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**APPENDIX 4D**

**HALF-YEAR REPORT**

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

Current period	<b>Half-year ended 31 December 2016</b>
Prior corresponding period	Half-year ended 31 December 2015

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

	Key information	31 Dec 2016 \$'000	31 Dec 2015 \$'000	Change %
2.1	Revenue from discontinued operations	24,340	32,757	(25.7)
2.2	Profit/(loss) from ordinary activities after tax	11,363	(101)	n/a
2.3	Profit for the period attributable to members	11,363	(101)	n/a

2.4	Distributions	Record date	Payment date	Amount per security	Franked amount per security
	Return of unit capital	27 July 2016	10 August 2016	2.0 cents	\$Nil
	Return of unit capital	23 September 2016	14 October 2016	0.5 cents	\$Nil
	Return of unit capital	19 December 2016	9 January 2017	2.0 cents	\$Nil

2.5 Commentary

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

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**Lantern Hotel Group**  
**APPENDIX 4D - Half-year report**  
**For the half-year ended 31 December 2016**

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

	31 Dec 2016 cents	31 Dec 2015 Cents
Stapled security	5.42	6.06

**4. Audit qualification or review**

The interim financial statements for the period ended 31 December 2016 were subject to a review by the auditors and their report is attached as part of the Interim Report.

**5. Attachments**

The interim report of Lantern Hotel Group for the half-year ended 31 December 2016 is attached.

**6. Signed**

Signed:



John Osborne

CEO

22<sup>nd</sup> February 2017



## **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 2016**



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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 (Non-Executive Chairman) Shirley Liew (Non-Executive Director) Matthew Stubbs (Non-Executive Director)
Company Secretary	Leanne Ralph
Registered Office	Level 8, 1 York Street Sydney NSW 2000 Phone: (02) 8223 3602
Principal Administration Office	Level 8, 1 York Street Sydney NSW 2000 Phone: (02) 8223 3602
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 2016.

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 2016 and up to the date of this report:

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

### Review of Operations

Net profit from operations after tax for the half-year to 31 December 2016 was \$11.4m, up from a loss of \$0.1m in the previous corresponding period.

On 25 October 2016 security holders resolved to implement a plan to sell down the hotel assets of the Group. All operations of the Group have now been classified as discontinued operations and the financial statements of the Group are prepared on a liquidation basis of accounting.

At the end of the period 5 hotels remained with three of those hotels having exchanged contracts for sale. Agreements for the sale of the remaining hotels were reached post balance date. It is anticipated that the sell-down of the Group's hotel assets will be completed by March 2017.

Due to the sell down plan implemented by the Group during the half-year, the financial results are not comparable to the prior corresponding period.

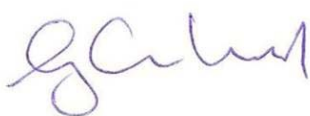
### Rounding of Amounts

The Group is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

### Auditor's Independence Declaration

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

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



Graeme Campbell  
Non-Executive Chairman  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



Shirley Liew  
Non-Executive Director  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



**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 2016, 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.



**Sydney  
22 February 2017**

**A G Smith  
Partner**

## CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	December 2016 \$'000	December 2015 \$'000
<b>Discontinued Operations</b>			
<b>Revenue and Income</b>			
Revenue from operations	2	24,340	32,757
Net gain (loss) in fair value of interest rate swaps		-	1,239
Profit on disposal of property, plant, equipment and intangibles		12,741	-
Other income		300	39
Realised foreign exchange gains/(losses)		(440)	-
<b>Total revenue and income</b>		<b>36,941</b>	<b>34,035</b>
<b>Expenses</b>			
Cost of sales		9,392	12,227
Salaries and wages		5,989	9,130
Finance costs	3(a)	873	3,028
Depreciation and amortisation	3(b)	1,235	1,613
Impairment of property, plant and equipment		-	890
Impairment of goodwill		-	1,116
Professional fees		1,025	726
Repairs and maintenance		887	1,374
Insurance		213	279
Security		427	651
Property expenses		381	674
Loss on disposal of property, plant, equipment and intangibles		153	32
Loss on disposal of investment properties		1,284	-
Provision for costs of wind down		1,800	-
Other	3(c)	2,083	2,396
<b>Total expenses</b>		<b>25,742</b>	<b>34,136</b>
<b>Profit/(loss) from discontinued operations before income tax</b>		<b>11,199</b>	<b>(101)</b>
Income tax benefit		164	-
<b>Profit/(loss) from discontinued operations after income tax</b>		<b>11,363</b>	<b>(101)</b>
Profit/(loss) after income tax is attributable to:			
Stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)		(413)	(1,912)
Shareholders of Lantern Hotel Group Limited (non-controlling interest)		11,776	1,811
		<b>11,363</b>	<b>(101)</b>
<b>Distributions per security</b>		<b>Cents</b>	<b>Cents</b>
		4.5	-
Earnings per security – basic	4	1.29	(0.01)
Earnings per security – diluted	4	1.26	(0.01)

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 2016

Note	December 2016 \$'000	December 2015 \$'000
<b>Parent interest – Lantern Real Estate Trust</b>		
Net profit/(loss) for the half-year	(413)	(1,912)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus (deficit) – property, plant and equipment	(125)	(75)
Security based payment reserve	119	-
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	441	171
<b>Total comprehensive profit/(loss) for the half-year – parent interest</b>	<b>22</b>	<b>(1,816)</b>
<b>Non-controlling interest – Lantern Hotel Group Limited</b>		
Net profit for the half-year	11,776	1,811
Items that will not be reclassified to profit or loss:		
Security based payment reserve	6	-
<b>Total comprehensive profit/(loss) for the half-year – non-controlling interest</b>	<b>11,782</b>	<b>1,811</b>
<b>Stapled Entity</b>		
Net profit/(loss) for the half-year	11,363	(101)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus (deficit) – property, plant and equipment	(125)	(75)
Security based payment reserve	125	-
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	441	171
<b>Total comprehensive profit/(loss) for the half-year – stapled entity</b>	<b>11,804</b>	<b>(5)</b>

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

	Note	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents		21,979	12,011
Trade and other receivables	5	1,001	1,248
Inventories		-	642
Deferred tax assets		554	-
Property, plant and equipment	7	21	-
Held for sale assets	12(c)	80,479	18,601
<b>Total current assets</b>		<b>104,034</b>	<b>32,502</b>
<b>Non-current assets</b>			
Investment properties	6	-	16,250
Property, plant and equipment	7	-	72,829
Intangibles	8	-	24,221
Other		-	183
<b>Total non-current assets</b>		<b>-</b>	<b>113,483</b>
<b>Total assets</b>		<b>104,034</b>	<b>145,985</b>
<b>Current liabilities</b>			
Payables		2,468	7,587
Income tax payable		390	-
Distributions payable		17,664	-
Liabilities directly associated with assets classified as held for sale	12(c)	14,025	14,621
Provisions	10	2,205	88
<b>Total current liabilities</b>		<b>36,752</b>	<b>22,296</b>
<b>Non-current liabilities</b>			
Payables		-	2,156
Borrowings	9	-	26,267
Provisions	10	-	44
<b>Total non-current liabilities</b>		<b>-</b>	<b>28,467</b>
<b>Total liabilities</b>		<b>36,752</b>	<b>50,763</b>
<b>Net assets</b>		<b>67,282</b>	<b>95,222</b>
Security holders' interest attributable to stapled security holders as:			
Unitholders of Lantern Real Estate Trust (parent interest)			
Issued units	11(a)	181,019	220,763
Reserves		374	(61)
Retained earnings/(accumulated losses)		(136,414)	(136,001)
<b>Total equity interest attributable to unitholders of Lantern Real Estate Trust (parent interest)</b>		<b>44,979</b>	<b>84,701</b>
Shareholders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	11(a)	2,745	2,745
Reserves		8	2
Retained earnings/(accumulated losses)		19,550	7,774
<b>Total equity interest attributable to shareholders of Lantern Hotel Group Limited (non-controlling interest)</b>		<b>22,303</b>	<b>10,521</b>
<b>Total security holders' interest</b>		<b>67,282</b>	<b>95,222</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 2016

Note	December 2016 \$'000	December 2015 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers (inclusive of GST)	27,076	35,724
Cash paid to suppliers and employees (inclusive of GST)	(24,610)	(33,634)
Proceeds from insurance claim	-	150
Interest received	41	28
Interest paid	(891)	(3,383)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,616</b>	<b>(1,115)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant, equipment, intangibles relating to held for sale assets	(3,688)	(2,105)
Proceeds from sale of held for sale assets	64,075	2,108
Payments made on disposal of held for sale assets	(1,278)	-
Option fee received	-	200
<b>Net cash provided by/(used in) investing activities</b>	<b>59,109</b>	<b>203</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	11,000	7,799
Repayment of finance leases	-	(47)
Payment for cancelled interest rate swaps	-	(5,519)
Repayment of borrowings	(39,511)	-
Distributions paid	(22,080)	-
Payment for borrowing costs	(31)	(54)
<b>Net cash provided by/(used in) financing activities</b>	<b>(50,622)</b>	<b>2,179</b>
Net increase in cash or cash equivalents	10,103	1,267
Cash and cash equivalents at the beginning of the half-year	12,471	3,611
<b>Cash and cash equivalents at the end of the half-year</b>	<b>22,574</b>	<b>4,878</b>
Cash and cash equivalents at the end of the half-year are made up as follows:		
Cash and cash equivalents at the end of the half-year	21,979	4,681
Cash and cash equivalents at the end of the half-year – held for sale assets	12(c) 595	197
<b>Cash and cash equivalents at the end of the half-year</b>	<b>22,574</b>	<b>4,878</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 2016

	Note	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Non-controlling Interest \$'000	Total \$'000
<b>Carrying amount at 1 July 2016</b>		220,763	(61)	(136,001)	10,521	95,222
<b>Lantern Real Estate Trust</b>						
Net profit/(loss) for the half-year		-	-	(413)	-	(413)
Other comprehensive income		-	435	-	-	435
Transactions with owners in their capacity as owners:						
Distributions paid or declared	13	(39,744)	-	-	-	(39,744)
		(39,744)	435	(413)	-	(39,722)
<b>Lantern Hotel Group Limited</b>						
Net profit/(loss) for the half-year		-	-	-	11,776	11,776
Other comprehensive income		-	-	-	6	6
		-	-	-	11,782	11,782
<b>Total Stapled Entity</b>						
Net profit/(loss) for the half-year		-	-	(413)	11,776	11,363
Other comprehensive income		-	435	-	6	441
Transactions with owners in their capacity as owners:						
Distributions paid or declared	13	(39,744)	-	-	-	(39,744)
		(39,744)	435	(413)	11,782	(27,940)
<b>Carrying amounts at 31 December 2016</b>		181,019	374	(136,414)	22,303	67,282
<b>Carrying amount at 1 July 2015</b>		220,763	(23)	(135,210)	2,722	88,252
<b>Lantern Real Estate Trust</b>						
Net profit/(loss) for the half-year		-	-	(1,912)	-	(1,912)
Other comprehensive income		-	96	-	-	96
		-	96	(1,912)	-	(1,816)
<b>Lantern Hotel Group Limited</b>						
Net profit/(loss) for the half-year		-	-	-	1,811	1,811
		-	-	-	1,811	1,811
<b>Total Stapled Entity</b>						
Net profit/(loss) for the half-year		-	-	(1,912)	1,811	(101)
Other comprehensive income		-	96	-	-	96
		-	96	(1,912)	1,811	(5)
<b>Carrying amounts at 31 December 2015</b>		220,763	73	(137,122)	4,533	88,247

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 2016

### 1. Significant Accounting Policies

#### Statement of compliance

This consolidated financial report for the half-year ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The consolidated 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 consolidated 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 financial report be read in conjunction with the annual report for the year ended 30 June 2016 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.

#### Basis of preparation

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 Group is currently in the process of selling down all of the remaining hotels and otherwise winding down its operations.

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.

Accordingly, the directors have determined the going concern basis of preparation (as applied in previous years) is no longer appropriate and the financial report has not been prepared on a going concern basis, rather this financial report has been 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 (where relevant), 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 except for the changes specified above which relate to the adoption of the liquidation basis of accounting.

Some comparative information has been reclassified to enhance comparison with current period classifications, being, the consolidated income statement for the half-year ended 31 December 2015 (and relevant comparative information contained in the notes to the financial statements) which have been restated to be comparable with the current period which is presented on a discontinued operations basis. Comparative information otherwise has not been restated and is presented and measured on a going concern basis.

#### New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity 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. Revenue	December 2016 \$'000	December 2015 \$'000
Revenue from hotel operations		
Gaming	12,389	12,906
Beverage	7,930	12,489
Food	2,299	4,986
Other	601	1,075
Rental revenue	1,080	1,273
Interest revenue	41	28
<b>Total revenue</b>	<b>24,340</b>	<b>32,757</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

3(a) Finance Costs	December 2016 \$'000	December 2015 \$'000
Interest paid or payable – borrowings	873	1,651
Interest paid or payable – interest rate swaps	-	1,377
<b>Total finance costs</b>	<b>873</b>	<b>3,028</b>

3(b) Depreciation and Amortisation	December 2016 \$'000	December 2015 \$'000
Building depreciation	150	300
Plant and equipment depreciation	872	1,204
Borrowing costs amortisation	213	109
<b>Total depreciation and amortisation</b>	<b>1,235</b>	<b>1,613</b>

3(c) Other Expenses	December 2016 \$'000	December 2015 \$'000
Advertising and promotion	311	381
Entertainment	329	415
Electricity and gas	360	503
Pay TV subscriptions	256	353
Telephone and internet	94	114
Licences and subscriptions	74	105
Bank and merchant fees	67	110
Motor vehicle expenses	12	31
Printing and stationery	50	60
Share registry fees	65	56
Accommodation expenses	26	58
Impairment of receivables	356	-
Other	83	210
<b>Total other expenses</b>	<b>2,083</b>	<b>2,396</b>

4. Earnings Per Security	December 2016 \$'000	December 2015 \$'000
Profit/(loss) from discontinued operations attributable to ordinary security holders of the Group:	11,363	(101)
	'000	'000
Weighted average number of ordinary securities used in calculating basic earnings per security	883,202	883,202
Weighted average number of ordinary securities used in calculating diluted earnings per security	898,952	883,202
	Cents	Cents
<b>Earnings per security</b>		
Earnings per security - basic	1.29	(0.01)
Earnings per security - diluted	1.26	(0.01)

5. Trade and Other Receivables	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>		
Other debtors	539	614
Accrued income, prepayments and deposits	462	634
<b>Total trade and other receivables</b>	<b>1,001</b>	<b>1,248</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6. Investment properties	December 2016 \$'000	June 2016 \$'000
<b>Non-current assets</b>		
Investment properties – at fair value	-	16,250

*Reconciliations*

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

	Investment Properties \$'000	Total \$'000
Carrying amount at beginning of the period	16,250	16,250
Transfer to disposal group (note 12(c))	(16,250)	(16,250)
<b>Total investment properties</b>	-	-

7. Property, Plant and Equipment	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>		
Motor vehicles – at cost	39	-
Less: accumulated depreciation	(18)	-
	21	-
<b>Total current property, plant and equipment</b>	21	-
<b>Non-current assets</b>		
Land and buildings – at cost or fair value at acquisition date	-	62,839
Plant and equipment – at cost or fair value at acquisition date	-	13,318
Less: accumulated depreciation	-	(3,351)
	-	9,967
Motor vehicles – at cost	-	51
Less: accumulated depreciation	-	(28)
	-	23
<b>Total non-current property, plant and equipment</b>	-	72,829
<b>Total property, plant and equipment</b>	21	72,829

*Reconciliation*

A reconciliation of the written down values at the beginning and end of the current period is set out below:

	Land and Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	62,839	9,967	23	72,829
Transfer to disposal group (note 12(c))	(62,689)	(9,097)	-	(71,786)
Depreciation expense – discontinued operations	(150)	(870)	(2)	(1,022)
<b>Balance at 31 December 2016</b>	-	-	21	21



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

8. Intangibles	December 2016 \$'000	June 2016 \$'000
<b>Non-current assets</b>		
Goodwill – at cost	-	7,060
Less: impairment	-	(2,418)
	-	4,642
Gaming licences – at fair value	-	19,579
<b>Total intangibles</b>	-	24,221

#### Reconciliation

A reconciliation of the written down values at the beginning and end of the current period is set out below:

	Goodwill \$'000	Gaming Licences \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	4,642	19,579	24,221
Transfer to disposal group (note 12(c))	(4,642)	(19,579)	(24,221)
<b>Balance at 31 December 2016</b>	-	-	-

9. Borrowings	December 2016 \$'000	June 2016 \$'000
<b>Non-current liabilities</b>		
Bank debt	-	26,267
<b>Total borrowings</b>	-	26,267

#### Bank Debt

Total bank debt comprises Australian dollar denominated debt of \$11.9m (June 2016: \$40.4m). All (June 2016: \$14.1m) of these borrowings are classified as liabilities of the disposal group and reflect expected net sale proceeds to be applied against the debt facility (see note 12(c)).

Bank borrowings	-	26,267
Bank borrowings – held for sale assets (note 12(c))	11,905	14,149
<b>Total bank borrowings</b>	11,905	40,416

Debt is provided through two facilities. The primary facility, with a limit of \$32.8m and drawn to \$6.3m, is repayable on 30 June 2019.

The Group's fully drawn secondary facility (\$5.6m) is due for repayment on 30 June 2018.

The bank facilities are secured by first mortgages over the investment properties, property, plant, equipment and intangibles with a total carrying value at balance date of \$79.5m (June 2015: \$130.3m).

10. Provisions	December 2016 \$'000	June 2016 \$'000
<b>Current liabilities</b>		
Provision for costs of wind down	2,205	-
Employee benefits	-	88
<b>Total current provisions</b>	2,205	88
<b>Non-current liabilities</b>		
Employee benefits	-	44
<b>Total non-current provisions</b>	-	44

The provision for costs of wind down relates to future expenditures expected to be directly incurred in the wind down and liquidation of the Group, including payables associated with lease incentives brought forward from the prior period. This 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 and liquidation of the Group (including income tax liabilities that may arise).





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

11. Issued Securities	December 2016 \$'000	June 2016 \$'000
<b>(a) Carrying amounts</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the half-year	220,763	220,763
Return of unit capital	(39,744)	-
At the end of the half-year	181,019	220,763
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the half-year	2,745	2,745
At the end of the half-year	2,745	2,745
<b>Total issued stapled securities</b>	<b>183,764</b>	<b>223,508</b>
	<b>December 2016 '000</b>	<b>June 2016 '000</b>
<b>(b) Number of securities issued</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the half-year	883,202	883,202
At the end of the half-year	883,202	883,202
Attributable to stapled security holders of Lantern Hotel Group Limited		
At the beginning of the half-year	883,202	883,202
At the end of the half-year	883,202	883,202
<b>Total issued stapled securities</b>	<b>883,202</b>	<b>883,202</b>
	<b>December 2016 \$'000</b>	<b>June 2016 \$'000</b>
12. Discontinued Operations and Held for Sale Assets and Liabilities		
<b>(a) Details of discontinued operations</b>		
The Group's remaining operations are considered to be a discontinued operation at 31 December 2016. The consolidated income statement and consolidated statement of cash flows reflect the financial performance and cash flows of the discontinued Group during the half-year.		
<b>(b) Details of held for sale assets and liabilities</b>		
Assets of discontinued operations are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use and a sale is considered highly probable. Other assets and liabilities directly attributable to assets which are held for sale and will be disposed through the sales transaction are classified as part of the held for sale asset disposal group and presented separately from other assets and liabilities in the consolidated statement of financial position.		
At 31 December 2016, the held for sale disposal group comprises of assets and liabilities directly attributable to the following hotels:		
<ul style="list-style-type: none"> <li>• Crown Hotel</li> <li>• Five Dock Hotel</li> <li>• General Gordon Hotel</li> <li>• Waterworks Hotel</li> <li>• Uncle Bucks Hotel</li> </ul>		
<b>(c) Assets and liabilities held for sale</b>		
The assets and liabilities held for sale as at reporting date were:		
<b>Assets held for sale – current assets</b>		
Property, plant and equipment	53,816	9,991
Intangibles	19,422	4,952
Investment property	6,250	2,500
Inventory	396	187
Cash	595	460
Receivables	-	511
<b>Total assets held for sale</b>	<b>80,479</b>	<b>18,601</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

12. Discontinued Operations and Held for Sale Assets and Liabilities (continued)	December 2016 \$'000	June 2016 \$'000
<b>(c) Assets and liabilities held for sale (continued)</b>		
<b>Liabilities directly associated with assets classified as held for sale – current liabilities</b>		
Borrowings	11,905	14,149
Payables	2,020	472
Provisions	100	-
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>14,025</b>	<b>14,621</b>
<b>Net assets held for sale</b>	<b>66,454</b>	<b>3,980</b>

13. Distributions and Dividends	Cents per Security	Total \$'000	Payment Date
The following distributions were paid by the Group during the half-year:			
Distribution	2.0	17,664	10 August 2016
Distribution	0.5	4,416	14 October 2016
<b>Total distributions paid</b>	<b>2.5</b>	<b>22,080</b>	
Distribution	2.0	17,664	9 January 2017
<b>Total distributions declared but unpaid</b>	<b>2.0</b>	<b>17,664</b>	

No dividends were paid or declared during the half-year by Lantern Hotel Group Limited and its controlled entities.

14. Events subsequent to the reporting date
(a) On 9 January 2017 a distribution of 2 cents per security (\$17.7m) was paid by way of a return of unit capital. This distribution was declared on 13 December 2016 and recognised as a current liability as at 31 December 2016.
(b) On 6 February 2017 the Five Dock Hotel freehold going concern was sold for \$28.8m.
(c) On 8 February 2017 the Uncle Bucks Hotel freehold going concern was sold for \$25.3m.
(d) On 8 February 2017, arrangements for the sale of the freehold going concern of the General Gordon Hotel were entered into for a sale price of \$18.1m. The sale is being executed by way of put and call options with the options due to be exercised and contracts exchanged by 18 March 2017. Completion of the sale is expected to occur by the end of March 2017.
(e) On 8 February 2017, funds from the sale of the Five Dock Hotel and Uncle Bucks Hotel were utilised to repay the CBA debt facility in full (\$6.3m). This facility was subsequently cancelled.
(f) On 10 February 2017, contracts for the sale of the freehold going concern of the Crown Hotel were exchanged for a sale price of \$26.1m. Completion of the sale is expected to occur in March 2017.
(g) On 14 February 2017 a distribution of 5 cents per security (\$44.2m) was declared, the distribution will be paid as a return of capital. The record date of the distribution is 20 February 2017 and the distribution will be paid on 3 March 2017. The distribution is not recorded at 31 December 2016.
(h) On 20 February 2017 the Waterworks Hotel freehold going concern was sold for \$17.3m.

### 15. Contingent liabilities

A claim was lodged in the NSW Supreme Court during the period against the Group seeking damages allegedly caused by the cancellation of a contract. The Group has consulted lawyers and it does not consider any further amounts are payable in respect of the contract and it is defending the claim. Accordingly the Group has not recognised a provision at the end of the half-year in relation to the claim.



## 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 14, 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 2016 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 Group 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  
Non-Executive Chairman  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



Shirley Liew  
Non- Executive Director  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



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

To the unitholders of Lantern Real Estate Trust:

### Report on the Half-Year Financial Report

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 2016, 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 responsibility 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 2016 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)**

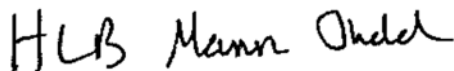
**Conclusion**

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 2016 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 no longer 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**

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

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

**Sydney, NSW**  
**22 February 2017**

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

**Interim report**

**For the half-year ended 31 December 2016**



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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 (Non-Executive Chairman) Shirley Liew (Non-Executive Director) Matthew Stubbs (Non-Executive Director)
Company Secretary	Leanne Ralph
Registered Office	Level 8, 1 York Street Sydney NSW 2000 Phone: (02) 8223 3602
Principal Administration Office	Level 8, 1 York Street Sydney NSW 2000 Phone: (02) 8223 3602
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 2016.

### Directors

The following persons were Directors of the Company during the whole of the half-year ended 31 December 2016 and up to the date of this report:

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

### Review of Operations

Net profit from operations after tax for the half-year to 31 December 2016 was \$4.7m, up from a loss of \$1.1m in the previous corresponding period.

On 25 October 2016 shareholders resolved to implement a plan to sell down the hotel assets of the Group. All operations of the Group have now been classified as discontinued operations and the financial statements of the Group are prepared on a liquidation basis of accounting.

At the end of the period 5 hotels remained with three of those hotels having exchanged contracts for sale. Agreements for the sale of the remaining hotels were reached post balance date. It is anticipated that the sell-down of the Group's hotel assets will be completed by March 2017.

Due to the sell down plan implemented by the Group during the half-year, the financial results are not comparable to the prior corresponding period.

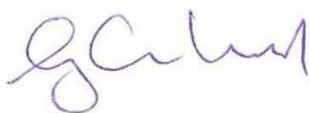
### Rounding of Amounts

The Group is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

### Auditor's Independence Declaration

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

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



Graeme Campbell  
Non-Executive Chairman  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



Shirley Liew  
Non-Executive Director  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



**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 2016, 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  
22 February 2017**

**A G Smith  
Partner**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	December 2016 \$'000	December 2015 \$'000
<b>Discontinued Operations</b>			
<b>Revenue and Income</b>			
Revenue from operations	2	23,978	32,124
Profit on disposal of property, plant and equipment		10,848	-
<b>Total revenue and income</b>		<b>34,826</b>	<b>32,124</b>
<b>Expenses</b>			
Cost of sales		9,392	12,227
Salaries and wages		5,870	9,130
Interest expense – Lantern Real Estate Trust		3,132	-
Depreciation and amortisation		872	1,204
Impairment of goodwill		-	1,116
Professional fees		927	945
Repairs and maintenance		840	1,318
Insurance		213	147
Security		427	651
Property expenses		4,989	4,112
Loss on disposal of plant and equipment		117	18
Provision for costs of wind down		1,800	-
Other	3	1,724	2,334
<b>Total expenses</b>		<b>30,303</b>	<b>33,202</b>
<b>Profit/(loss) from discontinued operations before income tax</b>		<b>4,523</b>	<b>(1,078)</b>
Income tax benefit		164	-
<b>Profit/(loss) from discontinued operations after income tax</b>		<b>4,687</b>	<b>(1,078)</b>
Other comprehensive income – items that will not be reclassified to profit or loss		6	-
<b>Total comprehensive income for the half-year</b>		<b>4,693</b>	<b>(1,078)</b>
<b>Profit/(loss) attributable to ordinary shareholders</b>		<b>4,693</b>	<b>(1,078)</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	4	0.53	(0.12)
Profit/(loss) per share attributable to the ordinary shareholders of the Group – diluted	4	0.52	(0.12)

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 2016

	Note	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents		7,421	5,200
Trade and other receivables	5	1,486	1,990
Inventories	6	-	642
Held for sale assets	13(c)	13,968	2,826
Deferred tax assets		554	-
Plant and equipment	7	21	-
<b>Total current assets</b>		<b>23,450</b>	<b>10,658</b>
<b>Non-current assets</b>			
Plant and equipment	7	-	9,990
Intangibles	8	-	4,642
<b>Total non-current assets</b>		<b>-</b>	<b>14,632</b>
<b>Total assets</b>		<b>23,450</b>	<b>25,290</b>
<b>Current liabilities</b>			
Payables	9	6,155	13,891
Income tax payable		390	-
Liabilities directly associated with assets classified as held for sale	13(c)	18,035	5,093
Provisions	10	2,205	88
<b>Total current liabilities</b>		<b>26,785</b>	<b>19,072</b>
<b>Non-current liabilities</b>			
Payables	9	-	1,931
Borrowings	11	-	12,271
Provisions	10	-	44
<b>Total non-current liabilities</b>		<b>-</b>	<b>14,246</b>
<b>Total liabilities</b>		<b>26,785</b>	<b>33,318</b>
<b>Net assets (deficiency)</b>		<b>(3,335)</b>	<b>(8,028)</b>
<b>Equity</b>			
Shareholders of Lantern Hotel Group Limited			
Issued shares	12	2,745	2,745
Reserves		8	2
Retained earnings/(accumulated losses)		(6,088)	(10,775)
<b>Total equity (deficiency)</b>		<b>(3,335)</b>	<b>(8,028)</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 2016

	Note	December 2016 \$'000	December 2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST)		26,473	35,086
Proceeds from insurance claim		-	150
Cash paid to suppliers and employees (inclusive of GST)		(24,230)	(35,168)
Interest received		14	16
<b>Net cash from operating activities</b>		<b>2,257</b>	<b>84</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment relating to held for sale assets		(3,536)	(1,069)
Proceeds from sale of held for sale assets		15,023	-
Payments made on disposal of held for sale assets		(238)	-
Option fee received		-	200
<b>Net cash inflow from investing activities</b>		<b>11,249</b>	<b>(869)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings – Lantern Real Estate Trust		-	1,721
Repayment of borrowings – Lantern Real Estate Trust		(11,150)	-
Repayment of finance leases		-	(47)
<b>Net cash inflow from financing activities</b>		<b>(11,150)</b>	<b>1,674</b>
Net increase in cash or cash equivalents		2,356	889
Cash or cash equivalents at the beginning of the half-year		5,660	3,577
<b>Cash and cash equivalents and the end of the half-year</b>		<b>8,016</b>	<b>4,466</b>
Cash and cash equivalents are made up as follows:			
Cash and cash equivalents		7,421	4,269
Cash and cash equivalents – held for sale assets	13(c)	595	197
<b>Cash and cash equivalents and the end of the half-year</b>		<b>8,016</b>	<b>4,466</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 2016

	Note	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Carrying amount at 1 July 2016</b>		2,745	2	(10,775)	(8,028)
Net profit/(loss) for the half-year		-	-	4,687	4,687
Other comprehensive income		-	6	-	6
<b>Total comprehensive profit/(loss) for the half-year</b>		-	6	4,687	4,693
<b>Carrying amounts at 31 December 2016</b>		2,745	8	(6,088)	(3,335)
<b>Carrying amount at 1 July 2015</b>		2,745	-	(11,240)	(8,495)
Net profit/(loss) for the half-year		-	-	(1,078)	(1,078)
<b>Total comprehensive profit/(loss) for the half-year</b>		-	-	(1,078)	(1,078)
<b>Carrying amounts at 31 December 2015</b>		2,745	-	(12,318)	(9,573)

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 2016

### 1. Significant Accounting Policies

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 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The consolidated 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 financial report be read in conjunction with the annual report for the year ended 30 June 2016 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.

#### Basis of preparation

At the 25 October 2016 Annual General Meeting, the Group's shareholders passed a resolution approving the orderly sell down of the Group's hotels. The Group is currently in the process of selling down all of the remaining hotels and otherwise winding down its operations.

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.

Accordingly, the directors have determined the going concern basis of preparation (as applied in previous years) is no longer appropriate and the financial report has not been prepared on a going concern basis, rather this financial report has been 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 (where relevant), 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 except for the changes specified above which relate to the adoption of the liquidation basis of accounting.

Some comparative information has been reclassified to enhance comparison with current period classifications, being, the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015 (and relevant comparative information contained in the notes to the financial statements) which have been restated to be comparable with the current period which is presented on a discontinued operations basis. Comparative information otherwise has not been restated and is presented and measured on a going concern basis.

#### 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. Revenue	December 2016 \$'000	December 2015 \$'000
Revenue from hotel operations		
Gaming	12,389	12,906
Beverage	7,930	12,489
Food	2,299	4,986
Other	646	1,075
Responsible entity fee income – Lantern Real Estate Trust	300	545
Property management fee income – Lantern Real Estate Trust	-	107
Interest income - Other	14	16
Interest income – Lantern Real Estate Trust	400	-
<b>Total revenue</b>	<b>23,978</b>	<b>32,124</b>





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

3. Other Expenses	December 2016 \$'000	December 2015 \$'000
Advertising and promotion	311	381
Entertainment	329	415
Electricity and gas	360	503
Pay TV subscriptions	256	353
Telephone & internet	94	114
Bank & merchant fees	65	107
Licences and subscriptions	74	105
Motor vehicle expenses	12	31
Printing & stationery	50	60
Share registry fees	65	-
Accommodation expenses	26	58
Other	82	207
<b>Total other expenses</b>	<b>1,724</b>	<b>2,334</b>

4. Earnings Per Share	December 2016 \$'000	December 2015 \$'000
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the Group:	4,687	(1,078)
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	883,202	883,202
Weighted average number of ordinary shares used in calculating diluted earnings per share	898,952	883,202
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share attributable to the shareholders of the Group		
From discontinued operations – basic earnings	0.53	(0.12)
From discontinued operations – diluted earnings	0.52	(0.12)

5. Trade and Other Receivables	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>		
Receivables – Other	1,186	980
Receivables – Lantern Real Estate Trust	300	1,010
<b>Total trade and other receivables</b>	<b>1,486</b>	<b>1,990</b>

6. Inventories	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>		
Finished goods - at cost	-	642
<b>Total inventories</b>	<b>-</b>	<b>642</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

7. Plant and Equipment	December 2016 \$'000	June 2016 \$'000
<b>Current assets</b>		
Motor vehicles – at cost	39	-
Less: accumulated depreciation	(18)	-
	21	-
<b>Total current plant and equipment</b>	21	-
<b>Non-current assets</b>		
Plant and equipment – at fair value or cost at acquisition date	-	13,318
Less: accumulated depreciation	-	(3,351)
	-	9,967
Motor vehicles – at cost	-	51
Less: accumulated depreciation	-	(28)
	-	23
<b>Total non-current plant and equipment</b>	-	9,990
<b>Total plant and equipment</b>	21	9,990

*Reconciliation*

A reconciliation of the written down values at the beginning and end of the current period is set out below:

	Plant and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
<b>Balance at 30 June 2016</b>	9,967	23	9,990
Transfer to operations held for sale (note 13(c))	(9,097)	-	(9,097)
Depreciation expense – discontinued operations	(870)	(2)	(872)
<b>Balance at 31 December 2016</b>	-	21	21

8. Intangibles	December 2016 \$'000	June 2016 \$'000
<b>Non-current assets</b>		
Goodwill – at cost	-	7,060
Less: impairment	-	(2,418)
<b>Total intangibles</b>	-	4,642

*Reconciliation*

A reconciliation of the written down values at the beginning and end of the current period is set out below:

	Goodwill \$'000
<b>Balance at 30 June 2016</b>	4,642
Transfer to discontinued operations (note 13(c))	(4,642)
<b>Balance at 31 December 2016</b>	-



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

9. Payables	December 2016 \$'000	June 2016 \$'000
<b>Current liabilities</b>		
Trade payables	1,922	5,827
Trade payables – Lantern Real Estate Trust	4,233	6,846
Other payables	-	1,218
<b>Total current payables</b>	<b>6,155</b>	<b>13,891</b>
<b>Non-current liabilities</b>		
Other payables	-	1,472
Lease incentive	-	459
<b>Total non-current payables</b>	<b>-</b>	<b>1,931</b>

10. Provisions	December 2016 \$'000	June 2016 \$'000
<b>Current liabilities</b>		
Provision for costs of wind down	2,205	-
Employee benefits	-	88
<b>Total current provisions</b>	<b>2,205</b>	<b>88</b>
<b>Non-current liabilities</b>		
Employee benefits	-	44
<b>Total non-current provisions</b>	<b>-</b>	<b>44</b>

The provision for costs of wind down relates to future expenditures expected to be directly incurred in the wind down and liquidation of the Group, including payables associated with lease incentives brought forward from the prior period. This 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 and liquidation of the Group (including income tax liabilities that may arise).

11. Borrowings	December 2016 \$'000	June 2016 \$'000
<b>Non-current liabilities</b>		
Loan from Lantern Real Estate Trust	-	12,271
<b>Total borrowings</b>	<b>-</b>	<b>12,271</b>

The loan from Lantern Real Estate Trust is unsecured, interest bearing and repayable on demand. The loan is expected to be repaid from proceeds received by the Group from the disposal of held for sale assets. The balance of the loan owing to Lantern Real Estate Trust is shown as part of the liabilities directly associated with assets classified as held for sale at the end of the half-year. Refer note 13(c).

12. Issued shares	December 2016 \$'000	June 2016 \$'000
<b>(a) Carrying amounts</b>		
At the beginning of the half-year	2,745	2,745
At the end of the half-year	2,745	2,745
<b>(b) Number of shares issued</b>		
At the beginning of the half-year	883,202	883,202
At the end of the half-year	883,202	883,202



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

13. Discontinued Operations and Held for Sale Assets and Liabilities	December 2016 \$'000	June 2016 \$'000
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**(a) Details of discontinued operations**

The Group's remaining operations are considered to be a discontinued operation at 31 December 2016. The consolidated income statement and consolidated statement of cash flows reflect the financial performance and cash flows of the discontinued Group during the half-year.

**(b) Details of held for sale assets and liabilities**

Assets of discontinued operations are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use and a sale is considered highly probable. Other assets and liabilities directly attributable to assets which are held for sale and will be disposed through the sales transaction are classified as part of the held for sale asset disposal group and presented separately from other assets and liabilities in the consolidated statement of financial position.

At 31 December 2016, the held for sale disposal group comprises of assets and liabilities directly attributable to the following hotels:

- Crown Hotel
- Five Dock Hotel
- General Gordon Hotel
- Waterworks Hotel
- Uncle Bucks Hotel

**(c) Assets and liabilities held for sale**

The assets and liabilities held for sale as at reporting date were:

<b>Assets held for sale – current assets</b>		
Plant and equipment	8,335	2,113
Intangibles	4,642	-
Inventory	396	187
Cash	595	460
Receivables	-	41
Prepayments	-	25
<b>Total assets held for sale</b>	<b>13,968</b>	<b>2,826</b>
<b>Liabilities directly associated with assets classified as held for sale – current liabilities</b>		
Loan from Lantern Real Estate Trust	15,915	4,638
Payables	2,020	455
Provisions	100	-
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>18,035</b>	<b>5,093</b>
<b>Net assets held for sale</b>	<b>(4,067)</b>	<b>(2,267)</b>

**14. Dividends**

No dividends were made during the half-year by Lantern Hotel Group Limited and its controlled entities.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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

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- (a) On 6 February 2017 the Five Dock Hotel business was sold for \$7.2m.
  - (b) On 8 February 2017 the Uncle Bucks Hotel business was sold for \$5.1m.
  - (c) On 8 February 2017, arrangements for the sale of the business of the General Gordon Hotel were entered into for a sale price of \$5.4m. The sale is being executed by way of put and call options with the options due to be exercised and contracts exchanged by 18 March 2017. Completion of the sale is expected to occur by the end of March 2017.
  - (d) On 10 February 2017, contracts for the sale of the business of the Crown Hotel were exchanged for a sale price of \$6.5m. Completion of the sale is expected to occur in March 2017.
  - (e) On 20 February 2017 the Waterworks Hotel business was sold for \$4.3m.
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#### 16. Contingent liabilities

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A claim was lodged in the NSW Supreme Court during the period against the Group seeking damages allegedly caused by the cancellation of a contract. The Group has consulted lawyers and it does not consider any further amounts are payable in respect of the contract and it is defending the claim. Accordingly the Group has not recognised a provision at the end of the half-year in relation to the claim.



## DIRECTORS' DECLARATION

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

- (a) the consolidated financial statements and notes, set out on pages 24 to 33, 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 2016 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 Group 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  
Non- Executive Chairman  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



Shirley Liew  
Non- Executive Director  
Dated in Sydney this 22<sup>nd</sup> day of February 2017



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

To the members of Lantern Hotel Group Limited:

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Lantern Hotel Group ("the Company") which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Company's financial position as at 31 December 2016 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)**

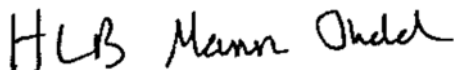
**Conclusion**

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 2016 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 have concluded that the consolidated entity is no longer a going concern and the half-year financial report has been prepared on a liquidation basis of accounting.

Handwritten signature of HLB Mann Judd in black ink.

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

Handwritten signature of A G Smith in black ink.

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

**Sydney, NSW**  
**22 February 2017**