility to take into account the review event. Unless alternative arrangements are agreed during the 30 day good faith negotiation period by the Majority Lenders (being those persons whose whole total commitments aggregate at least $66^{2}/_{3}$% or, if there are two or less Lenders, all of the Lenders), the financiers may cancel the commitments and require the prepayment of the New Banking Facility in full within 90 days of notice.

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9.5.12 Optional prepayment

Voluntary prepayments of the New Banking Facility will be permitted on three business days' notice, subject to payment of break costs.

9.5.13 Mandatory prepayment

The New Banking Facility will contain mandatory prepayment provisions that are customary for facilities of its nature, including prepayment of the New Banking Facility in full upon any disposal of the whole or substantially all of the business or assets of the Mantra Group and insurance proceeds exceeding A$10,000,000 per claim.

9.5.14 Ability to pay dividends

Payment of dividends and distributions by the Company will be permitted under the New Banking Facility provided that there is no actual or potential event of default or review event subsisting, or will immediately occur as a result of the dividend or distribution. For these purposes, compliance with financial covenants will be determined on the basis as if the financial covenants were tested immediately before and immediately after the dividend or distribution payment.

9.6 ASX WAIVERS AND CONFIRMATIONS

ASX has confirmed to Mantra Group that the following waivers are not required from those Listing Rules:

- a waiver from Listing Rule 6.23 in relation to the proposal to buy-back and cancel Options held by Directors (as described in Section 6.3.2.4) for cash consideration;
- a waiver from Listing Rule 1.1, Condition 11 (on the basis of the Options which will remain temporarily in place at the time of Listing have an exercise price of less than 20 cents);
- a waiver from Chapter 6 of the Listing Rules, to the extent that any of the Listing Rules in that chapter are infringed by the Options; and
- a waiver from the requirement in Listing Rule 10.14 to obtain Shareholder approval in respect of the issue of Shares, on or immediately before Completion of the Offer, to Directors in exchange for Options held (as described in Section 6.3.2.4).

ASX has provided in-principle confirmations to Mantra Group that:

- Mantra Group may undertake conditional and deferred settlement trading of the Shares, subject to satisfaction of certain conditions to be imposed by the ASX; and
- if Mantra Group is admitted to the Official List under the "assets test" set out in the ASX Listing Rules, the ASX will not exercise its discretion to impose a mandatory escrow period in relation to Existing Shares.

9.7 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others). This Section 9.7 contains a general description of these laws.

9.7.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Australian Government Foreign Investment Policy

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (Substantial Interest), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest).

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a "direct investment" will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

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9.7.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Mantra Group either themselves or through an associate.

9.7.3 Overseas Investment Act 2005 (NZ)

New Zealand's Overseas Investment Act 2005 places restrictions on an overseas person (which includes any individual who is neither a New Zealand citizen nor ordinarily resident in New Zealand, and a body corporate that is incorporated outside of New Zealand or is 25% or more owned or controlled by overseas persons) and its associates obtaining 25% or more ownership or control interest of a company that:

- owns or controls (directly or indirectly) an interest in land which is "sensitive land" in New Zealand; or
- has a business or assets in New Zealand with a gross asset value of greater than NZ$100 million.

Under the Overseas Investment Act 2005, "sensitive land" generally includes non-urban land, land positioned on or adjacent to the foreshore or seabed, lakebeds, historic places, public parks or reserves or conservation land, subject to certain thresholds on the size of the land holding.

An "interest" in sensitive land includes leasehold interests with terms of three years or more (including renewals) and may, in certain cases depending on the terms of such rights, include management or letting rights held in relation to sensitive land (for example, in relation to a building or property based on sensitive land).

As at the Prospectus Date, Mantra Group does not hold business or assets in New Zealand with a gross asset value of greater than NZ$100 million. However, Mantra Group may hold interests in sensitive land in New Zealand pursuant to the Overseas Investment Act 2005.

If any overseas person (together with their associates) intends to acquire 25% or more of the Shares, the acquisition may require such persons to obtain consent to the acquisition under the Overseas Investment Act 2005.

9.8 TAXATION CONSIDERATIONS

The following comments provide a general summary of Australian tax issues for Australian tax resident Investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for non-Australian tax resident investors, or insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime) and have made fair value or Reliance on Financial Reports elections.

This summary is based on the law in Australia in force at the time of issue of this Prospectus. Australian tax laws are complex. It also does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances.

Investors should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.8.1 Dividends paid on Shares

Where dividends on a Share are distributed by Mantra Group, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" (refer further comments below). The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

Where a dividend paid by Mantra Group is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

9.8.2 Corporate investors

Corporate investors are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Such corporate investors may then be able to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

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9.8.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

9.8.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a "qualified person" in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule and, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares "at risk" for more than 45 days continuously, measured as the period commencing the day after the investor acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of a dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

9.8.5 Disposal of Shares

The disposal of a Share by an investor will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the net capital gain where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.8.6 Tax file numbers and Australian business numbers

Resident Shareholders may, if they choose, notify Mantra Group of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event Mantra Group is not so notified, tax will automatically be deducted at the highest marginal tax rate, including the Medicare Levy (currently 1.5%), from unfranked dividends and/or distributions. The rate of withholding tax is currently 46.5%.

Mantra Group is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Shareholders will be able to claim a tax credit/ rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

Due to recent changes in law, the Medicare Levy has been increased to 2% with effect from 1 July 2014 (therefore increasing the current rate of withholding tax from 46.5% to 47% from 1 July 2014).

For completeness, based on the recent Federal Budget, exposure draft legislation has been released outlining a proposed 2% Deficit Levy charge for high income earners from 1 July 2014 until 30 June 2017. Whilst this legislation is not yet enacted, should it pass through parliament, this would increase the rate of withholding tax to 49% effective from 1 July 2014 (until 30 June 2017).

9.8.7 Stamp duty

Investors should not be liable for stamp duty in respect of their investment in Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

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9.8.8 Australian Goods and Services Tax (GST)

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

Investors should seek their own advice on the impact of GST in their own particular circumstances.

9.9 LEGAL PROCEEDINGS

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Mantra Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Mantra Group.

9.10 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Each of Macquarie Capital (Australia) Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Highbury Partnership Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Financial Adviser to Mantra Group in relation to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to Mantra Group in relation to the Offer in the form and context in which it is named;
- Hickey Lawyers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as an Australian legal adviser in relation to certain due diligence investigations carried out in relation to Mantra Group in the form and context in which it is named;
- Bell Gully has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as New Zealand legal adviser to Mantra Group in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Mantra Group in relation to the Historical Financial Information and the Forecast Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor and Australian taxation adviser and provider of due diligence services to Mantra Group in relation to the Historical Financial Information in the form and context in which it is named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named;
- Jones Lang LaSalle Incorporated has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion of statements made by it or based on statements made by it in Section 2 in the form and context in which they are included; and
- Tourism Research Australia has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion of statements made by it or based on statements made by it in Section 2 in the form and context in which they are included.

9.11 SELLING RESTRICTIONS

This document does not constitute an offer of the Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia and New Zealand except to the extent permitted below.

9.11.1 China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

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9.11.2 European Economic Area – Belgium, Denmark, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of the Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of the Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

9.11.3 France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

9.11.4 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.11.5 Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

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9.11.6 Italy

The offering of Shares in the Republic of Italy has not been authorised by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 1197I"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

9.11.7 Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

9.11.8 Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to an exemption from the prospectus requirements under the Malaysian Capital Markets and Services Act.

9.11.9 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

9.11.10 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

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9.11.11 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

9.11.12 United Arab Emirates

Neither this document nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

9.11.13 United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.11.14 United States

This document may not be released or distributed in the United States except to Eligible US Fund Managers. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

9.12 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant and bidder under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

9.13 STATEMENT OF DIRECTORS

This Prospectus is authorised by each Director who consents to its lodgement with ASIC and its issue.

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SECTION 10
GLOSSARY

PEPPERS BALÉ SALT, KINGSCLIFF

SECTION 10
GLOSSARY

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Term	Meaning
A-IFRS	Australian equivalents to International Financial Reporting Standards
AASB	Australian Accounting Standards Board
API	Application Protocol Interface
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules or **Listing Rules**	the rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list as amended, varied or waived from time to time
ASX Market Rules	the market rules of the ASX as amended, varied or waived from time to time
ASX Settlement Operating Rules	the settlement rules of the ASX as amended, varied or waived from time to time
Australian Accounting Standards or **Accounting Standards**	Accounting Standards as defined in the Corporations Act
Average Room Rate or **ARR**	ARR measures the total average room revenue received per occupied room per day throughout the period. It is used as a metric to compare relative profitability of the accommodation industry and is one of the inputs used to calculate RevPAR along with Occupancy
Board	the board of directors of Mantra Group
bps	basis points
Broker	any ASX participating organisation selected by the Joint Lead Managers and Mantra Group to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States
Business Day	has the meaning given in the ASX Listing Rules
CAGR	compound annual growth rate
CHESS	Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Closing Date	the date on which the Offer is expected to close, being 17 June 2014 in respect of the Retail Offer and 29 May 2014 in respect of the Institutional Offer. These dates may be varied without prior notice
Company VWAP	the volume weighted average price of the Shares (calculated to two decimal places of one cent) traded on the ASX "On-market" (as that term is defined in the ASX Market Rules) excluding special crossings, overseas trades, trades pursuant to the exercise of options or overnight trades, as determined by the ASX in accordance with its customary practice
Company VWAP Period	any period of 20 consecutive trading days after the relevant date
Completed New Properties	has the meaning given in Section 4.9.2.2
Completion	the completion of the Offer, being the date upon which Shares are issued to Successful Applicants in accordance with the terms of the Offer
Constitution	the constitution of Mantra Group
Corporations Act	*Corporations Act 2001* (Cth)
CVC Entities	means funds managed and advised by either or both of CVC Asia Pacific Limited or CVC Capital Partners Limited and any wholly-owned subsidiary of any such fund, and "CVC Entity" means any one of them
Deferred Transfer Shares	the 22,733,752 Shares held by EV Hospitality at Completion that EV Hospitality has agreed to transfer for nil consideration to UBSAHPL at a future date nominated by UBSAHPL after their release from the voluntary escrow arrangements

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Term	Meaning
Directors	each of the directors of Mantra Group from time to time
EBIT	earnings before interest and tax
EBITA	earnings before interest, tax and amortisation of lease rights
EBITDA	earnings before interest, tax, depreciation and amortisation of all intangibles
Eligible Employee	either: • a permanent full-time or part-time or casual employee of Mantra Group and who is employed at 5.00pm (Sydney Time) on 23 May 2014; or • any other current or future expected employee of Mantra Group nominated by the Company, provided any such person is a Retail Offer Investor
Eligible Property Owner	any person who as at 5.00pm (Sydney Time) on 23 May 2014 is an owner of a property the subject of a Lease, Management Letting Right, Management Agreement or Marketing Services Agreement to which a member of the Mantra Group is a party and who is nominated by the Company, provided any such person is a Retail Offer Investor
Eligible US Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not US Persons for which it has and is exercising, investment discretion, within the meaning of Rule 902(k)(2) (i) of Regulation S
Escrowed Shareholders	means: • EV Hospitality • UBSAHPL • the Non-Executive Director Shareholders • the Management Shareholders (together with their controlling parties)
EV Hospitality	EV Hospitality NV (a Belgian entity), a subsidiary of funds managed and advised by CVC Asia Pacific Limited and CVC Capital Partners Limited
EVH	Europe Voyager Holdings Sarl (a Luxembourg entity)
Existing Shareholders	those persons holding Shares as at the Prospectus Date, being EV Hospitality and UBSAHPL
Existing Shares	Shares held by the Existing Shareholders and, where the context requires, includes any additional shares which may be issued to the Existing Shareholders under the Share Split
Expiry Date	13 months after the Prospectus Date
Exposure Period	the seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
Financial Adviser	Highbury Partnership Pty Limited ABN 14 162 169 502/AFSL 434566
Financial Information	has the meaning given in Section 4.1
Financial Year or **FY**	year to 30 June
Forecast Financial Information	has the meaning given in Section 4.1
Forecast New Properties	has the meaning given in Section 4.9.2.2
Forecast Period	the financial periods ending 30 June 2014 and 30 June 2015
GDS	Global Distribution System
Historical Financial Information	has the meaning given in Section 4.1

SECTION 10
GLOSSARY

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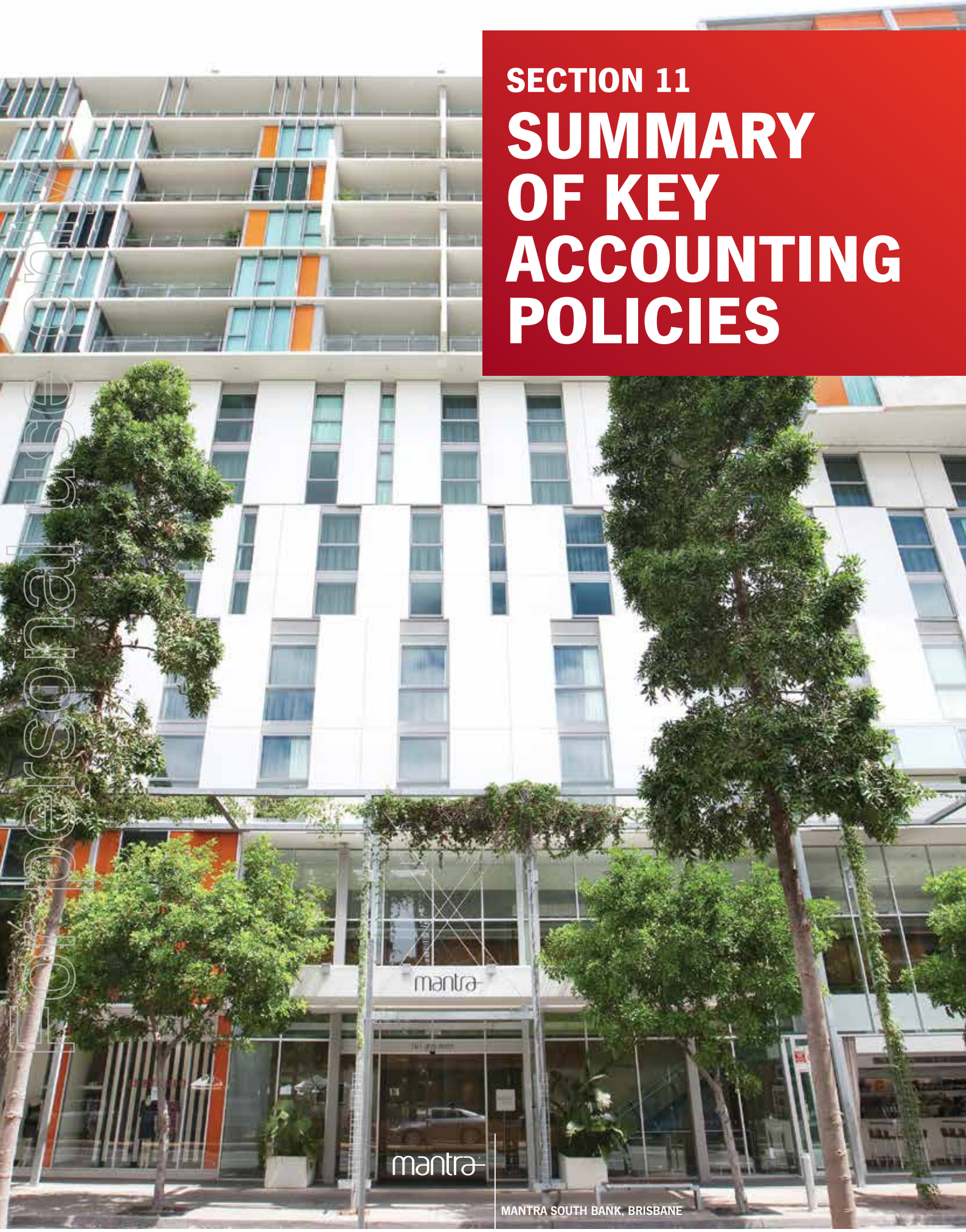
Term	Meaning
Institutional Investor	an investor: • in Australia who is either a "professional investor" or "sophisticated investor" under sections 708(11) and 708(8) of the Corporations Act; or • in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply) provided that if such person is in the United States, it is only an Institutional Investor if it is an Eligible US Fund Manager
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.5
Investigating Accountant	PricewaterhouseCoopers Securities Ltd
Investigating Accountant's Report	the report prepared by PricewaterhouseCoopers Securities Ltd referred to in Section 8
Joint Lead Managers	Macquarie Capital (Australia) Limited ABN 79 123 199 548 and UBS AG, Australia Branch ABN 47 088 129 613
Leases	the operating structure described in Section 3.4.1.1
Listing	the admission of the Company to the official list of the ASX
Management Agreement	the operating structure described in Section 3.4.1.3
Management Letting Rights	the operating structure described in Section 3.4.1.2
Management Shareholders	Senior Management who will receive Shares in exchange for Options on (or immediately prior to) Completion, as further described in Sections 6.3.2.4 and 7.1.4
Mantra Group or **Company**	Mantra Group Limited ACN 137 639 395, or, where the reference to "Mantra Group" relates to any period prior to 12 June 2009, means Mantra Group Operations Pty Ltd. In addition, where the context requires, references to "Mantra Group" include any of its subsidiaries and references to "the Mantra Group" relate to Mantra Group together with all of its subsidiaries
Mantra Group Holdings II Pty Ltd	Mantra Group Holdings II Pty Limited ACN 137 639 377
Mantra Group Operations Pty Ltd	Mantra Group Operations Pty Limited ACN 110 396 999
Mantra Hospitality Admin Pty Ltd	Mantra Hospitality Admin Pty Limited ACN 110 228 478
Marketing Services Agreement	the operating structure described in Section 3.4.1.4
New Banking Facility	the New Banking Facility agreement described in Section 9.5
New Shares	the 132,845,911 Shares to be issued by Mantra Group under the Offer
Non-Executive Director Shareholders	Non-Executive Directors of Mantra Group who will receive Shares in exchange for Options on (or immediately prior to) Completion, as further described in Section 6.3.2.4
NPAT	net profit after tax
NPATA	net profit after tax adjusted to add back expense relating to amortisation of lease rights
Occupancy	measures the average number of rooms that have been utilised compared to the total average available rooms throughout the period. It is used as a metric to compare relative profitability of the accommodation industry and is one of the inputs used to calculate RevPAR along with Average Room Rate
Offer	the offer under this Prospectus of New Shares for issue by Mantra Group
Offer Period	the period from the Opening Date and ending on the Closing Date
Offer Price	$1.80 per Share
Official List	the official list of the ASX
Opening Date	the date on which the Retail Offer opens
Options	share options over the Shares pursuant to management equity plans currently in place, held by members of Senior Management
Pre IPO Dividend	the dividend of 68.33 cents per Share paid by the Company to the Existing Shareholders, subject to Listing of the Company
PMS	Property Management System

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Term	Meaning
PricewaterhouseCoopers	PricewaterhouseCoopers ABN 52 780 433 757
PricewaterhouseCoopers Securities Ltd	PricewaterhouseCoopers Securities Limited ABN 54 003 311 617
Pro Forma Financial Information	Historical and Forecast Financial Information reflecting certain events and assumptions that will be in place following Completion as if they had occurred or were in place as at 30 June 2010, with specific adjustments as described throughout Section 4
Probability Weighted New Properties	has the meaning given in Section 4.9.2.2
Priority Offer	the offer of Shares under this Prospectus to Retail Offer Investors in Australia and New Zealand invited by Mantra Group to participate in the Offer on a firm basis up to $3.7 million in aggregate, as described in Section 7.4.1
Property Owner Offer	the offer of Shares under this Prospectus to Eligible Property Owners, as described in Section 7.4.2
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being 30 May 2014
Regulation S	Regulation S promulgated under the US Securities Act
Retail Offer	the Broker Firm Offer, the Priority Offer and the Property Owner Offer
Retail Offer Investor	an Australian or New Zealand resident who is not in the United States and is not an Institutional Investor or a Broker
RevPAR	measures the total average room revenue received per room available throughout the period. It can also be calculated by taking the average occupied room rate and multiplying by the occupancy rate. It is used as a metric to compare relative profitability of the accommodation industry
Senior Management	the members of Mantra Group's management referred to in Section 6.2 and Senior Manager means any one of them
Settlement	has the meaning given in Section 7.9.3
Share	a fully paid ordinary share in the capital of Mantra Group
Share Registry	Link Market Services Limited ABN 54 083 214 537
Share Split	the share split described in footnote 2 on page 2, under which the Company's 18,000,000 Shares on issue as at the Prospectus Date are to be converted to 108,000,000 Shares following Listing but prior to Completion
Shareholder	a holder of a Share
Specific Expected New Properties	has the meaning given in Section 4.9.2.2
Successful Applicant	an Applicant who is issued Shares under the Offer
Sydney Time	Australian Eastern Standard Time
UBS AG, Australia Branch	UBS AG, Australia Branch ABN 47 088 129 613
UBSAHPL	UBS Australia Holdings Pty Limited ACN 003 059 498
Underwriting Agreement	the agreement of that name between the Company and the Joint Lead Managers dated on or about the Prospectus Date
US Person	has the meaning given in Rule 902(k) of Regulation S
US or **United States**	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Securities Act	US Securities Act of 1933, as amended
YE	year end
YoY/ yoy	year on year

SECTION 11

SUMMARY OF KEY ACCOUNTING POLICIES



MANTRA SOUTH BANK, BRISBANE

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The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The Financial Information comprises the assets and liabilities of all subsidiaries of Mantra Group and the results of all subsidiaries for the relevant period ended.

Subsidiaries are all entities (including special purpose entities) over which the Mantra Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Mantra Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Mantra Group, and de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Mantra Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Mantra Group.

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Mantra Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date.

SEGMENT REPORTING

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the Financial Information are measured and presented in Australian Dollars, being the currency of the primary economic environment in which the Mantra Group operates ('functional currency')

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Mantra Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Mantra Group's activities as described below. The Mantra Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Services

Revenue from the rendering of property management and holiday agency services is recognised on an accruals basis when the right to receive the revenue is established, it can be reliably measured, and it is probable that the revenue will be received. This is recognised at the point at which the accommodation and related services are provided. Payments received prior to the commencement of the guest's stay are recognised as advanced deposits.

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Revenue is recognised based on the property agreement:

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

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

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

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

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

Interest income

Interest income is recognised using the effective interest method.

INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Mantra Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

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

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

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

As a consequence of implementing tax consolidation legislation, the Mantra Group is taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the Financial Information.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Mantra Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the Financial Information, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities.

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Cash balances relating to property trust accounts where Mantra Group is not subject to risks and rewards are not recorded on the balance sheet.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Mantra Group will not be able to collect all amounts due according to original terms. The amount of the impairment loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price less estimated selling costs.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Mantra Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Land and buildings	40 years
Leasehold improvements	10 years or term of lease
Plant and equipment	3—5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit or loss.

Amounts paid to hotel owners to renew or extend letting agreements are capitalised as leasehold improvements and normally depreciated over the contracted period on a straight line basis.

INTANGIBLE ASSETS

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Brand Names and Trademarks

Brand names are considered to have indefinite lives and are therefore not subject to amortisation. They are initially recognised at purchased cost and impairment tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is measured by assessing the recoverable amount of the cash generating unit to which the brand names relate and where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Such losses are not subsequently reversed.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and other intangibles over their estimated useful lives.

Management Letting Rights, Management Rights and Management Agreements

Management letting rights ('MLRs') and Management Rights ('MRs') are recognised at cost less any accumulated amortisation and any accumulated impairment losses. MLRs and MRs are stated at cost and the cost of the rights is amortised over the life of the building with which it is associated on the basis that the useful life of the rights will equate to the period over which the building will be used for its current purpose.

The directors have assessed that the buildings over which the Mantra Group has management letting rights and management rights have a finite useful life of not less than forty years. The amortisation expense is taken to the consolidated statement of comprehensive income.

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

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

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

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

Management Agreements (MA's) provide the Mantra Group with revenue from managing properties on behalf of hotel owners and are prevalent with the Peppers Brand of properties. MA's are recorded at cost less any accumulated amortisation and accumulated impairment losses. MA's are amortised over the period in which future benefits are expected to be obtained. The amortisation expense is taken to the consolidated statement of comprehensive income.

Intellectual property and other intangibles

Intellectual property and other intangibles, including computer software, have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of Intellectual property and other intangibles over their estimated useful lives.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and its value in use. For the purposes of assessing impairments, assets are grouped at the lowest level at which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to Mantra Group prior to the end of financial year which are unpaid.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

PROVISIONS

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

EMPLOYEE BENEFITS

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

Contributions to defined contribution superannuation funds are recognised as an expense as they become payable.

CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of consideration received by the Company, less transaction costs.

SECTION 12
CORPORATE DIRECTORY

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Mantra Group registered office

Mantra Group Limited
Level 15
50 Cavill Avenue
Surfers Paradise QLD 4217

Financial Adviser

Highbury Partnership Pty Limited
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2 Chifley Square
Sydney NSW 2000

Joint Lead Managers

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Sydney NSW 2000

UBS AG, Australia Branch
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2 Chifley Square
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Australian legal adviser

Gilbert + Tobin
Level 37
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Sydney NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Limited
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Auditor and taxation adviser

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
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Brisbane QLD 4000

Mantra Group IPO Information Line

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(outside Australia)

between 8.30am and 5.30pm (Sydney Time), Monday to Friday

Offer website

www.mantrashareoffer.com

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