

APPENDIX 4E
PRELIMINARY FINAL REPORT

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

Reporting period	year ended 30 June 2016
Previous corresponding reporting period	year ended 30 June 2015

Results for announcement to the market

<i>Key information</i>		30 Jun 2016	30 Jun 2015	Change %
2.1	Revenue from continuing operations	\$38,478,000	\$35,314,000	9.0%
2.2	Profit (loss) from ordinary activities after tax attributable to members of the parent entity	(\$791,000)	(\$10,101,000)	92.2%
2.3	Profit (loss) for the period attributable to members of the parent entity	(\$791,000)	(\$10,101,000)	92.2%
2.4	Profit (loss) for the Group	\$7,006,000	(\$8,885,000)	n/a
2.5	Distributions		Amount per security	Franked amount per security
	On 4 July 2016, a special distribution was declared to security holders. \$17.7m was paid on 10 August 2016.		\$0.02	\$Nil
2.6	Distribution record date			
	27 July 2016			

Lantern Hotel Group
APPENDIX 4E – Preliminary final report
For the year ended 30 June 2016

2.7 Brief commentary

Profit for the period was \$7.006m which represents a significant turnaround when compared to a loss of \$8.885m for the prior year.

The improvement in performance can be attributed to the successful implementation to date of the transformation plan as follows:

- The core hotels showed a 38.8% improvement in EBITDA when compared to the prior year;
- The programme of the divestment of non-core hotels is ahead of schedule. When all contracted sales are completed Lantern will have realised \$43m at a premium to book value of 14%;
- The divestment programme has enabled Lantern to reduce its debt and to invest in its core hotels;
- The termination of the out of the money interest rate swaps along with reduced debt has significantly reduced financing expenses.

Security holders have directly benefited from the turnaround via a special distribution of 2 cents per security which was declared subsequent to the end of the 2016 financial year and paid on 10 August 2016.

Lantern now has a strong balance sheet which provides a solid platform for active capital management, growth and /or other strategic alternatives for the Board to consider.

Please refer to the separate presentation that was released to the market on 22 August 2016 for more detail on the 2016 Full Year Results.

3. Net tangible assets per stapled security

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	7.48 cents	5.92 cents

4. Audit status

The financial statements for the year ended 30 June 2016 are in the process of being audited.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Note	June 2016 \$'000	June 2015 \$'000
Income			
Revenue from continuing operations	2	38,478	35,313
Revaluation of investment properties		1,100	413
Other income		129	2,637
Total income		39,707	38,363
Cost of sales			
Cost of sales		(14,785)	(13,727)
Employment expenses		(9,925)	(9,559)
Finance costs		(1,784)	(3,268)
Depreciation and amortisation		(2,702)	(2,190)
Revaluation of property, plant and equipment		-	(5,035)
Impairment of goodwill		-	(500)
Impairment of investment properties		(4,750)	-
Professional fees		(1,644)	(3,015)
Repairs and maintenance		(1,418)	(1,573)
Insurance		(456)	(507)
Security		(771)	(777)
Property expenses		(864)	(938)
Loss on disposal of plant and equipment		(752)	(3)
Other		(2,541)	(2,753)
Total expenses		(42,392)	(43,845)
Profit/(loss) from continuing operations before income tax expense		(2,685)	(5,482)
Income tax expense		-	(108)
Profit/(loss) from continuing operations after income tax expense		(2,685)	(5,590)
Discontinued operations			
Profit/(loss) from discontinued operations	7	9,691	(3,295)
Profit/(loss) for the period		7,006	(8,885)
Profit/(loss) is attributable to stapled securityholders as:			
Securityholders of Lantern Real Estate Trust (parent interest)		(791)	(10,101)
Shareholders of Lantern Hotel Group Limited (non-controlling interest)		7,797	1,216
		7,006	(8,885)
		Cents	Cents
Distributions per security		-	-
Earnings per security - basic			
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - basic		0.80	(1.01)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic		(0.30)	(0.64)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - basic		1.10	(0.37)
Earnings per security - diluted			
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - diluted		0.78	(1.01)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - diluted		(0.30)	(0.64)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - diluted		1.08	(0.37)

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FULL YEAR ENDED 30 JUNE 2016

Note	June 2016 \$'000	June 2015 \$'000
Parent interest - Lantern Real Estate Trust		
Net profit/(loss) for the year	(791)	(10,101)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus	(75)	(325)
Share based payment reserve	30	
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	7	(343)
Total comprehensive profit/(loss) for the year - parent interest	(829)	(10,769)
Non-controlling interest - Lantern Hotel Group Limited		
Net profit for the year	7,797	1,216
Items that will not be reclassified to profit or loss:		
Share based payment reserve	2	-
Total comprehensive profit/(loss) for the year - non-controlling interest	7,799	1,216
Stapled Entity		
Net profit/(loss) for the year	7,006	(8,885)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus	(75)	-
Share based payment reserve	32	-
Items that may be reclassified to profit or loss:		
Revaluation surplus	-	(325)
Exchange rate differences on translation of foreign operations	7	(343)
Total comprehensive profit/(loss) for the year - stapled entity	6,970	(9,553)

The components of other comprehensive income shown above are presented net of related income tax effects of \$Nil (June 2015: \$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 2016

	Note	June 2016 \$'000	June 2015 \$'000
Current assets			
Cash and cash equivalents		12,011	3,611
Trade and other receivables		1,248	1,361
Inventories		642	1,333
Assets of discontinued operations	7	18,601	5,740
Total Current Assets		32,502	12,045
Non-current assets			
Investment properties	3	16,250	26,963
Property, plant and equipment	4	72,829	106,020
Intangibles	5	24,221	35,934
Other		183	237
Total Non-current Assets		113,483	169,154
Total Assets		145,985	181,199
Current liabilities			
Payables		7,587	12,164
Borrowings	6	-	72,340
Liabilities directly associated with assets classified as held for sale	7	14,621	-
Derivatives		-	3,449
Provisions		88	115
Total Current Liabilities		22,296	88,068
Non-current liabilities			
Payables		2,156	750
Borrowings	6	26,267	-
Derivatives		-	3,664
Provisions		44	465
Total Non-current Liabilities		28,467	4,879
Total Liabilities		50,763	92,947
Net Assets		95,222	88,252
Equity attributable to stapled security holders as:			
Securityholders of Lantern Real Estate Trust (parent interest)			
Issued units		220,763	220,763
Reserves		(61)	(23)
Retained earnings/(accumulated losses)		(136,001)	(135,210)
Total unit holders' interest attributable to securityholders of Lantern Real Estate Trust (parent interest)		84,701	85,530
Shareholders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares		2,745	2,745
Reserves		2	-
Retained earnings/(accumulated losses)		7,774	(23)
Total shareholders' interest attributable to shareholders of Lantern Hotel Group Limited (non-controlling interest)		10,521	2,722
Total Security Holders' Interest		95,222	88,252

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

FULL YEAR ENDED 30 JUNE 2016

Note	June 2016 \$'000	June 2015 \$'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	65,327	67,462
Cash paid to suppliers and employees (inclusive of GST)	(60,487)	(57,837)
Proceeds from insurance claim	191	-
Lease incentive	-	200
Interest received	81	61
Interest paid	(4,756)	(6,555)
Net cash from operating activities	356	3,331
Cash flows from investing activities		
Payment for property, plant, equipment and intangibles	(4,728)	(3,991)
Proceeds from sale of property, plant & equipment	-	4,999
Proceeds from sale of discontinued operations	52,270	982
Payments made on disposal of discontinued operations	(1,422)	-
Proceeds from loans repaid by third parties	-	234
Payment for acquisition of business, net of cash acquired	-	(18,368)
Net cash inflow from investing activities	46,120	(16,144)
Cash flows from financing activities		
Proceeds from borrowings	9,799	20,100
Repayment of finance leases	(64)	(75)
Repayment of borrowings	(41,666)	(4,917)
Payment for terminated interest rate swaps	(5,519)	-
Payment for equity buyback facilitation	-	(1,400)
Payment for borrowing costs	(153)	(35)
Net cash inflow from financing activities	(37,603)	13,673
Net increase in cash or cash equivalents	8,873	860
Cash or cash equivalents at the beginning of the period	3,611	2,747
Effects of exchange rate changes on cash	(13)	4
Cash and cash equivalents at the end of the period	12,471	3,611
Cash and cash equivalents at the end of the period made up as follows:		
Cash and cash equivalents at the end of the period - continuing operations	12,011	3,611
Cash and cash equivalents at the end of the period - discontinued operations	7 (d) 460	-
Cash and cash equivalents at the end of the period	12,471	3,611

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

FULL YEAR ENDED 30 JUNE 2016

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amounts at 1 July 2015	220,763	(23)	(135,210)	2,722	88,252
Lantern Real Estate Trust					
Net profit/(loss) for the year	-	-	(791)	-	(791)
Other comprehensive income	-	(38)	-	-	(38)
	-	(38)	(791)	-	(829)
Lantern Hotel Group Limited					
Net profit/(loss) for the year	-	-	-	7,797	7,797
Other comprehensive income	-	-	-	2	2
	-	-	-	7,799	7,799
Total stapled entity					
Net profit/(loss) for the year	-	-	(791)	7,797	7,006
Other comprehensive income	-	(38)	-	2	(36)
Total comprehensive profit/(loss) for the year	-	(38)	(791)	7,799	6,970
Carrying amounts at 30 June 2016	220,763	(61)	(136,001)	10,521	95,222
	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'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	-	(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)
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



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

1. Significant Accounting Policies

Reporting Entity

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

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

The consolidated financial statements include:

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

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

Basis of preparation of the financial report

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

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

Going concern

The financial statements have been prepared on a going concern basis, except for discontinued operations & disposal groups.



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

2. Revenue	June 2016 \$'000	June 2015 \$'000
Revenue from hotel operations		
Gaming	18,727	16,185
Beverage	13,098	12,767
Food	3,782	3,669
Other	1,062	939
Rental revenue	1,809	1,753
Total revenue	38,478	35,313
3. Investment properties	June 2016 \$'000	June 2015 \$'000
Investment properties - at fair value	16,250	26,963
<i>Reconciliation</i>		
Non-Current		
Carrying amount at beginning of the period	26,963	25,850
Additions	37	-
Revaluation	(3,650)	1,113
Transfer to discontinued operations	(7,100)	-
Investment properties carrying value at the end of the period	16,250	26,963

Prior year comparatives have been adjusted to recognise the value of the Uncle Bucks Retail complex as Investment Properties. This asset was previously classified under Property, plant & equipment. The amount reclassified in the current year is \$5.150m (2015: \$5.150m).



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

4. Property, plant and equipment	June 2016 \$'000	June 2015 \$'000
Land and buildings - at cost	62,839	92,575
Plant and equipment - at cost	13,369	18,466
Less: Accumulated depreciation	(3,402)	(5,072)
	9,967	13,394
Motor vehicles - at cost	51	76
less: accumulated depreciation	(28)	(25)
	23	51
Total Property, plant and equipment	72,829	106,020

Reconciliations

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

	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2015	92,575	13,394	51	106,020
Additions	939	4,155	-	5,094
Disposals	-	(765)	(23)	(788)
Transfer to disposal group	(30,139)	(5,045)	-	(35,184)
Depreciation expense	(536)	(1,772)	(5)	(2,313)
Balance at 31 December 2016	62,839	9,967	23	72,829

Property, plant and equipment acquired in business combinations for the Waterworks Hotel & Exchange Hotel were accounted for on a provisional basis at 30th June 2015. During the year the Group retrospectively decreased the 30th June 2015 carrying value of Land and Buildings by (\$3.508m) in relation to these business combinations.

Freehold going concern assets includes Land and Buildings (including hotel licences), Property, plant and equipment and Intangibles (refer note 4 and note 5).

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 Property, Plant and Equipment and Intangibles could be more easily understood as freehold going concern hotel assets.

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

	Note	June 2016 \$'000	June 2015 \$'000
Land and buildings	4	62,839	92,575
Plant and equipment	4	9,967	13,394
Intangibles	5	24,221	35,934
Total freehold going concern hotels		97,027	141,903



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

5. Intangibles	June 2016 \$'000	June 2015 \$'000
Goodwill - at cost	10,100	12,236
Less: Impairment	(5,458)	(5,342)
	4,642	6,894
Gaming licences - at cost	19,579	29,040
Total Intangibles	24,221	35,934

Reconciliations

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

Property, plant and equipment acquired in business combinations for the Waterworks Hotel & Exchange Hotel were accounted for on a provisional basis at 30th June 2015. During the period the Group retrospectively increased the 30th June 2015 carrying value of Gaming Licences by \$3.508m in relation to these business combinations.

	Goodwill \$'000	Gaming \$'000	Total \$'000
Balance at 1 July 2015	6,894	29,040	35,934
Acquisitions	-	1,172	1,172
Tran	(2,252)	(10,633)	(12,885)
Balance at 30 June 2016	4,642	19,579	24,221

6. Borrowings	June 2016 \$'000	June 2015 \$'000
Current liabilities		
Finance lease liabilities	-	57
Bank debt	-	72,283
Total current borrowings	-	72,340
Non-current liabilities		
Bank debt	26,267	-
Total Non-current borrowings	26,267	-

Total bank debt comprises Australian dollar denominated debt of \$40.416m (June 2015: \$72.283m). \$14.149m of these borrowings are classified as liabilities of the disposal group and reflect expected net sale proceeds to be applied against debt (see note 7 (d)).

Bank borrowings - continuing operations	26,267	72,283
Bank borrowings - discontinued operations (Note 7 (d))	14,149	-
Total bank borrowings	40,416	72,283

Debt is provided through two facilities. The primary facility, with a limit of \$60m and drawn to \$28.216m, is repayable on 30 June 2019.

The Group's fully drawn secondary facility (\$12.2m) is due for repayment on 30th June 2018.

The bank facilities are secured by first mortgages over the investment properties, property, plant, equipment and intangibles with a total carrying value at balance date of \$130.7m (June 2015: \$168.9m).



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

7. Discontinued operations	June 2016 \$'000	June 2015 \$'000
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(a) Details of discontinued operations

The New Zealand portfolio as at 30 June 2016 comprised no assets, with all remaining properties disposed of during the year.

The Australian disposal group comprises the following:

Sold during the period: Bowral Hotel (June 2016), Dolphin Hotel (March 2016) and EL Toro Hotel (February 2016);

Contract exchanged prior to 30th June 2016: Exchange Hotel (June 2016);

Contracts exchanged after 30th June 2016: Courthouse Hotel (July 2016) & Lawson Park Hotel (August 2016); and

Subject to ongoing sales process: Central Hotel.

(b) Financial performance

New Zealand

The results of the discontinued operations for the reporting period were:

Rental income from Investment properties	-	128
Other income	1	1
Revaluation of Investment properties	(420)	(537)
Realised FX gains / (losses)	-	27
Expenses	(30)	(23)
Profit/(loss) from New Zealand discontinued operations	(449)	(404)

Australia

The results of the discontinued operations for the reporting period were:

Revenue from hotel operations	20,781	24,244
Rental income from Investment properties	770	761
Profit on sale of property, plant & equipment	10,178	-
Profit on sale of investment property	1,001	-
Total income	32,730	25,005
Cost of sales	(7,431)	(8,747)
Employment expenses	(6,842)	(7,678)
Other operating expenses	(3,857)	(4,480)
Finance costs	(1,345)	(2,082)
Depreciation & amortisation	(872)	(1,284)
Revaluation of property, plant & equipment	(470)	(2,290)
Revaluation of investment properties	(517)	700
Impairment of intangibles	(1,116)	(2,000)
Additional costs of goodwill acquired recognised in profit and loss	(136)	(32)
Loss on sale of assets	(4)	(3)
Total expenses	(22,590)	(27,896)
Profit/(loss) from Australian discontinued operations	10,140	(2,891)
Profit/(loss) from discontinued operations	9,691	(3,295)



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

7. Discontinued operations (continued)	June 2016 \$'000	June 2015 \$'000
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(c) Cash flows

New Zealand

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

Cash flows from operating activities		
Rental and other property income	-	202
Payments to suppliers	(14)	(118)
Other receipts	-	161
Interest received	-	2
Cash flows from investing activities		
Proceeds from sale of investment properties	5,320	982
Loan proceeds received from lessee	-	64
Payments made on disposal of discontinued operations	(189)	-
Effects of exchange rate on cash	(13)	4
Cash flows from New Zealand discontinued operations	5,104	1,297

Australia

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

Cash flows from operating activities		
Receipts from customers	23,706	27,506
Payments to suppliers	(20,501)	(23,656)
Finance costs	(1,346)	(2,082)
Cash flows from investing activities		
Proceeds from sale of Property, plant and equipment	41,700	(33)
Proceeds from sale of Investment property	5,250	-
Payments made on disposal of discontinued operations	(1,233)	-
Repayment of borrowings	(40,166)	-
Cash flows from Australian discontinued operations	7,410	1,735



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

7. Discontinued operations (continued)	June 2016 \$'000	June 2015 \$'000
(d) Assets and liabilities		
The assets of the discontinued operations as at reporting date were:		
Assets - New Zealand		
Investment properties	-	5,740
Total assets of New Zealand Discontinued operations	-	5,740
Assets - Australia		
Property, plant & equipment	9,991	-
Intangibles	4,952	-
Investment property	2,500	-
Inventory	187	-
Cash	460	-
Receivables	511	-
Total assets of Australian Discontinued operations	18,601	-
Total assets of Discontinued operations	18,601	5,740
Liabilities - Australia		
Borrowings	14,149	-
Payables	472	-
Total liabilities of Discontinued operations	14,621	-
Net assets of Discontinued operations	3,980	5,740



NOTES TO THE FINANCIAL STATEMENTS

FULL YEAR ENDED 30 JUNE 2016

8. Events subsequent to the reporting date

1. On 4th July 2016 a special distribution was declared by Lantern Real Estate Trust to security holders, with a record date of 27th July 2016, for payment on the 10th August 2016 at 2c per security (\$17.7 million).
2. On 21st July 2016 contracts for the sale of the land and business of the Cairns Courthouse Hotel were exchanged for \$6.25m with settlement likely to occur in October 2016.
3. On 3rd August 2016 contracts for the sale of the land and business of the Lawson Park Hotel were exchanged for \$4.05m with settlement likely to occur mid September 2016.
4. On 15th August 2016 the land and business of the Exchange Hotel was sold for \$6.625m.

