

Lantern Hotel Group
APPENDIX 4E – Preliminary Report
For the year ended 30 June 2018

APPENDIX 4E

PRELIMINARY FINANCIAL REPORT

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

Reporting period year ended 30 June 2018

Previous corresponding reporting period year ended 30 June 2017

2. Results for announcement to the market

<i>Key information</i>	30 Jun 2018	30 Jun 2017	Change
	\$	\$	%
2.1 Revenue from ordinary activities (discontinued operations)	-	\$29,038,468	(100%)
2.2 Profit (loss) from ordinary activities after tax attributable to members of the parent entity (discontinued operations)	\$(34,212)	19,185,422	n/a
2.3 Profit (loss) for the period attributable to members of the parent entity (discontinued operations)	\$(34,212)	19,185,422	n/a
2.4 Profit (loss) for the Group (discontinued operations)	\$(433,939)	\$40,857,167	n/a
2.5 During the year the following distributions and dividends were paid by the Group:			

Distribution/ Dividend	Amount per security (cents)	Franked amount per security (cents)	Payment date
Distribution (declared 26 June 2017)	0.67	-	17 July 2017
Dividend (declared 26 June 2017)	0.23	0.23	17 July 2017
Distribution (declared 14 May 2018)	0.08	-	1 June 2018
Dividend (declared 14 May 2018)	0.12	-	1 June 2018
Total	1.10	0.23	

2.6 Declared or proposed distributions and dividends

No further distributions or dividends were declared or proposed by the directors for the 30 June 2018 financial year.

2.7 Brief commentary

Net loss after tax for the year was \$433,939 (2017: profit \$40,857,167). The net loss was driven by the expenses required for the ongoing activities of the Group, including the finance and accounting function, compliance obligations, Board functions, insurance and generally meeting the needs of a publicly listed group. Consistent with previous guidance given, the Board has actively reduced these ongoing costs during the year as far as possible.

3. Net tangible assets per ordinary stapled security

	Reporting period	Previous corresponding period
Net tangible assets per ordinary stapled security	0.16 cents	0.40 cents

The 0.24 cents decrease in net tangible assets per ordinary stapled security was mainly driven by the impact of distributions/ dividends paid/ payable to the security holders during the year, funded predominately from the Group's cash reserves generated from the sale of the Groups hotel assets in previous periods and the Group's net loss during the year (refer to 2.7).

Lantern Hotel Group
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For the year ended 30 June 2018

4. Distribution/ dividend reinvestment plan

There is no distribution/ dividend reinvestment plan in operation during the year.

5. Other significant information needed by the investor to make an informed assessment of the Group's financial performance and financial position

At the 25 October 2016 Annual General Meeting, the Group's security holders passed a resolution approving the orderly sell down of the Group's hotels. The sale of the Group's hotels was completed at the end of March 2017 and the Group since that time has been exploring opportunities regarding the possible sale or re-purposing of Group entities, while at the same time progressively winding up Group entities that hold no future value to reduce costs and the complexity of the Group's structure.

The financial report (attached) which this report is based on has been prepared on a liquidation basis of accounting as described in Note 1 of the financial report.

6. Audit status

This report for the year ended 30 June 2018 is based on the financial report (attached) which has been audited. An unqualified opinion has been issued.

7. Audit report

The audit report includes an emphasis of matter drawing attention to the fact that the financial report (attached) has been prepared on a liquidation basis of accounting as described in Note 1 of the financial report.



Lantern Hotel Group

Annual report

For the year ended 30 June 2018





Lantern Hotel Group

The Stapled Group Comprising:

**Lantern Real Estate Trust and its Controlled Entities; and
Lantern Hotel Group Limited and its Controlled Entities**

Annual Report

For the year ended 30 June 2018



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Lantern Hotel Group ("the Group") is a stapled entity comprising the Lantern Real Estate Trust ("the Trust" or "the parent entity"), and Lantern Hotel Group Limited ("Lantern"), and their 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 12, 77 Castlereagh St, Sydney NSW 2000.



CORPORATE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

Directors	Graeme Campbell (Executive Chairman) Shirley Liew Matthew Stubbs
Company Secretary	Leanne Ralph
Registered Office	Dentons Australia Pty Ltd Level 12, 77 Castlereagh St Sydney NSW 2000 Phone: (02) 9931 4999
Principal Administration Office	Dentons Australia Pty Ltd Level 12, 77 Castlereagh St Sydney NSW 2000 Phone: +61 1300 554 474 (toll free within Australia)
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 were stapled to units of Lantern Real Estate Trust. Lantern Real Estate Trust was wound up on 18 July 2018, leaving only the shares of Lantern Hotel Group Limited listed on the Australian Securities Exchange (ASX code: LTN).
Website	www.lanternhotels.com.au



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors of Lantern RE Ltd, the Responsible Entity of the Lantern Real Estate Trust ("the Trust"), present their report together with the financial statements of the Group, for the year ended 30 June 2018.

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 ("Lantern") and its controlled entities.

Directors

Name	Graeme Campbell
Title	Executive Chairman
Appointed	24 June 2015
Experience, expertise and qualifications	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 registered clubs industries together with the major banks and other funders.
Other current directorships	Chairman and non-executive director of Ainsworth Game Technology Limited, Independent director of Liquor Marketing Group (Bottlemart), Director of Harness Racing Club and the Independent Audit Chairman of the Illawarra Catholic Club Group.
Former directorships	Chairman of Harness Racing NSW (2006-2014)
Special responsibilities	Audit and Risk Committee

Name	Shirley Liew
Title	Non-Executive Director
Appointed	18 June 2015
Experience, expertise and qualifications	Ms Shirley Liew has over 25 years senior finance, audit and advisory experience including over 12 years in senior roles at international firm Ernst & Young, and Head of Risk and Audit Partner at Chartered Accounting firms 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 for large iconic Australian brands as well as international companies listed overseas.
Other current directorships	Director and Audit Chair of Bellamy's Australia Limited, Director and Audit Chair of Hunter United Employees Credit Union, Independent Member of NSW Trains Audit and Risk Committee, Independent Member and Chair of NSW Local Health District of the Central Coast and Director of Amber Group Australia.
Former directorships	Director of L'Occitane Australia Pty Limited, Director and Audit Chair of Bridge Housing Limited, Independent Member of Nepean Blue Mountains Local Health District.
Special responsibilities	Chair Audit and Risk Committee

Name	Matthew Stubbs
Title	Non-Executive Director
Appointed	7 March 2016
Experience, expertise and qualifications	Mr Matthew Stubbs has over seventeen years experience in investment banking. During his career Matthew has worked on a broad range of mergers and acquisitions, capital raisings, restructurings and strategic reviews. His experience includes extensive public market transactions (hostile and recommended takeover offers, takeover responses and schemes of arrangement). Prior to founding Allier Capital, Matthew was a director in the investment banking division of Citi and head of its consumer, retail and healthcare investment banking practice. He has also managed major transactions in the resources, industrials and financial services sectors.
Other current directorships	Managing Director of Allier Capital, Non-Executive Director Everlight Radiology Limited and Director of Totem Holdings Pty Ltd.
Former directorships	n/a
Special responsibilities	-



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

Company Secretary

Leanne Ralph was appointed to the position of Company Secretary on 6 September 2012. Mrs Ralph has over 27 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.

Principal activity

During the year the directors have continued to explore opportunities regarding the possible sale or re-purposing of Group entities, while at the same time progressively winding up Group entities that hold no future value to reduce costs and the complexity of the Group's structure.

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
Graeme Campbell	-
Shirley Liew	-
Matthew Stubbs	172,400,000

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 were as follows:

	Board		Audit and Risk Committee	
	A	B	A	B
Graeme Campbell	8	8	-	-
Shirley Liew	8	8	-	-
Matthew Stubbs	8	8	-	-

A: Meetings eligible to attend

B: Meetings attended

Significant changes in the state of affairs

A number of subsidiary trusts and companies of the Group were disposed of or otherwise terminated during the year (refer to note 20 of the financial statements).

The Trust was wound up on 18 July 2018.

Likely developments

Following significant progress during the year to simplify the group structure and remove associated costs, through the disposal or termination of many of the subsidiary entities and trusts and the wind up of Lantern Real Estate Trust that was completed on 18 July 2018, the Directors intend to continue to explore the possible sale or re-purposing of the remaining group entities.

Distributions and dividends

Distributions totalling 0.08 cents (return of capital) per unit from the Trust were declared during the year.

Dividends totalling 0.12 cents (return of capital) per share from Lantern were declared during the year.

Remuneration Report

Refer to note 18 of the financial statements for details on the remuneration of key management personnel.



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

Significant events after balance date

No significant events occurred subsequent to balance date other than the wind up of the Trust on 18 July 2018.

Registered Scheme

A total of \$8,500 excluding GST (2017: \$522,621) was paid to the Responsible Entity (which is a wholly owned subsidiary of Lantern Hotel Group Limited) out of scheme assets for services for the year ended 30 June 2018. For consolidation purposes, the amount paid to the Responsible Entity for the year is eliminated and is therefore not recognised in the accounts of the stapled group.

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 issued units in the scheme totalled 883,202,130 (2017: 883,202,130) (refer to note 12 of the financial statements).

The gross value of the scheme assets (excluding those attributable to Lantern Hotel Group Limited and its controlled entities) at the end of the financial year totalled \$83,082 (2017 \$12,732,869). 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 27 August 2018 and can be found at www.lanternhotels.com.au.

Review of operations

Net loss after tax for the year was \$433,939 (2017: profit \$40,857,167). The net loss was driven by the expenses required for the ongoing activities of the Group, including the finance and accounting function, compliance obligations, Board functions, insurance and generally meeting the needs of a publicly listed group. Consistent with previous guidance given, the Board has actively reduced these ongoing costs during the year as far as possible.

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.

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 the following page.

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



Graeme Campbell
Executive Chairman
Dated in Sydney this 30th day of August 2018



Shirley Liew
Non-Executive Director
Dated in Sydney this 30th day of August 2018



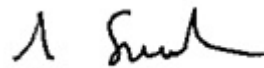
LANTERN REAL ESTATE TRUST

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 2018 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 August 2018

A G Smith
Partner

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

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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

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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 2018

	Note	2018 \$	2017 \$
Discontinued Operations			
Revenue and Other Income			
Revenue from hotel operations	3	-	29,038,468
Other revenue	4	575,103	537,695
Profit on disposal of property, plant, equipment and intangibles		-	46,500,758
Realised foreign exchange gains/(losses)		1,294	(440,046)
Total revenue and other income		576,397	75,636,875
Expenses			
Cost of sales		-	(11,156,414)
Salaries and wages		(618,231)	(10,489,660)
Finance costs		-	(975,522)
Depreciation and amortisation	5	-	(1,235,406)
Loss on disposal of investment properties		-	(1,319,307)
Loss on disposal of subsidiary trusts and companies	20(a)	(97)	-
Professional fees		(806,083)	(2,121,705)
Repairs and maintenance		-	(1,095,177)
Insurance		(144,967)	(389,524)
Security		-	(530,277)
Property expenses		-	(705,418)
Provision for costs of wind down		727,000	(1,037,000)
Other		(99,652)	(2,404,595)
Total expenses		(942,030)	(33,460,005)
Profit/(loss) from discontinued operations before income tax expense		(365,633)	42,176,870
Income tax expense	6(a)	(68,306)	(1,319,703)
Profit/(loss) from discontinued operations after income tax expense		(433,939)	40,857,167
Profit/ (loss) is attributable to stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)		(34,212)	19,185,422
Shareholders of Lantern Hotel Group Limited (non-controlling interest)		(399,727)	21,671,745
		(433,939)	40,857,167
Distributions and dividends per security (declared)		Cents	Cents
		0.2	15.0
Earnings per security - basic			
From discontinued operations	7	(0.05)	4.63
Earnings per security – diluted			
From discontinued operations	7	(0.05)	4.55

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 2018

	Note	2018 \$	2017 \$
Parent interest – Lantern Real Estate Trust			
Net profit/(loss) for the year		(34,212)	19,185,422
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation surplus/(deficit) – property, plant and equipment		-	(350,000)
Security based payment reserve		-	(30,072)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-	440,547
Total comprehensive profit/(loss) for the year – parent interest		(34,212)	19,245,897
Non-controlling interest – Lantern Hotel Group Limited			
Net profit for the year		(399,727)	21,671,745
Items that will not be reclassified to profit or loss:			
Security based payment reserve		-	(1,628)
Total comprehensive profit/(loss) for the year - non-controlling interest		(399,727)	21,670,117
Stapled Entity			
Net profit/(loss) for the year		(433,939)	40,857,167
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation surplus/(deficit) – property, plant and equipment		-	(350,000)
Security based payment reserve		-	(31,700)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-	440,547
Total comprehensive profit/(loss) for the year – stapled entity		(433,939)	40,916,014

The components of profit or loss and other comprehensive income shown above are presented net of related income tax effects of \$Nil (2017: \$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 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	2,295,725	16,394,508
Trade and other receivables	9	13,607	79,471
Total current assets		2,309,332	16,473,979
Total assets		2,309,332	16,473,979
Current liabilities			
Payables	10	542,204	2,510,986
Income tax payable		-	1,319,703
Distributions & dividends payable		-	7,948,819
Provisions	11	310,000	1,037,000
Total current liabilities		852,204	12,816,508
Total liabilities		852,204	12,816,508
Net assets		1,457,128	3,657,471
Security holders' interest attributable to stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)			
Issued units	12	96,999,937	97,706,499
Retained earnings/(accumulated losses)		(124,224,512)	(124,190,300)
Total equity interest attributable to unitholders of Lantern Real Estate Trust (parent interest)		(27,224,575)	(26,483,801)
Shareholders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	12	1,685,350	2,745,192
Retained earnings		26,996,353	27,396,080
Total equity interest attributable to shareholders of Lantern Hotel Group Limited (non-controlling interest)		28,681,703	30,141,272
Total security holders' interest		1,457,128	3,657,471

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 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		583,223	32,742,350
Cash paid to suppliers and employees (inclusive of GST)		(3,623,678)	(35,106,534)
Proceeds from insurance claim		-	329,000
Interest received		44,900	184,557
Income tax paid		(1,388,009)	-
Interest paid		-	(994,200)
Net cash used in operating activities	21	(4,383,564)	(2,844,827)
Cash flows from investing activities			
Proceeds from sale of subsidiary trusts and companies	20(a)	3	-
Proceeds from sale of loan receivables	20(a)	1	-
Proceeds from sale of held for sale assets		-	179,552,400
Payments made on disposal of held for sale assets		-	(3,425,140)
Payments made for property, plant and equipment, intangibles and investment property relating to held for sale assets		-	(4,200,050)
Net cash provided by investing activities		4	171,927,210
Cash flows from financing activities			
Proceeds from borrowings		-	11,000,000
Payment for borrowing costs		-	(211,475)
Repayment of borrowings		-	(51,416,300)
Payment for distributions and dividends	13	(9,715,223)	(124,531,500)
Net cash provided used in financing activities		(9,715,223)	(165,159,275)
Net (decrease)/ increase in cash or cash equivalents		(14,098,783)	3,923,108
Cash and cash equivalents at the beginning of the year		16,394,508	12,471,400
Cash and cash equivalents at the end of the year		2,295,725	16,394,508

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 2018

	Note	Issued Capital \$	Reserves \$	Retained Earnings (Accumulated Losses) \$	Non-controlling Interest \$	Total \$
Carrying amount at 1 July 2017		97,706,499	-	(124,190,300)	30,141,272	3,657,471
Lantern Real Estate Trust						
Net loss for the year		-	-	(34,212)	-	(34,212)
<i>Transactions with owners in their capacity as owners:</i>						
Distributions paid or declared		(706,562)	-	-	-	(706,562)
		(706,562)	-	(34,212)	-	(740,774)
Lantern Hotel Group Limited						
Net loss for the year		-	-	-	(399,727)	(399,727)
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid or declared		-	-	-	(1,059,842)	(1,059,842)
		-	-	-	(1,459,569)	(1,459,569)
Total Stapled Entity						
Net loss for the year		-	-	(34,212)	(399,727)	(433,939)
<i>Transactions with owners in their capacity as owners:</i>						
Distributions and dividends paid or declared		(706,562)	-	-	(1,059,842)	(1,766,404)
		(706,562)	-	(34,212)	(1,459,569)	(2,200,343)
Carrying amounts at 30 June 2018		96,999,937	-	(124,224,512)	28,681,703	1,457,128
Carrying amount at 1 July 2016		220,763,054	(60,475)	(136,000,987)	10,520,184	95,221,776
Lantern Real Estate Trust						
Net profit for the year		-	-	19,185,422	-	19,185,422
Other comprehensive income		-	60,475	-	-	60,475
<i>Transactions with owners in their capacity as owners:</i>						
Distributions paid or declared		(123,056,555)	-	(7,374,735)	-	(130,431,290)
		(123,056,555)	60,475	11,810,687	-	(111,185,393)
Lantern Hotel Group Limited						
Net profit for the year		-	-	-	21,671,745	21,671,745
Other comprehensive income		-	-	-	(1,628)	(1,628)
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid or declared		-	-	-	(2,049,029)	(2,049,029)
		-	-	-	19,621,088	19,621,088
Total Stapled Entity						
Net profit for the year		-	-	19,185,422	21,671,745	40,857,167
Other comprehensive income		-	60,475	-	(1,628)	58,847
<i>Transactions with owners in their capacity as owners:</i>						
Distributions and dividends paid or declared		(123,056,555)	-	(7,374,735)	(2,049,029)	(132,480,319)
		(123,056,555)	60,475	11,810,687	19,621,088	(91,564,305)
Carrying amounts at 30 June 2017		97,706,499	-	(124,190,300)	30,141,272	3,657,471

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

FOR THE YEAR ENDED 30 JUNE 2018

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 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 "the Group".

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

Basis of preparation

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 Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial report can only be prepared on a going concern basis where there is neither the intention nor the need to liquidate the Company or cease trading. If such an intention or need exists, the financial report cannot be prepared on a going concern basis.

The Group's 30 June 2017 financial report was not prepared on a going concern basis as the Group was exploring opportunities regarding the possible sale or re-purposing of Group entities. During the 30 June 2018 financial year, these circumstance have not changed and the directors have determined that the going concern basis of preparation continues to not be appropriate given the Group's current state of affairs. Accordingly, the financial report of the Group has not been prepared on a going concern basis, rather this financial report continues to be prepared on a liquidation basis of accounting.

Liquidation basis of accounting

Under the liquidation basis of accounting, assets are written down to their estimated net realisable value, and liabilities are stated at their estimated settlement amounts, and the relevant estimates are periodically reviewed and adjusted as appropriate. All assets and liabilities are presented as current assets or current liabilities.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors of Lantern RE on 30 August 2018. The directors have the power to amend and reissue the financial statements.

Compliance with International Financial Reporting Standards

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

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 and 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.

Functional currency

The financial statements are presented in Australian dollars.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial statements of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted.

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's operations are classified as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

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.

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 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 or dividend for any distribution or dividend 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 or dividend 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.

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 consolidated 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.

Foreign operation

The assets and liabilities of foreign operations are translated into Australian 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 consolidated 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 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

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

Financial assets and liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified 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.

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.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

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 payables in respect of employees' services up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled.

Other employee benefit obligations

The provision for long service leave is recognised in the provision for employee benefits. Amounts expected to be paid within 12 months are measured at current values. Amounts expected to be paid after 12 months are 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.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

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 and net of GST.

Rent revenue

Rental revenue from operating leases is recognised as and when due under the lease.

Other revenue

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

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 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 basis.

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.

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 Group'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.

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 calculated 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 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 by the weighted average number of issued stapled 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.

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 the future reporting periods, based on the Group's current activities. If the activities of the Group were to change in the future, these standards may have a significant impact on the Group's financial statements.

Operating Segments

The Group's operations during the year included exploring opportunities regarding the possible sale or re-purposing of Group entities, while at the same time progressively winding up Group entities that hold no future value to reduce costs and the complexity of the Group's structure. The Group has no separately identifiable operating segments.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 19.

Security based payments

The Group operates an Executive Share Incentive Plan ("ESIP") and provides benefits to employees of the Group in the form of security based payments. Security based payments to employees are measured at the fair value of the instruments issued and amortised over the relevant vesting periods. The corresponding amount is recorded to the security based payment reserve. The fair value of options issued is determined using a Monte Carlo simulation valuation model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the instruments granted is based on the number of instruments that eventually vest.

The dilutive effect of outstanding options is reflected as additional security dilution in the computation of earnings per security.

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.

Critical accounting estimates and assumptions

Income tax

The consolidated entity is subject to income tax in Australia. 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 determinations is uncertain. The consolidated entity recognises liabilities for anticipated income tax based on the consolidated entity's current understanding of 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.

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.

3. Revenue – discontinued operations

	2018 \$	2017 \$
Revenue from hotel operations		
Gaming	-	15,477,560
Beverage	-	9,165,426
Food	-	2,535,564
Other	-	774,563
Rental revenue	-	1,085,355
	-	29,038,468



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

4. Other revenue – discontinued operations	2018 \$	2017 \$
Other revenue		
Consulting	500,000	-
Interest	44,900	184,577
Other	30,203	353,118
	575,103	537,695

5. Depreciation and amortisation – discontinued operations	2018 \$	2017 \$
Building depreciation	-	150,000
Plant and equipment depreciation	-	872,425
Borrowing costs amortisation	-	212,981
	-	1,235,406

6. Income tax	2018 \$	2017 \$
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(a) Income tax expense

Reconciliation of profit/(loss) from discontinued operations before income tax to income tax expense:

Profit/(loss) from discontinued operations before income tax	(365,633)	42,176,870
Tax at the Australian tax rate of 30%	(109,690)	12,653,061
Add/(deduct):		
Trust operations not taxable	5,750	(8,357,146)
Non-deductible / assessable items	(100,500)	(136,012)
Other deductible amounts	(138,787)	(1,587,131)
Under provision of tax in the prior year	68,306	-
Deferred tax assets in relation to losses not recognised	343,227	-
Deferred tax assets utilised not previously recognised	-	(1,253,069)
Income tax expense	68,306	1,319,703

(b) Unused tax losses

Unused revenue losses for which no deferred tax asset has been recognised – Lantern	1,144,091	-
Potential tax benefit at 30%	343,227	-

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

Lantern Hotel Group 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. Earnings per security	2018 \$	2017 \$
Profit/(loss) attributable to ordinary security holders of the Group:		
From discontinued operations	(433,939)	40,857,167
Weighted average number of ordinary securities used in calculating basic earnings per security	883,202,130	883,202,130
Weighted average number of ordinary securities used in calculating diluted earnings per security*	883,202,130	897,623,089
	Cents	Cents
Basic earnings per security attributable to the security holders of the Group		
From discontinued operations	(0.05)	4.63
Diluted earnings per security attributable to the security holders of the Group		
From discontinued operations	(0.05)	4.55
* Options have not been included in the calculation of diluted earnings per share as they are considered antidilutive.		
8. Cash and cash equivalents	2018 \$	2017 \$
Current assets		
Cash at bank	2,295,725	16,394,508
Total cash and cash equivalents	2,295,725	16,394,508
9. Trade and other receivables	2018 \$	2017 \$
Current assets		
Other debtors	13,607	-
Accrued income, prepayments and deposits	-	79,471
Total trade and other receivables	13,607	79,471
10. Payables	2018 \$	2017 \$
Current liabilities		
Trade payables and expense accruals	292,204	835,440
Other payables – Key Management Personnel	250,000	1,646,746
Annual leave – Key Management Personnel	-	28,800
Total current payables	542,204	2,510,986



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

11. Provisions	2018 \$	2017 \$
Current liabilities		
Wind down costs	310,000	1,037,000
Total current provisions	310,000	1,037,000

The provision for costs to wind down relates to future expenditures expected to be directly incurred in the wind down of the Group.

The provision does not include amounts relating to future expenditures which will be incurred in the ongoing operations and activities of the Group that are not directly associated with the wind down of the Group.

The provision for costs to wind down is made up of the following costs:

	2018 \$	2017 \$
Legal costs	15,000	100,000
Supplier costs	10,000	50,000
Taxation costs	10,000	50,000
Insurance costs	200,000	404,000
Wind down and other costs	75,000	433,000
	310,000	1,037,000

12. Issued securities	2018 \$	2017 \$
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(a) Carrying amounts

Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the year	97,706,499	220,763,054
Distributions declared (return of capital)	(706,562)	(123,056,555)
At the end of the year	96,999,937	97,706,499
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the year	2,745,192	2,745,192
Dividends declared (return of capital)	(1,059,842)	-
At the end of the year	1,685,350	2,745,192
Total issued stapled securities	98,685,287	100,451,691

(b) Number of securities issued

Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the year	883,202,130	883,202,130
At the end of the year	883,202,130	883,202,130
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the year	883,202,130	883,202,130
At the end of the year	883,202,130	883,202,130
Total issued stapled securities	883,202,130	883,202,130

13. Distributions and Dividends	Cents per Security	Total \$	Payment Date
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The following distributions and dividends were paid by the Group during the year:

Distribution	0.67	5,899,790	17 July 2017
Dividend	0.23	2,049,029	17 July 2017
Distribution (return of capital)	0.08	706,562	1 June 2018
Dividend (return of capital)	0.12	1,059,842	1 June 2018
Total distributions and dividends paid	1.10	9,715,223	



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

14. Capital management

2018
\$

2017
\$

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 earnings 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.

In prior periods the Group's medium term strategy was to maintain a ratio of total bank debt less cash to total assets less cash in the range of 35% to 50%. Since the Group's security holders passed the resolution approving the orderly sell down of the Group's hotels, the Group's strategy has been to reduce debt and sell assets in order to fund distributions and dividends to security holders. At 30 June 2018 the Group's gearing ratio was nil (2017: nil).

Total consolidated assets	2,309,332	16,473,979
Total consolidated liabilities	852,204	12,816,508
Leverage ratio	36.9%	77.8%
Total consolidated bank debt	-	-
Less cash and cash equivalents	(2,295,725)	(16,394,508)
Net consolidated debt	(2,295,725)	(16,394,508)
Total consolidated assets	2,309,332	16,473,979
Less cash and cash equivalents	(2,295,725)	(16,394,508)
Total consolidated assets, net of cash	13,607	79,471
Gearing ratio	-	-

15. Financial risk management

2018
\$

2017
\$

Introduction

The Group has the following financial instruments

(i) Financial assets

Cash and cash equivalents	2,295,725	16,394,508
Trade and other receivables	13,607	79,471

(ii) Financial liabilities

Payables	542,204	2,510,986
Income tax payable	-	1,319,703
Distributions and dividends payable	-	7,948,819

The main risks arising from the Group's financial instruments are market risk (interest rate risk) and credit risk on its cash and cash equivalents. 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

15. 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 cash at call accounts with Australian domestic banks.

The consolidated entity's cash at bank totalling \$2,295,725 (2017: \$16,394,508) are held in cash at call accounts. An official increase/(decrease) in interest rates of 50 basis points at 30 June 2018 (2017: 50 basis points) would have a favourable/(adverse) effect on profit after tax of \$11,479 (2017: \$81,973) per annum in respect of the Group's cash held at bank. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk relating to financial assets arises from the potential non-performance by counterparties on its contractual obligations that could lead to a financial loss to the Group.

The Group's exposure to the credit risk arises from its use of cash at call accounts with Australian domestic banks.

The Group manages this risk by only depositing surplus funds with the major four Australian domestic banks.

16. Related parties

(a) Intergroup responsible entity fee

As Responsible Entity of Lantern Real Estate Trust, Lantern RE Ltd, 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.

The responsible entity fees charged by the Responsible Entity (excluding GST) was \$8,500 (2017: \$522,621).

Intergroup responsible entity revenue and expense is eliminated on consolidation.

No responsible entity fees were paid to external parties during the year.

(b) Intergroup rent

During the 30 June 2017 financial year, controlled entities of Lantern Hotel Group Limited rented hotel properties under long term operating leases from Lantern Real Estate Trust and its controlled entities. Rent revenue of \$5,612,115 (excluding GST) was received or receivable by Lantern Real Estate Trust and its controlled entities in relation to these operating leases in place during the 30 June 2017 financial year. A corresponding rental expense was recorded in Lantern Hotel Group Limited and its controlled entities. There was no intergroup rental revenue or expense recorded during the 30 June 2018 financial year.

Intergroup rental revenue and expense is eliminated on consolidation.

(c) Intergroup interest

During the 30 June 2017 financial year, controlled entities of Lantern Hotel Group Limited and Lantern Real Estate Trust earned interest income on intergroup loans and hotel rent receivables. At 30 June 2017 the net amount received or receivable by Lantern Real Estate Trust and its controlled entities was \$4,359,059 and the net amount paid or payable by Lantern Real Estate Trust and its controlled entities was \$777,871. There was no intergroup interest recorded during the 30 June 2018 financial year.

Intergroup interest income and expense is eliminated on consolidation.

(d) Intergroup other revenue

During the 30 June 2018 financial year, Lantern Real Estate Trust recorded other income, and at 30 June 2018 had a receivable, of \$23,547 (excluding GST) (2017: \$nil). A corresponding expense and payable was recorded in Lantern Hotel Group Limited. The amount was charged to enable Lantern Real Estate Trust to meet its working capital requirements and was receipted in cash by Lantern Real Estate Trust in July 2018.

Intergroup other income is eliminated on consolidation.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

17. Auditor's remuneration	2018 \$	2017 \$
Amounts received or receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Trust and any other entity in the consolidated group	69,000	125,500
Total	69,000	125,500

All audit fees in the 2018 and 2017 financial years are recorded in the accounts of Lantern Hotel Group Limited and its controlled entities.

18. Key management personnel	2018 \$	2017 \$
(a) Compensation		
Short term benefits	515,532	3,857,179
Post-employment benefits	9,512	64,016
Long term benefits	-	(31,700)
	525,044	3,889,495
(b) 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:

- (i) Principles used to determine the nature and amount of remuneration;
- (ii) Details of remuneration; and
- (iii) 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.

Directors' remuneration

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.

Additional director fees were awarded to Graeme Campbell and Shirley Liew in recognition of their efforts related to the successful implementation of the Group's sell down strategy.

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 executives remuneration and reward framework has four components:

1. Base pay;
2. Short-term performance incentives;
3. Long-term performance incentives; and
4. 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

18. Key management personnel (continued)

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 ("KPIs") being achieved. KPIs can 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 grant of options.

Details of Remuneration

The key management personnel of the Group consisted of the following persons during the years ended 30 June 2017 and 30 June 2018:

Graeme Campbell – Executive Chairman
 Shirley Liew – Non-Executive Director
 Matthew Stubbs – Non-Executive Director
 John Osborne – Chief Executive Officer (resigned 26 May 2017)
 Michael Thaler – Financial Controller (employment agreement terminated 15 September 2017)
 Mark Ronfeldt – Chief Operating Officer (employment agreement terminated 19 May 2017)

	Short term benefits				Long term benefits	Post-employment benefits	Total		Related to Options	
	Salary/fees	Bonus	Additional director fees	Annual leave/ termination payments	Options (non-monetary)	Superannuation	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Graeme Campbell	88,542	-	200,000	-	-	-	288,542	250,000	-	-
Shirley Liew	48,516	-	50,000	-	-	4,609	103,125	102,465	-	-
Matthew Stubbs	53,125	-	-	-	-	-	53,125	75,000	-	-
Michael Thaler	31,345	-	-	44,004	-	4,903	80,252	626,279	-	(1)
John Osborne	-	-	-	-	-	-	-	1,903,352	-	(1)
Mark Ronfeldt	-	-	-	-	-	-	-	932,399	-	(1)
Total remuneration	221,528	-	250,000	44,004	-	9,512	525,044	3,889,495	-	(1)

Options were granted to key management personnel in the 30 June 2016 financial year under the Group's Executive Share Incentive Plan. The options entitled the holder to one ordinary stapled security in Lantern Hotel Group Limited with an exercise price of \$nil if certain vesting conditions were satisfied. Options to John Osborne (number of options: 9,000,000) and Mark Ronfeldt (number of options: 4,050,000) were forfeited during the 30 June 2017 financial year as service vesting conditions were not satisfied. Options to Michael Thaler (number of options: 2,700,000) were forfeited during the 30 June 2018 financial year as service conditions were not satisfied. At 30 June 2018, no options issued under the Group's Executive Incentive Plan are on issue.

No amounts have been recorded in the 30 June 2018 financial year in relation to options issued under the Group's Executive Incentive Plan. Negative remuneration was recognised during the 30 June 2017 financial year to reverse all amounts expensed in previous financial years in relation to options issued under the Group's Executive Incentive Plan. This negative remuneration was recorded in accordance with Australian Accounting Standards as either (i) the options had forfeited prior to the vesting date; or (ii) options were not expected to vest based on Group's estimate of the non-market vesting probability at that time.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed above:

	Fixed remuneration		At risk - short term incentives		At risk – long term incentives	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
Graeme Campbell	100	100	-	-	-	-
Shirley Liew	100	100	-	-	-	-
Matthew Stubbs	100	100	-	-	-	-
Michael Thaler	100	29	-	72	-	(1)
John Osborne	-	17	-	84	-	(1)
Mark Ronfeldt	-	28	-	73	-	(1)



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

18. Key management personnel (continued)

Employment Agreements

John Osborne (Chief Executive Officer – resigned 26 May 2017)

Key terms as follows:

- Base remuneration \$300,000 p.a. plus superannuation;
- Executive Incentive Scheme of up to \$250,000 p.a. based on the delivery of strategic and operational objectives;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 9,000,000 securities had been granted, subject to the options under the ESIP not having vested;
- Subject to competitive restraint during period of his employment and for a period of not less than six months after his employment with Lantern ceases;
- A notice period of three months applies, except in defined circumstances; and
- No fixed term.

Mark Ronfeldt (Chief Operating Officer - employment agreement terminated 19 May 2017)

Key terms as follows:

- Base remuneration \$230,000 p.a. plus superannuation;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 4,050,000 securities had been granted, subject to the options under the ESIP not having vested;
- Executive Incentive Scheme of up to 30% of base salary based on the delivery of EBITDA targets;
- A notice period of four weeks applies, except in defined circumstances; and
- No fixed term.

Michael Thaler (Financial Controller - employment agreement terminated 15 September 2017)

Key terms as follows:

- Base remuneration \$150,000 p.a. plus superannuation;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 2,700,000 securities had been granted, subject to the options under the ESIP not having vested;
- Executive Incentive Scheme of up to 30% of base salary based on the delivery of EBITDA targets;
- A notice period of four weeks applies, except in defined circumstances; and
- No fixed term.

(c) Security holdings

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:

	Beginning balance	Acquisitions	Disposals	Ending balance
2018				
Graeme Campbell	-	-	-	-
Shirley Liew	-	-	-	-
Matthew Stubbs	172,400,000	-	-	172,400,000
Michael Thaler (terminated 15 September 2017)	-	-	-	-
	172,400,000	-	-	172,400,000
2017				
Graeme Campbell	-	-	-	-
Shirley Liew	-	-	-	-
Matthew Stubbs	172,400,000	-	-	172,400,000
John Osborne (resigned 26 May 2017)	-	-	-	-
Michael Thaler	-	-	-	-
Mark Ronfeldt (terminated 19 May 2017)	-	-	-	-
	172,400,000	-	-	172,400,000



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

19. Parent financial information	2018 \$	2017 \$
Summary financial information about the Parent is:		
Current assets	83,082	12,732,669
Total assets	83,082	12,732,669
Current liabilities	73,082	40,880,959
Total liabilities	73,082	40,880,959
Net assets	10,000	(28,148,290)
Unit holders equity:		
Issued units	96,999,937	97,706,499
Accumulated losses	(96,989,937)	(125,854,789)
Total unit holders' equity	10,000	(28,148,290)
Net profit attributable to unit holders of the Parent	28,864,852	42,119,417
Total comprehensive income	28,864,852	42,274,489

20. Subsidiaries	Ownership interest	
	2018 %	2017 %
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	
Lantern Real Estate Trust		
Lantern No.2 Subsidiary Trust (disposed 14 June 2018)	Australia	Nil 100
Lantern Subsidiary Trust (disposed 12 June 2018)	Australia	Nil 100
IEF NZ Subsidiary Trust (terminated 22 July 2017)	Australia	Nil 100
Lantern Hotel Group Limited		
Lantern RE Ltd	Australia	100 100
Lantern Management Services Pty Limited (disposed 14 June 2018)	Australia	Nil 100
Lantern Operations Pty Limited (terminated 28 November 2017)	Australia	Nil 100
Lantern Operations 2 Pty Limited (terminated 28 December 2017)	Australia	Nil 100
Lantern HR Pty Limited (terminated 28 November 2017)	Australia	Nil 100
Lantern Management No.2 Pty Limited (disposed 14 June 2018)	Australia	Nil 100
IEF NZ Company Pty Limited (terminated 5 February 2018)	New Zealand	Nil 100
IEF NZ Pty Limited (terminated 16 August 2017)	Australia	Nil 100

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

(a) Disposal and termination of subsidiary trusts and companies

(i) Disposal of Lantern Subsidiary Trust

The units in Lantern Subsidiary Trust were sold to a third party ("the unit purchaser") for \$487,000 ("the sale proceeds"). Under a separate contractual agreement, Lantern Real Estate Trust agreed to immediately loan the sale proceeds to the Lantern No.2 Subsidiary Trust (and directed the unit purchaser to pay the sale proceeds to Lantern No.2 Subsidiary Trust). At the time of the disposal, the amount of net assets held by the Lantern Subsidiary Trust was \$100.

The consolidated income statement includes a loss on disposal of \$100 in relation to the disposal of the Lantern Subsidiary Trust. The sale proceeds of \$487,000 have been eliminated on consolidation against the loss arising on the assignment of the intercompany loan advanced to Lantern No.2 Subsidiary Trust to a third party for \$1, which was completed prior to the disposal of the Lantern No.2 Subsidiary Trust (refer to 20(a)(ii) below).



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

20 Subsidiaries (continued)

(ii) Disposal of Lantern No.2 Subsidiary Trust

The units in Lantern No.2 Subsidiary Trust were sold to a third party for \$1. Prior to the disposal of the Lantern No.2 Subsidiary Trust, Lantern Real Estate Trust entered into a contractual agreement with a third party to assign a receivable of \$15,662,619 ("the receivable") owed to the Lantern Real Estate Trust by the Lantern No.2 Subsidiary Trust to that third party for \$1. The receivable included the \$487,000 loan advanced by the Lantern Real Estate Trust to the Lantern No.2 Subsidiary Trust for the Lantern Subsidiary Trust sale proceeds (refer to 20(a)(i) above). At the time of the disposal, and subsequent to the assignment of the receivable, the Lantern No.2 Subsidiary Trust had negative net assets of \$15,662,619.

The consolidated income statement includes a gain on disposal of \$1 in relation to the disposal of the Lantern No.2 Subsidiary Trust. The loss incurred by the Trust of \$15,662,618, which arose when the receivable was assigned, has been eliminated on consolidation against the gain on disposal of the Lantern No.2 Subsidiary Trust of \$15,662,618.

(iii) Disposal of Lantern Management Services Pty Limited and Lantern Management No.2 Pty Limited

The shares in Lantern Management Services Pty Limited and Lantern Management No.2 Pty Limited were disposed of during the year for \$1 respectively (combined consideration of \$2). At the date of the disposal the both companies had \$nil net assets.

The consolidated income statement includes a gain on disposal of \$2 in relation to the disposal of Lantern Management Services Pty Limited and Lantern Management No.2 Pty Limited.

(iv) Termination of other subsidiary trusts and companies

The remaining subsidiary trusts and companies of Lantern Real Estate Trust and Lantern Hotel Group were terminated during the year (except Lantern RE Limited). At the date of their respective terminations, all other subsidiary trusts and companies had \$nil net assets.

No amounts have been included in the consolidated income statement in relation to the termination of other subsidiary trusts and companies.

Net loss on disposal of subsidiary trusts and companies

The net impact of the transactions above is a net loss on disposal of \$97 which has been included in the consolidated income statement.

21. Reconciliation of profit/ (loss) after income tax to net cash from operating activities	2018 \$	2017 \$
Profit/ (loss) after income tax for the year	(433,939)	40,857,167
<i>Adjustments for:</i>		
Amortisation of tenant incentives	-	(300,000)
Profit on sale of property, plant, equipment and intangibles	-	(46,500,758)
Loss on sale of investment properties	-	1,319,307
Loss on sale of subsidiary trusts and companies	97	
Depreciation and amortisation	-	1,235,406
Provision (reversal) for costs of wind down	(727,000)	1,037,000
Foreign exchange gains/ (losses)	(101)	440,046
Security based payments expense	-	(31,700)
<i>Change in operating assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	65,864	1,679,600
Decrease/(increase) in inventories	-	829,498
Increase/(decrease) in provisions for employee entitlements	-	(131,530)
Increase/(decrease) in income tax payable	(1,319,703)	1,319,703
Increase/(decrease) in trade and other payables	(1,968,782)	(4,598,566)
Net cash from operating activities	(4,383,564)	(2,844,827)

22. Events subsequent to the reporting date

Lantern Real Estate Trust was wound up on 18 July 2018, leaving only the shares of Lantern Hotel Group Limited listed on the Australian Securities Exchange (ASX code: LTN).

No other significant events subsequent to balance date.



DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2018

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 6 to 27, 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 2018 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 persons who perform the roles of Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



Graeme Campbell
Executive Chairman
Dated in Sydney this 30th day of August 2018



Shirley Liew
Non- Executive Director
Dated in Sydney this 30th day of August 2018



**LANTERN REAL ESTATE TRUST
INDEPENDENT AUDITOR'S REPORT**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lantern Real Estate Trust ("the Trust") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration by the directors of Lantern RE Limited, the responsible entity of the Trust.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter

We draw attention to Note 1 of the financial report, which states the directors of Lantern RE Limited have concluded the Group is not a going concern and the financial report has been prepared on a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Emphasis of Matter section, we have determined that no other key audit matters are required to be communicated in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Lantern RE Limited are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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**LANTERN REAL ESTATE TRUST
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

Information Other than the Financial Report and Auditor's Report Thereon (continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 of Lantern RE Limited 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 preparing the financial report, the directors of Lantern RE Limited are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of Lantern RE Limited either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Lantern RE Limited.
- Conclude on the appropriateness of the directors of Lantern RE Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

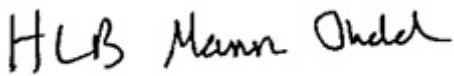
We communicate with the directors of Lantern RE Limited regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of Lantern RE Limited with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**LANTERN REAL ESTATE TRUST
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

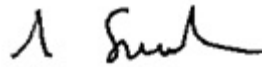
Auditor's Responsibilities for the Audit of the Financial Report (Continued)

From the matters communicated with the directors of Lantern RE Limited, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
30 August 2018**

A handwritten signature in black ink that reads 'A G Smith'.

**A G Smith
Partner**

SECURITY HOLDER INFORMATION

The information set out below was prepared at 23 August 2018 and applies equally to units in the Trust and shares in the Company under the terms of their joint quotation on the Australian Securities Exchange.

Distribution of securities

Analysis of security holders by size of holding

	Number of holders of ordinary securities	Number of securities held	% of total securities issued
100,001 and over	200	860,651,667	97.45
10,001 to 100,000	581	20,160,197	2.28
5,001 to 10,000	202	1,648,143	0.19
1,001 to 5,000	205	717,929	0.08
1 to 1,000	96	24,194	0.00
Total	1,284	883,202,130	100.00
Holding less than a marketable parcel	1,106	25,009,866	2.83

Security holders

Twenty largest quoted security holders

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

Name	Ordinary securities Number of securities held	% of total securities issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	357,160,809	40.44
CVC LIMITED	172,601,945	19.54
TOTEM HOLDINGS PTY LTD	134,000,000	15.17
CITICORP NOMINEES PTY LIMITED	32,526,699	3.68
EASTERN PORPHYRY PTY LTD	21,000,000	2.38
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,293,634	1.51
MR MATTHEW ROBERT STUBBS	9,000,000	1.02
AUST EXECUTOR TRUSTEES LTD	8,898,472	1.01
MR SIMON ROBERT EVANS & MRS KATHRYN MARGERET EVANS	7,000,000	0.79
BNP PARIBAS NOMS PTY LTD	6,802,978	0.77
MR MATTHEW ROBERT STUBBS & MS ANNA GOULSTON	5,200,000	0.59
MOAT INVESTMENTS PTY LTD	3,219,178	0.36
MABIMA PTY LTD	3,200,000	0.36
MR KUMARAN APPADURAI	3,026,666	0.34
MR SIMON ROBERT EVANS	2,843,896	0.32
ROLYAN PTY LTD	2,589,224	0.29
STATE ONE STOCKBROKING LTD	2,281,506	0.26
CUSTODIAL SERVICES LIMITED	2,192,666	0.25
HBD SERVICES PTY LTD	2,132,791	0.24
MR JAYASIMHA MUKKAMALLA & MRS SRIVALLI DONTIREDDY	2,000,000	0.23
	790,970,464	89.55



SECURITY HOLDER INFORMATION

Substantial holders

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

	Date of change	Ordinary securities Number of securities held	% of total securities issued
Torchlight GP Limited	3 March 2016	313,281,405	36.56%
CVC Limited	19 April 2016	172,604,945	19.54%
Matthew Donnellan & Matthew Stubbs and their related bodies corporate	20 April 2016	172,400,000	19.50%
Renaissance Property Securities Pty Ltd	16 June 2014	75,564,522	8.56%

Voting

Security holders in Lantern Hotels are entitled to one vote for each security they hold in the Group.

In accordance with the Constitution each member present at a meeting, whether in person, by proxy, or represented by power of attorney, or represented 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 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 2018



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Lantern Hotel Group Limited ('the Company') is a public company, whose shares are listed on the Australian Securities Exchange. Until 18 July 2018 the Company's shares were stapled to units issued by Lantern Real Estate Trust ('the Trust'). The Trust was wound up on 18 July 2018, leaving only the shares of the Company listed on the Australian Securities Exchange.

A separate annual report has been prepared for the stapled group for the year ended 30 June 2018.

This set of financial statements has been prepared for a sub-group of the stapled group, solely to comply with the *Corporations Act 2001* requirements to prepare financial statements for a public company.

The Trust makes decisions as to which assets and liabilities are recognised by the sub-group.

Security holders cannot deal with their shares in Lantern Hotel Group Limited without at the same time dealing with their units in the Trust.

The Directors consider that the consolidated financial statements of the Trust provide the relevant information for security holders.



CORPORATE INFORMATION

Directors	Graeme Campbell (Executive Chairman) Shirley Liew Matthew Stubbs
Company Secretary	Leanne Ralph
Registered Office	Dentons Australia Pty Ltd Level 12, 77 Castlereagh Street Sydney NSW 2000 Phone: (02) 9931 4999
Principal Administration Office	Dentons Australia Pty Ltd Level 12, 77 Castlereagh Street Sydney NSW 2000 Phone: (02) 9931 4999
Share Register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Phone: +61 1300 554 474 (toll free within Australia)
Auditor	HLB Mann Judd Level 19, 207 Kent Street Sydney NSW 2000
Stock Exchange Listing	Lantern Hotel Group Limited shares were stapled to units of Lantern Real Estate Trust. Lantern Real Estate Trust was wound up on 18 July 2018, leaving only the shares of Lantern Hotel Group Limited listed on the Australian Securities Exchange (ASX code: LTN).
Website	www.lanternhotels.com.au



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors of Lantern Hotel Group Limited ('the Company') present their report, together with the financial statements of Lantern Hotel Group Limited and its controlled entities ('the Group'), for the year ended 30 June 2018.

Directors

Name	Graeme Campbell
Title	Executive Chairman
Appointed	24 June 2015
Experience, expertise and qualifications	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 registered clubs industries together with the major banks and other funders.
Other current directorships	Chairman and non-executive director of Ainsworth Game Technology Limited, Independent director of Liquor Marketing Group (Bottlemart), Director of Harness Racing Club and the Independent Audit Chairman of the Illawarra Catholic Club Group.
Former directorships	Chairman of Harness Racing NSW (2006- 2014)
Special responsibilities	Audit and Risk Committee

Name	Shirley Liew
Title	Non-Executive Director
Appointed	18 June 2015
Experience, expertise and qualifications	Ms Shirley Liew has over 25 years senior finance, audit and advisory experience including over 12 years in senior roles at international firm Ernst & Young, and Head of Risk and Audit Partner at Chartered Accounting firms 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 for large iconic Australian brands as well as international companies listed overseas.
Other current directorships	Director and Audit Chair of Bellamy's Australia Limited, Director and Audit Chair of Hunter United Employees Credit Union, Independent Member of NSW Trains Audit and Risk Committee, Independent Member and Chair of NSW Local Health District of the Central Coast and Director of Amber Group Australia.
Former directorships	Director of L'Occitane Australia Pty Limited, Director and Audit Chair of Bridge Housing Limited, Independent Member of Nepean Blue Mountains Local Health District.
Special responsibilities	Chair Audit and Risk Committee

Name	Matthew Stubbs
Title	Non-Executive Director
Appointed	7 March 2016
Experience, expertise and qualifications	Mr Matthew Stubbs has over seventeen years experience in investment banking. During his career Matthew has worked on a broad range of mergers and acquisitions, capital raisings, restructurings and strategic reviews. His experience includes extensive public market transactions (hostile and recommended takeover offers, takeover responses and schemes of arrangement). Prior to founding Allier Capital, Matthew was a director in the investment banking division of Citi and head of its consumer, retail and healthcare investment banking practice. He has also managed major transactions in the resources, industrials and financial services sectors.
Other current directorships	Managing Director of Allier Capital, Non-Executive Director Everlight Radiology Limited and Director of Totem Holdings Pty Ltd.
Former directorships	n/a
Special responsibilities	-

Company secretary

Leanne Ralph was appointed to the position of Company Secretary on 6 September 2012. Mrs Ralph has over 27 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.



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

Principal activity

During the year the directors have continued to explore opportunities regarding the possible sale or re-purposing of Group entities, while at the same time progressively winding up Group entities that hold no future value to reduce costs and the complexity of the Group's structure.

Directors' security holdings

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

	Shares in the Group
Graeme Campbell	-
Shirley Liew	-
Matthew Stubbs	172,400,000

Directors' Meetings

The number of Directors meetings (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	
	A	B	A	B
Graeme Campbell	8	8	-	-
Shirley Liew	8	8	-	-
Matthew Stubbs	8	8	-	-

A: Meetings eligible to attend

B: Meetings attended

Remuneration report (audited)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Employment agreements; and
- 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 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.

Directors' remuneration

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.

Additional director fees were awarded during the year to Graeme Campbell and Shirley Liew in recognition of their efforts related to the successful implementation of the Group's sell down strategy.

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 executives remuneration and reward framework has four components:

- Base pay;
- Short-term performance incentives;
- Long-term performance incentives; and
- Other remuneration such as superannuation and long service leave.

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



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

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.

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 ("KPIs") being achieved. KPIs can 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 grant of options.

(b) Details of Remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following table.

The key management personnel of the Group consisted of the following persons during the years ended 30 June 2017 and 30 June 2018:

Graeme Campbell – Executive Chairman
 Shirley Liew – Non-Executive Director
 Matthew Stubbs – Non-Executive Director
 John Osborne – Chief Executive Officer (resigned 26 May 2017)
 Michael Thaler – Financial Controller (employment agreement terminated 15 September 2017)
 Mark Ronfeldt – Chief Operating Officer (employment agreement terminated 19 May 2017)

	Short term benefits				Long term benefits	Post-employment benefits	Total		Related to Options	
	Salary/fee	Bonus	Additional director fees	Annual leave/ termination payments	Options (non-monetary)	Superannuation	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Graeme Campbell	88,542	-	200,000	-	-	-	288,542	250,000	-	-
Shirley Liew	48,516	-	50,000	-	-	4,609	103,125	102,465	-	-
Matthew Stubbs	53,125	-	-	-	-	-	53,125	75,000	-	-
Michael Thaler	31,345	-	-	44,004	-	4,903	80,252	626,279	-	(1)
John Osborne	-	-	-	-	-	-	-	1,903,352	-	(1)
Mark Ronfeldt	-	-	-	-	-	-	-	932,399	-	(1)
Total remuneration	221,528	-	250,000	44,004	-	9,512	525,044	3,889,495	-	(1)

Options were granted to key management personnel in the 30 June 2016 financial year under the Group's Executive Share Incentive Plan. The options entitled the holder to one ordinary stapled security in Lantern Hotel Group Limited with an exercise price of \$nil if certain vesting conditions were satisfied. Options to John Osborne (number of options: 9,000,000) and Mark Ronfeldt (number of options: 4,050,000) were forfeited during the 30 June 2017 financial year as service vesting conditions were not satisfied. Options to Michael Thaler (number of options: 2,700,000) were forfeited during the 30 June 2018 financial year as service conditions were not satisfied. At 30 June 2018, no options issued under the Group's Executive Incentive Plan are on issue.

No amounts have been recorded in the 30 June 2018 financial year in relation to options issued under the Group's Executive Incentive Plan. Negative remuneration was recognised during the 30 June 2017 financial year to reverse all amounts expensed in previous financial years in relation to options issued under the Group's Executive Incentive Plan. This negative remuneration was recorded in accordance with Australian Accounting Standards as either (i) the options had forfeited prior to the vesting date; or (ii) options were not expected to vest based on Group's estimate of the non-market vesting probability at that time. The following amounts of negative remuneration expense are included in the 30 June 2017 financial year comparative information in the table above (these amounts include negative remuneration recorded in Lantern Real Estate Trust):

John Osborne	\$ (18,114)
Michael Thaler	(5,435)
Mark Ronfeldt	(8,151)
Total	(31,700)

There were no alterations to the terms and conditions of the options issued under the Group's Executive Incentive Plan since the grant date. No options were granted or exercised to/by key personnel during the year.



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed above:

	Fixed remuneration		At risk - short term incentives		At risk – long term incentives	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
Graeme Campbell	100	100	-	-	-	-
Shirley Liew	100	100	-	-	-	-
Matthew Stubbs	100	100	-	-	-	-
Michael Thaler	100	29	-	72	-	(1)
John Osborne	-	17	-	84	-	(1)
Mark Ronfeldt	-	28	-	73	-	(1)

(c) Employment Agreements

John Osborne (Chief Executive Officer – resigned 26 May 2017)

Key terms as follows:

- Base remuneration \$300,000 p.a. plus superannuation;
- Executive Incentive Scheme of up to \$250,000 p.a. based on the delivery of strategic and operational objectives;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 9,000,000 securities had been granted, subject to the options under the ESIP not having vested;
- Subject to competitive restraint during period of his employment and for a period of not less than six months after his employment with Lantern ceases;
- A notice period of three months applies, except in defined circumstances; and
- No fixed term.

Mark Ronfeldt (Chief Operating Officer – employment agreement terminated 19 May 2017)

Key terms as follows:

- Base remuneration \$230,000 p.a. plus superannuation;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 4,050,000 securities had been granted, subject to the options under the ESIP not having vested;
- Executive Incentive Scheme of up to 30% of base salary based on the delivery of EBITDA targets;
- A notice period of four weeks applies, except in defined circumstances; and
- No fixed term.

Michael Thaler (Financial Controller – employment agreement terminated 15 September 2017)

Key terms as follows:

- Base remuneration \$150,000 p.a. plus superannuation;
- Sell down incentive bonus equal to the distributions and dividends paid by the Group as if 2,700,000 securities had been granted, subject to the options under the ESIP not having vested;
- Executive Incentive Scheme of up to 30% of base salary based on the delivery of EBITDA targets;
- A notice period of four weeks applies, except in defined circumstances; and
- No fixed term.

(d) Additional information

The earnings of the Group are shown for the five years to 30 June 2018. Details are as summarised below:

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Revenue from operations	49,105,241	57,807,052	58,675,018	28,476,734	508,500
EBITDA	979,300	565,401	36,250,121	(6,389,503)	(373,745)
EBIT	(3,568,052)	(4,129,745)	(2,437,886)	(7,261,928)	(373,745)
Profit/(loss) after income tax expense	(3,489,477)	(4,207,124)	464,942	13,001,013	(414,774)
	Cents	Cents	Cents	Cents	Cents
Share price at financial year end	7.0	9.5	12.5	.004	n/a*
Basic earnings per share	(0.40)	(0.48)	0.05	1.47	(0.05)
Dividends declared (Lantern Hotel Group Limited)	-	-	-	0.23	0.12
Distributions declared (Lantern Real Estate Trust)	-	-	-	14.77	0.08

* Stapled securities listed on the Australian Securities Exchange are suspended from trading at 30 June 2018.

This concluded the remuneration report, which has been audited.



DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2018

Significant Events after balance date

No significant events occurred subsequent to balance date other than the wind up of the Trust on 18 July 2018.

Review of operations

Net loss after tax for the year was \$414,774 (2017: profit \$13,000,013). The net loss was driven by the expenses required for the ongoing activities of the Group, including the finance and accounting function, compliance obligations, Board functions, insurance and generally meeting the needs of a publicly listed group. Consistent with previous guidance given, the Board has actively reduced these ongoing costs during the year as far as possible.

Dividends

Dividends totalling 0.12 cents per share (return of capital) from Lantern were declared during the year.

Significant changes in the state of affairs

A number of subsidiary companies of the Group were disposed of or otherwise terminated during the year (refer to note 18 of the financial statements).

Likely development and expected results of operations

Following significant progress during the year to simplify the group structure and remove associated costs, through the disposal or termination of many of the subsidiary entities, the Directors intend to continue to explore the possible sale or re-purposing of the remaining group entities.

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.

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.

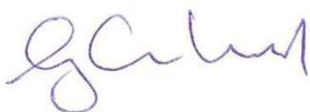
Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 27 August 2018 and can be found at 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 the following page.

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



Graeme Campbell
Executive Chairman
Dated in Sydney this 30th day of August 2018



Shirley Liew
Non-Executive Director
Dated in Sydney this 30th day of August 2018



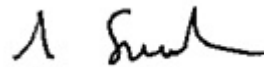
LANTERN HOTEL GROUP LIMITED

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 2018 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 August 2018

A G Smith
Partner

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

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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  International. A world-wide network of independent accounting firms and business advisers.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Discontinued Operations			
Revenue and Other Income			
Revenue from operations	3	8,500	28,476,734
Profit on disposal of plant, equipment and intangibles		-	25,100,285
Gain on sale of subsidiaries	18(a)	2	-
Interest revenue		27,275	841,478
Consulting revenue		500,000	-
Other income		24,580	53,518
Total revenue and other income		560,357	54,472,015
Expenses			
Cost of sales		-	(11,156,414)
Salaries and wages		(618,231)	(10,519,732)
Finance costs		-	(4,359,059)
Depreciation and amortisation		-	(872,425)
Professional fees		(747,799)	(1,998,215)
Repairs and maintenance		-	(1,029,973)
Insurance		(144,967)	(389,524)
Security		-	(530,277)
Property expenses		-	(6,238,730)
Provision for costs of wind down		727,000	(1,037,000)
Other		(122,828)	(2,020,950)
Total expenses		(906,825)	(40,152,299)
Profit/(loss) from discontinued operations before income tax expense		(346,468)	14,319,716
Income tax expense	4(a)	(68,306)	(1,319,703)
Profit/(loss) from discontinued operations after income tax expense		(414,774)	13,000,013
Other comprehensive income		-	(1,628)
Total comprehensive income from discontinued operations for the year		(414,774)	12,998,385
		Cents	Cents
Earnings per share – basic			
Profit/(loss) per share from discontinued operations – basic	5	(0.05)	1.47
Earnings per share – diluted			
Profit/(loss) per share from discontinued operations – diluted	5	(0.05)	1.45

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 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	6	2,238,547	3,661,639
Trade and other receivables	7	13,607	10,472,200
Prepayments		-	79,470
Total current assets		2,252,154	14,213,309
Total assets		2,252,154	14,213,309
Current liabilities			
Payables	8	495,026	6,885,833
Dividends payable		-	2,049,029
Income tax payable		-	1,319,703
Provisions	9	310,000	1,037,000
Total current liabilities		805,026	11,291,565
Total liabilities		805,026	11,291,565
Net assets		1,447,128	2,921,744
Equity			
Issued shares	10(a)	1,685,350	2,745,192
Retained earnings/(accumulated losses)		(238,222)	176,552
Total equity		1,447,128	2,921,744

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 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		1,166,881	31,925,870
Proceeds from insurance claim		-	329,000
Cash paid to suppliers and employees (inclusive of GST)		(3,658,628)	(46,570,852)
Income tax paid		(1,388,009)	-
Interest received		805,146	63,607
Net cash used in operating activities	20	(3,074,610)	(14,252,375)
Cash flows from investing activities			
Proceeds from sale of subsidiaries	18(a)	2	-
Purchase of plant, equipment and goodwill relating to held for sale assets		-	(4,127,087)
Proceeds from sale of held for sale assets		-	43,531,950
Payments made on disposal of held for sale assets		-	(1,122,273)
Net cash provided by investing activities		2	38,282,590
Cash flows from financing activities			
Dividends paid	11	(3,108,871)	-
Proceeds from amounts advanced to related parties (Lantern Real Estate Trust)		4,760,387	-
Repayment of borrowings to related parties (Lantern Real Estate Trust)		-	(16,909,125)
Advance to related parties (Lantern Real Estate Trust)		-	(9,119,325)
Net cash provided by/ (used in) financing activities		1,651,516	(26,028,450)
Net decrease in cash or cash equivalents		(1,423,092)	(1,998,235)
Cash or cash equivalents at the beginning of the year		3,661,639	5,659,874
Cash and cash equivalents at the end of the year	6	2,238,547	3,661,639

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 2018

		Issued Capital	Reserves	Retained Earnings (Accumulated Losses)	Total
	Note	\$	\$	\$	\$
Carrying amount at 1 July 2016		2,745,192	1,628	(10,774,432)	(8,027,612)
Net profit for the year		-	-	13,000,013	13,000,013
Other comprehensive income		-	(1,628)	-	(1,628)
<i>Transactions with owners in their capacity as owners:</i>					
Dividends declared	11	-	-	(2,049,029)	(2,049,029)
		-	(1,628)	10,950,984	10,949,356
Carrying amounts at 30 June 2017		2,745,192	-	176,552	2,921,744
Carrying amount at 1 July 2017		2,745,192	-	176,552	2,921,744
Net loss for the year		-	-	(414,774)	(414,774)
Dividend declared (return of capital)	11	(1,059,842)	-	-	(1,059,842)
		(1,059,842)	-	(414,774)	(1,474,616)
Carrying amounts at 30 June 2018		1,685,350	-	(238,222)	1,447,128

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

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies

Reporting entity

These financial statements include the consolidated financial statements for Lantern Hotel Group Limited ("Lantern" of the "Company") and its subsidiaries (the "consolidated entity" or the "Group").

Basis of preparation

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 Company is a for-profit entity for the purpose of preparing the financial statements.

The financial report can only be prepared on a going concern basis where there is neither the intention nor the need to liquidate the Group or cease trading. If such an intention or need exists, the financial report cannot be prepared on a going concern basis.

The Group's 30 June 2017 financial report was not prepared on a going concern basis as the Group was exploring opportunities regarding the possible sale or re-purposing of Group entities. During the 30 June 2018 financial year, these circumstance have not changed and the directors have determined that the going concern basis of preparation continues to not be appropriate given the Group's current state of affairs. Accordingly, the financial report of the Group has not been prepared on a going concern basis, rather this financial report continues to be prepared on a liquidation basis of accounting.

Liquidation basis of accounting

Under the liquidation basis of accounting, assets are written down to their estimated net realisable value, and liabilities are stated at their estimated settlement amounts, and the relevant estimates are periodically reviewed and adjusted as appropriate. All assets and liabilities are presented as current assets or current liabilities.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors of Lantern Hotel Group Limited on 30 August 2018. The directors have the power to amend and reissue the financial statements.

Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group also comply with 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 and 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.

Functional currency

The financial statements are presented in Australian dollars.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

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.

Discontinued operations and assets held for sale

The Group's operations are classified as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or 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.

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.

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 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

Business combinations (continued)

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exception, 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 measurements 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.

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 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. They are subsequently measured at fair value or amortised cost using the effective interest method.

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.

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.

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 payables in respect of employees' services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

Other employee benefit obligations

The provision for long service leave is recognised in the provision for employee benefits. Amounts expected to be paid within 12 months are measured at current values. Amounts expected to be paid after 12 months are 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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 and net of GST.

Interest revenue

Interest revenue is recognised as the interest accrued using the effective interest method.

Other revenue

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

Income tax

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.

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 substantially 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

1. Significant accounting policies (continued)

Income tax (continued)

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 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 liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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. Diluted earnings per share is calculated as net profit attributable to holders of shares in the Group, adjusted for interests associated with dilutive potential shares, divided by the weighted average number of shares and dilutive potential shares 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.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 17. Investments in subsidiaries are accounted for at cost in the financial statements of the Parent.

Share based payments

The Group operates an Executive Share Incentive Plan (ESIP) and provides benefits to employees of the Group in the form of share based payments. Share based payments to employees are measured at the fair value of the instruments issued and amortised over the relevant vesting periods. The corresponding amount is recorded to the security based payment reserve. The fair value of options issued is determined using a Monte Carlo simulation valuation model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the instruments granted is based on the number of instruments that eventually vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial statements of the Group.

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 the future reporting periods, based on the Group's current activities. If the activities of the Group were to change in the future, these standards may have a significant impact on the Group's financial statements.

Operating segments

The Group's operations during the year included exploring opportunities regarding the possible sale or re-purposing of Group entities, while at the same time progressively winding up Group entities that hold no future value to reduce costs and the complexity of the Group's structure. The Group has no separately identifiable operating segments.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

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.

Critical accounting estimates and assumptions

Income tax

The consolidated entity is subject to income tax in Australia. 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 determinations is uncertain. The consolidated entity recognises liabilities for anticipated income tax based on the consolidated entity's current understanding of 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.

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. Revenue	2018 \$	2017 \$
Revenue from operations – discontinued operations		
Gaming	-	15,477,560
Beverage	-	9,165,426
Food	-	2,535,564
Other	-	775,563
Responsible entity fee income – Lantern Real Estate Trust	8,500	522,621
	8,500	28,476,734

4. Income tax	2018 \$	2017 \$
(a) Income tax expense		
Reconciliation of profit/(loss) from operations before income tax to income tax expense:		
Profit/(loss) from discontinued operations before income tax	(346,468)	14,319,716
Tax at the Australian tax rate of 30%	(103,940)	4,295,915
Add/(deduct):		
Non-deductible / assessable items	(100,500)	(136,012)
Other deductible amounts	(138,787)	(1,587,131)
Under provision of tax in the prior year	68,306	-
Deferred tax assets in relation to losses not recognised	343,227	-
Deferred tax asset utilised not previously recognised	-	(1,253,069)
Income tax expense	68,306	1,319,703
(b) Unused tax losses		
Unused tax losses for which no deferred tax asset has been recognised – Lantern	1,144,091	-
Potential tax benefit at 30%	343,227	-

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

5. Earnings per share	2018	2017
	\$	\$
Profit/(loss) attributable to ordinary shareholders:		
From discontinued operations	(414,774)	13,000,013
	2018	2017
	\$	\$
Weighted average number of ordinary shares used in calculating basic earnings per share	883,202,130	883,202,130
Weighted average number of ordinary shares used in calculating diluted earnings per share*	883,202,130	897,623,089
	Cents	Cents
Basic earnings per share attributable to the shareholders		
From discontinued operations	(0.05)	1.47
Diluted earnings per share attributable to the shareholders		
From discontinued operations	(0.05)	1.45
* Options have not been included in the calculation of diluted earnings per share as they are considered antidilutive.		
6. Cash and cash equivalents	2018	2017
	\$	\$
Current assets		
Cash at bank	2,238,547	3,661,639
Total cash and cash equivalents	2,238,547	3,661,639
7. Trade and other receivables	2018	2017
	\$	\$
Current assets		
Receivables	13,607	-
Interest receivables – Lantern Real Estate Trust	-	777,871
Receivables – Lantern Real Estate Trust	-	9,694,329
Total trade and other receivables	13,607	10,472,200
8. Payables	2018	2017
	\$	\$
Current liabilities		
Trade payables	219,124	851,228
Other payables – Lantern Real Estate Trust	25,902	-
Interest payables – Lantern Real Estate Trust	-	4,359,059
Other payables – Key Management Personnel	250,000	1,646,746
Annual leave – Key Management Personnel	-	28,800
Total payables	495,026	6,885,833
9. Provisions	2018	2017
	\$	\$
Current liabilities		
Wind down costs	310,000	1,037,000
Total provisions	310,000	1,037,000

The provision for costs to wind down relates to future expenditures expected to be directly incurred in the wind down of the Group.

The provision does not include amounts relating to future expenditures which will be incurred in the ongoing operations and activities of the Group that are not directly associated with the wind down of the Group.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

9 Provisions (continued)

2018
\$

2017
\$

The provision for costs to wind down is made up of the following costs:

Legal costs	15,000	100,000
Supplier costs	10,000	50,000
Taxation costs	10,000	50,000
Insurance costs	200,000	404,000
Wind down and other costs	75,000	433,000
	310,000	1,037,000

10. Issued securities

2018
\$

2017
\$

(a) Carrying amounts

At the beginning of the year	2,745,192	2,745,192
Dividends declared (return of capital)	(1,059,842)	-
At the end of the year	1,685,350	2,745,192

2018

2017

(b) Number of shares issued

At the beginning of the year	883,202,130	883,202,130
At the end of the year	883,202,130	883,202,130

11. Dividends

Cents per
Security

Total
\$

Payment
Date

The following dividends were paid by the Group during the year:

Dividend	0.23	2,049,029	17 July 2017
Dividend (return of capital)	0.12	1,059,842	1 June 2018
Total dividends paid	0.35	3,108,871	

12. Capital management

The group aims to meet its strategic objectives to maximise shareholder 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 earnings 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.

2018
\$

2017
\$

Total consolidated assets	2,252,154	14,213,309
Total consolidated liabilities	805,026	11,291,565
Leverage ratio	35.7%	79.4%



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

13. Financial risk management

2018
\$

2017
\$

Introduction

The Group has the following financial instruments:

(i) Financial Assets:

Cash and cash equivalents
Trade and other receivables

2,238,547	3,661,639
13,607	10,472,200
2,252,154	14,133,839

(ii) Financial liabilities:

Payables
Dividends
Income tax payable

495,026	6,885,833
-	2,049,029
-	1,319,703
495,026	10,254,565

The main risks arising from the Group's financial instruments are market risk (interest rate risk) and credit risk on its cash and cash equivalents. 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.

Market risk

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates arises from its use of cash at call accounts with Australian domestic banks.

The consolidated entity's cash at bank totalling \$2,238,547 (2017: \$3,661,639) are held in cash at call accounts. An official increase/(decrease) in interest rates of 50 basis points at 30 June 2018 (2017: 50 basis points) would have a favourable/(adverse) effect on profit after tax of \$11,193 (2017: \$18,308) per annum in respect of the Group's cash held at bank. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk relating to financial assets arises from the potential non-performance by counterparties on its contractual obligations that could lead to a financial loss to the Group.

The Group's exposure to the credit risk arises from its use of cash at call accounts with Australian domestic banks.

The Group manages this risk by only depositing surplus funds with the major four Australian domestic banks.

14. Related parties

(a) Responsible entity fee income

As Responsible Entity of Lantern Real Estate Trust, Lantern RE Ltd, 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 responsible entity fees charged by the Responsible Entity (excluding GST) was \$8,500 (2017: \$522,621).

No responsible entity fees were paid to external parties during the year.

(b) Rent expense

During the 30 June 2017 financial year, controlled entities of Lantern Hotel Group Limited rented hotel properties under long term operating leases from Lantern Real Estate Trust and its controlled entities. Rent expense of \$5,612,115 (excluding GST) was paid or payable by Lantern Hotel Group Limited and its controlled entities in relation to these operating leases in place during the 30 June 2017 financial year. There was no rental expenditure incurred by Lantern Hotel Group Limited and its controlled entities during the 30 June 2018 financial year in relation to long term operating leases with Lantern Real Estate Trust and its controlled entities.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

14 Related parties (continued)

(c) Interest revenue and expense

During the 30 June 2017 financial year controlled entities of Lantern Hotel Group Limited and Lantern Real Estate Trust earned interest income on intergroup loans and hotel rent receivables. At 30 June 2017 the net amount paid or payable by Lantern Hotel Group and its controlled entities was \$4,359,059 and the net amount received or receivable by Lantern Hotel Group Limited and its controlled entities was \$777,871. There was no interest revenues or expenses relating to intergroup loans or hotel rent receivables from/to Lantern Real Estate Trust and its controlled entities during the 30 June 2018 financial year.

(d) Other expense

During the 30 June 2018 financial year, Lantern Hotel Group Limited recorded an other expense and an amount payable of \$23,547 (excluding GST) (2017:\$nil). The amount was charged to enable Lantern Real Estate Trust to meet its working capital requirements and was paid in post year end.

(e) Amounts due or payable from related parties

Amounts due from related parties are disclosed in note 7 and amounts payable to related parties are disclosed in note 8. Cash flows related to amounts due or payable from Lantern Real Estate Trust and its controlled entities (excluding amounts due or payable for accrued interest and amounts due for responsible entity fees) are classified as financing activities in the consolidated statement of cash flows.

15. Auditor's remuneration

2018
\$

2017
\$

Amounts received or receivable by HLB Mann Judd:

Audit or review of financial reports of Lantern Real Estate Trust and any other entity in the consolidated group	69,000	125,500
	69,000	125,500

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.

16. Key management personnel

2018
\$

2017
\$

(a) Key management personnel

The key management personnel ("KMP") of the Group consisted of the following persons during the years ended 30 June 2017 and 30 June 2018:

Graeme Campbell – Executive Chairman
Shirley Liew – Non-Executive Director
Matthew Stubbs – Non-Executive Director
John Osborne – Chief Executive Officer (resigned 26 May 2017)
Michael Thaler – Financial Controller (employment agreement terminated 15 September 2017)
Mark Ronfeldt – Chief Operating Officer (employment agreement terminated 19 May 2017)

(b) Remuneration

Short term benefits	515,532	3,857,179
Post-employment benefits	9,512	64,016
Long term benefits	-	(1,628)
	525,044	3,919,567

Refer to the remuneration report included in the directors' report for further details on remuneration paid to KMP.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

16 Key management personnel (continued)

(c) Share holdings

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

	Beginning balance	Commenced as KMP	Ceased as KMP	Acquisitions	Disposals	Ending balance
2018						
Graeme Campbell	-	-	-	-	-	-
Shirley Liew	-	-	-	-	-	-
Matthew Stubbs	172,400,000	-	-	-	-	172,400,000
Michael Thaler (terminated 15 September 2017)	-	-	-	-	-	-
	172,400,000	-	-	-	-	172,400,000
2017						
John Murphy	-	-	-	-	-	-
Graeme Campbell	-	-	-	-	-	-
Shirley Liew	-	-	-	-	-	-
Matthew Stubbs	172,400,000	-	-	-	-	172,400,000
John Osborne (resigned 26 May 2017)	-	-	-	-	-	-
Michael Thaler	-	-	-	-	-	-
Mark Ronfeldt (terminated 19 May 2017)	-	-	-	-	-	-
	172,400,000	-	-	-	-	172,400,000

(d) Options

Options were granted to key management personnel in the 30 June 2016 financial year under the Group's Executive Share Incentive Plan. The options entitled the holder to one ordinary stapled security in Lantern Hotel Group Limited with an exercise price of \$nil if certain vesting conditions were satisfied. Options to John Osborne (number of options: 9,000,000) and Mark Ronfeldt (number of options: 4,050,000) were forfeited during the 30 June 2017 financial year as service vesting conditions were not satisfied. Options to Michael Thaler (number of options: 2,700,000) were forfeited during the 30 June 2018 financial year as service conditions were not satisfied. At 30 June 2018, no options issued under the Group's Executive Incentive Plan are on issue.

No amounts have been recorded in the 30 June 2018 financial year in relation to options issued under the Group's Executive Incentive Plan. Negative remuneration was recognised during the 30 June 2017 financial year to reverse all amounts expensed in previous financial years in relation to options issued under the Group's Executive Incentive Plan. This negative remuneration was recorded in accordance with Australian Accounting Standards as either (i) the options had forfeited prior to the vesting date; or (ii) options were not expected to vest based on Group's estimate of the non-market vesting probability at that time.

17. Parent financial information

2018
\$

2017
\$

Summary financial information about the parent:

Current assets	2,094,654	13,775,535
Total assets	2,094,654	13,775,535
Current liabilities	805,317	10,960,465
Total liabilities	805,317	10,960,465
Net Assets	1,289,337	2,815,070
Shareholders equity:		
Issued shares	1,685,350	2,745,192
Accumulated losses	(396,013)	69,878
Total shareholders' equity	1,289,337	2,815,070
Net profit/(loss) attributable to shareholders of the parent	(465,891)	7,899,207
Total comprehensive income/(loss) attributable to shareholders of the parent	(465,891)	7,897,579



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

18. Subsidiaries	Ownership Interest	
	2018 %	2017 %
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	
Lantern RE Limited	Australia	100
Lantern Management Services Pty Limited (disposed 14 June 2018)	Australia	Nil
Lantern Operations Pty Limited (terminated 28 November 2017)	Australia	Nil
Lantern Operations 2 Pty Limited (terminated 28 December 2017)	Australia	Nil
Lantern HR Pty Limited (terminated 28 November 2017)	Australia	Nil
Lantern Management No. 2 Pty Limited (disposed 14 June 2018)	Australia	Nil
IEF NZ Company Limited (terminated 5 February 2018)	New Zealand	Nil
IEF NZ Pty Limited (terminated 16 August 2017)	Australia	Nil

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

(a) Disposals and terminations of subsidiaries

The shares in Lantern Management Services Pty Limited and Lantern Management No.2 Pty Limited were disposed of during the year for \$1 respectively (combined consideration of \$2). At the date of the disposal the both companies had \$nil net assets.

The consolidated statement of profit or loss and other comprehensive income includes a gain on disposal of \$2 in relation to the disposal of Lantern Management Services Pty Limited and Lantern Management No.2 Pty Limited.

The remaining subsidiaries of the Group were terminated during the year (except Lantern RE Limited). At the date of their respective terminations, all other subsidiaries had \$nil net assets.

No amounts have been included in the consolidated statement of profit or loss and other comprehensive income in relation to the termination of other subsidiaries.

19. Events subsequent to the reporting date

Lantern Real Estate Trust was wound up on 18 July 2018, leaving only the shares of Lantern Hotel Group Limited listed on the Australian Securities Exchange (ASX code: LTN).

No other significant events subsequent to balance date.

20. Reconciliation of profit/ (loss) after income tax to net cash from operating activities	2018 \$	2017 \$
Profit/(loss) after income tax for the year	(414,774)	13,000,013
<i>Adjustments for:</i>		
Profit on sale of plant and equipment and intangibles	-	(25,100,285)
Profit on sale of subsidiaries	(2)	-
Depreciation and amortisation expense	-	872,425
Share based payment expense	-	(1,628)
Provision (reversal) for costs of wind down	(727,000)	1,037,000
<i>Change in operating assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	1,339,147	309,490
Decrease/(increase) in other assets	79,470	315,321
Decrease/(increase) in inventories	-	829,050
Decrease/(increase) in provisions for employee entitlements	-	(131,530)
Increase/(decrease) in income tax payable	(1,319,703)	1,319,703
Increase/(decrease) in trade and other payables	(2,031,748)	(6,701,934)
Net cash from operating activities	(3,074,610)	(14,252,375)



DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2018

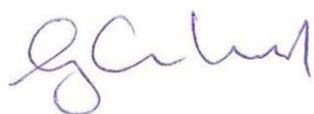
In the opinion of the directors of Lantern Hotel Group Limited;

- (a) the consolidated financial statements and notes, set out on pages 44 to 59, 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 2018 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 persons who perform the roles of Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



Graeme Campbell
Executive Chairman
Dated in Sydney this 30th day of August 2018



Shirley Liew
Non- Executive Director
Dated in Sydney this 30th day of August 2018



LANTERN HOTEL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Lantern Hotel Group Limited:

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lantern Hotel Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter

We draw attention to Note 1 of the financial report, which states the directors of the Company have concluded the Group is not a going concern and the financial report has been prepared on a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Emphasis of Matter section, we have determined that no other key audit matters are required to be communicated in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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LANTERN HOTEL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Information Other than the Financial Report and Auditor's Report Thereon (Continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

LANTERN HOTEL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

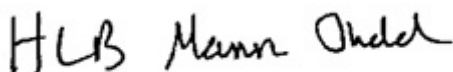
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 41 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lantern Hotel Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

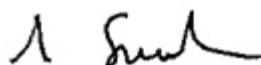
Responsibilities

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.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Sydney, NSW
30 August 2018

A handwritten signature in black ink that appears to read 'A G Smith'.

A G Smith
Partner

SECURITY HOLDER INFORMATION

The information set out below was prepared at 23 August 2018 and applies equally to units in the Trust and shares in the Company under the terms of their joint quotation on the Australian Securities Exchange.

Distribution of securities

Analysis of security holders by size of holding

	Number of holders of ordinary securities	Number of securities	% of total securities issued
100,001 and over	200	860,651,667	97.45
10,001 to 100,000	581	20,160,197	2.28
5,001 to 10,000	202	1,648,143	0.19
1,001 to 5,000	205	717,929	0.08
1 to 1,000	96	24,194	0.00
Total	1,284	883,202,130	100.00
Holding less than a marketable parcel	1,106	25,009,866	2.83

Security holders

Twenty largest quoted equity security holders

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

Name	Ordinary securities Number of securities held	% of total securities issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	357,160,809	40.44
CVC LIMITED	172,601,945	19.54
TOTEM HOLDINGS PTY LTD	134,000,000	15.17
CITICORP NOMINEES PTY LIMITED	32,526,699	3.68
EASTERN PORPHYRY PTY LTD	21,000,000	2.38
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,293,634	1.51
MR MATTHEW ROBERT STUBBS	9,000,000	1.02
AUST EXECUTOR TRUSTEES LTD	8,898,472	1.01
MR SIMON ROBERT EVANS & MRS KATHRYN MARGERET EVANS	7,000,000	0.79
BNP PARIBAS NOMS PTY LTD	6,802,978	0.77
MR MATTHEW ROBERT STUBBS & MS ANNA GOULSTON	5,200,000	0.59
MOAT INVESTMENTS PTY LTD	3,219,178	0.36
MABIMA PTY LTD	3,200,000	0.36
MR KUMARAN APPADURAI	3,026,666	0.34
MR SIMON ROBERT EVANS	2,843,896	0.32
ROLYAN PTY LTD	2,589,224	0.29
STATE ONE STOCKBROKING LTD	2,281,506	0.26
CUSTODIAL SERVICES LIMITED	2,192,666	0.25
HBD SERVICES PTY LTD	2,132,791	0.24
MR JAYASIMHA MUKKAMALLA & MRS SRIVALLI DONTIREDDY	2,000,000	0.23
	790,970,464	89.55



SECURITY HOLDER INFORMATION

Substantial holders

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

	Date of change	Ordinary securities Number of securities held	% of total securities issued
Torchlight GP Limited	3 March 2016	313,281,405	36.56%
CVC Limited	19 April 2016	172,604,945	19.54%
Matthew Donnellan & Matthew Stubbs and their related bodies corporate	20 April 2016	172,400,000	19.50%
Renaissance Property Securities Pty Ltd	16 June 2014	75,564,522	8.56%

Voting

Security holders 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, by proxy, or represented by power of attorney, or represented 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 paid stapled security on a poll.

On-market buyback

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

