
APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Details of the reporting period and the previous corresponding period:

Current period	year ended 30 June 2014
Previous corresponding period	year ended 30 June 2013

2. Results for announcement to the market

<i>Key information</i>		30 Jun 2014	30 Jun 2013	Change %
2.1	Revenue from continuing operations	\$52,002,000	\$50,605,000	3%
2.2	Profit (loss) from ordinary activities after tax attributable to members of the parent entity	(\$3,284,000)	\$3,232,000	-201%
2.3	Profit (loss) for the period attributable to members of the parent entity	(\$3,284,000)	\$3,232,000	-201%
2.4	Distributions		Amount per security	Franked amount per security
	No distribution declared		\$Nil	\$Nil
2.5	Distribution record date			
	N/A			

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2.6 Commentary

Net loss from ordinary activities for the parent entity for the year to 30 June 2014 was \$3.3m, down from a profit of \$3.2m in the previous corresponding period. The decrease was largely due to the effects of a one-off gain of \$3.1 million gain on sale of the Group's equity accounted investment in Panthers Property Unit Trust ("PPUT") in the prior corresponding period and the early repayment of the loan to Panthers resulting in a \$2.4m reduction in finance costs offset by \$5.3m reduction in interest revenue.

The 2014 financial year continued our journey as an integrated operating company. Building on the work started in 2013 and consistent with our advice last year, we have continued to invest in our portfolio to ensure we have a stable platform to grow the business.

Highlights for FY14 include –

- Completing full renovations at Ambarvale, Bowral, Commodore, Uncle Bucks, General Gordon and Lawson Park.
- Capital works commenced at the Crown and the Dolphin
- Partial works at El Toro, Five Dock and the Courthouse pending completion of more holistic redevelopment plans for these sites.
- Significant investment in new gaming system (Ticket in/Ticket out) and gaming machine upgrades/replacements.
- Ongoing progress with our exit from New Zealand. Over the past year we have sold 2 of the 6 New Zealand venues and have sold another post year end.

3. Net tangible assets per stapled security

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	7.71 cents	8.36 cents

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4. Details of associates

Name of associate	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Panthers Property Unit Trust	0.0%	0.0%	\$ -	\$496,000
Group's aggregate share of associates profit/(loss) (where material):				
Profit/(loss) from ordinary activities before income tax			\$ -	\$496,000
Income tax on operating activities			\$ -	\$ -
Profit on disposal			\$ -	\$3,058,000

5. Audit qualification or review

The financial statements for the period ended 30 June 2014 are in the process of being audited.

6. Factors affecting performance

The operating performance of the Group was impacted by costs associated with refreshing the hotels and disruption to trade whilst capital works were being carried out.

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7. Earnings per security

Loss per stapled security attributable to members 0.24 cents

There were no dilutive effects on the earnings per share attributable to members.

8. Buybacks

n/a

9. Signed

Signed:



A handwritten signature in black ink, appearing to read 'Russell Naylor', is written over a horizontal line. The signature is stylized and cursive.

Russell Naylor

Executive Director

29 August 2014

CONSOLIDATED INCOME STATEMENT

	Note	June 2014 \$'000	June 2013 \$'000
Revenue from continuing operations		49,105	42,694
Cost of sales		(19,562)	(17,413)
Gross profit from continuing operations		29,543	25,281
Other revenue		2,897	7,911
Other income		4,105	7,047
Share of profits - associates		-	496
Hotel expenses		(23,468)	(19,281)
Administration expenses		(6,280)	(8,590)
Changes in fair value of property, plant, equipment and intangibles		(1,839)	-
Finance costs		(7,275)	(9,714)
Net profit/(loss) from continuing operations before income tax expense		(2,317)	3,150
Income tax expense		-	-
Profit/(loss) from continuing operations after income tax expense		(2,317)	3,150
Discontinued operations			
Profit/(loss) from discontinued operations	6	167	581
Profit/(loss) for the period		(2,150)	3,731
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		(3,284)	3,232
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		1,134	499
		(2,150)	3,731
Distributions per security		Cents -	Cents -
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - basic and diluted		(0.24)	0.33
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted		(0.26)	0.27
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - basic and diluted		0.02	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	June 2014 \$'000	June 2013 \$'000
Parent interest - Lantern Real Estate Trust		
Net profit for the year	(3,284)	3,232
Other comprehensive income:		
Revaluation surplus	-	750
Exchange differences on translation of foreign operations	773	(719)
Total comprehensive profit/(loss) for the year - parent interest	(2,511)	3,263
Non-controlling interest - Lantern Hotel Group Limited		
Net profit for the year	1,134	499
Total comprehensive profit/(loss) for the year - non-controlling interest	1,134	499
Stapled Entity		
Net profit/(loss) for the year	(2,150)	3,731
Other comprehensive income:		
Revaluation surplus	-	750
Exchange rate differences on translation of foreign operations	773	(719)
Total comprehensive profit/(loss) for the year - stapled entity	(1,377)	3,762

The components of profit or loss and other comprehensive income shown above are presented net of related income tax effects of \$Nil (2013: \$Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 2014 \$'000	June 2013 \$'000
Current assets			
Cash and cash equivalents		2,747	56,202
Trade and other receivables		1,820	2,322
Inventories		1,155	1,103
Assets of discontinued operations	6	7,498	9,367
Total Current Assets		13,220	68,994
Non-current assets			
Investment properties	2	20,700	19,100
Property, plant and equipment	3	110,706	95,545
Intangibles	4	29,640	26,640
Deferred tax asset		108	108
Other		412	755
Total Non-current Assets		161,566	142,148
Total assets		174,786	211,142
Current liabilities			
Payables		10,060	9,076
Borrowings		12,265	64
Derivatives		2,627	3,419
Provisions		54	70
Total Current Liabilities		25,006	12,629
Non-current liabilities			
Payables		1,225	450
Borrowings		44,965	90,328
Derivatives		5,666	7,077
Provisions		119	76
Total Non-current Liabilities		51,975	97,931
Total liabilities		76,981	110,560
Net assets		97,805	100,582
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	5	220,763	222,122
Reserves		645	(128)
Retained earnings/(accumulated losses)		(126,451)	(123,167)
Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)		94,957	98,827
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	5	2,745	2,786
Retained earnings/(accumulated losses)		103	(1,031)
Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)		2,848	1,755
Total security holders' interest		97,805	100,582

CONSOLIDATED STATEMENT OF CASH FLOWS

Note	June 2014 \$'000	June 2013 \$'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	56,885	50,418
Proceeds from insurance claim	61	-
Cash paid to suppliers and employees (inclusive of GST)	(48,672)	(44,375)
Interest received	466	5,738
Interest paid	(6,566)	(10,369)
Net cash from operating activities	2,174	1,412
Cash flows from investing activities		
Proceeds from sale of assets of discontinued operations	2,260	-
Payment for property, plant and equipment	(4,943)	(4,669)
Earnings from equity investment	-	932
Proceeds from sale of equity investment	-	24,000
Proceeds from loans repaid by third parties	700	63,090
Payment for acquisition of business, net of cash acquired	(16,325)	(51)
Payment for loans to third parties	(234)	-
Proceeds from loan extension fees	-	435
Net cash inflow from investing activities	(18,542)	83,737
Cash flows from financing activities		
Proceeds from borrowings	16,900	-
Payment for borrowing costs	(511)	(748)
Repayment of borrowings	(50,000)	(27,348)
Repayment of interest rate swaps	(1,412)	-
Repayment of finance leases	(69)	-
Payment for securities bought back	(1,999)	(4,978)
Net cash inflow from financing activities	(37,091)	(33,074)
Net increase in cash or cash equivalents	(53,459)	52,075
Cash or cash equivalents at the beginning of the year	56,202	4,116
Effects of exchange rate changes on cash	4	11
Cash and cash equivalents at the end of the year	2,747	56,202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amounts at 1 July 2013	222,122	(128)	(123,167)	1,755	100,582
Lantern Real Estate Trust					
Net profit/(loss) for the year	-	-	(3,284)	-	(3,284)
Other comprehensive income	-	773	-	-	773
	-	773	(3,284)	-	(2,511)
Lantern Hotel Group Limited					
Net profit/(loss) for the year	-	-	-	1,134	1,134
	-	-	-	1,134	1,134
Total stapled entity					
Net profit/(loss) for the year	-	-	(3,284)	1,134	(2,150)
Other comprehensive income	-	773	-	-	773
Total comprehensive profit/(loss) for the year	-	773	(3,284)	1,134	(1,377)
Transactions with unit holders in their capacity as equity holders:					
Security holders of Lantern Real Estate Trust					
Payment to facilitate future buyback of units	(1,359)	-	-	-	(1,359)
	(1,359)	-	-	-	(1,359)
Security holders of Lantern Hotel Group Limited					
Payment to facilitate future buyback of shares	-	-	-	(41)	(41)
	-	-	-	(41)	(41)
Total stapled entity					
Payment to facilitate future buyback of securities	(1,359)	-	-	(41)	(1,400)
	(1,359)	-	-	(41)	(1,400)
Carrying amounts at 30 June 2014	220,763	645	(126,451)	2,848	97,805

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amounts at 1 July 2012	228,746	(159)	(126,399)	1,605	103,793
Lantern Real Estate Trust					
Net profit/(loss) for the year	-	-	3,232	-	3,232
Other comprehensive income	-	31	-	-	31
	-	31	3,232	-	3,263
Lantern Hotel Group Limited					
Net profit/(loss) for the year	-	-	-	499	499
	-	-	-	499	499
Total stapled entity					
Net profit/(loss) for the year	-	-	3,232	499	3,731
Other comprehensive income	-	31	-	-	31
Total comprehensive profit/(loss) for the year	-	31	3,232	499	3,762
Transactions with unit holders in their capacity as equity holders:					
Security holders of Lantern Real Estate Trust					
Unit buyback	(6,624)	-	-	-	(6,624)
	(6,624)	-	-	-	(6,624)
Security holders of Lantern Hotel Group Limited					
Share buyback	-	-	-	(349)	(349)
	-	-	-	(349)	(349)
Total stapled entity					
Security buyback	(6,624)	-	-	(349)	(6,973)
	(6,624)	-	-	(349)	(6,973)
Carrying amounts at 30 June 2013	222,122	(128)	(123,167)	1,755	100,582

NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

Reporting Entity

The Lantern Real Estate Trust ('the Trust') was constituted on 20 April 2000. The responsible entity for the Fund is Lantern RE Ltd ('Lantern RE'), an Australian company limited by shares that was registered on 24 August 2010. The Responsible Entity has an Australian Financial Services License (Licence No. 386569).

On 26 April 2012 the units issued by Lantern Real Estate Trust were stapled to shares issued by Lantern Hotel Group Limited ('Lantern'). The Stapling Deed ensures that, for as long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in Lantern shall be equal and that Unit holders and Shareholders shall be identical. The issued securities in these entities trade as one listed security on the Australian Securities Exchange ('ASX') under the ticker code 'LTN'. The stapled securities cannot be traded or transferred independently and are quoted at a single price.

The consolidated financial statements include:

- (i) Lantern Real Estate Trust and its controlled entities, and;
 - (ii) Lantern Hotel Group Limited and its controlled entities
- collectively referred to as 'Lantern Hotel Group' or 'the Group'.

The consolidated financial statements of the Group have been prepared with the Trust identified as the Parent.

Basis of preparation of the financial report

These consolidated financial statements have been prepared in accordance with the recognition and measurement (but not all of the disclosure) requirements of Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This financial report covers the Trust and its controlled entities as a consolidated entity. The Trust is a for-profit entity for the purpose of preparing the financial statements

Going concern

The Group's Statement of Financial Position shows a deficiency of current assets to current liabilities of \$11.786m as at 30 June 2014 as part of an overall net assets position of \$97.8m. This has occurred as the Group's secondary facility (\$12.2m) is due for repayment on 22 June 2015. The Group expects to reach agreement with the lender to roll over the facility into a new agreement prior to this date. Should that not occur, the Group expects that it would be able to sell assets to enable it to repay this debt on the due date.

NOTES TO THE FINANCIAL STATEMENTS

2. Investment properties	2014 \$'000	2013 \$'000
Investment properties - at independent valuation	20,700	19,100
<i>Reconciliation</i>		
Investment property at fair value		
Non-Current		
Carrying amount at beginning of the period	19,100	24,500
Revaluation increment	1,600	-
Transfer to Intangibles (note 4)	-	(960)
Transfer to Property, plant and equipment for hotels now operated (note 3)	-	(4,440)
Investment properties carrying value at the end of the period	20,700	19,100

On 17 October 2012 the Group acquired the business assets of the Bowral Hotel (freehold already owned). The Land and Buildings of the Bowral Hotel previously recognised at \$5.4m were transferred to property, plant and equipment and intangibles as they were no longer investment properties.

(b) Leasing arrangements

Future minimum rentals receivable under these leases are:

Within one year	1,912	1,854
Later than one year but not later than five years	8,290	8,033
Later than five years	2,640	4,809
	12,842	14,696

The investment properties are leased to tenants under long-term operating leases. Lease terms vary between tenants.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment	2014 \$'000	2013 \$'000
Land and buildings - at fair value	101,022	89,869
Plant and equipment - at cost	12,509	7,085
Less: Accumulated depreciation	(2,891)	(1,480)
	9,618	5,605
Motor vehicles under lease - at cost	76	76
less: accumulated depreciation	(10)	(5)
	66	71
Total Property, plant and equipment	110,706	95,545

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2012	81,850	5,520	-	87,370
Additions	3,579	1,837	76	5,492
Transfers from Investment Property (note 2)	4,440	-	-	4,440
Disposals	-	(881)	-	(881)
Revaluation increments	750	-	-	750
Depreciation expense	(750)	(871)	(5)	(1,626)
Balance at 30 June 2013	89,869	5,605	71	95,545
Additions	12,362	5,714	-	18,076
Disposals	-	(290)	-	(290)
Revaluation decrements	(339)	-	-	(339)
Depreciation expense	(870)	(1,411)	(5)	(2,286)
Balance at 30 June 2014	101,022	9,618	66	110,706

Property, plant and equipment and Intangibles (refer Note 4) refers to freehold going concern hotel assets of the Group, which are carried at independent valuations which are no more than 3 years old. The Group has a policy of revaluing the hotel assets on a triennial basis. The directors believe that the current carrying value represents fair value.

The following table provides a summary of the freehold going concern hotel asset values –

	2014 \$'000	2013 \$'000
Land and buildings	101,022	89,869
Plant and equipment	9,618	5,605
Intangibles	29,640	26,640
Total freehold going concern hotels	140,280	122,114

NOTES TO THE FINANCIAL STATEMENTS

4. Intangibles	2014 \$'000	2013 \$'000
Goodwill - at fair value	5,550	6,000
Gaming licences - at fair value	24,090	20,640
Total Intangibles	29,640	26,640

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Gaming licences \$'000	Total \$'000
Consolidated			
Balance at 1 July 2012	6,000	19,680	25,680
Transfers from Investment Property (note 2)	-	960	960
Balance at 1st July 2013	6,000	20,640	26,640
Additions	1,050	3,450	4,500
Revaluation decrements	(1,500)	-	(1,500)
Balance at 30 June 2014	5,550	24,090	29,640

5. Issued securities	2014 \$'000	2013 \$'000
(a) Carrying amounts		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	222,122	228,746
Unit buybacks	-	(6,624)
Payment to facilitate future buyback of units	(1,359)	-
At end of year	220,763	222,122
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of year	2,786	3,135
Share buybacks	-	(349)
Payment to facilitate future buyback of shares	(41)	-
At end of year	2,745	2,786
Total issued stapled securities	223,508	224,908

(b) Number of securities issued	2014 '000	2013 '000
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	883,202	971,952
Unit buybacks	-	(88,750)
At end of year	883,202	883,202
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of year	883,202	971,952
Share buybacks	-	(88,750)
At end of year	883,202	883,202
Total issued stapled securities	883,202	883,202

NOTES TO THE FINANCIAL STATEMENTS

6. Discontinued operations	2014 \$'000	2013 \$'000
(a) Details of discontinued operations		
The New Zealand portfolio consists of 5 properties. Engagement with selling agents is ongoing to actively market the properties and they are expected to be sold in the next 12 months. The assets are carried at fair value.		
(b) Financial performance		
The results of the discontinued operations for the reporting period were:		
Revenue	646	668
Other income	3	5
Change in fair value of discontinued assets	(445)	-
Unrealised foreign exchange gain/(loss)	-	523
Expenses	(37)	(36)
Interest expense	-	(579)
Profit/(loss) from discontinued operations for the year	167	581
(c) Cash flows		
The cash flows of the discontinued operations during the reporting period were:		
Cash flows from operating activities		
Rental and other property income	598	749
Payments to suppliers	(90)	(156)
Interest received	3	4
Interest paid	-	(678)
Cash flows from investing activities		
Proceeds from sale of investment properties	2,260	-
Loan to lessee	(64)	-
Cash flows from financing activities		
Loan from Lantern Real Estate Trust	-	50
Effects of exchange rate changes on cash	4	11
Cash flows from discontinued operations	2,711	(20)
(d) Assets and liabilities		
The assets of the discontinued operations as at reporting date were:		
Assets		
Investment properties - at fair value	7,498	9,367
Total assets of discontinued operations	7,498	9,367
Net assets of discontinued operations	7,498	9,367
(e) Leasing arrangements		
Future minimum rentals receivable under these leases are:		
Within one year	1,339	1,953
Later than one year but not later than five years	5,605	8,415
Later than five years	5,958	11,479
	12,902	21,847

The discontinued operation's assets are leased to tenants under long term operating leases. Lease terms vary between tenants, however due to the impaired nature of these assets held for sale and the planned sale of these assets it is highly doubtful that the full amount owing under these leases will be received.

Between the end of the reporting period and the date of this report two New Zealand properties have been sold for \$1.1m which was the recorded value at 30 June 2014.