

ASX Announcement



LANTERN HOTEL GROUP (ASX: LTN)

30 August 2013

Appendix 4E – Preliminary Financial Report - Revised

We refer to the release of our Appendix 4E and note that there was one minor error in the Net Asset Value of Securities. This has now been corrected in the attached version.

Russell Naylor
Executive Director
Lantern Hotel Group
GPO Box 5337
Sydney NSW 2001
+61 2 9225 6072

Leanne Ralph
Company Secretary
Lantern Hotel Group
GPO Box 5337
Sydney NSW 2001
+61 2 9225 6072

APPENDIX 4E
PRELIMINARY FINAL REPORT

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

Current period	year ended 30 June 2013
Previous corresponding period	year ended 30 June 2012

2. Results for announcement to the market

<i>Key information</i>		30 Jun 2013	30 Jun 2012	Change %
2.1	Revenue from continuing operations	\$50,605,000	\$21,027,000	141%
2.2	Profit from ordinary activities after tax attributable to members of the parent entity	\$3,232,000	(\$9,027,000)	-%
2.3	Profit for the period attributable to members of the parent entity	\$3,232,000	(\$9,027,000)	-%
2.4	Distributions		Amount per security	Franked amount per security
	No distribution declared		\$Nil	\$Nil
2.5	Distribution record date			
	N/A			

Lantern Hotel Group
APPENDIX 4E – Preliminary final report
For the year ended 30 June 2013

2.6 Commentary

Net profit from continuing operations for the year to 30 June 2013 was \$3.15 million, up from a loss of \$5.6m in the previous corresponding period. The increase was largely due to a \$3.1 million gain on sale of the Group's equity accounted investment in Panthers Property Unit Trust ("PPUT") and the inclusion in the prior period of an \$8.45 million loss in fair value of derivatives.

The year ended 30 June 2013 was a transformational year as the group moved to an integrated operating structure. We have focused on stabilising the operating assets and establishing a platform to support sustainable business operations and allow for future growth. The key achievements have been:

- Successful restructure of Panthers assets and return of capital.
- Rebranding / website launch.
- Commenced cultural change with fresh staff energy and enthusiasm.
- Installed integrated stock control systems and internalised accounting functions.
- Developed, rolled out and implemented robust compliance programs (Liquor / AFSL / Governance).

3. Net tangible assets per stapled security

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	8.37 cents	7.94 cents

Lantern Hotel Group
APPENDIX 4E – Preliminary final report
For the year ended 30 June 2013

4. Details of associates

Name of associate	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Panthers Property Unit Trust	0.0%	49.9%	\$496,000	(\$462,000)
Group's aggregate share of associates profit/(loss) (where material):				
Profit/(loss) from ordinary activities before income tax			\$496,000	(\$462,000)
Income tax on operating activities			\$ -	\$ -
Profit on disposal			\$3,058,000	\$ -

5. Audit qualification or review

The financial statements for the period ended 30 June 2013 are in the process of being audited.

6. Factors affecting performance

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

Lantern Hotel Group
APPENDIX 4E – Preliminary final report
For the year ended 30 June 2013

7. Earnings per security

Profit per stapled security attributable to members 0.33 cents

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

8. Buybacks

During the year a total of 88,749,758 stapled securities were bought back on-market and cancelled.

There is a current on-market buyback.

90. Signed

Signed:



Russell Naylor

Executive Director

30 August 2013

CONSOLIDATED INCOME STATEMENT

	Note	June 2013 \$'000	June 2012 \$'000
Revenue from continuing operations		42,694	2,424
Cost of sales		(17,413)	(623)
Gross profit from continuing operations		25,281	1,801
Other revenue		7,911	18,603
Other income		7,047	(7,060)
Share of profits - associates		496	(462)
Hotel expenses		(19,281)	(1,952)
Administration expenses		(8,590)	(5,201)
Finance costs		(9,714)	(11,347)
Net profit/(loss) from continuing operations for the year before income tax expense		3,150	(5,618)
Income tax expense		-	-
Profit from continuing operations after income tax expense		3,150	(5,618)
Discontinued operations			
Profit/(loss) from discontinued operations	6	581	(3,777)
Profit/(loss) for the period		3,731	(9,395)
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		3,232	(9,027)
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		499	(368)
		3,731	(9,395)
		Cents	Cents
Distributions per security		-	-
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust - basic and diluted		0.27	(0.79)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted		0.33	(1.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	June 2013 \$'000	June 2012 \$'000
Parent interest - Lantern Real Estate Trust			
Net profit for the year		3,232	(9,027)
Other comprehensive income:			
Revaluation surplus		750	-
Exchange differences on translation of foreign operations		(719)	(248)
Total comprehensive profit/(loss) for the year - parent interest		3,263	(9,275)
Non-controlling interest - Lantern Hotel Group Limited			
Net profit for the year		499	(368)
Total comprehensive profit/(loss) for the year - non-controlling interest		499	(368)
Stapled Entity			
Net profit/(loss) for the year		3,731	(9,395)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation surplus		750	-
Items that may be reclassified to profit or loss:			
Exchange rate differences on translation of foreign operations		(719)	(248)
Total comprehensive profit/(loss) for the year - stapled entity		3,762	(9,643)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 2013 \$'000	June 2012 \$'000
Current assets			
Cash and cash equivalents		56,202	4,116
Trade and other receivables		2,322	65,250
Inventories		1,103	785
Assets of discontinued operations	6	9,367	8,704
Other assets		-	1,054
Total Current Assets		68,994	79,909
Non-current assets			
Investment properties	2	19,100	24,500
Property, plant and equipment	3	95,545	86,410
Intangibles	4	26,640	26,640
Equity accounted investments		-	21,377
Deferred tax asset		108	108
Other		755	1,842
Total Non-current Assets		142,148	160,877
Total assets		211,142	240,786
Current liabilities			
Payables		9,076	5,046
Borrowings		64	8,704
Derivatives		3,419	4,682
Provisions		70	-
Total Current Liabilities		12,629	18,432
Non-current liabilities			
Payables		450	525
Borrowings		90,328	108,076
Derivatives		7,077	9,803
Provisions		76	157
Total Non-current Liabilities		97,931	118,561
Total liabilities		110,560	136,993
Net assets		100,582	103,793
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	5	222,122	228,746
Reserves		(128)	(159)
Retained earnings/(accumulated losses)		(123,167)	(126,399)
Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)		98,827	102,188
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	5	2,786	3,135
Retained earnings/(accumulated losses)		(1,031)	(1,530)
Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)		1,755	1,605
Total security holders' interest		100,582	103,793
		\$	\$
Net asset value per security		0.11	0.11

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	June 2013 \$'000	June 2012 \$'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		50,418	12,854
Proceeds from insurance claim		-	4,000
Cash paid to suppliers and employees (Inclusive of GST)		(44,375)	(11,873)
Interest received		5,738	6,233
Interest paid		(10,369)	(10,882)
Net cash from operating activities		1,412	332
Cash flows from investing activities			
Additions to investment properties		-	(952)
Proceeds from sale of investment properties		-	1,321
Payment for property, plant and equipment		(4,669)	(12,129)
Earnings from equity investment		932	1,832
Proceeds from sale of equity investment		24,000	
Proceeds from loans repaid by third parties		63,090	-
Payment for acquisition of business, net of cash acquired		(51)	-
Payment for loans to third parties		-	310
Proceeds from loan extension fees		435	-
Net cash inflow from investing activities		83,737	(9,618)
Cash flows from financing activities			
Proceeds from issue of units		-	14,990
Unit issue costs		-	(618)
Payment for borrowing costs		(748)	-
Repayment of borrowings		(27,348)	(7,450)
Payment for securities bought back		(4,978)	-
Net cash inflow from financing activities		(33,074)	6,922
Net increase in cash or cash equivalents		52,075	(2,364)
Cash or cash equivalents at the beginning of the period		4,116	6,272
Cash acquired at the beginning of the year - Lantern		-	208
Effects of exchange rate changes on cash		11	-
Cash and cash equivalents at the end of the period		56,202	4,116

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued Capital \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total \$'000
Carrying amounts at 1 July 2011		217,678	89	(117,372)	-	100,395
Lantern Real Estate Trust						
Net profit/(loss) for the year		-	-	(9,027)	-	(9,027)
Other comprehensive income		-	(248)	-	-	(248)
		-	(248)	(9,027)	-	(9,275)
Lantern Hotel Group Limited						
Net profit/(loss) for the year		-	-	-	(368)	(368)
		-	-	-	(368)	(368)
Total stapled entity						
Net profit/(loss) for the year		-	-	(9,027)	(368)	(9,395)
Other comprehensive income		-	(248)	-	-	(248)
Total comprehensive profit/(loss) for the year		-	(248)	(9,027)	(368)	(9,643)
Transactions with unit holders in their capacity as equity holders:						
Security holders of Lantern Real Estate Trust						
Placements and rights issues		14,253	-	-	-	14,253
Issue costs - rights issues		(760)	-	-	-	(760)
Return of capital		(2,425)	-	-	-	(2,425)
		11,068	-	-	-	11,068
Security holders of Lantern Hotel Group Limited						
Retained earnings/(accumulated losses) at date of stapling		-	-	-	(1,162)	(1,162)
Placements and rights issues		-	-	-	3,175	3,175
Issue costs - rights issue		-	-	-	(40)	(40)
Return of capital		-	-	-	-	-
		-	-	-	1,973	1,973
Total stapled entity						
Placements and rights issues		14,253	-	-	3,175	17,428
Issue costs - rights issues		(760)	-	-	(40)	(800)
Return of capital		(2,425)	-	-	-	(2,425)
Lantern Hotel Group retained earnings/(accumulated losses) at date of stapling		-	-	-	(1,162)	(1,162)
		11,068	-	-	1,973	13,041
Carrying amounts at 30 June 2012		228,746	(159)	(126,399)	1,605	103,793

NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

Reporting Entity

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

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

The consolidated financial statements include:

- (i) Lantern Real Estate Trust and its controlled entities, including
 - (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 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

NOTES TO THE FINANCIAL STATEMENTS

2. Investment properties	2013 \$'000	2012 \$'000
Investment properties - at independent valuation	19,100	24,500
<i>Reconciliation</i>		
Investment property at fair value		
Current		
Carrying amount at beginning of the period	-	1,300
Disposals	-	(1,300)
	-	-
Non-Current		
Carrying amount at beginning of the period	24,500	123,550
Additions to existing property	-	950
Amortisation of tenant incentives and leasing commissions	-	(79)
Revaluation increments	-	1,609
Transfer to Intangibles (note 4)	-	(20,640)
Transfer to Property, plant and equipment for hotels now operated (note 3)	(5,400)	(80,890)
Inve	19,100	24,500

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

(b) Leasing arrangements

Future minimum rentals receivable under these leases are:

Within one year	1,854	2,390
Later than one year but not later than five years	8,033	10,328
Later than five years	4,809	9,916
	14,696	22,634

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

3. Property, plant and equipment

	2013 \$'000	2012 \$'000
Land and buildings - at fair value	89,869	80,890
Plant and equipment - at cost	7,085	6,129
Less: Accumulated depreciation	(1,480)	(609)
	5,605	5,520
Motor vehicles under lease - at cost	76	-
less: accumulated depreciation	(5)	-
	71	-
Total Property, plant and equipment	95,545	86,410

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
Consolidated				
Balance at 1 July 2011	-	-	-	-
Additions	-	6,129	-	6,129
Transfers from Investment Property (note 2)	80,890	-	-	80,890
Disposals	-	-	-	-
Revaluation increments	-	-	-	-
Depreciation expense	-	(609)	-	(609)
Balance at 30 June 2012	80,890	5,520	-	86,410
Additions	3,579	1,837	76	5,492
Transfers from Investment Property (note 2)	5,400	-	-	5,400
Disposals	-	(881)	-	(881)
Revaluation increments	750	-	-	750
Depreciation expense	(750)	(871)	(5)	(1,626)
Balance at 30 June 2013	89,869	5,605	71	95,545

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

Land and Buildings includes hotel licences. The following table provides a summary of the freehold going concern hotel asset values –

	2013 \$'000	2012 \$'000
Land and buildings	89,869	80,890
Plant and equipment	5,605	5,520
Intangibles	26,640	26,640
Total freehold going concern hotels	122,114	113,050

4. Intangibles	2013 \$'000	2012 \$'000
Goodwill - at cost	6,000	6,000
Gaming licences - at cost	20,640	20,640
Total Intangibles	26,640	26,640

Reconciliations

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

Consolidated	Goodwill \$'000	Gaming licences \$'000	Total \$'000
Balance at 1 July 2011	-	-	-
Additions	6,000	-	6,000
Transfers from Investment Property (note 2)	-	20,640	20,640
Balance at 1st July 2012	6,000	20,640	26,640
Balance at 30 June 2013	6,000	20,640	26,640

5. Issued securities

	2013 \$'000	2012 \$'000
(a) Carrying amounts		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	228,746	217,678
Issued during the year		
Placements and rights issues	-	14,253
Issue costs - rights issue	-	(760)
Unit buybacks	(6,624)	-
Return of capital	-	(2,425)
At end of year	222,122	228,746
Attributable to stapled security holders of Lantern stapled on 26 April 2012		
At beginning of year	3,135	
Issued from date of stapling:		
Stapling	-	2,425
Rights Issue	-	750
Issue costs - rights issue	-	(40)
Share buybacks	(349)	-
At end of year	2,786	3,135
Total issued stapled securities	224,908	231,881
(b) Number of securities issued		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	971,952	606,333
Issued during the year		
Rights issue - stapled securities	-	365,619
Unit buybacks	(88,750)	-
Return of capital	-	-
At end of year	883,202	971,952
Attributable to stapled security holders of Lantern stapled on 26 April 2012		
At beginning of year	971,952	-
Issued from date of stapling:		
Issued shares resulting from stapling with Lantern Real Estate Trust	-	606,333
Rights issue - stapled securities	-	365,619
Share buybacks	(88,750)	-
At end of year	883,202	971,952
Total issued stapled securities	883,202	971,952

At the date of stapling, Lantern had 1 share on issue, at an amount of \$1, which was cancelled on the date of stapling. This is not included in the table above

6. Discontinued operations

2013	2012
\$'000	\$'000

(a) Details of discontinued operations

The New Zealand portfolio consists of 6 properties. Engagement with selling agents is ongoing to actively market the properties and they are expected to be sold in the next 12 months. The assets are carried at fair value.

(b) Financial performance

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

Revenue	668	1,691
Other income	5	-
Net gain/(loss) on change in fair value of investment properties	-	(4,138)
Unrealised foreign exchange gain/(loss)	523	-
Impairment loss on:		
Receivables	-	(1,330)
Expenses	(36)	-
Interest expense	(579)	-
Profit/(loss) from discontinued operations for the year	581	(3,777)

(c) Cash flows

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

Cash flows from operating activities		
Rental and other property income	749	366
Payments to suppliers	(156)	-
Interest received	4	-
Interest paid	(678)	-
Cash flows from investing activities		
Additions to investment properties	-	(85)
Cash flows from financing activities		
Loan from Lantern Real Estate Trust	50	-
Repayment of loan to Lantern Real Estate Trust	(80)	-
Effects of exchange rate changes on cash	11	-
Cash flows from discontinued operations	(100)	281

(d) Assets and liabilities

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

Assets		
Investment properties	9,367	8,704
Total assets of discontinued operations	9,367	8,704
Net assets of discontinued operations	9,367	8,704

(e) Leasing arrangements

Future minimum rentals receivable under these leases are:

Within one year	1,953	1,734
Later than one year but not later than five years	8,415	8,170
Later than five years	11,479	13,677
	21,847	23,581

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

Between the end of the reporting period and the date of this report one New Zealand property has been sold and another has been contracted for sale.