

## APPENDIX 4D

### HALF-YEAR REPORT

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

Current period	<b>Half-year ended 31 December 2017</b>
Prior corresponding period	Half-year ended 31 December 2016

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

	Key information	31 Dec 2017 \$	31 Dec 2016 \$	Change %
2.1	Revenue from discontinued operations	-	24,298,392	(100.0)
2.2	Profit/(loss) from ordinary activities after tax	(527,458)	11,362,798	(104.6)
2.3	Profit for the period attributable to members	(527,458)	11,362,798	(104.6)

#### 2.4 Dividends and Distributions

No dividends or distributions were declared during the half year ended 31 December 2017. The directors have not proposed to declare a dividend or distribution for the half-year ended 31 December 2017.

#### 2.5 Commentary

Please refer to the review of operations in the Directors' Report attached.

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

	31 Dec 2017 cents	31 Dec 2016 cents
Stapled security	0.35	5.42

The 5.07 cents decrease in net tangible assets per ordinary stapled security was mainly driven by the impact of distributions and dividends declared and paid to the security holders during the 2017 financial year and the current half-year period. Distributions and dividends were funded predominately from the sale of the Group's hotels in prior periods.

**Lantern Hotel Group**  
**APPENDIX 4D - Half-year report**  
**For the half-year ended 31 December 2017**

**4. Details of entities over which control has been gained or lost during the period**

Refer to the attached interim financial report.

**5. Details of distributions and dividends paid during the period**

No dividends or distributions were declared during the half year ended 31 December 2017. Distributions and dividends declared prior to the beginning of the half-year were paid during the period. Refer to the attached interim financial report.

**6. Distribution/ dividend reinvestment plans**

There was no distribution/ dividend reinvestment plans in operation during the half-year.

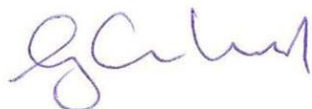
**7. Audit qualification or review**

The interim financial statement for the half-year ended 31 December 2017 was subject to a review by the auditors and their review report is attached as part of the interim financial report. The review report issued by the auditors includes an emphasis of matter drawing attention to the fact that the half-year interim financial report is prepared on a liquidation basis of accounting.

**8. Attachments**

The interim financial report of Lantern Hotel Group for the half-year ended 31 December 2017 is attached.

Signed:



Graeme Campbell

Executive Chairman

28 February 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**

**Interim report**

**For the half-year ended 31 December 2017**



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Lantern Hotel 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.



## CORPORATE INFORMATION

Directors	Graeme Campbell (Executive Chairman) Shirley Liew (Non-Executive Director) Matthew Stubbs (Non-Executive Director)
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 (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000
Stock Exchange Listing	Lantern Hotel Group stapled securities are listed on the Australian Securities Exchange (ASX code: LTN)
Website	<a href="http://www.lanternhotels.com.au">www.lanternhotels.com.au</a>



## DIRECTORS' REPORT

The directors of Lantern RE Ltd, the Responsible Entity of the Lantern Real Estate Trust, present their report, together with the financial statements of the Group, for the half-year ended 31 December 2017.

The Group consists of:

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

### Directors

The following persons were Directors of the Responsible Entity during the whole of the half-year ended 31 December 2017 and up to the date of this report:

Graeme Campbell (Executive Chairman)  
Shirley Liew (Non-Executive Director)  
Matthew Stubbs (Non-Executive Director)

### Review of Operations

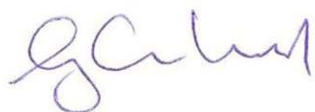
Net loss after tax for the half-year to 31 December 2017 was \$527,458 compared to a profit of \$11,362,798 in the previous corresponding period. The net loss was driven by the expenses required for the ongoing activities of the Group, including the finance and accounting function, compliance obligations, 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 half-year as far as possible. There have been no abnormal expenses incurred in the half-year.

During the half-year to 31 December 2017, 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.

### 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 28<sup>th</sup> day of February 2018



Shirley Liew  
Non-Executive Director  
Dated in Sydney this 28<sup>th</sup> day of February 2018



**LANTERN REAL ESTATE TRUST**  
**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Lantern RE Limited, as Responsible Entity of the Lantern Real Estate Trust:**

As lead auditor for the review of Lantern Real Estate Trust for the half-year ended 31 December 2017, 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lantern Real Estate Trust and the entities it controlled during the half-year.

A handwritten signature in black ink, appearing to read 'A G Smith'.

**Sydney, NSW**  
**28 February 2018**

**A G Smith**  
**Partner**

# CONSOLIDATED INCOME STATEMENT

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 \$	December 2016 \$
<b>Discontinued Operations</b>			
<b>Revenue and Income</b>			
Revenue from operations		-	24,298,392
Profit on disposal of property, plant, equipment and intangibles		-	12,740,927
Other income	2	42,438	341,321
Realised foreign exchange gains/(losses)		2,266	(440,046)
<b>Total revenue and income</b>		<b>44,704</b>	<b>36,940,594</b>
<b>Expenses</b>			
Cost of sales		-	9,392,469
Salaries and wages		263,765	5,988,680
Finance costs		-	872,774
Depreciation and amortisation		-	1,235,406
Professional fees		388,418	1,024,550
Repairs and maintenance		-	887,240
Insurance		109,361	212,736
Security		-	427,198
Property expenses		-	380,936
Loss on disposal of property, plant, equipment and intangibles		-	153,095
Loss on disposal of investment properties		-	1,283,600
Provision for costs of wind down		(329,000)	1,800,000
Other		71,312	2,082,983
<b>Total expenses</b>		<b>503,856</b>	<b>25,741,667</b>
<b>Profit/(loss) from discontinued operations before income tax</b>		<b>(459,152)</b>	<b>11,198,927</b>
Income tax benefit/(expense)		(68,306)	163,871
<b>Profit/(loss) from discontinued operations after income tax</b>		<b>(527,458)</b>	<b>11,362,798</b>
Profit/(loss) after income tax is attributable to:			
Stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)		(9,545)	(413,416)
Shareholders of Lantern Hotel Group Limited (non-controlling interest)		(517,913)	11,776,214
		<b>(527,458)</b>	<b>11,362,798</b>
		<b>Cents</b>	<b>Cents</b>
<b>Distributions &amp; dividends per security</b>		<b>-</b>	<b>4.5</b>
Earnings per security – basic	3	(0.06)	1.29
Earnings per security – diluted	3	(0.06)	1.26

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





# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	December 2017 \$	December 2016 \$
<b>Parent interest – Lantern Real Estate Trust</b>		
Net profit/(loss) for the half-year	(9,545)	(413,416)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus (deficit) – property, plant and equipment	-	(125,000)
Security based payment reserve	-	119,316
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	-	440,547
<b>Total comprehensive profit/(loss) for the half-year – parent interest</b>	<b>(9,545)</b>	<b>21,447</b>
<b>Non-controlling interest – Lantern Hotel Group Limited</b>		
Net profit/ (loss) for the half-year	(517,913)	11,776,214
Items that will not be reclassified to profit or loss:		
Security based payment reserve	-	6,462
<b>Total comprehensive profit/(loss) for the half-year – non-controlling interest</b>	<b>(517,913)</b>	<b>11,782,676</b>
<b>Stapled Entity</b>		
Net profit/(loss) for the half-year	(527,458)	11,362,798
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus (deficit) – property, plant and equipment	-	(125,000)
Security based payment reserve	-	125,778
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	-	440,547
<b>Total comprehensive profit/(loss) for the half-year – stapled entity</b>	<b>(527,458)</b>	<b>11,804,123</b>

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

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	December 2017 \$	June 2017 \$
<b>Current assets</b>			
Cash and cash equivalents		5,282,472	16,394,508
Trade and other receivables		56,265	79,471
<b>Total current assets</b>		<b>5,338,737</b>	<b>16,473,979</b>
<b>Total assets</b>		<b>5,338,737</b>	<b>16,473,979</b>
<b>Current liabilities</b>			
Payables		112,715	2,510,986
Income tax payable		1,388,009	1,319,703
Distributions & dividends payable		-	7,948,819
Provisions	4	708,000	1,037,000
<b>Total current liabilities</b>		<b>2,208,724</b>	<b>12,816,508</b>
<b>Total liabilities</b>		<b>2,208,724</b>	<b>12,816,508</b>
<b>Net assets</b>		<b>3,130,013</b>	<b>3,657,471</b>
Security holders' interest attributable to stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)			
Issued units	5(a)	97,706,499	97,706,499
Retained earnings/(accumulated losses)		(124,199,845)	(124,190,300)
<b>Total equity interest attributable to unitholders of Lantern Real Estate Trust (parent interest)</b>		<b>(26,493,346)</b>	<b>(26,483,801)</b>
Shareholders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	5(a)	2,745,192	2,745,192
Retained earnings/(accumulated losses)		26,878,167	27,396,080
<b>Total equity interest attributable to shareholders of Lantern Hotel Group Limited (non-controlling interest)</b>		<b>29,623,359</b>	<b>30,141,272</b>
<b>Total security holders' interest</b>		<b>3,130,013</b>	<b>3,657,471</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 \$	December 2016 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST)		14,208	27,076,004
Cash paid to suppliers and employees (inclusive of GST)		(3,206,947)	(24,610,375)
Interest received		29,522	41,321
Interest paid		-	(891,150)
<b>Net cash provided by/(used in) operating activities</b>		<b>(3,163,217)</b>	<b>1,615,800</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant, equipment, intangibles relating to held for sale assets		-	(3,688,060)
Proceeds from sale of held for sale assets		-	64,075,490
Payments made on disposal of held for sale assets		-	(1,278,075)
<b>Net cash provided by/(used in) investing activities</b>		<b>-</b>	<b>59,109,355</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	11,000,000
Repayment of borrowings		-	(39,511,100)
Distributions paid	6	(5,899,790)	(22,080,280)
Dividends paid	6	(2,049,029)	-
Payment for borrowing costs		-	(31,000)
<b>Net cash provided by/(used in) financing activities</b>		<b>(7,948,819)</b>	<b>(50,622,380)</b>
Net increase in cash or cash equivalents		(11,112,036)	10,102,775
Cash and cash equivalents at the beginning of the half-year		16,394,508	12,471,400
<b>Cash and cash equivalents at the end of the half-year</b>		<b>5,282,472</b>	<b>22,574,175</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital \$	Reserves \$	Retained Earnings \$	Non-controlling Interest \$	Total \$
<b>Carrying amount at 1 July 2017</b>	97,706,499	-	(124,190,300)	30,141,272	3,657,471
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the half-year	-	-	(9,545)	-	(9,545)
	-	-	(9,545)	-	(9,545)
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the half-year	-	-	-	(517,913)	(517,913)
	-	-	-	(517,913)	(517,913)
<b>Total Stapled Entity</b>					
Net profit/(loss) for the half-year	-	-	(9,545)	(517,913)	(527,458)
	-	-	(9,545)	(517,913)	(527,458)
<b>Carrying amounts at 31 December 2017</b>	97,706,499	-	(124,199,845)	29,623,359	3,130,013
<b>Carrying amount at 1 July 2016</b>	220,763,054	(60,475)	(136,000,987)	10,520,184	95,221,776
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the half-year	-	-	(413,416)	-	(413,416)
Other comprehensive income	-	434,863	-	-	434,863
Transactions with owners in their capacity as owners:					
Distributions declared	(39,744,099)	-	-	-	(39,744,099)
	(39,744,099)	434,863	(413,416)	-	(39,722,652)
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the half-year	-	-	-	11,776,214	11,776,214
Other comprehensive income	-	-	-	6,462	6,462
	-	-	-	11,782,676	11,782,676
<b>Total Stapled Entity</b>					
Net profit/(loss) for the half-year	-	-	(413,416)	11,776,214	11,362,798
Other comprehensive income	-	434,863	-	6,462	441,325
Transactions with owners in their capacity as owners:					
Distributions declared	(39,744,099)	-	-	-	(39,744,099)
	(39,744,099)	434,863	(413,416)	11,782,676	(27,939,976)
<b>Carrying amounts at 31 December 2016</b>	181,018,955	374,388	(136,414,403)	22,302,860	67,281,800

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 1. Significant Accounting Policies

#### Basis of preparation

This consolidated financial report for the half-year ended 31 December 2017 (the "interim financial report") has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The interim financial report includes:

- (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 interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, it is recommended that the interim financial report be read in conjunction with the most recent annual financial report and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is prepared in accordance with the same accounting policies that were applied in the most recent annual financial report.

During the half-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. Consistent with the most recent annual financial report, the directors have determined that the going concern basis of preparation is not appropriate given the Group's current state of affairs and this interim financial report has been prepared on a liquidation basis of accounting. This basis of preparation was applied in the Group's most recent annual financial report and the previous corresponding half-year interim financial report.

#### Comparative information

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

#### 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 ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the interim financial report.

2. Other income	December 2017 \$	December 2016 \$
Interest income	29,522	41,321
Other income	12,916	300,000
<b>Total revenue</b>	<b>42,438</b>	<b>341,321</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

3. Earnings Per Security	December 2017 \$	December 2016 \$
Profit/(loss) from discontinued operations attributable to ordinary security holders of the Group:	(527,458)	11,362,798
	No.	No.
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	883,959,127	898,952,130
	Cents	Cents
<b>Earnings per security</b>		
Earnings per security - basic	(0.06)	1.29
Earnings per security - diluted	(0.06)	1.26
4. Provisions	December 2017 \$	June 2017 \$
<b>Current liabilities</b>		
Provision for costs of wind down	708,000	1,037,000
<b>Total current provisions</b>	708,000	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.		
5. Issued Securities	December 2017 \$	December 2016 \$
<b>(a) Carrying amounts</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the half-year	97,706,499	220,763,054
Distributions declared	-	(39,744,099)
At the end of the half-year	97,706,499	181,018,955
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the half-year	2,745,192	2,745,192
At the end of the half-year	2,745,192	2,745,192
<b>Total issued stapled securities</b>	100,451,691	183,764,147
<b>(b) Number of securities issued</b>	No.	No.
Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the half-year	883,202,130	883,202,130
At the end of the half-year	883,202,130	883,202,130
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the half-year	883,202,130	883,202,130
At the end of the half-year	883,202,130	883,202,130
<b>Total issued stapled securities</b>	883,202,130	883,202,130



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### 6. 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 half-year:

Distribution	0.67	5,899,790	17 July 2017
Dividend	0.23	2,049,029	17 July 2017
<b>Total distributions and dividends paid</b>	<b>0.90</b>	<b>7,948,819</b>	

The distributions and dividends paid during the half-year were declared during the 30 June 2017 financial year and recognised during that period.

No distributions or dividends were declared during the half-year by the Group.

#### 7. Subsidiaries and Other Entities

Ownership interest	
December 2017	June 2017
%	%

The consolidated interim financial statements incorporate the assets, liabilities and results of the following subsidiaries and other entities:

Name	Country of incorporation or establishment		
<b>Lantern Real Estate Trust</b>			
Lantern No.2 Subsidiary Trust	Australia	100	100
Lantern Subsidiary Trust	Australia	100	100
IEF NZ Subsidiary Trust	Australia	nil	100
<b>Lantern Hotel Group Limited</b>			
Lantern RE Ltd	Australia	100	100
Lantern Management Services Pty Limited	Australia	100	100
Lantern Operations Pty Limited	Australia	nil	100
Lantern Operations 2 Pty Limited	Australia	nil	100
Lantern HR Pty Limited	Australia	nil	100
Lantern Management No.2 Pty Limited	Australia	100	100
IEF NZ Company Limited	New Zealand	100	100
IEF NZ Pty Limited	Australia	nil	100

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

#### 8. Events subsequent to the reporting date

No significant events subsequent to reporting date.



## DIRECTORS' DECLARATION

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

- (a) the interim consolidated financial statements and notes, set out on pages 4 to 11, 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 31 December 2017 and of its performance for the half-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 Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Graeme Campbell  
Executive Chairman  
Dated in Sydney this 28<sup>th</sup> day of February 2018

Shirley Liew  
Non- Executive Director  
Dated in Sydney this 28<sup>th</sup> day of February 2018





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

To the unitholders of Lantern Real Estate Trust:

We have reviewed the accompanying half-year financial report of Lantern Real Estate Trust ("the Trust") which comprises the consolidated statement of financial position as at 31 December 2017, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration of Lantern RE Limited, the responsible entity of the Trust, for the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of Lantern RE Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lantern Real Estate Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Emphasis of Matter**

We draw attention to Note 1 of the half-year financial report, which states that the directors of Lantern RE Limited have concluded that the consolidated entity is not considered a going concern and the half-year financial report has been prepared on a liquidation basis of accounting.

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

**HLB Mann Judd**  
**Chartered Accountants**

**Sydney, NSW**  
**28 February 2018**

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

**A G Smith**  
**Partner**

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**Lantern Hotel Group Limited**  
and its controlled entities

**Interim report**

**For the half-year ended 31 December 2017**



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

This set of financial statements has been prepared for a sub-group of the Trust, 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.

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 (Non-Executive Director) Matthew Stubbs (Non-Executive Director)
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 (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000
Stock Exchange Listing	Lantern Hotel Group stapled securities are listed on the Australian Securities Exchange (ASX code: LTN)
Website	<a href="http://www.lanternhotels.com.au">www.lanternhotels.com.au</a>



## DIRECTORS' REPORT

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 half-year ended 31 December 2017.

### Directors

The following persons were Directors of the Company during the whole of the half-year ended 31 December 2017 and up to the date of this report:

Graeme Campbell (Executive Director)  
Shirley Liew (Non-Executive Director)  
Matthew Stubbs (Non-Executive Director)

### Review of Operations

Net loss after tax for the half-year to 31 December 2017 was \$513,864 compared to a profit of \$4,686,240 in the previous corresponding period. 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 half-year as far as possible. There have been no abnormal expenses incurred in the half-year.

During the half-year to 31 December 2017, 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.

### 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 Company.

Graeme Campbell  
Executive Chairman  
Dated in Sydney this 28<sup>th</sup> day of February 2018

Shirley Liew  
Non-Executive Director  
Dated in Sydney this 28<sup>th</sup> day of February 2018



**LANTERN HOTEL GROUP LIMITED**  
**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Lantern Hotel Group Limited:**

As lead auditor for the review of Lantern Hotel Group Limited for the half-year ended 31 December 2017, 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lantern Hotel Group Limited and the entities it controlled during the half-year.



**Sydney, NSW**  
**28 February 2018**

**A G Smith**  
**Partner**



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 \$	December 2016 \$
<b>Discontinued Operations</b>			
<b>Revenue and Income</b>			
Revenue from hotel operations		-	23,263,147
Other income	2	28,284	713,963
Profit on disposal of property, plant and equipment		-	10,847,993
<b>Total revenue and income</b>		<b>28,284</b>	<b>34,825,103</b>
<b>Expenses</b>			
Cost of sales		-	9,392,469
Salaries and wages		263,765	5,869,364
Interest expense – Lantern Real Estate Trust		-	3,131,820
Depreciation and amortisation		-	872,425
Professional fees		358,673	926,730
Repairs and maintenance		-	840,100
Insurance		109,361	212,736
Security		-	427,198
Property expenses		-	4,989,090
Loss on disposal of plant and equipment		-	117,388
Provision for costs of wind down		(329,000)	1,800,000
Other		71,043	1,723,414
<b>Total expenses</b>		<b>473,842</b>	<b>30,302,734</b>
<b>Profit/(loss) from discontinued operations before income tax</b>		<b>(445,558)</b>	<b>4,522,369</b>
Income tax benefit/(expense)		(68,306)	163,871
<b>Profit/(loss) from discontinued operations after income tax</b>		<b>(513,864)</b>	<b>4,686,240</b>
Other comprehensive income – items that will not be reclassified to profit or loss		-	6,462
<b>Total comprehensive income for the half-year</b>		<b>(513,864)</b>	<b>4,692,702</b>
<b>Profit/(loss) attributable to ordinary shareholders</b>		<b>(513,864)</b>	<b>4,692,702</b>
<b>Dividends per share</b>		<b>Cents</b>	<b>Cents</b>
		-	-
Profit/(loss) per share attributable to the ordinary shareholders of the Group – basic	3	(0.06)	0.53
Profit/(loss) per share attributable to the ordinary shareholders of the Group – diluted	3	(0.06)	0.52

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2017

	Note	December 2017 \$	June 2017 \$
<b>Current assets</b>			
Cash and cash equivalents		3,960,791	3,661,639
Trade and other receivables	4	635,197	10,472,200
Other assets		-	79,470
<b>Total current assets</b>		<b>4,595,988</b>	<b>14,213,309</b>
<b>Total assets</b>		<b>4,595,988</b>	<b>14,213,309</b>
<b>Current liabilities</b>			
Payables	5	92,099	6,885,833
Income tax payable		1,388,009	1,319,703
Dividends payable		-	2,049,029
Provisions	6	708,000	1,037,000
<b>Total current liabilities</b>		<b>2,188,108</b>	<b>11,291,565</b>
<b>Total liabilities</b>		<b>2,188,108</b>	<b>11,291,565</b>
<b>Net assets</b>		<b>2,407,880</b>	<b>2,921,744</b>
<b>Equity</b>			
Shareholders of Lantern Hotel Group Limited			
Issued shares	7(a)	2,745,192	2,745,192
Retained earnings/(accumulated losses)		(337,312)	176,552
<b>Total equity</b>		<b>2,407,880</b>	<b>2,921,744</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 \$	December 2016 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST)		8,023	26,473,191
Cash paid to suppliers and employees (inclusive of GST)		(3,214,794)	(24,228,903)
Interest received		16,941	13,963
<b>Net cash from operating activities</b>		<b>(3,189,830)</b>	<b>2,258,251</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment relating to held for sale assets		-	(3,535,881)
Proceeds from sale of held for sale assets		-	15,022,500
Payments made on disposal of held for sale assets		-	(237,931)
<b>Net cash inflow from investing activities</b>		<b>-</b>	<b>11,248,688</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings – Lantern Real Estate Trust		5,538,011	(11,150,202)
Dividend paid	8	(2,049,029)	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>3,488,982</b>	<b>(11,150,202)</b>
Net increase in cash or cash equivalents		299,152	2,356,737
Cash or cash equivalents at the beginning of the half-year		3,661,639	5,659,874
<b>Cash and cash equivalents and the end of the half-year</b>		<b>3,960,791</b>	<b>8,016,611</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
<b>Carrying amount at 1 July 2017</b>	2,745,192	-	176,552	2,921,744
Net profit/(loss) for the half-year	-	-	(513,864)	(513,864)
Other comprehensive income	-	-	-	-
<b>Total comprehensive profit/(loss) for the half-year</b>	-	-	(513,864)	(513,864)
<b>Carrying amounts at 31 December 2017</b>	2,745,192	-	(337,312)	2,407,880
<b>Carrying amount at 1 July 2016</b>	2,745,192	1,628	(10,774,432)	(8,027,612)
Net profit/(loss) for the half-year	-	-	4,686,240	4,686,240
Other comprehensive income	-	6,462	-	6,462
<b>Total comprehensive profit/(loss) for the half-year</b>	-	6,462	4,686,240	4,692,702
<b>Carrying amounts at 31 December 2016</b>	2,745,192	8,090	(6,088,192)	(3,334,910)

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 1. Significant Accounting Policies

#### Basis of preparation

This consolidated financial report of Lantern Hotel Group Limited ('the Company') and its controlled entities (collectively 'the Group') for the half-year ended 31 December 2017 (the "interim financial report") has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, it is recommended that the interim financial report be read in conjunction with the most recent annual financial report and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is prepared in accordance with the same accounting policies that were applied in the most recent annual financial report.

During the half-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. Consistent with the most recent annual financial report, the directors have determined that the going concern basis of preparation is not appropriate given the Group's current state of affairs and this interim financial report has been prepared on a liquidation basis of accounting. This basis of preparation was applied in the Group's most recent annual financial report and the previous corresponding half-year interim financial report.

#### Comparative information

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

#### 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 ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial statements of the consolidated entity.

2. Other Income	December 2017 \$	December 2016 \$
Interest income (third party)	16,941	13,963
Interest income - Lantern Real Estate Trust	-	400,000
Responsible entity fee income – Lantern Real Estate Trust	4,049	300,000
Other	7,294	-
<b>Total other income</b>	<b>28,284</b>	<b>713,963</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

3. Earnings Per Share	December 2017 \$	December 2016 \$
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the Group:	(513,864)	4,686,240
	No.	No.
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	883,959,157	898,952,130
	Cents	Cents
Basic and diluted earnings per share attributable to the shareholders of the Group		
From discontinued operations – basic earnings	(0.06)	0.53
From discontinued operations – diluted earnings	(0.06)	0.52
4. Trade and Other Receivables	December 2017 \$	June 2017 \$
<b>Current assets</b>		
Receivables – Lantern Real Estate Trust	578,932	10,472,200
Other receivables	56,265	-
<b>Total trade and other receivables</b>	<b>635,197</b>	<b>10,472,200</b>
5. Payables	December 2017 \$	June 2017 \$
<b>Current liabilities</b>		
Trade payables	92,099	2,526,527
Payables – Lantern Real Estate Trust	-	4,359,356
<b>Total current payables</b>	<b>92,099</b>	<b>6,885,883</b>
6. Provisions	December 2017 \$	June 2017 \$
<b>Current liabilities</b>		
Provision for costs of wind down	708,000	1,037,000
<b>Total current provisions</b>	<b>708,000</b>	<b>1,037,000</b>
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.		
7. Issued shares	December 2017 \$	December 2016 \$
<b>(a) Carrying amounts</b>		
At the beginning of the half-year	2,745,192	2,745,192
At the end of the half-year	2,745,192	2,745,192
<b>(b) Number of shares issued</b>	No.	No.
At the beginning of the half-year	883,202,130	883,202,130
At the end of the half-year	883,202,130	883,202,130



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

8. Dividends	Cents per Security	Total \$	Payment Date
The following dividend was paid by the Group during the half-year:			
Dividend	0.23	2,049,029	17 July 2017
<b>Total dividend paid</b>	<b>0.23</b>	<b>2,049,029</b>	

The dividends paid during the half-year were declared during the 30 June 2017 financial year and recognised during that period.

No dividends were declared during the half-year by the Group.

9. Subsidiaries	Ownership Interest	
	December 2017	June 2017
	%	%

The consolidated interim financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Country of incorporation or establishment		
Lantern RE Limited	Australia	100	100
Lantern Management Services Pty Limited	Australia	100	100
Lantern Operations Pty Limited	Australia	nil	100
Lantern Operations 2 Pty Limited	Australia	nil	100
Lantern HR Pty Limited	Australia	nil	100
Lantern Management No. 2 Pty Limited	Australia	100	100
IEF NZ Company Limited	New Zealand	100	100
IEF NZ Pty Limited	Australia	nil	100

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

### 10. Events subsequent to the reporting date

No significant events subsequent to reporting date.




## DIRECTORS' DECLARATION

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

- (a) the consolidated financial statements and notes, set out on pages 21 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 31 December 2017 and of its performance for the half-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 Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Graeme Campbell  
Executive Chairman  
Dated in Sydney this 28<sup>th</sup> day of February 2018



Shirley Liew  
Non- Executive Director  
Dated in Sydney this 28<sup>th</sup> day of February 2018





**LANTERN HOTEL GROUP LIMITED**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Lantern Hotel Group Limited

We have reviewed the accompanying half-year financial report of Lantern Hotel Group Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2017, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

**LANTERN HOTEL GROUP LIMITED**  
**INDEPENDENT AUDITOR'S REVIEW REPORT (continued)**


**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lantern Hotel Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Emphasis of Matter**

We draw attention to Note 1 of the half-year financial report, which states that the directors of the company have concluded that the consolidated entity is not considered a going concern and the half-year financial report has been prepared on a liquidation basis of accounting.

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

**HLB Mann Judd**  
**Chartered Accountants**

**Sydney, NSW**  
**28 February 2018**

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

**A G Smith**  
**Partner**