

---

**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**

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

<b>Reporting period</b>	<b>year ended 30 June 2015</b>
Previous corresponding reporting period	year ended 30 June 2014

**2. Results for announcement to the market**

<i>Key information</i>		30 Jun 2015	30 Jun 2014	Change %
2.1	Revenue from continuing operations	\$61,088,000	\$52,002,000	17%
2.2	Profit (loss) from ordinary activities after tax attributable to members of the parent entity	(\$10,101,000)	(\$1,942,000)	(420%)
2.3	Profit (loss) for the period attributable to members of the parent entity	(\$10,101,000)	(\$1,942,000)	(420%)
2.4	Profit (loss) for the Group	(\$8,885,000)	(\$2,150,000)	(313%)
2.5	Distributions		Amount per security	Franked amount per security
	No distribution declared		\$Nil	\$Nil
2.6	Distribution record date			
	N/A			

**Lantern Hotel Group**  
**APPENDIX 4E – Preliminary final report**  
**For the year ended 30 June 2015**

**2.7 Brief commentary**

A loss of \$8.8m was recorded for the reporting period. This result represents a deterioration in performance when compared to the loss of \$2.1m recorded in the previous corresponding reporting period.

The deterioration in performance can be attributed to the following key factors:

- Lower than expected operating performance of a number of Hotels has impacted on their value and has resulted in a write down in value of the Group's assets of \$9.2m, made up of a writedown of \$9.8m in PP&E & Intangibles, a \$1.1m increase recognised in other income in relation to Investment Properties and a \$0.5m decrease in relation to Discontinued Operations;
- The increase in revenue from continuing operations, partly due to the acquisition of two new Hotels and the profit on the sale of the Five Dock Bottle Shop, was largely offset by a disproportionate increase in the Group's expenses, particularly administration expenses.

Lower than expected operating performance along with the ongoing costs associated with over-hedged, out of the money swap positions has caused the Group to breach the ICR loan covenant on its primary loan facility. The Group is in discussions with its lender to seek a waiver for this breach.

The Board has put in place a number of actions to improve the performance of the Group as follows:

- Reviewed and strengthened internal control systems, including authority levels relating to the approval of operating and capital expenditure;
- Seeking additional working capital from its lenders to meet the Group's ongoing needs. The requirement to do so has resulted mainly from previous capital expenditure projects being funded from operating cash flows;
- Appointed a new CEO and COO during August 2015;
- Commenced a detailed Hotel by Hotel Review of Operations;
- Commenced a Strategic Review of the Group;
- Reviewing Lantern's position in relation to the buy-back that was the subject of a meeting of securityholders held on 31 July 2014;
- Taken steps to improve the lines of communication with shareholders and other key stakeholders.

**Lantern Hotel Group**  
**APPENDIX 4E – Preliminary final report**  
**For the year ended 30 June 2015**

**3. Net tangible assets per stapled security**

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	<b>6.32 cents</b>	<b>7.87 cents</b>

**4. Audit qualification or review**

The financial statements for the period ended 30 June 2015 are in the process of being audited.

**5. Earnings per security**

Loss per stapled security attributable to members 1.01 cents

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

## CONSOLIDATED INCOME STATEMENT

Note	June 2015 \$'000	June 2014 \$'000
<b>Revenue from continuing operations</b>	<b>58,574</b>	49,105
Cost of sales	<b>(23,244)</b>	(19,562)
<b>Gross profit from continuing operations</b>	<b>35,330</b>	29,543
Other revenue	<b>2,514</b>	2,897
Other income	<b>4,951</b>	5,108
Hotel operating expenses	<b>(27,085)</b>	(23,468)
Administration & fund expenses	<b>(7,703)</b>	(6,280)
Changes in fair value of property, plant, equipment and intangibles	<b>(9,825)</b>	(2,842)
Finance costs	<b>(6,555)</b>	(7,275)
<b>Net profit/(loss) from continuing operations before income tax expense</b>	<b>(8,373)</b>	(2,317)
Income tax expense	<b>(108)</b>	-
<b>Profit/(loss) from continuing operations after income tax expense</b>	<b>(8,481)</b>	(2,317)
<b>Discontinued operations</b>		
Profit/(loss) from discontinued operations	<b>(404)</b>	167
<b>Profit/(loss) for the period</b>	<b>(8,885)</b>	(2,150)
Profit/(loss) is attributable to:		
Stapled security holders as:		
Equity holders of Lantern Real Estate Trust (parent interest)	<b>(10,101)</b>	(1,942)
Equity holders of Lantern Hotel Group Limited (non-controlling interest)	<b>1,216</b>	(208)
	<b>(8,885)</b>	(2,150)
	<b>Cents</b>	<b>Cents</b>
Distributions per security	-	-
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - basic and diluted	<b>(1.01)</b>	(0.24)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted	<b>(0.96)</b>	(0.26)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - basic and diluted	<b>(0.05)</b>	0.02

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	June 2015 \$'000	June 2014 \$'000
<b>Parent interest - Lantern Real Estate Trust</b>		
Net profit for the year	(10,101)	(1,942)
Other comprehensive income:		
Revaluation surplus	(325)	-
Exchange differences on translation of foreign operations	(343)	773
<b>Total comprehensive profit/(loss) for the year - parent interest</b>	<b>(10,769)</b>	<b>(1,169)</b>
<b>Non-controlling interest - Lantern Hotel Group Limited</b>		
Net profit for the year	1,216	(208)
<b>Total comprehensive profit/(loss) for the year - non-controlling interest</b>	<b>1,216</b>	<b>(208)</b>
<b>Stapled Entity</b>		
<b>Net profit/(loss) for the year</b>	<b>(8,885)</b>	<b>(2,150)</b>
<b>Other comprehensive income:</b>		
Revaluation surplus	(325)	-
Exchange rate differences on translation of foreign operations	(343)	773
<b>Total comprehensive profit/(loss) for the year - stapled entity</b>	<b>(9,553)</b>	<b>(1,377)</b>

The components of profit or loss and other comprehensive income shown above are presented net of related income tax effects of \$Nil (2014: \$Nil).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 2015 \$'000	June 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,611	2,747
Trade and other receivables		1,361	1,820
Inventories		1,333	1,155
Assets of discontinued operations		5,740	7,498
<b>Total Current Assets</b>		<b>12,045</b>	<b>13,220</b>
<b>Non-current assets</b>			
Investment properties	2	21,813	20,700
Property, plant and equipment	3	114,678	112,048
Intangibles	4	32,426	28,298
Deferred tax asset		-	108
Other		237	412
<b>Total Non-current Assets</b>		<b>169,154</b>	<b>161,566</b>
<b>Total assets</b>		<b>181,199</b>	<b>174,786</b>
<b>Current liabilities</b>			
Payables		12,164	10,060
Borrowings		72,340	12,265
Derivatives		3,449	2,627
Provisions		115	54
<b>Total Current Liabilities</b>		<b>88,068</b>	<b>25,006</b>
<b>Non-current liabilities</b>			
Payables		1,096	1,225
Borrowings		-	44,965
Derivatives		3,664	5,666
Provisions		119	119
<b>Total Non-current Liabilities</b>		<b>4,879</b>	<b>51,975</b>
<b>Total liabilities</b>		<b>92,947</b>	<b>76,981</b>
<b>Net assets</b>		<b>88,252</b>	<b>97,805</b>
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	5	220,763	220,763
Reserves		(23)	645
Retained earnings/(accumulated losses)		(135,210)	(125,109)
<b>Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)</b>		<b>85,530</b>	<b>96,299</b>
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	5	2,745	2,745
Retained earnings/(accumulated losses)		(23)	(1,239)
<b>Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)</b>		<b>2,722</b>	<b>1,506</b>
<b>Total security holders' interest</b>		<b>88,252</b>	<b>97,805</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	June 2015 \$'000	June 2014 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST)		67,462	56,885
Proceeds from insurance claim		-	61
Cash paid to suppliers and employees (inclusive of GST)		(57,637)	(48,672)
Interest received		61	466
Interest paid		(6,555)	(6,566)
<b>Net cash from operating activities</b>		<b>3,331</b>	<b>2,174</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of assets of discontinued operations		982	2,260
Payment for property, plant and equipment		(3,991)	(4,943)
Proceeds from sale of property, plant & equipment		4,999	-
Proceeds from loans repaid by third parties		234	700
Payment for acquisition of business, net of cash acquired		(18,368)	(16,325)
Payment for loans to third parties		-	(234)
<b>Net cash inflow from investing activities</b>		<b>(16,144)</b>	<b>(18,542)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		20,100	16,900
Payment for borrowing costs		(4,917)	(511)
Repayment of borrowings		(35)	(50,000)
Repayment of interest rate swaps		-	(1,412)
Repayment of finance leases		(75)	(69)
Payment for equity buyback facilitation		(1,400)	(1,999)
<b>Net cash inflow from financing activities</b>		<b>13,673</b>	<b>(37,091)</b>
Net increase in cash or cash equivalents		860	(53,459)
Cash or cash equivalents at the beginning of the year		2,747	56,202
Effects of exchange rate changes on cash		4	4
<b>Cash and cash equivalents at the end of the year</b>		<b>3,611</b>	<b>2,747</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amounts at 1 July 2014</b>	<b>220,763</b>	<b>645</b>	<b>(125,109)</b>	<b>1,506</b>	<b>97,805</b>
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the year	-	-	(10,101)	-	(10,101)
Other comprehensive income/(loss)	-	(668)	-	-	(668)
	-	(668)	(10,101)	-	(10,769)
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the year	-	-	-	1,216	1,216
	-	-	-	1,216	1,216
<b>Total stapled entity</b>					
Net profit/(loss) for the year	-	-	(10,101)	1,216	(8,885)
Other comprehensive income	-	(668)	-	-	(668)
<b>Total comprehensive profit/(loss) for the year</b>	<b>-</b>	<b>(668)</b>	<b>(10,101)</b>	<b>1,216</b>	<b>(9,553)</b>
<b>Transactions with security holders in their capacity as equity holders:</b>					
<b>Security holders of Lantern Real Estate Trust</b>					
Payment to facilitate future buyback of units	-	-	-	-	-
	-	-	-	-	-
<b>Security holders of Lantern Hotel Group Limited</b>					
Payment to facilitate future buyback of shares	-	-	-	-	-
	-	-	-	-	-
<b>Total stapled entity</b>					
Payment to facilitate future buyback of securities	-	-	-	-	-
	-	-	-	-	-
<b>Carrying amounts at 30 June 2015</b>	<b>220,763</b>	<b>(23)</b>	<b>(135,210)</b>	<b>2,722</b>	<b>88,252</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amounts at 1 July 2013</b>	<b>222,122</b>	<b>(128)</b>	<b>(123,167)</b>	<b>1,755</b>	<b>100,582</b>
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the year	-	-	(1,942)	-	(1,942)
Other comprehensive income	-	773	-	-	773
	-	773	(1,942)	-	(1,169)
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the year	-	-	-	(208)	(208)
	-	-	-	(208)	(208)
<b>Total stapled entity</b>					
Net profit/(loss) for the year	-	-	(1,942)	(208)	(2,150)
Other comprehensive income	-	773	-	-	773
<b>Total comprehensive profit/(loss) for the year</b>	<b>-</b>	<b>773</b>	<b>(1,942)</b>	<b>(208)</b>	<b>(1,377)</b>
<b>Transactions with security holders in their capacity as equity holders:</b>					
<b>Security holders of Lantern Real Estate Trust</b>					
Payment to facilitate future buyback of units	(1,359)	-	-	-	(1,359)
	(1,359)	-	-	-	(1,359)
<b>Security holders of Lantern Hotel Group Limited</b>					
Payment to facilitate future buyback of shares	-	-	-	(41)	(41)
	-	-	-	(41)	(41)
<b>Total stapled entity</b>					
Payment to facilitate future buyback of securities	(1,359)	-	-	(41)	(1,400)
	(1,359)	-	-	(41)	(1,400)
<b>Carrying amounts at 30 June 2014</b>	<b>220,763</b>	<b>645</b>	<b>(125,109)</b>	<b>1,506</b>	<b>97,805</b>

# 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 Trust 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 \$76.0m as at 30 June 2015 as part of an overall net assets position of \$88.3m. As at 30 June 2015, the Group has breached its ICR loan covenant on its primary debt facility (\$60.1m). This has occurred due to a general underperformance of the group & overhedged, out of the money swap positions dating back to 2007 and 2008. The Group is in discussion with its lender to provide a waiver for this covenant breach. Should that not occur the Group will seek to refinance the facility in the market or would be able to sell assets to repay the debt.

The Group's secondary facility (\$12.2m) was due for repayment on 23 September 2015. The Group has, on 31 August 2015, signed a new term facility expiring on 30th June 2018 on similar terms.

## NOTES TO THE FINANCIAL STATEMENTS

<b>2. Investment properties</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment properties - at independent valuation	<b>21,813</b>	20,700
<i>Reconciliation</i>		
<b>Investment property at fair value</b>		
<b>Non-Current</b>		
Carrying amount at beginning of the period	<b>20,700</b>	19,100
Revaluation increment	<b>1,113</b>	1,600
<b>Investment properties carrying value at the end of the period</b>	<b>21,813</b>	20,700

### **(b) Leasing arrangements**

Future minimum rentals receivable under these leases are:		
Within one year	<b>1,977</b>	1,912
Later than one year but not later than five years	<b>8,159</b>	8,290
Later than five years	<b>793</b>	2,640
	<b>10,929</b>	12,842

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	2015 \$'000	2014 \$'000
Land and buildings - at fair value	101,277	102,364
Plant and equipment - at cost	18,422	12,509
Less: Accumulated depreciation	(5,072)	(2,886)
	13,350	9,623
Motor vehicles under lease - at cost	76	76
less: accumulated depreciation	(25)	(15)
	51	61
<b>Total Property, plant and equipment</b>	<b>114,678</b>	<b>112,048</b>

### 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
<b>Balance at 1 July 2013</b>	89,869	5,605	71	95,545
Additions	12,362	5,714	-	18,076
Disposals	-	(290)	-	(290)
Revaluation increments	1,003	-	-	1,003
Depreciation expense	(870)	(1,406)	(10)	(2,286)
<b>Balance at 30 June 2014</b>	<b>102,364</b>	<b>9,623</b>	<b>61</b>	<b>112,048</b>
Additions	10,047	5,913	-	15,960
Disposals	(2,418)	-	-	(2,418)
Revaluation decrements	(7,650)	-	-	(7,650)
Depreciation expense	(1,066)	(2,186)	(10)	(3,262)
<b>Balance at 30 June 2015</b>	<b>101,277</b>	<b>13,350</b>	<b>51</b>	<b>114,678</b>

Land and Buildings includes hotel licences. Property, plant and equipment and Intangibles (refer Note 3 and Note 4) includes freehold going concern hotel assets of the Group. The Land and Buildings are carried at fair value and are independently valued at least every 3 years (on a freehold going concern basis for assets where we own both the leasehold and freehold interest).

In accordance with a binding Heads of Agreement dated 8 June 2015, a contract for the sale of El Toro Hotel has been exchanged for \$24m.

Whilst the accounting standards require separate disclosure of Land and Buildings, Plant and Equipment and Intangibles, the directors consider that the combined value recognised in the financial statements of the Property, Plant and Equipment and Intangibles could be more easily understood as hotel assets.

The following table provides a summary of the freehold going concern hotel asset values recognised in accordance with accounting standards ie. excluding increases in goodwill, which cannot be recognised in compliance with Australian Accounting Standards.

	2015 \$'000	2014 \$'000
Land and buildings	101,277	102,364
Plant and equipment	13,350	9,623
Intangibles	32,426	28,298
<b>Total freehold going concern hotels</b>	<b>147,053</b>	<b>140,285</b>

## NOTES TO THE FINANCIAL STATEMENTS

4. Intangibles	2015 \$'000	2014 \$'000
Goodwill - at cost	9,550	7,050
Less: Impairment	(5,342)	(2,842)
	4,208	4,208
Gaming licences - at fair value	28,218	24,090
<b>Total Intangibles</b>	<b>32,426</b>	<b>28,298</b>

### 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
<b>Consolidated</b>			
<b>Balance at 1 July 2013</b>	6,000	20,640	26,640
Acquisitions	1,050	3,450	4,500
Revaluation decrements	(2,842)	-	(2,842)
<b>Balance at 1st July 2014</b>	<b>4,208</b>	<b>24,090</b>	<b>28,298</b>
Additions	2,500	4,128	6,628
Revaluation decrements	(2,500)	-	(2,500)
<b>Balance at 30 June 2015</b>	<b>4,208</b>	<b>28,218</b>	<b>32,426</b>

5. Issued securities	2015 \$'000	2014 \$'000
<b>(a) Carrying amounts</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	220,763	222,122
Unit buybacks	-	-
Payment to facilitate future buyback of units	-	(1,359)
At end of year	220,763	220,763
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of year	2,745	2,786
Share buybacks	-	-
Payment to facilitate future buyback of shares	-	(41)
At end of year	2,745	2,745
<b>Total issued stapled securities</b>	<b>223,508</b>	<b>223,508</b>
<b>(b) Number of securities issued</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	883,202	883,202
Unit buybacks	-	-
At end of year	883,202	883,202
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of year	883,202	883,202
Share buybacks	-	-
At end of year	883,202	883,202
<b>Total issued stapled securities</b>	<b>883,202</b>	<b>883,202</b>