Lantern Hotel Group

Annual Report

For the year ended 30 June 2015

2015 CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S MESSAGE

OVERALL

Dear Security Holders,

Welcome to the fourth annual report of Lantern Hotel Group, your company and trust. Having been appointed as Chairman less than three months ago, the Board has moved decisively to commence a full review of Lantern's operations including the performance of each hotel, Lantern's systems and its management capabilities. This process has included the recent appointment of a new Chief Executive Officer - John Osborne, who has extensive experience across the Leisure and Hospitality sector.

In parallel with the operational review, we are undertaking a strategic review of Lantern's business and financial position and performance, with the aim of improving shareholder value. During this period, and pending the outcome of our review, we have suspended all further hotel acquisitions and non-essential capital expenditure projects. Our intention is to report on a regular basis to shareholders on our progress, and provide a summary of the findings of the operational and strategic reviews at the Annual General Meeting.

Since Lantern commenced operating the hotels in June 2012, the business has invested heavily in upgrading the properties, improving the food and beverage facilities and products, lifting compliance standards, installing group wide systems, installing new gaming systems and building a service-oriented culture. Whilst progress has been made on some fronts through these initiatives, we are currently not, as a group, delivering acceptable returns on the capital invested, nor are we operating to acceptable industry benchmarks. Our strategic and operational reviews outlined above will focus on improving business performance and benchmarking the business against industry standards. We believe that with a concerted effort we can deliver a business that presents a platform for a sustained period of growth.

As a result of falling short of our expectations our banking position has been impacted, resulting in an ICR covenant breach on our primary loan facility. We are currently in discussions with our lenders with the view to restructuring our facilities, including dealing with the well reported legacy issue of the out of the money interest rate swap agreements that were entered into in 2007.

We have recently put in place additional working capital to support the Group's ongoing needs and are taking steps to improve relationships with our suppliers of goods and services.

We refer you to the results summary, immediately following this report for a snapshot of the financial performance of the Group for FY15.

LANTERN'S PROPERTIES

Key projects during the year included the acquisition of two properties, being the Waterworks and Beaumont Exchange hotels, as well as major capital projects undertaken at the Bowral, Crown and Waterworks hotels. The Bowral capital investment involved the purchase of new gaming entitlements and machines and a general upgrade of associated facilities, while the Crown and Waterworks hotels underwent refurbishments. The performance of the Crown hotel has improved as a result of the capital investment.

A contract for the sale of the El Toro hotel was also exchanged during the year with completion expected either late in calendar year 2015 or early 2016.

2015 CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S MESSAGE

LOOKING FORWARD

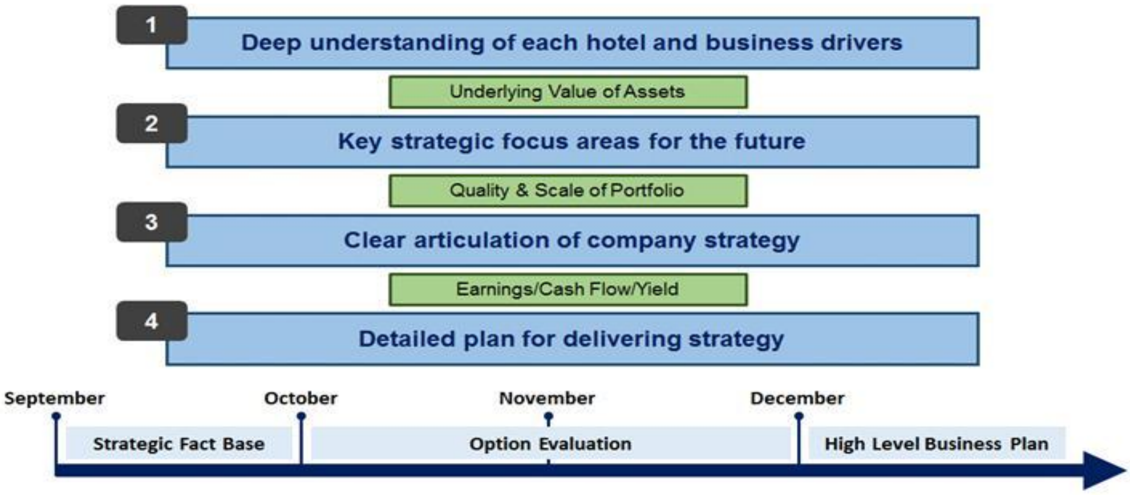
We believe we can build powerful hotel and leisure brands in the marketplace. We have a core portfolio of hotels that are scalable and provide a diversified leisure and entertainment offering, including a powerful gaming entertainment experience. We also have a great team of people across our hotel network who aim to provide excellent customer service every day.

The key enablers of our business will be:

- Providing an exceptional leisure and entertainment experience for our customers that is tailored to the local environment
- Delivering the most efficient management expense ratio in the sector
- Implementing leading edge systems to drive customer experience and loyalty
- Delivering superior capital discipline, cash flow and ROE performance

The Roadmap below highlights our approach and timetable for conducting our strategic and operational reviews.

Strategic/Operational Review Roadmap



We look forward to sharing the outcomes of this review with you at the Annual General Meeting and then reporting on progress against the strategy on a regular basis.

Our thanks to the Lantern team who have worked very hard during the last year, and also to all security holders for your understanding as we conduct this review of the business in order to deliver sustainable earnings growth.

John Murphy
Chairman

John Osborne
Chief Executive Officer

Lantern Hotel Group

Results Summary

For the year ended 30 June 2015

LANTERN PERFORMANCE OVERVIEW

Stapled Entity Consolidated	June 2015 $'000	June 2014 $'000	Growth
Operating revenue	57,807	49,105	17.7%
Operating gross profit	35,330	29,543	19.6%
Group EBITDA	**8,359**	**6,679**	**25.2%**
EBITDA Margin	14.5%	13.6%	
Amortisation of tenant incentive	75	75	
Interest received	49	334	
Change in fair value of PPE	(7,325)	1,003	
Change in fair value of investment properties	1,113	1,600	
Change in fair value of discontinued operations	(537)	(445)	
Write off goodwill	(2,500)	(2,842)	
Change in fair value of interest rate swaps	1,205	2,505	
Impairment of receivables	-	(298)	
Impairment of prepayments	(191)	-	
Translation FX gain	27	-	
Profit on sale of fixed assets	2,499	(290)	
Non-recurring costs	(1,524)	(6)	
Depreciation	(3,262)	(2,286)	
Amortisation	(210)	(904)	
Finance costs	(6,555)	(7,275)	
Tax expense	(108)	-	
Profit/(loss) after tax	**(8,885)**	**(2,150)**	

KEY MESSAGES

- FY15 overall loss of $8.9m compared to a loss of $2.2m in the PY. This is primarily due to lower than expected operating performance resulting in a write down in the value of assets.

- FY15 operating revenue and Group EBITDA have improved when compared to PY. This is primarily due to the acquisition of the Crown, Exchange and Waterworks hotels over the past two years. The EBITDA margin has increased from 13.6% to 14.5%.

- The reduction in the value of assets in FY15 is predominantly driven by lower than expected earnings from a number of hotels.

- FY15 non-recurring costs are predominantly legal expenses and restructuring costs.

- FY15 finance costs decreased as the PY contained a $1.4m payout of interest rate swaps. Generally finance costs remain high due to out of the money interest rate swaps that were entered into in 2007. The Board is focussed on dealing with this legacy issue as part of its current discussions with its financiers.

SAME HOTELS PERFORMANCE

Stapled Entity Consolidated	June 2015 $'000	June 2014 $'000		June 2015 $'000	June 2014 $'000	
	Operating revenue	Operating revenue	Change	EBITDA	EBITDA	Change
Same hotels (1)	48,412	46,126	5.0%	9,519	8,354	13.9%
New hotels (2)	9,395	2,979		1,566	761	105.8%
Rental income from investment properties & discontinued assets (3)				2,642	3,078	(14.2%)
Central support services costs				(5,368)	(5,514)	(2.6%)
Total	**57,807**	**49,105**	**17.7%**	**8,359**	**6,679**	**25.2%**

1. Same hotels represent the Ambarvale, Bowral, Commodore, Courthouse, Dolphin, El Toro, Five Dock, General Gordon, Lawson Park and Uncle Bucks hotels.
2. New hotels represent the Crown, Waterworks and Exchange hotels.
3. Includes rental income from Uncle Bucks retail tenancies.

KEY MESSAGES

- FY15 same hotels operating revenue and group EBITDA have improved when compared to PY. This is primarily due to the improved performance from some of the hotels that had the benefit of capital expenditure.

- FY15 new hotels earnings at the Waterworks and Exchange hotels are lower than expected. This is offset by the Crown Hotel earnings improving following the recent renovation.

- The Board is of the view that earnings can be substantially improved by focussing on improving the performance of gaming across the portfolio.

- FY15 rental income has reduced when compared to the PY primarily due to the sale of two NZ hotels.

- FY15 central support services costs, excluding non-recurring items, have reduced marginally when compared to the PY and the Board believes that these expenses can be further reduced during FY16.

SAME HOTELS PERFORMANCE

Stapled Entity Consolidated	June 2015 $'000	June 2014 $'000	June 2015	June 2014
	PPE, Investment Properties & Intangibles (2)	PPE, Investment Properties & Intangibles (2)	Return on Assets	Return on Assets
Same hotels (1)	107,881	118,750	8.8%	7.0%
New hotels	33,361	16,279	4.7%	4.7%
Investment properties and discontinued assets (1)	32,703	33,348	8.1%	9.2%
Central support services	712	167		
Total	**174,657**	**168,544**	**4.8%**	**4.0%**

1. For the purpose of this table the value of the Uncle Bucks retail tenancy component (FY15: $5.15m, FY14:$5.15m) has been moved from same hotels to investment properties.
2. Plant, property and equipment, investment property and intangibles are stated as recognised in the financial statements.

KEY MESSAGES

- FY15 decrease in same hotels total assets is predominantly due to an $8.2m write down in value across a number of hotels resulting from lower than expected earnings. The decrease was also affected by capital expenditure of $2.0m, depreciation of $2.2m and a $2.5m decrease relating to the sale of the Five Dock bottleshop.

- The Board believes that focussing on improving the performance of gaming will result in significantly improved overall earnings.

RETURN ON CAPITAL INVESTED

Same Hotels Return on Invested Capital	Same Hotels EBITDA $'000	Same Hotels Capex $'000
FY13 (1)	8,250	5,360
FY14	8,354	5,721
FY15	9,519	1,955
Total capex over the three years		**13,036**
Increase in EBITDA from FY13 to FY15	**1,269**	
Gross average annual return on total capex (2)		**4.9%**

1. Bowral Hotel which is included in Same Hotels, has only been operated by Lantern since October 2013 (its earnings for the 3 excluded months were nominal).
2. Calculated as the simple increase in EBITDA from FY13 to FY15 divided by capex over the period and divided by two.

KEY MESSAGES

- The majority of capital expenditure has been deployed to improve the food and beverage facilities across the portfolio.

- The increased foot traffic that has resulted from the improvements to the food and beverage facilities has not translated into an acceptable return on the investment at this stage.

- The Board believes that a renewed focus on improving the performance of gaming, while maintaining the increased foot traffic will lead to improved earnings.

MANAGEMENT ASSET VALUATION

	June 2015 $'000	June 2014 $'000
	PPE and Intangibles	PPE and Intangibles
PPE and intangibles of operated hotel assets included in the financial statements	146,392	140,179
Management freehold going concern valuation of those operated hotel assets	151,130	140,179
Value not recognised in financial statements	4,738	-

(excludes central support services and includes Uncle Bucks retail tenancies)

Every six months, Lantern management conducts a review of the market valuation of its hotels. The review assesses the state of each hotel and compares it with its most recent external valuation. To the extent the state of the hotel (or market conditions) have changed, management makes a corresponding change to the management valuation. As at 30 June 2015 the weighted average age of the external valuations used to conduct the review was 1.0 year.

In accordance with accounting standards goodwill must be measured on an asset by asset basis and cannot be written up. As a result, the freehold going concern hotel values often cannot be recognised in the financial statements.

Lantern Hotel Group

The Stapled Group Comprising:
Lantern Real Estate Trust and its Controlled Entities
Lantern Hotel Group Limited and its Controlled Entities

Annual Report

For the year ended 30 June 2015

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For the year ended 30 June 2015

Lantern Hotel Group is a stapled entity comprising the Lantern Real Estate Trust (the 'Trust') and its controlled entities and Lantern Hotel Group Limited ('Lantern') and its controlled entities.

Lantern Real Estate Trust (ARSN 108 982 627) is an Australian registered scheme. Lantern RE Ltd (ABN 54 145 968 574) is the Responsible Entity of the Lantern Real Estate Trust.

The registered office and principal place of business of the Responsible Entity is Level 8, 1 York St, Sydney 2001.

CORPORATE INFORMATION
For the year ended 30 June 2015

Directors	John Murphy (Chairman) Graeme Campbell Shirley Liew
Company Secretary	Leanne Ralph
Notice of annual general meeting (AGM)	The annual general meeting of Lantern Hotel Group will be held at Lantern Hotels boardroom Level 8, 1 York St Sydney NSW 2000 Time 10:00 AM Date 30th November 2014
Registered Office	Level 8, 1 York Street Sydney NSW 2001 Phone : (02) 8223 3616
Principal Administration Office	Level 8, 1 York Street Sydney NSW 2001 Phone : (02) 8223 3616
Share Register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Phone : (02) 8280 7552
Auditor	HLB Mann Judd Level 19 207 Kent Street Sydney NSW 2000
Stock exchange listing	Lantern Hotel Group stapled securities are listed on the Australian Securities Exchange (ASX code: LTN).
Website	www.lanternhotels.com.au

DIRECTORS' REPORT
For the year ended 30 June 2015

The directors of Lantern RE Ltd, the Responsible Entity of the Lantern Real Estate Trust, present their report together with the financial statements of the Group, for the year ended 30 June 2015.

The 'Group' consists of:

(i) The parent, Lantern Real Estate Trust (ARSN 108 982 627), which is an Australian registered scheme, and its controlled entities; and

(ii) Lantern Hotel Group Limited and its controlled entities.

Directors

Name	John Murphy
Title	Non-Executive Director
Appointed	24 June 2015
Qualifications	
Experience and expertise	Mr John Murphy has over 30 years experience in the Australian beverage and packaging industries, culminating in the role as Managing Director of Coca-Cola Amatil Australia. Prior to this he was CEO of Visy Australasia.
Other current directorships	Non-Executive Chairman of PFD Food Services Limited.
Former directorships	Managing Director of Carlton & United Breweries Ltd.
Special responsibilities	Audit and Risk Committee
Interests in shares	-

Name	Graeme Campbell
Title	Non-Executive Director
Appointed	24 June 2015
Qualifications	
Experience and expertise	Mr Graeme Campbell has over 30 years experience in corporate recovery and insolvency services and is a former Director of Ferrier Hodgson Accountants specialising in the hotel and registered clubs industries. In 2006 Graeme left Ferrier Hodgson to set up Campbell Advisory, which provides wide ranging hospitality advice to participants within the hotel and clubs industries together with the major banks and other funders.
Other current directorships	Lead independent director of Ainsworth Game Technology Ltd, independent director of Liquor Marketing Group (Bottlemart) and the Independent Audit Chairman of the Illawarra Catholic Club Group.
Former directorships	n/a
Special responsibilities	Audit and Risk Committee
Interests in shares	-

Name	Shirley Liew
Title	Non-Executive Director
Appointed	18 June 2015
Qualifications	FAICD, FCPA, Chartered IIA, FTIA, Finsia, CRISC (ISACA) MBA (UK), BComm (Aust) CRISC
Experience and expertise	Shirley has over 25 years' senior finance, audit and advisory experience including over 12 years in senior roles in international firm, Ernst & Young, and head of risk and audit partner in Chartered Accounting firm Grant Thornton and Moore Stephens, during which time she was audit partner for various large hospitality groups. She has also had recent experience as commercial CFO including for large, iconic Australian brands as well as international companies listed overseas.
Other current directorships	Director and Audit Chair of Hunter United Employees Credit Union, Director and Audit Chair of Bridge Housing Limited, Director L'Occitane Australia Pty Limited, Independent Member of NSW Trains Audit and Risk Committee, Independent Member of Nepean Blue Mountains Local Health District.
Former directorships	n/a
Special responsibilities	Chair of Audit and Risk Committee
Interests in shares	-

Name	Bryan Mogridge
Title	Executive Director
Appointed	31 October 2011 (Resigned 18 June 2015)
Qualifications	BSC, ONZM, FNZID
Experience and expertise	29 years experience as a Managing Director/CEO.
Other current directorships	Chairman of Rakon Limited, BUPA Cares Services Ltd and Pyne Gould Corporation Limited. He is also a director of Mainfreight Ltd and BUPA Australia. He is a fellow of the Institute of Directors of New Zealand.
Former directorships	General Manager of Corban Wines, Managing Director of Montana Wines, and Managing Director and CEO of Corporate Investment Ltd.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Russell Naylor
Title	Executive Director
Appointed	31 October 2011 (Removed 24th June '15)
Qualifications	
Experience and expertise	Russell Naylor has an extensive background in banking and finance and is the principal of Naylor Partners, a boutique Sydney based Corporate Advisory business.
Other current directorships	Director of NZX listed company Pyne Gould Corporation Limited.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Deborah Cartwright
Title	Non-Executive Director
Appointed	31 October 2011 (Removed 24 June 2015)
Qualifications	B. Com, FCA, CTA, GAICD
Experience and expertise	30 years' experience as a Chartered Accountant with Pitcher Partners Sydney, where she is currently the head of Corporate Advisory and Transaction Services. Is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Institute of Company Directors, a Chartered Tax Advisor with the Tax Institute of Australia, a registered company auditor, a registered tax agent and has extensive experience working with the hospitality industry.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Julian Davidson
Title	Non-Executive Director
Appointed	31 October 2011 (Resigned 29th June '15)
Qualifications	PMD Harvard, Member, New Zealand Institute of Chartered Accountants (NZICA)
Experience and expertise	Julian Davidson is a highly experienced Australasian senior executive with extensive business leadership experience within the liquor industry.
Former directorships	Managing Director of Lion Breweries Limited from 2002 to 2005, CEO of Independent Liquor (New Zealand, USA and Canada) and number of companies within the Asahi group
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Company Secretary

Leanne Ralph was appointed to the position of Company Secretary on 6 September 2012. Mrs Ralph has over 22 years experience in chief financial officer and company secretarial roles for various listed and unlisted entities. Mrs Ralph is a member of Chartered Secretaries Australia and the Australian Institute of Company Directors. Mrs Ralph is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

Principal activity

During the financial year the principal activity of the Group was owning and operating hotel properties.

Directors' security holdings

Securities in the Group in which directors had a relevant interest at the date of this report were:

	Stapled Securities in the Group
John Murphy	-
Graeme Campbell	-
Shirley Liew	-

Directors' meetings

The number of Directors meetings held by the Board of Directors of the Responsible Entity (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the year:

	Board		Audit and Risk Committee	
Director	A	B	A	B
John Murphy	1	1	-	-
Graeme Campbell	1	1	-	-
Shirley Liew	2	2	-	-
Bryan Mogridge	11	11	3	3
Deborah Cartwright	12	7	3	2
Julian Davidson	12	12	3	3
Russell Naylor	12	12	-	-

A: Meetings eligible to attend **B**: Meetings attended

Significant changes in the state of affairs

1. On 15 September 2014 the Group purchased the Waterworks Hotel, Botany for $8.7m (including acquisition costs).

2. On 21 October 2014 the Group purchased the Exchange Hotel, Newcastle for $9.8m (including acquisition costs).

3. On 16 June 2015, the NZ discontinued asset, Waikanae Hotel was exchanged for sale for NZD 2.6m.

4. On 8 June 2015 a Heads of Agreement was signed for the sale of El Toro Hotel & Motel for $24m.

5. On 18 June 2015, Bryan Mogridge resigned as Chairman of the Board. The Board voted Julian Davison to replace him as Chairman. Additionally, Shirley Liew was appointed as an independent director and Chair of the Audit & Risk Committee, taking over from Deborah Cartwright who was incapacitated due to serious illness.

6. On 24 June 2015 shareholders voted to remove Bryan Mogridge, Russell Naylor & Deborah Cartwright as directors & install Graeme Campbell & John Murphy as independent directors.

7. On 29 June 2015 Julian Davidson resigned as Chairman of the Board. Directors voted to appoint John Murphy as Chairman.

Likely developments and expected results of operations

Refer to the Chairman and CEO's message to security holders for further information on likely developments and the expected results of the Group.

Distributions and dividends

No distributions were made by the Trust or dividends declared by Lantern during the year. The Directors do not propose to recommend any distribution or dividend at this time.

Remuneration Report

Refer to pages 57 to 59 for details of the remuneration of key management personnel.

Significant events after balance date

(a) On 3 July 2015 the Group purchased the site adjoining the Five Dock Hotel, 80 Great North Rd, Five Dock for $0.68m.

(b) On 16 July 2015 a contract was exchanged for the sale of El Toro Hotel & Motel for $24.0m.

(c) On 17 July 2015 the Board terminated the management services agreement with Naylor Partners under which the services of Mr Russell Naylor as CEO were provided to the Group. Further, the Board resolved to make a payment in lieu of six months notice as stipulated in the management services agreement.

(d) On 19 August 2015 John Osborne was appointed as CEO of the Group. Key terms of the appointment are as follows:
- Salary of $300,000 p.a plus superannuation
- Executive Incentive Scheme (EIS) of up to $200,000 p.a based on delivery of strategic & operational objectives
- Notice period of three months will apply in respect of termination, except in defined circumstances where no notice period applies.

(e) On 10 September 2015 the discontinued asset The Office was sold for NZD 0.45m ($A0.40m).

(f) On 16 September 2015 Waikanae Hotel was sold for NZD 2.3m ($A2.0m). This is less than the NZD 2.6m ($A2.3m) expected due to some difficulties in selling a portion of the land. The Group believes it can come to an alternative arrangement in regards this remaining small parcel of land that will deliver a return in line with its 30 June 2015 carrying value.

Registered scheme

A total of $1,103,211 (2014: $1,043,748) was paid and payable to the Responsible Entity (which is a wholly owned subsidiary of the Lantern Hotel Group Ltd) out of scheme assets for services for the year ended 30 June 2015. For consolidation purposes the amount paid to the Responsible Entity for the period is eliminated and is therefore not recognised in the accounts of the consolidated entity.

The Responsible Entity held no interests in the scheme during the year.

No interests in the scheme were issued during the year.

At the end of the financial year the number of units in the scheme totalled 883,202,130 (2014: 883,202,130) (refer Note 18).

The gross value of the scheme assets (excluding those attributable to Lantern Hotel Group Limited and its controlled entities) as at the end of the financial year totalled $179,945,949 (2014:$169,564,493). These assets are valued in accordance with applicable accounting standards as noted in the annual report.

Insurance and indemnification of officers

During the financial year the Group paid a premium in respect of a contract to insure the directors and executives of the Group against liabilities to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the true nature of liabilities covered and the amount of the premium.

Corporate governance statement
The Corporate Governance Statement was approved by the Board of Directors on 5 August 2015 and can be found at http://www.lanternhotels.com.au/

Non-audit services

The Group has not engaged the services of the auditors, HLB Mann Judd (NSW Partnership), on any assignments other than audit and review services.

Rounding of amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the directors’ report and financial statements. Amounts in the directors’ report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Signed in accordance with a resolution of the directors of the Responsible Entity.

John Murphy
Non-Executive Chairman
Dated in Sydney this 30th of September 2015

Shirley Liew
Non-Executive Director
Dated in Sydney this 30th of September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

LANTERN REAL ESTATE TRUST

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lantern Real Estate Trust for the year ended 30 June 2015 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Lantern Real Estate Trust and the entities it controlled during the year.

Sydney, NSW
30 September 2015

D K Swindells
Partner

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (NSW Partnership) is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Income			
Revenue from continuing operations	3	**57,807**	49,105
Rental income		**2,514**	2,432
Interest income		**49**	334
Net gain (loss) in fair value of interest rate swaps		**1,205**	2,505
Net gain (loss) in fair value of property, plant & equipment		**-**	1,003
Net gain (loss) in fair value of investment property		**1,113**	1,600
Profit on disposal of land and buildings		**2,499**	-
Other income		**85**	131
Total income		**65,272**	57,110
Cost of sales		**22,477**	19,562
Salaries and wages		**17,237**	14,721
Borrowing costs		**6,555**	7,275
Depreciation and amortisation	4a	**3,472**	3,190
Impairment of property, plant and equipment		**7,325**	-
Impairment of goodwill		**2,500**	2,842
Professional fees		**3,257**	1,835
Repairs and maintenance		**2,868**	2,652
Insurance		**598**	647
Security		**1,270**	1,248
Property expenses		**1,302**	924
Loss on disposal of plant and equipment		**-**	290
Other	4b	**4,784**	4,241
Total expenses		**73,645**	59,427
Profit/(loss) from continuing operations before income tax expense		**(8,373)**	(2,317)
Income tax expense	5	**(108)**	-
Profit/(loss) from continuing operations after income tax expense		**(8,481)**	(2,317)
Discontinued operations			
Profit/(loss) from discontinued operations	19	**(404)**	167
Profit/(loss) for the period		**(8,885)**	(2,150)
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		**(10,101)**	(1,942)
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		**1,216**	(208)
		(8,885)	(2,150)
		Cents	Cents
Distributions per security		**-**	-
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - basic and diluted	6	**(1.01)**	(0.24)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted	6	**(0.96)**	(0.26)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - basic and diluted	6	**(0.05)**	0.02

The above consolidated income statement should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Parent interest - Lantern Real Estate Trust			
Net profit/(loss) for the year		**(10,101)**	(1,942)
Other comprehensive income:			
Amounts that will not be reclassified to profit or loss			
Amounts that may be reclassified to profit or loss			
Revaluation surplus/(impairment)		**(325)**	-
Exchange differences on translation of foreign operations	21	**(343)**	773
Total comprehensive profit/(loss) for the year - parent interest		**(10,769)**	(1,169)
Non-controlling interest - Lantern Hotel Group Limited			
Net profit/(loss) for the year		**1,216**	(208)
Total comprehensive profit/(loss) for the year - non-controlling interest		**1,216**	(208)
Stapled Entity			
Net profit/(loss) for the year		**(8,885)**	(2,150)
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Revaluation surplus/(impairment)		**(325)**	-
Exchange rate differences on translation of foreign operations	21	**(343)**	773
Total comprehensive profit/(loss) for the year - stapled entity		**(9,553)**	(1,377)

The components of profit or loss and other comprehensive income shown above are presented net of related income tax effects of $108,000 (2014: $Nil).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Current assets			
Cash and cash equivalents	7	**3,611**	2,747
Trade and other receivables	8	**1,361**	1,820
Inventories	9	**1,333**	1,155
Assets of discontinued operations	19	**5,740**	7,498
Total Current Assets		**12,045**	13,220
Non-current assets			
Investment properties	11	**21,813**	20,700
Property, plant and equipment	12	**114,678**	112,048
Intangibles	13	**32,426**	28,298
Deferred tax asset		**-**	108
Other	10	**237**	412
Total Non-current Assets		**169,154**	161,566
Total Assets		**181,199**	174,786
Current liabilities			
Payables	14	**12,164**	10,060
Borrowings	16	**72,340**	12,265
Derivatives	17	**3,449**	2,627
Provisions	15	**115**	54
Total Current Liabilities		**88,068**	25,006
Non-current liabilities			
Payables	14	**750**	1,225
Borrowings	16	**-**	44,965
Derivatives	17	**3,664**	5,666
Provisions	15	**465**	119
Total Non-current Liabilities		**4,879**	51,975
Total Liabilities		**92,947**	76,981
Net Assets		**88,252**	97,805
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	18	**220,763**	220,763
Reserves	21	**(23)**	645
Retained earnings/(accumulated losses)		**(135,210)**	(125,109)
Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)		**85,530**	96,299
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	18	**2,745**	2,745
Retained earnings/(accumulated losses)		**(23)**	(1,239)
Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)		**2,722**	1,506
Total security holders' interest		**88,252**	97,805

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Cash flows from operating activities			
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)		**(57,837)**	(48,672)
Lease incentive		**200**	-
Interest received		**61**	466
Interest paid		**(6,555)**	(6,566)
Net cash from operating activities	33	**3,331**	2,174
Cash flows from investing activities			
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	20	**(18,368)**	(16,325)
Payment for loans to third parties		**-**	(234)
Net cash inflow from investing activities		**(16,144)**	(18,542)
Cash flows from financing activities			
Proceeds from borrowings		**20,100**	16,900
Payment for borrowing costs		**(35)**	(511)
Repayment of borrowings		**(4,917)**	(50,000)
Repayment of interest rate swaps		**-**	(1,412)
Repayment of finance leases		**(75)**	(69)
Payment for securities bought back		**-**	(1,999)
Payment to facilitate buyback of securities		**(1,400)**	-
Net cash inflow from financing activities		**13,673**	(37,091)
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
Cash and cash equivalents at the end of the year	7	**3,611**	2,747

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Note	Issued Capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Carrying amounts at 1 July 2014		**220,763**	**645**	**(125,109)**	**1,506**	**97,805**
Lantern Real Estate Trust						
Net profit/(loss) for the year		-	-	(10,101)	-	(10,101)
Other comprehensive income	21	-	(668)	-	-	(668)
		-	(668)	(10,101)	-	(10,769)
Lantern Hotel Group Limited						
Net profit/(loss) for the year		-	-	-	1,216	1,216
		-	-	-	1,216	1,216
Total stapled entity						
Net profit/(loss) for the year		-	-	(10,101)	1,216	(8,885)
Other comprehensive income		-	(668)	-	-	(668)
Total comprehensive profit/(loss) for the year		-	(668)	(10,101)	1,216	(9,553)
Transactions with unit holders in their capacity as equity holders:						
Security holders of Lantern Real Estate Trust						
Payment to facilitiate future buyback of units	18	-	-	-	-	-
		-	-	-	-	-
Security holders of Lantern Hotel Group Limited						
Payment to facilitiate future buyback of shares	18	-	-	-	-	-
		-	-	-	-	-
Total stapled entity						
Payment to facilitiate future buyback of securities	18	-	-	-	-	-
		-	-	-	-	-
Carrying amounts at 30 June 2015		**220,763**	**(23)**	**(135,210)**	**2,722**	**88,252**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Note	Issued Capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'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		-	-	(1,942)	-	(1,942)
Other comprehensive income	21	-	773	-	-	773
		-	773	(1,942)	-	(1,169)
Lantern Hotel Group Limited						
Net profit/(loss) for the year		-	-	-	(208)	(208)
		-	-	-	(208)	(208)
Total stapled entity						
Net profit/(loss) for the year		-	-	(1,942)	(208)	(2,150)
Other comprehensive income		-	773	-	-	773
Total comprehensive profit/(loss) for the year		-	773	(1,942)	(208)	(1,377)
Transactions with unit holders in their capacity as equity holders:						
Security holders of Lantern Real Estate Trust						
Payment to facilitiate future buyback of units	18	(1,359)	-	-	-	(1,359)
		(1,359)	-	-	-	(1,359)
Security holders of Lantern Hotel Group Limited						
Payment to facilitiate future buyback of shares	18	-	-	-	(41)	(41)
		-	-	-	(41)	(41)
Total stapled entity						
Payment to facilitiate future buyback of securities	18	(1,359)	-	-	(41)	(1,400)
		(1,359)	-	-	(41)	(1,400)
Carrying amounts at 30 June 2014		**220,763**	**645**	**(125,109)**	**1,506**	**97,805**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the consolidated 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 Share holders shall be identical. The issued securities in these entities trade as one listed security on the Australia 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
(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 general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

The financial statements cover the Trust and its controlled entities and Lantern Hotel Group Limited and its controlled entities as a consolidated entity. The Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors of Lantern RE on 30 September 2015. The directors have the power to amend and reissue the financial statements.

Compliance with IFRS

The consolidated financial statements of the Trust also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Comparative information

Comparative information may have been reclassified to enhance disclosures and match current year classifications.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets & liabilities as described in the accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain estimates and judgements in applying the consolidated entity's accounting policies. Those estimates and judgements significant to the financial statements are disclosed in Note 2.

The financial statements are presented in Australian dollars.

1. Significant Accounting Policies (continued)

Adoption of new and revised accounting standards

In the current year the Group has adopted all of the new and revised accounting standards and interpretations that are relevant to its operations and effective for the current annual reporting period. There was no material effect on the financial statements as a result of this adoption.

Principles of consolidation

Subsidiaries

The consolidated financial statements are those of the consolidated entity, comprising the assets and liabilities and results of the parent entity and of all subsidiaries, which are entities where the parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All inter-company balances and transactions, including any unrealised profits and losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

As a consequence of the stapling arrangement involving no acquisition and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interest of the equity holders in Lantern are treated as non-controlling interests ('NCI').

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The acquisition method of accounting is used to account for acquisition of subsidiaries.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Discontinued operations and assets held for sale

The Group has classified certain components as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

Non-current assets of discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property which are carried at fair value.

1. Significant Accounting Policies (continued)

Discontinued operations and assets held for sale (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition. Such non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Distributions

A liability for distribution for any distribution declared on or before the end of the reporting period is recognised in the statement of financial position in the reporting period in which the distribution is declared.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Trust.

(i) Foreign currency transactions and balances

Transactions in foreign currency are initially recorded in the functional currency at 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 the income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Australia dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the exchange rate prevailing on the date of the transaction. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the term.

Leases included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

1. Significant accounting policies (continued)

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 controlled entity comprises the fair values of the assets transferred, the liabilities incurred and any equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the controlled entity.

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. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlled interest and the acquisition-date fair value of any previous equity interest over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the controlled entity acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a discount on business combination. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

In the case of a stapling arrangement involving no acquisition consideration and no ownership interest being acquired, no goodwill is recognised and the interest of the equity holders in the controlled entity is treated as a non-controlling interest.

Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as at fair value through profit or loss are recorded in the income statement.

1. Significant accounting policies (continued)

Property Plant and equipment

Property, plant and equipment includes the Group's freehold going concern ownership of hotels (which includes hotel licences) along with any plant and equipment used in operating the hotels and in Group administration. The freehold properties are shown at fair value, based on either periodic, but at least triennial, valuations prepared by an independent valuation firm or management valuations at other dates.

Plant and equipment is stated at fair value at acquisition date or 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 the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Land is not depreciated. The depreciable amounts of all other property, plant and equipment are depreciated using the straight-line method over their estimated useful life commencing from the time the asset is held ready for use. Estimates of remaining useful lives are made on a regular basis for all assets.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives of each class of assets are:

	2015	2014
Buildings	40 years	40 years
Plant and equipment	4 to 15 years	4 to 15 years
Motor vehicles	8 years	8 years
Furniture and fittings	11 years	11 years

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

Trade and other receivables

Trade and other receivables are recognised at fair value. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable. Trade receivables are generally due for settlement within 30 days.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivatives are designated as a hedging instrument, and if so, the nature of the item/s being hedged.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss as income or other expenses.

Changes in the fair value of any derivative instrument that does qualify for hedge accounting are recognised immediately in other comprehensive income and in accumulated reserves in equity.

Derivatives are classified as current or non-current depending on the expected period of realisation.

1. Significant accounting policies (continued)

Intangibles

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Gaming licences

Gaming licences are valued at cost or at fair value at acquisition date when recognised in a business combination. Gaming licences are considered to have an indefinite useful life and are not amortised. They are tested for impairment annually and whenever an event or change in circumstances indicate that an impairment may exist. Any impairment is recognised immediately in profit or loss.

Investment property

Land, buildings, liquor and gaming licences subject to operating leases to third parties have the function of an investment and are regarded as composite assets. In accordance with applicable accounting standards the buildings, including fixtures and fittings, are not depreciated.

It is the Group's policy to have all investment properties externally valued at intervals of not more than three years and that those valuations be reflected in the financial statements of the Group. It is the policy of the Group to review the fair value of each investment property every six months, and where required, investment properties will have revaluations to fair values whenever their carrying value differs materially from fair value.

Fair value represents the price that would be recognised to sell an asset or paid to transfer a liability in an orderly transaction betwen market participants at the measurement date. It is based on current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts, adjusted for any differences in the nature, location or condition of the property, or in the contractual terms of the leases and other contracts relating to the property.

In the absence of current prices in an active market, the Responsible Entity considers information from a variety of sources, including current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences, recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

In determining fair values, expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. Changes in the fair value of an investment property are recorded in profit or loss.

Inventories

Finished goods, consisting of primarily food and beverage items for re-sale, are stated at the lower of cost and net realisable value. Cost comprises purchase price and associated delivery costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

Payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and are recognised when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

1. Significant accounting policies (continued)

Borrowings

Borrowings are recorded at fair value. Transaction costs directly attributable to borrowings are classified as an asset and amortised over the term of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance costs are expensed as incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case, they are capitalised as part of the acquisition cost of that asset.

Employee benefits

Wages and salaries, annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, are recognised in Other Payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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 at current values. The liability is recognised 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.

Contributed equity

Stapled securities, including units issued by the Trust and shares issued by Lantern, are classified as equity. Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds.

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 interest cover ratio (ICR) loan covenant on its primary debt facility ($60.1m). This has occurred due to a general underperformance of the group & over hedged, out of the money swap positions dating back to 2007. The Group is working cooperatively with its lender in relation to the Group's proposals to deal with the breach. In keeping with these discussions the Group intends to appoint an advisor to assist it with the documentation of its strategic plan. A key component of this work will include recommendations in relation to the most appropriate capital structure to support the current and future needs of the Group. The Group’s primary lender is supportive of this approach and is contributing to the process. Should this work not lead to a suitable outcome with the Group’s primary lender, the Group will seek to refinance the facility in the market or would be able to dispose of assets to reduce or repay the debt.

The Group's secondary facility ($12.2m) was due for repayment on 30 September 2015. On 28 August 2015 the Group signed a new term facility, expiring on 30 June 2018 on similar terms.

Detailed budgets and cash flow forecasts prepared for 2016 for the Group show that the Group is expected to generate a cash surplus from operations. The Directors are confident that the Group can continue as a going concern and accounts have been prepared on that basis.

1. Significant accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable net of GST. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity, the revenue can be reliably measured and specific criteria have been met for each of the Group's activities as described below. The Group bases its probability on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue brought to account but not received at balance date is recognised as a receivable.

Revenue is recognised for the major business activities as follows:

Sale of goods - retail

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Gaming revenue

Gaming revenue is recognised as the net funds received (cash invested less wins to players) before payment of government taxes.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Rent

Rental income from operating leases is recognised as and when due under the lease. Rental income from discontinued operations is recognised on a cash received basis.

Distributions

Distributions are recognised as revenue when the right to receive payment is established.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

Lantern Real Estate Trust and its subsidiaries (other than Lantern Hotel Group Limited and its controlled entities) account for their own current and deferred tax amounts as if each entity continues to be a stand-alone taxpayer. Lantern Hotel Group Limited and its wholly owned subsidiaries have formed a group for tax consolidation purposes and account for their current and deferred tax amounts on a consolidated level.

Under current tax legislation, the Trust is not liable to pay Australian income tax provided that its taxable income (including any assessable capital gains) is fully distributed to unit holders each year. Tax allowances for buildings and fixtures depreciation are distributed to unit holders in the form of the tax deferred components of distributions.

The subsidiaries that hold the Group's foreign properties may be subject to corporate income tax and withholding tax in the countries in which they operate. Under current Australian income tax legislation, unit holders may be entitled to receive a foreign tax credit for this income tax and withholding tax.

1. Significant accounting policies (continued)

Income tax (continued)

(i) Current 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 company's subsidiaries and associates operate and generate 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 the tax authorities.

(ii) Deferred income tax

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 statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 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.

Earnings per security

Basic earnings per security is calculated as net profit or loss attributable to holders of stapled securities of the Group divided by the weighted average number of issued stapled securities. Diluted earnings per security is calculated as net profit attributable to holders of stapled securities, adjusted for preference distributions and interest associated with dilutive potential securities, divided by the weighted average number of securities and dilutive potential securities outstanding during the year.

Goods and services tax (“GST”)

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of the acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the tax authority is included in the statement of financial position as an asset or liability.

The GST components of cash flows arising from investing and financing activities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Pending Accounting Standards

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Group’s financial report in future reporting periods.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Parent financial information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 29. Investments in subsidiaries are accounted for at cost in the financial statements of the Parent.

Rounding of amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the directors’ report and financial statements. Amounts in the directors’ report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group has investment properties and property, plant and equipment with carrying values of $21,813,000 (2014: $20,700,000) (see note 11) and $114,678,000 (2014: $112,048,000) (see note 12) respectively, representing estimated fair value. The Group also has purchased goodwill in relation to the hotel operating businesses carried at $4,208,000 (2014: $4,208,000) (see note 13) representing estimated fair value; and other intangibles with a carrying value of $28,218,000 (2014: $24,090,000) (see note 13) representing gaming licences . These carrying amounts reflect certain assumptions about expected future rental cash flows, rent-free periods, operating revenues and costs and appropriate discount and capitalisation rates. In forming these assumptions, the Group considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for assets similar to those owned by the Group, as well as independent valuations of the Group's properties.

(b) Critical judgements in applying the entity's accounting policies

There were no judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. Revenue	2015 $'000	2014 $'000
Revenue from operations		
Gaming	**22,679**	19,586
Beverage	**24,037**	20,840
Food	**9,063**	6,702
Other	**2,028**	1,977
	57,807	49,105

4a. Depreciation and amortisation	2015 $'000	2014 $'000
Building depreciation	**1,066**	870
Plant and equipment depreciation	**2,196**	1,416
Borrowing costs amortisation	**210**	904
	3,472	3,190

4b. Other expenses	2015 $'000	2014 $'000
Advertising and promotion	**797**	699
Entertainment	**822**	703
Electrity and gas	**1,047**	996
Pay TV subscriptions	**585**	426
Telephone & internet	**192**	156
Bank & merchant fees	**179**	146
Licences	**181**	97
Motor vehicle expenses	**95**	102
Printing & stationery	**135**	119
Share registry fees	**80**	73
Impairment of prepayment	**191**	298
Accommodation expenses	**117**	117
Other	**363**	309
	4,784	4,241

5. Income tax	2015 $000	2014 $000
(a) Income tax expense		
Reconciliation of profit/(loss) from continuing operations before income tax to income tax expense:		
Profit/(loss) from continuing operations before income tax	**(8,373)**	(2,317)
Profit/(loss) from discontinued operations before income tax	**(404)**	167
	(8,777)	(2,150)
Tax at the Australian tax rate of 30%	**(2,633)**	(645)
Add/(deduct):		
Trust operations not taxable	**1,403**	(402)
Non-deductible expenses	**1,137**	1,122
Other deductible amounts	**(130)**	(174)
Deferred tax assets in relation to losses not recognised	**223**	99
Deferred tax asset derecognised	**(108)**	-
Income tax expense	**(108)**	-
(b) Unused tax losses		
Unused tax losses for which no deferred tax asset has been recognised - Trust		
These unused tax losses are available to offset future taxable distributions of the Trust.	**15,741**	11,298
Unused tax losses for which no deferred tax asset has been recognised - Lantern	**3,360**	2,617
Potential tax benefit at 30%	**1,008**	785

These unused tax losses are available to offset future taxable income of Lantern.

Lantern Hotel Group Limited and its wholly owned resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Lantern Hotel Group Limited.

6. Earnings per security	2015 $000	2014 $000
Profit/(loss) attributable to ordinary security holders of the Trust:		
From continuing operations	**(8,481)**	(2,317)
From discontinued operations	**(404)**	167
	(8,885)	(2,150)
	'000	'000
Weighted average number of ordinary securities used in calculating basic and diluted earnings per security	**883,202**	883,202
	Cents	Cents
Basic and diluted earnings per security attributable to the security holders of the Trust		
From continuing operations	**(0.96)**	(0.26)
From discontinued operations	**(0.05)**	0.02
	(1.01)	(0.24)

7. Cash and cash equivalents	2015 $000	2014 $000
Cash at bank and on hand	**3,611**	2,747
Total Cash and cash equivalents	**3,611**	2,747

8. Trade and other receivables	2015 $'000	2014 $'000
Current		
Other debtors	**275**	592
Accrued income, prepayments and deposits	**1,086**	994
Loans to lessees	**-**	234
Total Trade and other receivables	**1,361**	1,820

9. Inventories	2015 $'000	2014 $'000
Finished goods at cost	**1,333**	1,155

10. Other assets	2015 $'000	2014 $'000
Non-current		
Unamortised borrowing costs	**237**	412

11. Investment properties	2015 $'000	2014 $'000
Investment properties	**21,813**	20,700
Reconciliation		
Investment properties at fair value		
Non-Current		
Carrying amount at beginning of the period	**20,700**	19,100
Revaluation increment	**1,113**	1,600
Investment properties carrying value at the end of the period	**21,813**	20,700

Leasing arrangements

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

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

12. Property, plant and equipment	2015 $'000	2014 $'000
Land and buildings - at fair value	**101,233**	102,364
Plant and equipment - at cost or fair value at acquisition date	**18,466**	12,509
Less: Accumulated depreciation	**(5,072)**	(2,886)
	13,394	9,623
Motor vehicles - at cost	**76**	76
less: accumulated depreciation	**(25)**	(15)
	51	61
Total Property, plant and equipment	**114,678**	112,048

Reconciliations

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

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2013	89,869	5,605	71	95,545
Acquisitions	12,362	5,714	-	18,076
Disposals	-	(290)	-	(290)
Gains recognised in profit or loss	1,003	-	-	1,003
Depreciation expense	(870)	(1,406)	(10)	(2,286)
Balance at 30 June 2014	**102,364**	**9,623**	**61**	**112,048**
Acquisitions	**10,003**	**5,957**	-	**15,960**
Disposals	**(2,418)**	-	-	**(2,418)**
Revaluation decrements	**(7,650)**	-	-	**(7,650)**
Depreciation expense	**(1,066)**	**(2,186)**	**(10)**	**(3,262)**
Balance at 30 June 2015	**101,233**	**13,394**	**51**	**114,678**

Freehold going concern assets

Freehold going concern assets includes Land and Buildings (including hotel licences), Property, plant and equipment and Intangibles (refer Note 12 and Note 13).

Whilst the accounting standards require separate disclosure of Land and Buildings, Plant and Equipment and Intangibles, the directors consider that the combined value of the Land and buildings, Plant and Equipment and Intangibles could be more easily understood as freehold going concern hotel assets.

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

	2015 $'000	2014 $'000
Land and buildings	**101,233**	102,364
Plant and equipment	**13,394**	9,623
Intangibles	**32,426**	28,298
Total freehold going concern hotels	**147,053**	140,285

13. 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
Total Intangibles	**32,426**	28,298

Goodwill relates to the acquisition of hotel operating businesses from the Icon Hospitality Group on 15 June 2012 and subsequent acquisitions of hotel operating assets.

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

14. Payables	2015 $'000	2014 $'000
Current liabilities		
Trade payables	**9,202**	6,586
Other payables	**2,887**	3,399
Unearned income	**75**	75
Total current payables	**12,164**	10,060
Non-current liabilities		
Other payables	**450**	850
Unearned income	**300**	375
Total Non-current payables	**750**	1,225

15. Provisions	2015 $'000	2014 $'000
Current liabilities		
Employee liabilities	**115**	54
Non-current liabilities		
Lease incentive	**346**	-
Employee liabilities	**119**	119
Total Non-current provisions	**465**	119

16. Borrowings	2015 $'000	2014 $'000
Current liabilities		
Finance lease liabilities	**57**	65
Bank debt	**72,283**	12,200
Total current borrowings	**72,340**	12,265
Non-current liabilities		
Finance lease liabilities	-	65
Bank debt	-	44,900
Total Non-current borrowings	-	44,965

Bank debt

Bank debt comprises Australian dollar denominated debt of $72,283,041 (2014: $57,100,000).

Bank debt is provided through two facilities. The primary facility with a limit of $78,000,000 and drawn to $60,083,041 is repayable on 30 August 2016 or earlier if the bank demands. The secondary facility, fully drawn to $12,200,000, was repayable on 30 September 2015. Subsequent to year-end the secondary facility repayment date has been extended to 30 June 2018. The bank facilities are secured by first mortgages over the investment properties, property, plant and equipment and intangibles with a total carrying value at balance date of $168,917,000 (2014: 61,046,000).

Covenants

Primary facility

The primary facility is secured over the Groups primary security pool, comprising freehold land and buildings, investment properties and gaming licences and is subject to the following financial covenants:

(i) Interest cover - adjusted EBITDA times interest expense of 1.75.
(ii) Loan to value ratio (LVR) of 50% of secured assets.
(iii) Ratio of Net Worth to Total Assets: at any time not less than 40%.

Secondary facility

The secondary facility is secured over the Group's secondary security pool, comprising freehold land and buildings and gaming licences and is subject to the following financial covenants:

(i) Rolling 12 month EBITDA of the security pool assets not less than 80% of the security pool valuation EBITDA.
(ii) Rolling 12 month interest cover of EBIT of the security pool assets to be not less than 2.00 times interest expense on secondary facility.

Compliance with covenants

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. In keeping with these discussions the Group intends to appoint an advisor to assist it with the documentation of its strategic plan. A key component of this work will include recommendations in relation to the most appropriate capital structure to support the current and future needs of the Group. The Group's primary lender is supportive of this approach and is contributing to the process. Should this work not lead to a suitable outcome with the Group's primary lender, the Group will seek to refinance the facility in the market or would be able to dispose of assets to reduce or repay the debt.

As a result of this breach the bank has the right to demand repayment of the facility at any time. The bank has advised that this breach constitutes an Event of Default. The bank has not demanded repayment at this time.

The Group has complied with the financial covenants of its secondary borrowings facility during the 2015 reporting period.

17. Derivatives	2015 $'000	2014 $'000
Current liabilities		
Interest rate swap contracts	**3,449**	2,627
Non-current liabilities		
Interest rate swap contracts	**3,664**	5,666

The swap agreements were entered into during 2007. These agreements extend to 22 August 2017. The agreements swap a floating interest rate for a fixed interest rate.

18. Issued securities	Note	2015 $'000	2014 $'000
(a) Carrying amounts			
Attributable to stapled security holders of Lantern Real Estate Trust			
At beginning of year		**220,763**	222,122
Payment to facilitiate future buyback of units		**-**	(1,359)
At end of year		**220,763**	220,763
Attributable to stapled security holders of Lantern			
At beginning of year		**2,745**	2,786
Payment to facilitiate future buyback of shares		**-**	(41)
At end of year		**2,745**	2,745
Total issued stapled securities		**223,508**	223,508

(b) Number of securities issued	2015 '000	2014 '000
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	**883,202**	883,202
At end of year	**883,202**	883,202
Attributable to stapled security holders of Lantern		
At beginning of year	**883,202**	883,202
At end of year	**883,202**	883,202
Total issued stapled securities	**883,202**	883,202

19. Discontinued operations	2015 $'000	2014 $'000

(a) Details of discontinued operations

The New Zealand portfolio as at 30 June 2015 consisted of 3 properties (2014: 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:

	2015 $'000	2014 $'000
Revenue	**128**	646
Other income	**1**	3
Change in fair value of discontinued assets	**(537)**	(445)
Realised FX gains / (losses)	**27**	-
Expenses	**(23)**	(37)
Profit/(loss) from discontinued operations for the year	**(404)**	167

(c) Cash flows

The cash flows of the discontinued operations during the reporting period were:

	2015 $'000	2014 $'000
Cash flows from operating activities		
Rental and other property income	**202**	598
Payments to suppliers	**(118)**	(90)
Other receipts	**161**	-
Interest received	**2**	3
Cash flows from investing activities		
Proceeds from sale of investment properties	**982**	2,260
Loan proceeds received (paid) from lessee	**64**	(64)
Effects of exchange rate changes on cash	**4**	4
Cash flows from discontinued operations	**1,297**	2,711

19. Discontinued operations (continued)	2015 $'000	2014 $'000

(d) Assets and liabilities

The assets of the discontinued operations as at reporting date were:

	2015 $'000	2014 $'000
Assets		
Investment properties	**5,740**	7,498
Total assets of discontinued operations	**5,740**	7,498
Net assets of discontinued operations	**5,740**	7,498

Reconciliations

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

Balance at 1 July 2013	9,367
Gains or (losses) recognised in profit and loss	(445)
Gains or (losses) recognised in other comprehensive income	930
Disposals	(2,354)
Balance at 1st July 2014	**7,498**
Gains or (losses) recognised in profit and loss	**(537)**
Gains or (losses) recognised in other comprehensive income	**(220)**
Disposals	**(1,001)**
Balance at 30 June 2015	**5,740**

(e) Leasing arrangements

Future minimum rentals receivable under these leases are:

	2015 $'000	2014 $'000
Within one year	**1,071**	1,339
Later than one year but not later than five years	**4,615**	5,605
Later than five years	**3,557**	5,958
	9,243	12,902

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.

Future minimum rentals receivable have been presented under current lease arrangements in operation at 30 June 2015.

20. Business combinations

Waterworks Hotel

On 15 September 2014 the Group purchased the property, plant, equipment & intangibles of the Waterworks Hotel, Botany.
Details of the acquisition are as follows:

	Fair value $'000
Cash	97
Inventories	36
Land and buildings	4,790
Intangibles	2,100
Plant and equipment	1,360
Other assets and liabilities	(139)
Stamp duty and costs of acquisition	439
Acquisition date fair value of the assets and liabilities acquired	8,683
Consideration:	
Cash paid to vendor	8,244
Cash paid for stamp duty and costs of acquisition	439
Total Consideration	8,683
Less: Cash acquired	97
Net cash outflow for acquisition	8,586

Exchange Hotel

On 21 October 2014 the Group purchased the property, plant, equipment & intangibles of the Beaumont Exchange Hotel, Newcastle.
Details of the acquisition are as follows:

	Fair value $'000
Cash	27
Inventories	49
Land and buildings	3,779
Intangibles	3,520
Plant and equipment	1,951
Other assets and liabilities	(11)
Stamp duty and costs of acquisition	494
Acquisition date fair value of the assets and liabilities acquired	9,809
Consideration:	
Cash paid to vendor	9,315
Cash paid for stamp duty and costs of acquisition	494
Total Consideration	9,809
Less: Cash acquired	27
Net cash outflow for acquisition	9,782

The acquired hotel business contributed revenue and profit/(loss) since acquisition as follows:	Waterworks $'000	Exchange $'000	2015 $'000
Revenue	2,702	2,758	5,460
Expenses (including depreciation)	(2,595)	(2,781)	(5,376)
Impairment of goodwill	-	(2,000)	(2,000)
Profit/(Loss)	107	(2,023)	(1,916)

Total payments for acquisition:	
Waterworks Hotel	8,586
Exchange Hotel	9,782
Total payments for acquisition	18,368

The business combinations for the Waterworks Hotel & Exchange Hotel have initially been accounted for an a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the date of acquisition. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all possible information possible to determine fair value.

21. Reserves	2015 $'000	2014 $'000
Revaluation reserve	**425**	750
Foreign currency reserve	**(448)**	(105)
	(23)	645

	Revaluation $'000	Foreign $'000	Total $'000
Consolidated			
Balance at 1 July 2013	750	(878)	(128)
Movement in Asset revaluation reserve	-	-	-
Movement in foreign currency translation reserve	-	773	773
Balance at 30 June 2014	**750**	**(105)**	**645**
Movement in Asset revaluation reserve	**(325)**	**-**	**(325)**
Movement in Foreign currency translation reserve	**-**	**(343)**	**(343)**
Balance at end of year	**425**	**(448)**	**(23)**

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Foreign currency reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

22. Commitments	2015 $'000	2014 $'000
Finance leases agreements		
Commitments for finance lease payments, payable:		
Within 1 year	**65**	76
Later than 1 year but not later than 5 years	**-**	73
Later than 5 years	**-**	-
Minimum lease payments	**65**	149
Future finance charges	**(8)**	(19)
Liability recognised	**57**	130
Disclosed as :		
Current liability	**57**	65
Non-current liability	**-**	65
	57	130
Operating lease agreements		
Commitments for operating lease payments, payable:		
Within 1 year	**210**	-
Later than 1 year but not later than 5 years	**1,522**	-
Later than 5 years	**-**	-
	1,732	-

Capital commitments

There were no significant commitments for capital expenditure at the end of the reporting period (2014: $Nil)

23. Capital management

The Group aims to meet its strategic objectives to maximise security holder value by using the appropriate levels of debt and equity.

In determining the optimal capital structure, the Group takes into account a number of factors, including the availability of debt relative to equity, the time and cost of raising debt or equity, the maturity profile of debt, the volatility in future liquidity of debt and equity and exposure to interest rates relative to the earning profile of the Group.

The capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position

The Group's medium term strategy is to maintain a ratio of total bank debt less cash to total assets less cash in the range of 35% to 50%. At 30 June 2015 the ratio was at 38.7%.

	2015 $'000	2014 $'000
Total consolidated assets	**181,199**	174,786
Total consolidated liabilities	**92,947**	76,981
Leverage ratio	**51.3%**	44.0%
Total consolidated bank debt	**72,283**	57,100
Less cash & cash equivalents	**(3,611)**	(2,747)
Net consolidated debt	**68,672**	54,353
Total consolidated assets	**181,199**	174,786
Less cash and cash equivalents	**(3,611)**	(2,747)
Total consolidated assets, net of cash	**177,588**	172,039
Gearing ratio	**38.7%**	31.6%

24. Financial risk management

Introduction

The Group has the following financial instruments

	2015 $'000	2014 $'000
(i) Financial assets:		
Cash and cash equivalents	**3,611**	2,747
Trade and other receivables	**1,361**	1,820
(ii) Financial liabilities		
Payables	**12,914**	11,285
Interest bearing liabilities	**72,340**	57,230
Interest rate swaps	**7,113**	8,293

The main risks arising from the Group's financial instruments are market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its Treasury policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or forecast not to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Treasury Policy are accepted and no plan of action is put in place to meet Treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

24. Financial risk management (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates arises from its use of borrowings and derivatives. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Group's profit. In addition, the Group's borrowing agreements include minimum interest cover covenants. Higher interest costs resulting from adverse movements in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

The group manages the risk of changes of market interest rates by aiming to maintain a mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

At 30 June 2015, the Group holds interest rate swaps with a face value $80,000,000 (2014: $80,000,000) compared to total bank borrowings of $72,283,041 (2014: $57,100,000).

Exposure to changes in market interest rates also arises from financial assets such as cash deposits.

The consolidated entity's bank loans outstanding, totalling $72,283,041 (2014: $57,100,000) are interest only payment loans and the fixed interest rate swap agreements with a face value of $80,000,000 (2014: $80,000,000) are cash settled only. Cash outlays of approximately $6,748,000 (2014: $6,084,000) per annum are required to service the interest payments. An official increase/(decrease) in interest rates of 50 basis points at 30 June 2015 (2014: 50 basis points) would have a favourable/(adverse) effect on profit after tax of $38,585 (2014: $114,500) per annum in respect of the Group's bank facilities. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Foreign exchange risk

By holding properties in offshore markets (New Zealand), the Group is exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may increase or decrease the Australian dollar equivalent of the carrying value of the Group's offshore properties and may result in higher or lower Australian dollar equivalent proceeds when an offshore property is sold. In addition, foreign exchange rate movements may change the Australian dollar equivalent of the earnings from the offshore properties while they are owned by the Group.

New Zealand assets and liabilities	2015 $'000	2014 $'000
Assets of discontinued operations	**5,740**	7,498
Liabilities	**-**	-

Sensitivity analysis

The consolidated entity had net assets/(liabilities) denominated in foreign currencies. Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% at 30 June 2015 (2014: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's net assets would have been $287,000 higher/$287,000 lower (2014: $413,439 higher/$413,439 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

24. Financial risk management (continued)

Market risk (continued)

Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in a financial loss to the Group.

Tenants

The major credit risk for the Group is defaults by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant.

The Group assesses the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into account when assessing credit risk include the aggregate exposure the Group may have to the prospective tenant if the counterparty is already a tenant in the Group's portfolio; the strength of the prospective tenant's business; and any form of security, for example a rental bond, to be provided.

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing vacant space.

Rent receivable balances are monitored on an ongoing basis and arrears are actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default.

At reporting date, the Group held $154,637 (30 June 2014: $120,057) of receivables that are past due but not impaired. There are reasonable grounds to believe that these amounts are recoverable. The Group holds bank guarantees and security deposits in the amount of $511,432 (30 June 2014: $511,432) covering these receivables. Of these past due receivables $121,825 (2014: $47,687) was 30 days past due and $43,229 (2014: $Nil) was more than 90 days overdue. Of these 2015 overdue amounts $94,000 has been received subsequent to the end of the reporting period.

The Responsible Entity believes that the Group's receivables that are neither past due nor impaired do not give rise to any significant credit risk.

24. Financial risk management (continued)

Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations and working capital and committed capital expenditure requirements. The Group's Treasury Policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Group monitors adherence to loan covenants on a regular basis, and the Treasury Policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Group monitors its debt expiry profile and aims to achieve debt maturities below a target level of total committed debt facilities, where possible, to reduce refinance risk in any one year.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Financial instruments 2015	Weighted average effective interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	**n/a**	**9,202**	**-**	**-**	**-**	**9,202**
Other payables	**n/a**	**2,887**	**404**	**46**	**-**	**3,337**
Unearned income	**n/a**	**75**	**75**	**225**	**-**	**375**
Interest bearing - variable rate						
Bank loans	**4.45%**	**72,411**	**-**	**-**	**-**	**72,411**
Finance lease liability	**7.28%**	**65**	**-**	**-**	**-**	**65**
Total-non-derivatives		**84,640**	**479**	**271**	**-**	**85,390**
Derivatives						
Fixed interest rate swaps	**4.26%**	**3,408**	**3,339**	**366**	**-**	**7,113**
Total derivatives		**3,408**	**3,339**	**366**	**-**	**7,113**

Financial instruments 2014	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	n/a	6,586	-	-	-	6,586
Other payables	n/a	3,399	600	250	-	4,249
Unearned income	n/a	75	75	225	-	375
Interest bearing - variable rate						
Bank loans	4.88%	15,205	2,853	45,315	-	63,373
Finance lease liability	7.31%	76	73	-	-	149
Total-non-derivatives		25,341	3,601	45,790	-	74,732
Derivatives						
Fixed interest rate swaps	3.60%	2,948	2,956	2,598	-	8,502
Total derivatives		2,948	2,956	2,598	-	8,502

25. Fair value measurement

Fair value hierarchy

The Group uses the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Input other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The fair value of derivatives was calculated as the net present value of future payment obligations discounted at market rates. This valuation technique uses both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps.

The tables below present the Group's financial instruments that were measured and recognised at fair value at the end of the reporting period.

Consolidated - 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Land and buildings	**-**	**-**	**101,233**	**101,233**
Investment properties	**-**	**-**	**21,813**	**21,813**
Discontinued operations	**-**	**-**	**5,740**	**5,740**
Gaming licences	**-**	**28,218**	**-**	**28,218**
Total assets	**-**	**28,218**	**128,786**	**157,004**
Liabilities				
Interest rate swaps	**-**	**7,113**	**-**	**7,113**
Consolidated - 2014				
Assets				
Land and buildings	-	-	102,364	102,364
Investment properties	-	-	20,700	20,700
Discontinued operations	-	-	7,498	7,498
Gaming licences	-	22,748	-	22,748
Total assets	-	22,748	130,562	153,310
Liabilities				
Interest rate swaps	-	8,293	-	8,293

There were no transfers between levels during the financial year.

The carrying value of trade and other receivables and trade and other payables are assumed to approximate their values due to their short term nature.

Land and buildings, including investment properties, have been valued based on similar assets, location and market conditions.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

25. Fair value measurement (continued)

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below:

	Land and buildings $'000	Investment properties $'000	Discontinued operations $'000	Total $'000
Consolidated				
Balance at 1 July 2013	89,869	19,100	9,367	118,336
Gains/(losses) recognised in profit and loss	1,003	1,600	(445)	2,158
Gains recognised in other comprehensive income	-	-	930	930
Disposals	-	-	(2,354)	(2,354)
Additions	12,362	-	-	12,362
Depreciation	(870)	-	-	(870)
Balance at 30 June 2014	102,364	20,700	7,498	130,562
Gains/(losses) recognised in profit and loss	**(7,325)**	**1,113**	**(537)**	**(6,749)**
Gains/(losses) recognised in other comprehensive income	**(325)**	**-**	**(220)**	**(545)**
Disposals	**(2,418)**	**-**	**(1,001)**	**(3,419)**
Additions	**10,003**	**-**	**-**	**10,003**
Depreciation	**(1,066)**	**-**	**-**	**(1,066)**
Balance at 30 June 2015	**101,233**	**21,813**	**5,740**	**128,786**

The level 3 assets unobservable inputs and sensitivity are as follows:

Description	*Unobservable*	*Range*	*Sensitivity*
Land and buildings	Estimated maintainable earnings		A 5% change would increase/decrease fair value by $7,058,000
	Capitalisation rate	10.0% to 14.0% (10.8%)	A 0.5% change would increase/decrease fair value by $6,830,000
Investment properties	Current annual rental		A 5% change would increase/decrease fair value by $1,091,000
	Capitalisation rate	7.9% to 14.3% (8.8%)	A 0.50% change would increase/decrease fair value by $1,219,000
Discontinued operations	Expected sale price		A 10% change would increase/decrease fair value by $574,000

26. Related parties	2015 $'000	2014 $'000

(a) Responsible Entity fees

As Responsible Entity of Lantern Real Estate Trust, Lantern RE Limited, a 100% owned subsidiary of the Group, is entitled to the following fees:

- 0.6% of the total scheme assets of Lantern Real Estate Trust
- Acquisition fees calculated at 0.5% of the total price paid by Lantern Real Estate Trust for any new properties.

These fees are eliminated on consolidation. No responsible entity fees were paid to external parties during the year (2014: $Nil).

(b) During the year, the Group has purchased from Asahi Premium Beverages, of which Mr J Davidson was a Director until 20 October 2014, inventories at a cost of $54,594 on regular commercial terms.

(c) On 5 December 2014, an amount of $10,000 was paid to Millinium Asset Services Pty Ltd as trustee for The Borg Fund to settle a dispute related to the provision of Lantern Hotels share register.

(d) The Group has paid legal fees of $12,528 to Macrossian & Amiet, Solicitors, of which Mr R Naylor's brother is a director.

27. Auditor's remuneration	2015 $'000	2014 $'000
Amounts received or receivable by HLB Mann Judd for:		
Audit or review of financial reports of the Trust and any other entity in the consolidated group	**180**	276
Other assurance services	**7**	-
Total	**187**	276

All audit fees in the 2015 & 2014 financial year are recorded in the accounts of Lantern Hotel Group Limited.

28. Key management personnel	2015 $'000	2014 $'000
(a) Compensation		
Short term benefits	**769**	859
Post employment benefits	**13**	19
	782	878

Remuneration Report

The remuneration report outlines the key management personnel remuneration arrangements for the group.

The remuneration report is set out under the following main headings :
(a) Principles used to determine the nature and amount of remuneration; and
(b) Details of remuneration; and
(c) Employment agreements.

References in the Remuneration Report to "director" are to directors of the Responsible Entity, Lantern RE Ltd.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends upon its ability to attract and retain quality people. The Group is committed to developing a remuneration philosophy of paying sufficient competitive 'base' rewards to attract and retain high calibre management personnel and providing the opportunity to receive superior remuneration tied to the creation of value for security holders.

The Group does not have a dedicated remuneration committee but rather the full board of the Responsible Entity is responsible for ensuring that the level of director and key management personnel remuneration is sufficient and reasonable. For further information the Board Charter is available on the Group's public website - www.lanternhotels.com.au

Non-executive Directors' remuneration
Non-executive Directors' remuneration is solely in the form of fees and has been set by security holders at a maximum aggregate amount of $1,000,000 per annum, to be allocated amongst the directors as they see fit. It has been set to balance the need to attract and retain directors of the highest calibre at a cost that is acceptable to security holders.

Executive remuneration
The group aims to reward executives with a level and mix of remuneration, based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
1. Base pay and non-monetary benefits;
2. Short-term performance incentives; and
3. Other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits of executives, reviewed annually by the Board, is based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

The remuneration of the Executive Director is reviewed annually by the Non-Executive Directors.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, financial reporting, compliance, leadership and people management and contribution to process, quality assurance and senior management team initiatives.

The long-term incentives ('LTI') include long service leave.

28. Key management personnel

Details of remuneration

The key management personnel of the Group consisted of the following persons in 2015:

John Murphy - Non-Executive Chairman (Appointed 24 June 2015)
Graeme Campbell - Non-Executive Director (Appointed 24 June 2015)
Shirley Liew - Non-Executive Director (Appointed 18 June 2015)
Michael Thaler - Financial Controller
Bryan Mogridge - Non-Executive Chairman (Resigned 18 June 2015)
Deborah Cartwright - Non-Executive Director (Removed 24 June 2015)
Russell Naylor - Executive Director (Removed 24 June 2015)
Julian Davidson - Non-Executive Director (Resigned 29 June 2015)

	Short-term benefits			Post employment benefits	2015 $	2014 $
	Salary/ fees $	Bonus $	Non-monetary $	Superannuation $		
John Murphy	-	-	-	-	**-**	-
Graeme Campbell	-	-	-	-	**-**	-
Shirley Liew	-	-	-	-	**-**	-
Bryan Mogridge	125,000	-	-	-	**125,000**	125,000
Deborah Cartwright	68,750	-	-	-	**68,750**	75,000
Russell Naylor	365,040	-	-	-	**365,040**	365,040
Julian Davidson	75,000	-	-	-	**75,000**	75,000
Michael Thaler	135,092	-	-	12,807	**147,899**	126,790
William Hardman	-	-	-	-	**-**	110,787
Total Remuneration	768,882	-	-	12,807	**781,689**	877,617

Employment Agreements

Agreement with Naylor Partners Pty Limited for the provision of services as Managing Director of Lantern Hotels

Key terms:
- Agreement start date 17 June 2015 and continues until terminated. (The agreement was terminated on 20 July 2015).
- Service fee of $35,000 per month plus GST.
- Agreement can be terminated by either party by giving, in writing, 6 months notice or alternatively the Group may terminate the agreement by and upon making a payment in lieu of the notice period.
- Capital optimisation fee payable as a proportion of the value created by the relevant inititiave, between 0% and 5% of the value determined by the Remuneration Committee, at its discretion.
- Performance optimisation fee payable as a percentage of base fee in line with Performance Fee Framework.

(b) Security holding

The number of securities held in the parent entity during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2015	Beginning balance	Acquisitions	Disposals	Ending balance
John Murphy	-	-	-	-
Graeme Campbell	-	-	-	-
Shirley Liew	-	-	-	-
Bryan Mogridge	**11,086,119**	**9,207,953**	-	**20,294,072**
Deborah Cartwright	**1,228,240**	**122,000**	-	**1,350,240**
Julian Davidson	-	-	-	-
Russell Naylor	**10,750,085**	**1,700,001**	-	**12,450,086**
Michael Thaler	-	-	-	-
Total securities	**23,064,444**	**11,029,954**	-	**34,094,398**

2014				
Bryan Mogridge	11,086,119	-	-	11,086,119
Deborah Cartwright	1,228,240	-	-	1,228,240
Julian Davidson	-	-	-	-
Russell Naylor	10,750,085	-	-	10,750,085
William Hardman	1,747,250	-	(1,146,125)	601,125
Michael Thaler	-	-	-	-
Total securities	24,811,694	-	(1,146,125)	23,665,569

29. Parent financial information	2015 $'000	2014 $'000
Summary financial information about the Parent is:		
Current assets	**2,219**	11,079
Non-current assets	**130,340**	164,591
Total assets	**132,559**	175,670
Current liabilities	**66,623**	4,569
Non-current liabilities	**18,892**	66,318
Total liabilities	**85,515**	70,887
Net assets	**47,044**	104,783
Unit holders equity:		
Issued units	**221,786**	221,786
Reserves	**200**	525
Accumulated losses	**(174,942)**	(117,528)
Total unit holders' equity	**47,044**	104,783
Net profit(loss) attributable to unitholders of the Parent	**(57,414)**	761
Total comprehensive income	**(57,739)**	761

The Trust has provided a letter of support to the Non-Controlling Interest ("NCI"), Lantern Hotel Group and its controlled entities, committing to provide financial support to the NCI to enable it to pay its debts as and when they become due and payable for the forseeable future including at least for, but not limited to, the period to 30 September 2016.

30. Subsidiaries		Ownership interest	
		2015 %	2014 %

Names of subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries of the stapled entities in accordance with the accounting policy described in note 1:

Name	Country of incorporation or establishment	2015 %	2014 %
Lantern Real Estate Trust			
Lantern No.2 Subsidiary Trust	Australia	**100**	100
Lantern Subsidiary Trust	Australia	**100**	100
IEF Victoria Trust	Australia	**100**	100
IEF NZ Subsidiary Trust	Australia	**100**	100
IEF NZ Trust	New Zealand	**100**	100
Lantern Hotel Group Limited			
Lantern RE Limited	Australia	**100**	100
Lantern Management Services Pty Ltd	Australia	**100**	100
Lantern Operations Pty Ltd	Australia	**100**	100
Lantern Operations 2 Pty Ltd	Australia	**100**	100
Lantern HR Pty Ltd	Australia	**100**	100
Lantern Management No.2 Pty Ltd	Australia	**100**	100
IEF NZ Company Ltd	New Zealand	**100**	100
IEF NZ Pty Ltd	Australia	**100**	100
IEF Custodian Pty Ltd	Australia	**100**	100

The Group's voting interest in its subsidiaries is the same as its ownership interest.

31. Segment information

Description of segments

The Group invests in and operates hospitality and entertainment property located in Australia and New Zealand. The Group has identified its operating segments as being each of these regions, based on internal reporting to the Chief Executive Officer. The Fund is organised around functions, but distinguishes these regions in its internal reporting.

The New Zealand segment is classified as a discontinued operation.

32. Events subsequent to the reporting date

(a) On 3 July 2015 the Group purchased the site adjoining the Five Dock Hotel, 80 Great North Rd, Five Dock for $0.68m.

(b) On 16 July 2015 a contract was exchanged for the sale of El Toro Hotel & Motel for $24.0m.

(c) On 17 July 2015 the Board terminated the management services agreement with Naylor Partners under which the services of Mr Russell Naylor as CEO were provided to the Group. Further, the Board resolved to make a payment in lieu of six months notice as stipulated in the management services agreement.

(d) On 19 August 2015 John Osborne was appointed as CEO of the Group. Key terms of the appointment are as follows:
- Salary of $300,000 p.a plus superannuation
- Executive Incentive Scheme (EIS) of up to $200,000 p.a based on delivery of strategic & operational objectives
- Notice period of three months will apply in respect of termination, except in defined circumstances where no notice period applies.

(e) On 10 September 2015 the discontinued asset The Office was sold for NZD 0.45m ($A0.40m).

(f) On 16 September 2015 Waikanae Hotel was sold for NZD 2.3m ($A2.0m). This is less than the NZD 2.6m ($A2.3m) expected due to some difficulties in selling a portion of the land. The Group believes it can come to an alternative arrangement in regards this remaining small parcel of land that will deliver a return in line with its 30 June 2015 carrying value.

There have been no other matters or circumstances arising after the end of the reporting period that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations, or the Group's state of affairs in future financial years.

33. Reconciliation of profit after income tax to net cash from operating activities	2015 $'000	2014 $'000
Profit after income tax for the year	**(8,885)**	(2,150)
Adjustments for:		
Net (gain)/loss on change in fair value of:		
Investment properties	**(1,113)**	(1,600)
Interest rate swaps	**(1,205)**	(2,505)
Property, plant and equipment	**7,325**	(1,003)
Goodwill	**2,500**	2,842
Discontinued operations	**537**	445
Amortisation of borrowing costs	**210**	904
Amortisation of tenant incentives	**(75)**	(75)
Termination of interest rate swaps	**-**	1,412
Derecognition of deferred tax asset	**108**	-
Impairment loss on:		
Loans to third parties	**-**	298
Prepayments	**191**	-
Profit on sale of land & buildings	**(2,499)**	-
Realised loss/(gain) on disposal of plant and equipment	**-**	290
Depreciation expense	**3,262**	2,286
Realised FX gains	**(27)**	-
Foreign exchange differences	**4**	4
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**317**	56
Decrease/(Increase) in prepayments	**(284)**	(203)
Increase/(decrease) in inventories	**178**	52
Increase/(decrease) in provisions	**407**	27
Increase/(decrease) in trade and other payables	**2,380**	1,094
Net cash from operating activities	**3,331**	2,174

DIRECTOR'S DECLARATION
For the year ended 30 June 2015

Directors' declaration

In the opinion of the directors of Lantern RE Ltd, the Responsible Entity of Lantern Real Estate Trust:

(a) the consolidated financial statements and notes, set out on pages 23 to 62, are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001,* and other mandatory professional reporting requirements, and

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Financial Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by Section 295A of the *Corporations Act 2001* .

Signed in accordance with a resolution of the directors of the Responsible Entity

John Murphy
Chairman
Dated in Sydney this 30th of September 2015

Shirley Liew
Director
Dated in Sydney this 30th of September 2015

LANTERN REAL ESTATE TRUST

INDEPENDENT AUDITOR'S REPORT

To the unit holders of Lantern Real Estate Trust:

We have audited the accompanying financial report of Lantern Real Estate Trust ("the Trust"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration by the directors of Lantern RE Limited, the responsible entity of the Trust, for the consolidated entity. The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Lantern RE Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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HLB Mann Judd

LANTERN REAL ESTATE TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

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

Opinion

In our opinion:

(a) the financial report of Lantern Real Estate Trust is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Darryl Swindells
Partner

Sydney, NSW
30 September 2015

SECURITYHOLDER INFORMATION

For the year ended 30 June 2015

The information set out below was prepared at 31 August 2015 and applies equally to units in the trusts and shares in the company under the terms of the joint quotation on the Australian Securities Exchange.

Distribution of equitable securities
Analysis of equitable security holders by size of holding

	Number of holders of ordinary securities	Number of securities	% of security holders
100,001 and over	204	856,677,466	13.98
10,001 to 100,000	707	23,855,030	48.46
5,001 to 10,000	230	1,875,747	15.76
1,001 to 5,000	221	769,722	15.15
1 to 1,000	97	24,165	6.65
	1,459	883,202,130	100.00
Holding less than a marketable parcel	384	1,193,728	26.32

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary securities	
	Number of Securities Held	% of total Securities Issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	319,704,004	36.20%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <BORG FUND>	111,000,000	12.57%
GREENS IPO SALECO P/L	103,724,222	11.74%
J P MORGAN NOMINEES AUSTRALIA LIMITED	83,869,693	9.50%
CITICORP NOMINEES PTY LIMITED	45,852,309	5.19%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	32,526,699	3.68%
NATIONAL NOMINEES LIMITED	22,295,307	2.52%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	18,475,905	2.09%
BRYAN WILLIAM MOGRIDGE & PHILIP SAMPSON WELLS <MOGRIDGE FAMILY A/C>	13,301,072	1.51%
ROLYAN PTY LTD <JASARASH INVESTMENT A/C>	9,894,885	1.12%
MR BRYAN WILLIAM MOGRIDGE	5,390,000	0.61%
CVC LIMITED	5,092,675	0.58%
CVC LIMITED <CVC LIMITED A/C>	4,111,758	0.47%
AUSTRALIAN EXPORTS & INDUSTRIALISATION SUPER PTY LTD <BUCK FAMILY SUPER FUND A/C>	3,135,000	0.35%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,651,200	0.30%
MR MARK HERDMAN & MRS HEATHER FLETCHER HERDMAN <THE CONSTANTIA A/C>	2,164,050	0.25%
INVIA CUSTODIAN PTY LIMITED <SANDPORT P/L SUPER FUND A/C>	2,000,000	0.23%
IMBEST PTY LTD <IMBEST A/C>	2,000,000	0.23%
TRUEBOLT PTY LIMITED <T&D SALTER SUPER FUND A/C>	1,747,978	0.20%
JAWTON PTY LTD <NICHOLAS BROWN FAMILY A/C>	1,700,000	0.19%
RETAIL CORPORATION PTY LIMITED <RETAIL CORPORATION A/C>	1,690,640	0.19%
	792,327,397	89.71%

SECURITYHOLDER INFORMATION

For the year ended 30 June 2015

Substantial holders

According to the most recent substantial security holder notices released to the ASX, the substantial holders are as follows:

		Ordinary securities	
	Date of change	Number of securities held	% of total securities issued
Torchlight GP Limited <a/c Torchlight Fund L.P.>	8/06/2015	293,076,935	34.21%
Allan Gray Australia Pty Ltd	4/03/2015	151,623,178	17.17%
Millinium Asset Services Pty Ltd as trustee for the Borg Fund	31/07/2015	111,000,000	12.57%
CVC Limited	5/03/2014	108,816,897	12.32%
Renaissance Property Securities Pty Ltd	16/06/2014	75,564,522	8.56%

Voting

Securityholders in Lantern Hotels are entitled to 1 vote for each security they hold in the Group.

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid stapled security, on a poll.

On-Market buyback

There is no current on-market buyback in relation to the Company's securities.

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Lantern Hotel Group Limited
and its controlled entities

Annual Report

For the year ended 30 June 2015

CONTENTS

For the year ended 30 June 2015

Lantern Hotel Group Limited ('Lantern') is a public company whose shares are stapled to units of Lantern Real Estate Trust. These stapled securities are listed on the Australian Securities Exchange. A separate annual report has been prepared for the stapled group.

The registered office and principal place of business of the company is at Level 8, 1 York St, Sydney NSW 2001

CORPORATE INFORMATION
For the year ended 30 June 2015

Directors	John Murphy (Chairman) Graeme Campbell Shirley Liew
Company Secretary	Leanne Ralph
Notice of annual general meeting	The annual general meeting of Lantern Hotel Group Limited will be held at Lantern Hotels boardroom Level 8, 1 York St Sydney NSW 2000 Time 10:00 AM Date 30th November 2015
Registered Office	Level 8, 1 York Street Sydney NSW 2001 Phone : (02) 8223 3616
Principal Administration Office	Level 8, 1 York Street Sydney NSW 2001 Phone : (02) 8223 3616
Share Register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Phone : (02) 8280 7552
Auditor	HLB Mann Judd Level 19 207 Kent Street Sydney NSW 2000
Stock exchange listing	Lantern Hotel Group Limited shares and stapled to units of Lantern Real Estate Trust and are listed on the Australian Securities Exchange (ASX code : LTN)
Website	www.lanternhotels.com.au

DIRECTORS' REPORT
For the year ended 30 June 2015

The directors of Lantern Hotel Group Limited, 'Lantern', present their report, together with the financial statements of the Group, for the year ended 30 June 2015.

The 'Group' consists of Lantern Hotel Group Limited and its controlled entities.

Directors

The following persons were Directors of Lantern during the whole of the year ended 30 June 2015 and up to the date of this report:

Directors	**Qualifications**
Name	John Murphy
Title	Chairman
Appointed	24 June 2015
Qualifications	
Experience and expertise	Mr John Murphy has over 30 years experience in the Australian beverage and packaging industries, culminating in the role as Managing Director of Coca-Cola Amatil Australia. Prior to this he was CEO of Visy Australasia.
Other current directorships	Non-Executive Chairman of PFD Food Services Limited.
Former directorships	Managing Director of Carlton & United Breweries Ltd.
Special responsibilities	Audit & Risk Committee
Interests in shares	-

Name	Graeme Campbell
Title	Non-Executive Director
Appointed	24 June 2015
Qualifications	
Experience and expertise	Mr Graeme Campbell has over 30 years experience in corporate recovery and insolvency services and is a former Director of Ferrier Hodgson Accountants specialising in the hotel and registered clubs industries. In 2006 Graeme left Ferrier Hodgson to set up Campbell Advisory, which provides wide ranging hospitality advice to participants within the hotel and clubs industries together with the major banks and other funders.
Other current directorships	Lead independent director of Ainsworth Game Technology Ltd, independent director of Liquor Marketing Group (Bottlemart) and the Independent Audit Chairman of the Illawarra Catholic Club Group.
Former directorships	n/a
Special responsibilities	Audit & Risk Committee
Interests in shares	-

Name	Shirley Liew
Title	Non-Executive Director
Appointed	18 June 2015
Qualifications	FAICD, FCPA, Chartered IIA, FTIA, Finsia, CRISC (ISACA) MBA (UK), BComm (Aust) CRISC
Experience and expertise	Shirley has over 25 years' senior finance, audit and advisory experience including over 12 years in senior roles in international firm, Ernst & Young, and head of risk and audit partner in Chartered Accounting firm Grant Thornton and Moore Stephens, during which time she was audit partner for various large hospitality groups. She has also had recent experience as commercial CFO including for large, iconic Australian brands as well as international companies listed overseas.
Other current directorships	Director and Audit Chair of Hunter United Employees Credit Union, Director and Audit Chair of Bridge Housing Limited, Director L'Occitane Australia Pty Limited, Independent Member of NSW Trains Audit and Risk Committee, Independent Member of Nepean Blue Mountains Local Health District.
Former directorships	n/a
Special responsibilities	Chair of Audit & Risk Committee
Interests in shares	-

Name	Bryan Mogridge
Title	Executive Director
Appointed	31 October 2011 (Resigned 18 June 2015)
Qualifications	BSC, ONZM, FNZID
Experience and expertise	29 years experience as a Managing Director/CEO.
Other current directorships	Chairman of Rakon Limited, BUPA Cares Services Ltd and Pyne Gould Corporation Limited. He is also a director of Mainfreight Ltd and BUPA Australia. He is a fellow of the Institute of Directors of New Zealand.
Former directorships	General Manager of Corban Wines, Managing Director of Montana Wines, and Managing Director and CEO of Corporate Investment Ltd.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Russell Naylor
Title	Executive Director
Appointed	31 October 2011 (Removed 24 June 2015)
Qualifications	
Experience and expertise	Russell Naylor has an extensive background in banking and finance and is the principal of Naylor Partners, a boutique Sydney based Corporate Advisory business.
Other current directorships	Director of NZX listed company Pyne Gould Corporation Limited.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Deborah Cartwright
Title	Non-Executive Director
Appointed	31 October 2011 (Removed 24 June 2015)
Qualifications	B. Com, FCA, CTA, GAICD
Experience and expertise	30 years' experience as a Chartered Accountant with Pitcher Partners Sydney, where she is currently the head of Corporate Advisory and Transaction Services. Is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Institute of Company Directors, a Chartered Tax Advisor with the Tax Institute of Australia, a registered company auditor, a registered tax agent and has extensive experience working with the hospitality industry.
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Name	Julian Davidson
Title	Non-Executive Director
Appointed	31 October 2011 (Resigned 29 June 2015)
Qualifications	PMD Harvard, Member, New Zealand Institute of Chartered Accountants (NZICA)
Experience and expertise	Julian Davidson is a highly experienced Australasian senior executive with extensive business leadership experience within the liquor industry.
Other current directorships	
Former directorships	Managing Director of Lion Breweries Limited from 2002 to 2005, CEO of Independent Liquor (New Zealand, USA and Canada) and number of companies within the Asahi group
Special responsibilities	Not applicable as no longer a director
Interests in shares	Not applicable as no longer a director

Company Secretary

Leanne Ralph was appointed to the position of Company Secretary on 6 September 2012. Mrs Ralph has over 23 years experience in chief financial officer and company secretarial roles for various listed and unlisted entities. Mrs Ralph is a member of Chartered Secretaries Australia and the Australian Institute of Company Directors. Mrs Ralph is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

Principal activity

During the financial year the principal activity of the Group was operating hotel properties.

Directors' security holdings

Securities in Lantern in which directors had a relevant interest at the date of this report were:

	Shares in the Group
John Murphy	-
Graeme Campbell	-
Shirley Liew	-

Directors' meetings

The number of Directors' meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the year:

	Board		Audit and Risk Committee	
Director	A	B	A	B
John Murphy	1	1	-	-
Graeme Campbell	1	1	-	-
Shirley Liew	2	2	-	-
Bryan Mogridge	11	11	3	3
Deborah Cartwright	12	7	3	2
Julian Davidson	12	12	3	3
Russell Naylor	12	12	-	-

A: Meetings eligible to attend **B**: Meetings attended

Remuneration Report (audited)

The remuneration report is set out under the following main headings :
(a) Principles used to determine the nature and amount of remuneration; and
(b) Details of remuneration; and
(c) Employment agreements; and
(d) Additional information.

(a) Principles used to determine the nature and amount of remuneration

The performance of the Group depends upon its ability to attract and retain quality people. The Group is committed to developing a remuneration philosophy of paying sufficient competitive 'base' rewards to attract and retain high calibre management personnel and providing the opportunity to receive superior remuneration tied to the creation of value for shareholders.

The Group does not have a dedicated remuneration committee but rather the full board is responsible for ensuring that the level of director and key management personnel remuneration is sufficient and reasonable. For further information the Board Charter is available on the Group's public website - www.lanternhotels.com.au

Non-executive Director's remuneration
Non-executive Director's remuneration is solely in the form of fees and has been set by security holders at a maximum aggregate amount of $1,000,000 per annum, to be allocated amongst the directors as they see fit. It has been set to balance the need to attract and retain directors of the highest calibre at a cost that is acceptable to security holders.

Executive remuneration
The group aims to reward executives with a level and mix of remuneration, based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
1. Base pay and non-monetary benefits;
2. Short-term performance incentives; and
3. Other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board, based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

The remuneration of the Executive Director is reviewed annually by the Non-Executive Directors.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, financial reporting, compliance, leadership and people management and contribution to process, quality assurance and senior management team initiatives.

The long-term incentives ('LTI') include long service leave.

(b) Details of remuneration

Amounts of remuneration
Details of the remuneration of the key management personnel of the Group are set out in the following tables

The key management personnel of the Group consisted of the following persons:

John Murphy - Non-Executive Director (Appointed 24 June 2015)
Graeme Campbell - Non-Executive Director (Appointed 24 June 2015
Shirley Liew - Non-Executive Director (Appointed 18 June 2015)
Michael Thaler - Financial Controller
Bryan Mogridge - Non-Executive Chairman (Resigned 18 June 2015)
Deborah Cartwright - Non-Executive Director (Removed 24 June 2015)
Julian Davidson - Non-Executive Director (Resigned 29 June 2015)
Russell Naylor - Executive Director (Removed 24 June 2015)

Remuneration Report (audited) (continued)

	Short-term benefits			Post-employment benefits	2015 $	2014 $
	Salary/fees $	Bonus $	Non-monetary $	Superannuation $		
John Murphy	-	-	-	-	**-**	-
Graeme Campbell	-	-	-	-	**-**	-
Shirley Liew	-	-	-	-	**-**	-
Bryan Mogridge	125,000	-	-	-	**125,000**	125,000
Deborah Cartwright	68,750	-	-	-	**68,750**	75,000
Russell Naylor	365,040	-	-	-	**365,040**	365,040
Julian Davidson	75,000	-	-	-	**75,000**	75,000
Michael Thaler	135,092	-	-	12,807	**147,899**	126,790
William Hardman	-	-	-	-	**-**	110,787
Total Remuneration	768,882	-	-	12,807	**781,689**	877,617

(c) Employment Agreements

Agreement with Naylor Partners Pty Limited for the provision of services as Managing Director of Lantern Hotels.

Key terms:
- Agreement start date 17 June 2015 and continues until terminated. (The agreement was terminated on 20 July 2015).
- Service fee of $35,000 per month plus GST.
- Agreement can be terminated by either party by giving, in writing, 6 months notice or alternatively the Group may terminate the agreement by and upon making a payment in lieu of the notice period.
- Capital optimisation fee payable as a proportion of the value created by the relevant inititiave, between 0% and 5% of the value determined by the Remuneration Committee, at its discretion.
- Performance optimisation fee payable as a percentage of base fee in line with Performance Fee Framework.

(d) Additional information

The earnings of Lantern have been shown for the 4 years to 30 June 2015. Details are summarised below:

	2012 $000	2013 $000	2014 $000	2015 $000
Sales revenue	2,401	42,694	49,105	**57,807**
EBITDA	(1,004)	(57)	979	**566**
EBIT	(1,613)	(1,545)	(3,568)	**(4,130)**
Profit/(loss) after income tax	(1,725)	(1,819)	(3,489)	**(4,207)**
	Cents	Cents	Cents	Cents
Share price at financial year end	4.4	8.0	7.0	**9.5**
Basic earnings per share	(0.3)	(0.2)	(0.4)	**(0.4)**

This concludes the remuneration report, which has been audited.

Significant events after balance date

1. On 16 July 2015 a contract for the sale of El Toro Hotel & Motel business was exchanged.

2. On 17 July 2015 the Board terminated the management services agreement with Naylor Partners under which the services of Mr Russell Naylor as CEO were provided to the Group. Further, the Board resolved to make a payment in lieu of six months notice as stipulated in the management services agreement.

3. On 19 August 2015 John Osborne was appointed as CEO of the Group. Key terms of the appointment are as follows:
   - Salary of $300,000 p.a. plus superannuation.
   - Executive Incentive Scheme (EIS) of up to $200,000 p.a. based on delivery of strategic & operational objectives.
   - Notice period of three months will apply in respect of termination, except in defined circumstances where no notice period applies.

Insurance and indemnification of officers

During the financial year the Group paid a premium in respect of a contract to insure the directors and executives of the Group against liabilities to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the true nature of liabilities covered and the amount of the premium.

Significant changes in the state of affairs

1. On 15 September 2014 the Group purchased the plant, equipment & intangibles of the Waterworks Hotel, Botany.

2. On 21 October 2014 the Group purchased the plant, equipment & intangibles of the Exchange Hotel, Newcastle.

3. On 8 June 2015 a Heads of Agreement was signed for the sale of El Toro Hotel & Motel business.

4. On 18 June 2015 Bryan Mogridge resigned as Chairman of the Board. The Board voted Julian Davison to replace him as Chairman. Additionally, Shirley Liew was appointed as an independent director and Chair of the Audit & Risk Committee, taking over from Deborah Cartwright who was incapacitated due to serious illness.

5. On 24 June 2015 shareholders voted to remove Bryan Mogridge, Russell Naylor & Deborah Cartwright as directors & install Graeme Campbell & John Murphy as independent directors.

6. On 29 June 2015 Julian Davidson resigned as Chairman of the Board. Directors voted to appoint John Murphy as Chairman.

Likely developments and expected results of operations

Refer to the Managing Director's letter to security holders for further information on likely developments and the expected results of the Group.

Non-audit services

The Group has not engaged the services of the auditors, HLB Mann Judd, on any assignments other than audit and review services.

Rounding of amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Dividends

No dividends were paid or declared by the Group or dividends declared by Lantern during the year. The Directors do not propose to recommend any dividend at this time.

Corporate governance statement

The Corporate Governance Statement was approved by the Board of Directors on 5 August 2015 and can be found at http://www.lanternhotels.com.au/

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 78.

This report is made in accordance with a resolution of directors, pursuant to section 289(2)(a) of the Corporations Act 2001.

John Murphy
Non-Executive Chairman
Dated in Sydney this 30th of September 2015

Shirley Liew
Non-Executive Director
Dated in Sydney this 30th September 2015

LANTERN HOTEL GROUP LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lantern Hotel Group Limited for the year ended 30 June 2015 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Lantern Hotel Group Limited and the entities it controlled during the year.

Sydney, NSW
30 September 2015

D K Swindells
Partner

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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (NSW Partnership) is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

For the year ended 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Income			
Revenue from operations	3	**57,807**	49,105
Fee income		**1,103**	1,044
Property management fee income		**214**	214
Interest income		**31**	79
Other income		**1**	3
Total income		**59,156**	50,445
Cost of sales		**22,477**	19,562
Salaries and wages		**17,237**	14,720
Depreciation and amortisation		**2,196**	1,415
Impairment of goodwill	11	**2,500**	2,842
Professional fees		**2,041**	1,613
Repairs and maintenance		**2,709**	2,570
Insurance		**344**	407
Security		**1,270**	1,248
Property expenses		**7,825**	5,316
Loss on disposal of plant and equipment		**-**	290
Other		**4,656**	3,951
Total expenses		**63,255**	53,934
Net profit/(loss) from continuing operations before income tax expense		**(4,099)**	(3,489)
Income tax expense	4	**(108)**	-
Profit/(loss) from continuing operations after income tax expense		**(4,207)**	(3,489)
Other comprehensive income		**-**	-
Total comprehensive profit/(loss)		**(4,207)**	(3,489)
		Cents	Cents
Profit/(loss) per security - basic and diluted	5	**(0.5)**	(0.4)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Current assets			
Cash and cash equivalents	6	**3,577**	2,384
Trade and other receivables	7	**1,637**	533
Inventories	8	**1,333**	1,155
Other	9	**439**	636
Total Current Assets		**6,986**	4,708
Non-current assets			
Property, plant and equipment	10	**13,445**	9,684
Intangibles	11	**4,208**	4,208
Deferred tax asset		**-**	108
Total Non-current Assets		**17,653**	14,000
Total assets		**24,639**	18,708
Current liabilities			
Payables	12	**12,609**	8,629
Borrowings	14	**57**	65
Provisions	13	**115**	54
Total Current Liabilities		**12,781**	8,748
Non-current liabilities			
Payables	12	**450**	850
Borrowings	14	**19,439**	13,279
Provisions	13	**464**	119
Total Non-current Liabilities		**20,353**	14,248
Total liabilities		**33,134**	22,996
Net assets		**(8,495)**	(4,288)
Equity			
Issued shares	15	**2,745**	2,745
Retained earnings/(accumulated losses)		**(11,240)**	(7,033)
Total equity		**(8,495)**	(4,288)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	June 2015 $'000	June 2014 $'000
Cash flows from operating activities			
Cash receipts from customers (Inclusive of GST)		**63,826**	55,193
Cash paid to suppliers and employees (Inclusive of GST)		**(59,116)**	(52,742)
Proceeds from insurance claim		**-**	62
Lease incentive received		**200**	-
Interest received		**31**	79
Interest paid		**-**	(11)
Net cash provided by (used in) operating activities	25	**4,941**	2,581
Cash flows from investing activities			
Purchase of plant, equipment & goodwill		**(2,543)**	(708)
Receipt on acquisition of business, net of cash acquired	16	**103**	-
Payment for acquisition of business, net of cash acquired	16	**(38)**	(2,887)
Proceeds from loans to third parties		**170**	700
Net cash provided by (used in) investing activities		**(2,308)**	(2,895)
Cash flows from financing activities			
Repayment of finance lease		**(84)**	(71)
Proceeds from borrowings		**2,550**	721
Repayment of borrowings		**(2,506)**	-
Payment to facilitate buyback of shares		**(1,400)**	-
Net cash provided by (used in) financing activities		**(1,440)**	650
Net increase in cash or cash equivalents		**1,193**	336
Cash or cash equivalents at beginning of the period		**2,384**	2,048
Cash and cash equivalents at the end of the period	6	**3,577**	2,384

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Note	Issued Capital $'000	Accumulated losses $'000	Total $'000
Carrying amounts at 1 July 2014		**2,745**	**(7,033)**	**(4,288)**
Net profit/(loss) for the year		-	**(4,207)**	**(4,207)**
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the year		-	**(4,207)**	**(4,207)**
Carrying amounts at 30 June 2015		**2,745**	**(11,240)**	**(8,495)**

	Note	Issued Capital $'000	Accumulated losses $'000	Total $'000
Carrying amounts at 1 July 2013		2,786	(3,544)	(758)
Net profit/(loss) for the year		-	(3,489)	(3,489)
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the year		-	(3,489)	(3,489)
Transactions with shareholders in their capacity as shareholders:				
Payment to facilitate future buyback of shares	15 (a)	(41)	-	(41)
		(41)	-	(41)
Carrying amounts at 30 June 2014		2,745	(7,033)	(4,288)

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

1. Significant Accounting Policies

Reporting Entity

These financial statements include the consolidated financial statements for Lantern Hotel Group Limited and its subsidiaries (the 'consolidated entity' or the 'Group'). The financial statements are presented in the Australian currency.

Basis of preparation of the financial report

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

This financial report covers Lantern Hotel Group Limited and its controlled entities as a consolidated entity. Lantern Hotel Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors of Lantern Hotel Group Limited on 30th September 2015. The directors have the power to amend and reissue the financial statements.

Compliance with IFRS

The consolidated financial statements of Lantern Hotel Group Limited also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Comparative Information

Comparative information may have been reclassified to enhance disclosures and match current year classifications.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets & liabilities as described in the accounting policies.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

Going concern

During the financial year the Group incurred an overall loss from operations and as at 30 June 2015 had a deficiency in net assets of $8.5m.

Detailed budgets and cash flow forecasts prepared for 2016 for the Group show that the Group should generate a cash surplus from operations. The directors are confident that the Group can continue as a going concern and the accounts have been prepared on this basis.

Lantern Real Estate Trust has committed to provide financial support to Lantern to enable Lantern to pay its debts as and when they fall due for the forseeable future and at least for, but not limited to, the period to 30 September 2016

1. Significant Accounting Policies (continued)

Adoption of new and revised accounting standards

In the current year the Group has adopted all of the new and revised accounting standards and interpretations that are relevant to its operations and effective for the current annual reporting period. There was no material effect as a result of the financial statements of this adoption

Principles of consolidation

Subsidiaries

The consolidated financial statements are those of the consolidated entity, comprising the assets and liabilities and results of the parent entity and of all subsidiaries, which are entities where the parent is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All inter-company balances and transactions, including any unrealised profits and losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

The acquisition method of accounting is used to account for acquisition of subsidiaries.

Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the term.

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

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 controlled entity comprises the fair values of the assets transferred, the liabilities incurred and any equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the controlled entity.

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. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlled interest and the acquisition-date fair value of any previous equity interest over the fair value of the consolidated entity’s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the controlled entity acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a discount on business combination. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. Significant accounting policies (continued)

Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as at fair value through profit or loss are recorded in profit or loss.

Plant and equipment

Plant and equipment is stated at fair value at acquisition date or 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 the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

The depreciable amount of plant and equipment is depreciated using the straight-line method over their estimated useful life commencing from the time the asset is held ready for use. Estimates of remaining useful lives are made on a regular basis for all assets.

The useful lives of each class of assets are:

	2015	2014
Plant and equipment	4 to 15 years	4 to 15 years
Motor vehicles	8 years	8 years
Furniture and fittings	11 years	11 years

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

Trade and other receivables

Trade and other receivables are recognised at fair value. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable. Trade receivables are generally due for settlement within 30 days.

Intangibles

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Inventories

Finished goods, consisting primarily of food and beverage items for re-sale, are stated at the lower of cost or net realisable value. Cost comprises purchase price and delivery costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale

Payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and are recognised when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1. Significant accounting policies (continued)

Borrowings

Borrowings are recorded at fair value. Transaction costs directly attributable to borrowings are classified as an asset and amortised over the term of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance costs are expensed as incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case, they are capitalised as part of the acquisition cost of that asset.

Employee benefits

Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in Other Payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled

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 at current values. The liability is recognised 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.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity, the revenue can be reliably measured and specific criteria have been met for each of the Group's activities as described below. The Group bases its probability on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue brought to account but not received at balance date is recognised as a receivable.

Revenue is recognised for the major business activities as follows:

Sale of goods - retail

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Gaming revenue

Gaming revenue is recognised as the net funds received (cash invested less wins to players) before payment of government taxes.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established

1. Significant accounting policies (continued)

Current income tax

Lantern Hotel Group Limited and it's wholly owned subsidiaries have formed a group for tax consolidation purposes and account for their current and deferred tax amounts on a consolidated level.

The income tax expense or benefit for the period is the tax payable on that 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, unused tax losses and adjustments recognised for prior periods, where applicable.

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. 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 the tax authorities.

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.

Deferred income tax

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 statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 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.

Rounding of amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lantern Hotel Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year

Goods and services tax ("GST")

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of the acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the tax authority is included in the statement of financial position as an asset or liability.

The GST components of cash flows arising from investing and financing activities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

1. Significant accounting policies (continued)

Pending Accounting Standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period These are not expected to have any material impact on the Group's financial statements in future reporting periods.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

2. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

Provision for impairment of inventories

The provision for impairment of inventories requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on a value-in-use calculation. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill

The consolidated entity assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income tax in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated income tax based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Critical judgements in applying the entity's accounting policies

There were no judgements, apart from those involving estimations, that management has made in the process of applying the consolidated entity's accounting policies that had a significant effect on the amounts recognised in the financial statements.

3. Profit/(loss) from operations	Note	2015 $'000	2014 $'000
Revenue from operations			
Beverage		**24,037**	20,840
Food		**9,063**	6,702
Gaming		**22,679**	19,586
Accommodation		**956**	950
Other		**1,072**	1,027
		57,807	49,105
Finance expense			
Interest paid or payable		**52**	22

No finance costs were capitalised to qualifying assets during the year (2014: $Nil).

4. Income tax	2015 $'000	2014 $'000
(a) Income tax expense		
Reconciliation of profit/(loss) from operations before income tax to income tax expense:		
Profit/(loss) from operations before income tax	**(4,099)**	(3,489)
Prima facie income tax expense on profit @ 30%	**(1,230)**	(1,047)
Add/(deduct):		
Non-deductible expenses	**1,137**	1,122
Other deductible amounts	**(130)**	(174)
Deferred tax assets in relation to losses not recognised	**223**	99
Deferred tax asset derecognised	**(108)**	-
Income tax expense	**(108)**	-
(b) Unused tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**3,360**	2,617
Potential tax benefit @ 30%	**1,008**	785

These unused tax losses are available to offset future taxable income of the Group.

Lantern Hotel Group Limited and its wholly owned resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Lantern Hotel Group Limited.

5. Earnings per share	2015 '000	2014 '000
Profit/(loss) after income tax	**(4,207)**	(3,489)
	'000	'000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**883,202**	883,202
	Cents	Cents
Basic and diluted earnings per share	**(0.5)**	(0.4)

6. Cash and cash equivalents	2015 $'000	2014 $'000
Cash at bank and on hand	**3,577**	2,384

7. Trade and other receivables	2015 $'000	2014 $'000
Current		
Receivables	**351**	505
Receivable from Lantern Real Estate Trust	**1,286**	28
Total Trade and other receivables	**1,637**	533

8. Inventories	2015 $'000	2014 $'000
Finished goods at cost	**1,333**	1,155

9. Other assets	2015 $'000	2014 $'000
Current		
Prepayments	**439**	636

10. Property, plant, equipment	2015 $'000	2014 $'000
Plant & equipment, at fair value at acquisition or at cost	**12,480**	7,074
Less: accumulated depreciation	**(3,404)**	(1,967)
	9,076	5,107
Gaming Assets, at fair value at acquisition or at cost	**5,868**	5,317
Less: accumulated depreciation	**(1,550)**	(801)
	4,318	4,516
Motor vehicles - at cost	**76**	76
less: accumulated depreciation	**(25)**	(15)
	51	**61**
Carrying amount	**13,445**	**9,684**

Reconciliations

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

	Plant and equipment $'000	Gaming Assets $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2013	3,348	2,233	71	5,652
Acquisitions	2,631	3,162	-	5,793
Disposals	(14)	(332)	-	(346)
Depreciation expense	(858)	(547)	(10)	(1,415)
Balance at 1st July 2014	**5,107**	**4,516**	**61**	**9,684**
Acquisitions	**5,406**	**551**	**-**	**5,957**
Disposals	**-**	**-**	**-**	**-**
Depreciation expense	**(1,437)**	**(749)**	**(10)**	**(2,196)**
Balance at 30 June 2015	**9,076**	**4,318**	**51**	**13,445**

11. Intangibles	2015 $'000	2014 $'000
Goodwill - at cost	**4,208**	4,208

Reconciliations

Reconciliations of the value at the beginning and end of the current and previous financial year are set out below

	$'000
Balance at 1 July 2013	6,000
Acquisitions	1,050
Impairments recognised in profit and loss	(2,842)
Balance at 1st July 2014	4,208
Acquisitions	**2,500**
Impairments recognised in profit and loss	**(2,500)**
Balance at 30 June 2015	**4,208**

Goodwill relates to the acquisition of businesses operating hotels.

12. Payables	2015 $'000	2014 $'000
Current liabilities		
Trade payables	**8,589**	5,512
Payables to Lantern Real Estate Trust	**2,882**	654
Other payables	**1,138**	2,463
	12,609	8,629
Non-Current liabilities		
Other payables	**450**	850
	450	850

13. Provisions	2015 $'000	2014 $'000
Current liabilities		
Employee liabilities	**115**	54
Non-current liabilities		
Lease incentive	**346**	-
Employee liabilities	**118**	119
	464	119

14. Borrowings	2015 $'000	2014 $'000
Current liabilities		
Finance lease (Note 26)	**57**	65
Non-current liabilities		
Finance lease (Note 26)	**-**	65
Loan from Lantern Real Estate Trust	**19,439**	13,214
	19,439	13,279

The loan from Lantern Real Estate Trust is unsecured, interest free and repayable thirteen months from the date the lender provides notice to repay. At the date of this report no such notice has been received.

15. Issued securities	Note	2015 $'000	2014 $'000
(a) Carrying amounts			
At beginning of year		**2,745**	2,786
Payment to facilitate future buyback of shares		**-**	(41)
At end of year		**2,745**	2,745

(b) Number of securities issued	2015 '000	2014 '000
At beginning of year	**883,202**	883,202
At end of year	**883,202**	883,202

16. Business combinations

Waterworks Hotel

On 15 September 2014 the Group purchased the property, plant, equipment & intangibles of the Waterworks Hotel, Botany.

Details of the acquisition are as follows:	Fair value $'000
Cash	97
Inventories	36
Intangibles	500
Plant and equipment	1,360
Other assets and liabilities	(139)
Stamp duty and costs of acquisition	99
Acquisition date fair value of the assets and liabilities acquired	1,953
Consideration:	
Cash paid to/(received from) vendor	(6)
Loan from Lantern Real Estate Trust	1,860
Loan from Lantern Real Estate Trust for stamp duty and costs of acquisition	99
Total Consideration	1,953
Total cash received	6
Less cash acquired	97
Net cash inflow for acquisition	103

The acquired hotel business contributed revenue and profit/(loss) since acquisition as follows:	2015 $'000
Revenue	2,702
Expenses (including depreciation)	(2,595)
Rent paid to Lantern Real Estate Trust	(282)
Profit/(Loss)	(175)

Exchange Hotel

On 21 October 2014 the Group purchased the property, plant, equipment & intangibles of the Exchange Hotel, Newcastle

Details of the acquisition are as follows:	Fair value $'000
Cash	27
Inventories	49
Intangibles	2,000
Plant and equipment	1,951
Other assets and liabilities	(11)
Stamp duty and costs of acquisition	211
Acquisition date fair value of the assets and liabilities acquired	4,227
Consideration:	
Cash paid to vendor	65
Loan from lantern Real Estate Trust	3,951
Loan from Lantern Real Estate Trust for stamp duty and costs of acquisition	211
Total Consideration	4,227
Total cash paid	65
Less cash acquired	27
Net cash outflow for acquisition	38

The acquired hotel business contributed revenue and profit/(loss) since acquisition as follows:	2015 $'000
Revenue	2,758
Expenses (including depreciation)	(2,781)
Rent paid to Lantern Real Estate Trust	(408)
Impairment of goodwill	(2,000)
Profit/(Loss)	(2,431)

The business combinations for the Waterworks Hotel & Exchange Hotel have initially been accounted for an a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the date of acquisition. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all possible information possible to determine fair value.

17. Capital management

The group aims to meet its strategic objectives to maximise security holder value by using the appropriate levels of debt and equity, while taking account of the additional financial risks of higher debt levels.

In determining the optimal capital structure, the Group takes into account a number of factors, including the availability of debt relative to equity, the cost of raising debt or equity, the maturity profile of debt, the volatility in future liquidity of debt and equity and exposure to interest rates relative to the earning profile of the Group.

The capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations on gearing levels, the availability of new equity and the liquidity in real estate markets. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position.

	2015 $'000	2014 $'000
Total consolidated liabilities	**33,134**	22,996
Total consolidated assets	**24,639**	18,708
Leverage ratio	**134.5%**	122.9%

18. Financial risk management

Introduction

The Group has the following financial instruments

	2015 $'000	2014 $'000
(i) Financial assets:		
Cash and cash equivalents	**3,577**	2,384
Receivables	**1,637**	533
	5,214	2,917
(ii) Financial liabilities		
Payables	**13,059**	9,479
Finance leases	**57**	130
Other borrowings	**19,439**	13,214
	32,555	22,823

The main risks arising from the Group's financial instruments are market risk (interest rate risk) and liquidity risk. The Group manages its exposure to these risks primarily through its Treasury policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or forecast not to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Treasury Policy are accepted and no plan of action is put in place to meet Treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

Interest rate risk

The Group's finance leases are at fixed interest rates. Its other borrowings and payables are interest free.

Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations and working capital and committed capital expenditure requirements. The Group’s Treasury Policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events.

18. Financial risk management (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Financial instruments 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	**nil**	**11,471**	**-**	**-**	**-**	**11,471**
Other payables	**nil**	**1,138**	**404**	**46**	**-**	**1,588**
Borrowings	**nil**	**-**	**19,439**	**-**	**-**	**19,439**
Interest bearing - fixed rate						
Finance lease liability	**7.28%**	**65**	**-**	**-**	**-**	**65**
Total non-derivatives		**12,674**	**19,843**	**46**	**-**	**32,563**

Financial instruments 2014	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	nil	6,166	-	-	-	6,166
Other payables	nil	2,463	600	250	-	3,313
Borrowings	nil	-	13,214	-	-	13,214
Interest bearing - fixed rate						
Finance lease liability	7.31%	76	73			149
Total non-derivatives		8,705	13,887	250	-	22,842

19. Related parties

(a) Responsible Entity fee income

As Responsible Entity of Lantern Real Estate Trust, Lantern RE Limited, a subsidiary of Lantern, is entitled to the following fees:

- 0.6% of the total scheme assets of Lantern Real Estate Trust
- Acquisition fees calculated at 0.5% of the total price paid by Lantern Real Estate Trust for any new properties

The amount received and receivable from Lantern Real Estate Trust during the year was $1,103,211 (2014: $1,043,748)

(b) Property management income

As manager of the properties owned by Lantern Real Estate Trust and its controlled entities, Lantern Hotel Group Limited received during the year fees totalling $214,243 (2014: $214,243).

(c) Rent payable

The Group rents hotel venues under long term operating leases from Lantern Real Estate Trust and its controlled entities. Refer Note 26 for details of the amounts payable under these leases.

(d) Payment to Asahi Premium beverages

During the year, the Group has purchased from Asahi Premium Beverages, of which Mr J Davidson was a Director until 20 October 2014, inventories at a cost of $54,594 on regular commercial terms.

20. Auditor's remuneration	2015 $'000	2014 $'000
Amounts received or receivable by HLB Mann Judd for:		
Audit or review of financial reports of Lantern Real Estate Trust and any other entity in the consolidated group	**180**	276
Other assurance services	**7**	-
Total	**187**	276

All audit fees for Lantern Real Estate Trust and its controlled entities, including the company and its controlled entities, are recorded in the accounts of Lantern Hotel Group Limited.

21. Key management personnel disclosures	2015 $'000	2014 $'000
(a) Compensation		
Short term benefits	**769**	859
Post-employment benefits	**13**	19
	782	878

(b) Shareholding

The number of shares held in the parent entity held during the financial year by each director and other members of key management personnel ('KMP') of the consolidated entity, including their personally related parties, is set out below

2015	Beginning balance No.	Acquisitions No.	Disposals No.	Ending balance No.
John Murphy	-	-	-	-
Graeme Campbell	-	-	-	-
Shirley Liew	-	-	-	-
Bryan Mogridge	**11,086,119**	**9,207,953**	-	**20,294,072**
Deborah Cartwright	**1,228,240**	**122,000**	-	**1,350,240**
Julian Davidson	-	-	-	-
Russell Naylor	**10,750,085**	**1,700,001**	-	**12,450,086**
Michael Thaler	-	-	-	-
Total Shares	**23,064,444**	**11,029,954**	-	**34,094,398**
2014				
Bryan Mogridge	11,086,119	-	-	11,086,119
Deborah Cartwright	1,228,240	-	-	1,228,240
Julian Davidson	-	-	-	-
Russell Naylor	10,750,085	-	-	10,750,085
William Hardman	1,747,250	-	(1,146,125)	601,125
Michael Thaler	-	-	-	-
Total Shares	24,811,694	-	(1,146,125)	23,665,569

22. Parent financial information	2015 $’000	2014 $’000
Summary financial information about the Parent is:		
Current assets	**348**	130
Non-current assets	**9,586**	11,750
Total assets	**9,934**	11,880
Current liabilities	**493**	1,692
Non-current liabilities	**11,293**	10,636
Total liabilities	**11,786**	12,328
Net assets	**(1,852)**	(448)
Share holders equity:		
Issued shares	**2,745**	2,745
Accumulated losses	**(4,597)**	(3,193)
Total share holders’ equity	**(1,852)**	(448)
Net loss attributable to shareholders of the Parent	**(1,404)**	(744)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

23. Subsidiaries		Ownership interest	
		2015	2014
		%	%

Names of subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries of Lantern in accordance with the accounting policy described in Note 1:

Name	Country of incorporation or establishment	2015 %	2014 %
Lantern Hotel Group Limited			
Lantern RE Limited	Australia	**100**	100
Lantern Management Services Pty Ltd	Australia	**100**	100
Lantern Operations Pty Ltd	Australia	**100**	100
Lantern Operations 2 Pty Ltd	Australia	**100**	100
Lantern HR Pty Ltd	Australia	**100**	100
Lantern Management No.2 Pty Ltd	Australia	**100**	100
IEF NZ Company Ltd	New Zealand	**100**	100
IEF NZ Pty Ltd	Australia	**100**	100
IEF Custodian Pty Ltd	Australia	**100**	100

The Group's voting interest in its subsidiaries is the same as its ownership interest.

24. Events subsequent to the reporting date

(a) On 16 July 2015 a contract for the sale of El Toro Hotel & Motel business was exchanged.

(b) On 17 July 2015 the Board terminated the management services agreement with Naylor Partners under which the services of Mr Russell Naylor as CEO were provided to the Group. Further, the Board resolved to make a payment in lieu of six months notice as stipulated in the management services agreement.

(c) On 19 August 2015 John Osborne was appointed as CEO of the Group. Key terms of the appointment are as follows:

- Salary of $300,000 p.a. plus superannuation.
- Executive Incentive Scheme (EIS) of up to $200,000 p.a. based on delivery of strategic & operational objectives.
- Notice period of three months will apply in respect of termination, except in defined circumstances where no notice period applies.

25. Reconciliation of profit after income tax to net cash from operating activities	Consolidated 2015 $'000	Consolidated 2014 $'000
Profit after income tax for the year	**(4,207)**	(3,489)
Adjustments for:		
Realised loss / (gain) on disposal of plant and equipment	**-**	290
Depreciation expense	**2,196**	1,415
Impairment of goodwill	**2,500**	2,842
Impairment of prepayments	**192**	-
Change in operating assets and liabilities		
Decrease / (increase) in trade and other receivables	**(1,274)**	(154)
Decrease / (Increase) in prepayments	**5**	(36)
Decrease / (increase) in other assets	**108**	-
Decrease / (increase) in inventories	**(178)**	(52)
Increase / (decrease) in provisions	**406**	27
Increase / (decrease) in trade and other payables	**5,193**	1,738
Net cash from operating activities	**4,941**	2,581

26. Commitments	2015 $'000	2014 $'000
Finance lease commitments		
Commitments for finance lease payments, payable:		
Within 1 year	**65**	76
Later than 1 year but not later than 5 years	**-**	73
Minimum lease payments	**65**	149
Future finance charges	**(8)**	(19)
Liability recognised	**57**	130
Disclosed as:		
Current liability	**57**	65
Non-current liability	**-**	65
	57	130
Operating lease commitments - Suppliers		
Commitments for operating lease payments, payable:		
Within 1 year	**210**	-
Later than 1 year but not later than 5 years	**1,522**	-
Minimum lease payments	**1,732**	-
Operating lease commitments - Hotels		
Commitments for operating leases, payable		
Within 1 year	**13,129**	11,916
Later than 1 year but not later than 5 years	**47,535**	49,385
Later than 5 years	**12,378**	22,439
Minimum lease payments	**73,042**	83,740

Commitments for operating leases are payable to a related entity, Lantern Real Estate Trust and its controlled entities, which forms part of the stapled group, Lantern Hotels, of which Lantern Hotel Group Ltd and its controlled entities is a part.

Capital commitments

There were no significant commitments for capital expenditure at the end of the reporting period (2014: $Nil).

31. Segment information

Description of segments

The Group invests in and operates hotel businesses located in Australia. The Group has identified its operating segment as being these businesses, based on internal reporting to the Chief Executive Officer.

DIRECTORS' DECLARATION

For the year ended 30 June 2015

Directors' declaration

In the opinion of the directors of Lantern Hotel Group Limited:

(a) the consolidated financial statements and notes, set out on pages 79 to 99, are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001,* and other mandatory professional reporting requirements, and

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Financial Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by Section 295A of the *Corporations Act 2001* .

Signed in accordance with a resolution of the directors.

John Murphy
Non-Executive Chairman
Dated in Sydney this 30th of September 2015

Shirley Liew
Non-Executive Director
Dated in Sydney this 30th September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

LANTERN HOTEL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of Lantern Hotel Group Limited:

We have audited the accompanying financial report of Lantern Hotel Group Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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HLB Mann Judd

LANTERN HOTEL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

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

Opinion

In our opinion:

(a) the financial report of Lantern Hotel Group Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages **75** and **76** of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Lantern Hotel Group Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd	**D K Swindells**
Chartered Accountants	**Partner**

Sydney, NSW
30 September 2015

SHAREHOLDER INFORMATION

For the year ended 30 June 2015

The information set out below was prepared at 31 August 2015 and applies equally to units in the trusts and shares in the company under the terms of the joint quotation on the Australian Securities Exchange.

Distribution of equitable securities
Analysis of equitable security holders by size of holding

	Number of holders of ordinary shares	Number of shares	% of shareholders
100,001 and over	204	856,677,466	13.98
10,001 to 100,000	707	23,855,030	48.46
5,001 to 10,000	230	1,875,747	15.76
1,001 to 5,000	221	769,722	15.15
1 to 1,000	97	24,165	6.65
	1,459	883,202,130	100.00
Holding less than a marketable parcel	384	1,193,728	26.32

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number of shares Held	% of total shares Issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	319,704,004	36.20%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <BORG FUND>	111,000,000	12.57%
GREENS IPO SALECO P/L	103,724,222	11.74%
J P MORGAN NOMINEES AUSTRALIA LIMITED	83,869,693	9.50%
CITICORP NOMINEES PTY LIMITED	45,852,309	5.19%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	32,526,699	3.68%
NATIONAL NOMINEES LIMITED	22,295,307	2.52%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	18,475,905	2.09%
BRYAN WILLIAM MOGRIDGE & PHILIP SAMPSON WELLS <MOGRIDGE FAMILY A/C>	13,301,072	1.51%
ROLYAN PTY LTD <JASARASH INVESTMENT A/C>	9,894,885	1.12%
MR BRYAN WILLIAM MOGRIDGE	5,390,000	0.61%
CVC LIMITED	5,092,675	0.58%
CVC LIMITED <CVC LIMITED A/C>	4,111,758	0.47%
AUSTRALIAN EXPORTS & INDUSTRIALISATION SUPER PTY LTD <BUCK FAMILY SUPER FUND A/C>	3,135,000	0.35%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,651,200	0.30%
MR MARK HERDMAN & MRS HEATHER FLETCHER HERDMAN <THE CONSTANTIA A/C>	2,164,050	0.25%
INVIA CUSTODIAN PTY LIMITED <SANDPORT P/L SUPER FUND A/C>	2,000,000	0.23%
IMBEST PTY LTD <IMBEST A/C>	2,000,000	0.23%
TRUEBOLT PTY LIMITED <T&D SALTER SUPER FUND A/C>	1,747,978	0.20%
JAWTON PTY LTD <NICHOLAS BROWN FAMILY A/C>	1,700,000	0.19%
RETAIL CORPORATION PTY LIMITED <RETAIL CORPORATION A/C>	1,690,640	0.19%
	792,327,397	89.71%

SHAREHOLDER INFORMATION

For the year ended 30 June 2015

Substantial holders

According to the most recent substantial shareholder notices released to the ASX, the substantial holders are as follows:

		Ordinary shares	
	Date of change	Number of shares held	% of total shares issued
Torchlight GP Limited <a/c Torchlight Fund L.P.>	8/06/2015	293,076,935	34.21%
Allan Gray Australia Pty Ltd	4/03/2015	151,623,178	17.17%
Millinium Asset Services Pty Ltd as trustee for the Borg Fund	31/07/2015	111,000,000	12.57%
CVC Limited	5/03/2014	108,816,897	12.32%
Renaissance Property Securities Pty Ltd	16/06/2014	75,564,522	8.56%

Voting

Shareholders in Lantern Hotels are entitled to 1 vote for each share they hold in the Group.

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or by a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully share, on a poll.

On-Market buyback

There is no current on-market buyback in relation to the Company's securities.