
APPENDIX 4D
HALF-YEAR REPORT

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

Current period	Half-year ended 31 December 2015
Prior corresponding period	Half-year ended 31 December 2014

2. Results for announcement to the market

	Key information	31 Dec 2015 \$'000	31 Dec 2014 \$'000	Change %
2.1	Revenue from continuing operations	27,484	25,442	8.02
2.2	Profit/(loss) from ordinary activities after tax	(101)	803	(112.58)
2.3	Profit for the period attributable to members	(101)	803	(112.58)

		Amount per security	Franked amount per security
2.4	Distributions		
	No interim distribution declared	\$Nil	\$Nil

2.5 Distribution record date
N/A

2.6 Commentary

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

Lantern Hotel Group
APPENDIX 4D - Half-year report
For the half-year ended 31 December 2015

3. Net tangible assets per stapled security

	31 Dec 2015 cents	31 Dec 2014 Cents
Stapled security	6.06	7.38

4. Audit qualification or review

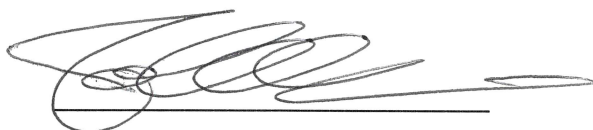
The interim financial statements for the period ended 31 December 2015 were subject to a review by the auditors and their report is attached as part of the Interim Report.

5. Attachments

The interim report of Lantern Hotel Group for the half-year ended 31 December 2015 is attached.

6. Signed

Signed:



John Osborne

CEO

25 February 2016



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 2015



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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 Australia registered scheme. Lantern RE Ltd (ABN 54 145 968 574) is the Responsible Entity of the Lantern Real Estate Trust.



CORPORATE INFORMATION

Directors	John Murphy (Chairman) Graeme Campbell Shirley Liew
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 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	www.lanternhotels.com.au



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 2015.

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 2015 and up to the date of this report:

John Murphy (Non-Executive Director)
Graeme Campbell (Non-Executive Director)
Shirley Liew (Non-Executive Director)

Review of Operations

Net profit from continuing operations for the half-year to 31 December 2015 was \$0.007m, compared to a profit of \$0.838m in the prior corresponding period.

The results from continuing operations exclude the trading results from the Dolphin and El Toro hotels, and the 3 New Zealand properties. These hotels are classified as discontinued operations. Unconditional contracts for the sale of the Dolphin and El Toro were exchanged during the half-year ended 31 December 2015. Prior corresponding period comparatives have been restated to reflect this change.

Operating Revenue from hotel operations increased by 8.4% when compared to the prior corresponding period. Group EBITDA also increased and the Group EBITDA margin is generally in line with the prior corresponding period.

The Directors took the decision to revalue the Exchange Hotel which accounts for the majority of the reduction in the value of hotel assets (Land and buildings and Goodwill) of \$1.661m reported in the current reporting period.

Net cash outflow from operations for the reporting period was \$1.115m compared to a net inflow in the prior corresponding period of \$2.445m. This was a result of a decision during the period to reduce current payables, which have decreased from \$12.164m at 30 June 2015 to \$9.05m as at the end of December 2015.

"Out of the money" interest rate swaps were terminated in December 2015. This decision will reduce finance costs and will contribute to the generation of stronger operating cash flows.

The termination of the "out of the money" swaps has temporarily increased bank debt by \$5.519m to \$80.082m as at the end of the reporting period. The majority of the proceeds from the sale of non-core assets that are planned for the remainder of FY 2016 will be applied to the reduction of bank debt and thus strengthen Lantern's financial position.

Please refer to the separate results presentation that was recently announced to the market to see more detail about the performance of the Group.


Rounding of Amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) 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 Class Order, unless otherwise indicated.

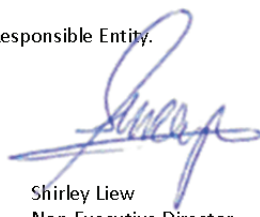
Auditor's Independence Declaration

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.



John Murphy
Non-Executive Chairman
Dated in Melbourne this 25th day of February 2016



Shirley Liew
Non-Executive Director
Dated in Sydney this 25th day of February 2016



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 2015, 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.



D K Swindells
Partner

Sydney
25 February 2016

CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	December 2015 \$'000	December 2014 \$'000
Income			
Revenue from continuing operations	2	27,484	25,442
Net gain (loss) in fair value of interest rate swaps		1,239	695
Other income		39	47
Total income		28,762	26,184
Cost of sales		10,307	9,482
Salaries and wages		7,666	6,909
Finance costs	3(a)	2,305	2,416
Depreciation and amortisation	3(b)	1,546	1,325
Impairment of property, plant and equipment		470	-
Impairment of goodwill		1,116	-
Professional fees		698	893
Repairs and maintenance		1,168	1,139
Insurance		262	306
Security		548	481
Property expenses		570	379
Loss on disposal of plant and equipment		33	3
Other	3(c)	2,066	2,013
Total expenses		28,755	25,346
Profit/(loss) from continuing operations before income tax expense		7	838
Income tax expense		-	-
Profit/(loss) from continuing operations after income tax expense		7	838
Discontinued operations			
Profit/(loss) from discontinued operations	11(b)	(108)	(35)
Profit/(loss) for the half-year		(101)	803
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		(1,912)	(2,341)
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		1,811	3,144
		(101)	803
Distributions per security		Cents	Cents
		-	-
Profit/(loss) per stapled security attributable to the ordinary security holders of the trust – basic and diluted	4	(0.01)	0.09
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted	4	0.00	0.09
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from discontinued operations - basic and diluted	4	(0.01)	(0.00)

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 2015

	Note	December 2015 \$'000	December 2014 \$'000
Parent interest – Lantern Real Estate Trust			
Net profit/(loss) for the half-year		(1,912)	(2,341)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation surplus (deficit) – property, plant and equipment		(75)	-
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		171	82
Total comprehensive profit/(loss) for the half-year – parent interest		(1,816)	(2,259)
Non-controlling interest – Lantern Hotel Group Limited			
Net profit for the half-year		1,811	3,144
Total comprehensive profit/(loss) for the half-year - non-controlling interest		1,811	3,144
Stapled Entity			
Net profit/(loss) for the half-year		(101)	803
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation surplus (deficit) – property, plant and equipment		(75)	-
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		171	82
Total comprehensive profit/(loss) for the half-year – stapled entity		(5)	885

The components of other comprehensive income shown above are presented net of related income tax effects of \$Nil (Dec 2014: \$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 2015

	Note	December 2015 \$'000	June 2015 \$'000
Current assets			
Cash and cash equivalents		4,681	3,611
Trade and other receivables	5	1,736	1,361
Inventories		1,254	1,333
Assets of discontinued operations	11(d)	29,260	5,740
Total current assets		36,931	12,045
Non-current assets			
Investment properties	7	21,843	21,813
Property, plant and equipment	7	91,190	111,170
Intangibles	8	29,802	35,934
Other	6	182	237
Total non-current assets		143,017	169,154
Total assets		179,948	181,199
Current liabilities			
Payables		9,050	12,164
Borrowings	9	33,096	72,340
Liabilities directly associated with assets classified as held for sale	11(d)	34,958	-
Derivatives		-	3,449
Provisions		208	115
Total current liabilities		77,312	88,068
Non-current liabilities			
Payables		1,232	750
Borrowings	9	12,700	-
Derivatives		-	3,664
Provisions		457	465
Total non-current liabilities		14,389	4,879
Total liabilities		91,701	92,947
Net assets		88,247	88,252
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	10(a)	220,763	220,763
Reserves		73	(23)
Retained earnings/(accumulated losses)		(137,122)	(135,210)
Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)		83,714	85,530
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued Shares	10(a)	2,745	2,745
Retained Earnings/(Accumulated Losses)		1,788	(23)
Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)		4,533	2,722
Total security holders' interest		88,247	88,252

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 2015

	Note	December 2015 \$'000	December 2014 \$'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		35,724	33,335
Cash paid to suppliers and employees (inclusive of GST)		(33,634)	(27,750)
Proceeds from insurance claim		150	-
Interest received		28	28
Interest paid		(3,383)	(3,168)
Net cash from operating activities		(1,115)	2,445
Cash flows from investing activities			
Payment for property, plant, equipment and intangibles		(2,105)	(2,823)
Proceeds from sale of discontinued operations		2,108	982
Proceeds from loans repaid by third parties		-	110
Option fee received		200	-
Payment on acquisition of business, net of cash acquired		-	(18,368)
Net cash inflow from investing activities		203	(20,099)
Cash flows form financing activities			
Proceeds from borrowings		7,799	20,100
Repayment of finance leases		(47)	(38)
Payment for cancelled interest rate swaps		(5,519)	-
Payment for equity buyback facilitation		-	(1,400)
Payment for borrowing costs		(54)	-
Net cash inflow from financing activities		2,179	18,662
Net increase in cash or cash equivalents		1,267	1,008
Cash and cash equivalents at the beginning of the half-year		3,611	2,747
Cash and cash equivalents at the end of the half-year		4,878	3,755
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 – continuing operations		4,681	3,755
Cash and cash equivalents at the end of the half-year – discontinued operations	11(d)	197	-
Cash and cash equivalents at the end of the half-year		4,878	3,755

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 2015

Note	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Non-controlling Interest \$'000	Total \$'000
Carrying amount at 1 July 2015	220,763	(23)	(135,210)	2,722	88,252
Lantern Real Estate Trust					
Net profit/(loss) for the half-year	-	-	(1,912)	-	(1,912)
Other comprehensive income	-	96	-	-	96
	-	96	(1,912)	-	(1,816)
Lantern Hotel Group Limited					
Net profit/(loss) for the half-year	-	-	-	1,811	1,811
	-	-	-	1,811	1,811
Total Stapled Entity					
Net profit/(loss) for the half-year	-	-	(1,912)	1,811	(101)
Other comprehensive income	-	96	-	-	96
Total comprehensive profit/(loss) for the half-year	-	96	(1,912)	1,811	(5)
Carrying amounts at 31 December 2015	220,763	73	(137,122)	4,533	88,247
Carrying amount at 1 July 2014	220,763	645	(125,109)	1,506	97,805
Lantern Real Estate Trust					
Net profit/(loss) for the half-year	-	-	(2,341)	-	(2,341)
Other comprehensive income	-	82	-	-	82
	-	82	(2,341)	-	(2,259)
Lantern Hotel Group Limited					
Net profit/(loss) for the half-year	-	-	-	3,144	3,144
	-	-	-	3,144	3,144
Total Stapled Entity					
Net profit/(loss) for the half-year	-	-	(2,341)	3,144	803
Other comprehensive income	-	82	-	-	82
Total comprehensive profit/(loss) for the half-year	-	82	(2,341)	3,144	885
Carrying amounts at 31 December 2014	220,763	727	(127,450)	4,650	98,690

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 2015

1. Significant Accounting Policies

This consolidated financial report for the half-year ended 31 December 2015 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 2015 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The accounts have been prepared in accordance with all accounting standards. Some comparatives may have been adjusted to enhance comparison with current period classifications. In particular, the Consolidated Income Statement for the half-year ended 31 December 2014 has been restated to disclose separately operations that were discontinued in the current half-year.

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 future financial statements of the consolidated entity.

Going concern

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

The Group's Statement of Financial Position shows a deficiency of current assets to current liabilities of \$40.381m as at 31 December 2015 as part of an overall net assets position of \$88.247m. This has occurred as the Group's primary debt facility (\$66.382m) is due for repayment on 30 August 2016. The Directors reasonably expect that the facility will be renewed on terms and conditions that are acceptable to the Group, prior to this date. Should that not occur, the Group expects that it will be able to sell assets to enable it to repay this debt on the due date.

2. Revenue	December 2015 \$'000	December 2014 \$'000
Revenue from hotel operations		
Gaming	10,645	9,420
Beverage	10,603	10,351
Food	4,233	3,750
Other	702	641
Rental Income	1,273	1,260
Interest income	28	20
	27,484	25,442
3a. Finance Costs	December 2015 \$'000	December 2014 \$'000
Interest paid or payable – borrowings	928	896
Interest paid or payable – interest rate swaps	1,377	1,520
	2,305	2,416



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3b. Depreciation and Amortisation	December 2015 \$'000	December 2014 \$'000
Building depreciation	300	437
Plant and equipment depreciation	1,137	783
Borrowing costs amortisation	109	105
	1,546	1,325
3c. Other Expenses	December 2015 \$'000	December 2014 \$'000
Advertising and promotion	331	315
Entertainment	373	373
Electricity and gas	418	407
Pay TV subscriptions	280	213
Telephone & internet	98	90
Licences & subscriptions	91	70
Bank & merchant fees	93	52
Motor vehicle expenses	31	53
Printing & stationery	57	62
Share registry fees	56	28
Accommodation expenses	33	35
Other	205	315
	2,066	2,013
4. Earnings Per Security	December 2015 \$'000	December 2014 \$'000
Profit/(loss) attributable to ordinary security holders of the Trust:		
From continuing operations	7	838
From discontinued operations	(108)	(35)
	(101)	803
	'000	'000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per security	883,202	883,202
	Cents	Cents
Basic and diluted earnings per security attributable to the security holders of the Trust		
From continuing operations	0.00	0.09
From discontinued operations	(0.01)	(0.00)
	(0.01)	0.09
5. Trade and Other Receivables	December 2015 \$'000	June 2015 \$'000
Current		
Other debtors	746	275
Accrued income, prepayments and deposits	990	1,086
Total trade and other receivables	1,736	1,361
6. Other assets	December 2015 \$'000	June 2015 \$'000
Non-current		
Unamortised borrowing costs	182	237
Total non-current other assets	182	237

The unamortised costs were incurred in obtaining bank finance facilities.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. Property, Plant and Equipment	December 2015 \$'000	June 2015 \$'000
Land and buildings – at fair value	79,108	97,725
Plant and equipment – at cost or fair value at acquisition date	16,513	18,466
Less: accumulated depreciation	(4,457)	(5,072)
	12,056	13,394
Motor vehicles – at cost	39	76
Less: accumulated depreciation	(13)	(25)
	26	51
Total property, plant and equipment	91,190	111,170

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
Balance at 1 July 2015	97,725	13,394	51	111,170
Additions	1,056	1,761	-	2,817
Disposals	-	-	(23)	(23)
Transfer to disposal group (note 11(d))	(18,828)	(1,897)	-	(20,725)
Revaluation	(545)	-	-	(545)
Depreciation expense – continuing operations	(300)	(1,135)	(2)	(1,437)
Depreciation expense – discontinued operations	-	(67)	-	(67)
Balance at 31 December 2015	79,108	12,056	26	91,190

Property, plant and equipment acquired in business combinations for the Waterworks Hotel & Exchange Hotel were accounted for on a provisional basis at 30 June 2015. During the half-year the Group retrospectively decreased the 30 June 2015 carrying value of Land and buildings by \$3.508m in relation to these business combinations (refer note 12).

Freehold Going Concern Hotel Assets

Freehold going concern assets include Land and buildings (including hotel licences), Plant and equipment and Intangibles for hotels operated by the Group.

Whilst accounting standards require separate disclosure of Land and buildings, Plant and equipment and Intangibles, the directors consider that the combined value of the Property, plant and equipment and Intangibles could be more easily understood as freehold going concern hotel assets.

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

	Continuing December 2015 \$'000	Discontinued December 2015 \$'000	Total December 2015 \$'000	Total June 2015 \$'000
Land and buildings	79,108	18,828	97,936	97,725
Plant and equipment	12,056	1,897	13,953	13,394
Intangibles	29,802	4,880	34,682	35,934
Total freehold going concern hotels	120,966	25,605	146,571	147,053

Hotel land and buildings which the Group owns but does not operate are shown as Investment properties.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8. Intangibles	December 2015 \$'000	June 2015 \$'000
Goodwill – at cost	10,100	12,236
Less: impairment	(5,458)	(5,342)
	4,642	6,894
Gaming licences – at fair value	25,160	29,040
	25,160	29,040
Total intangibles	29,802	35,934

Reconciliation

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

	Goodwill \$'000	Gaming \$'000	Total \$'000
Balance at 1 July 2015	6,894	29,040	35,934
Acquisition	-	-	-
Impairment	(1,116)	-	(1,116)
Additional costs of acquisition recognised in profit and loss	(136)	-	(136)
Transfer to disposal group (note 11(d))	(1,000)	(3,880)	(4,880)
Balance at 31 December 2015	4,642	25,160	29,802

Intangibles acquired in business combinations for the Waterworks Hotel & Exchange Hotel were accounted for on a provisional basis at 30 June 2015. During the half-year the Group retrospectively increased the 30 June 2015 carrying value of Goodwill by \$2.686m and Gaming licences by \$0.822m in relation to these business combinations (refer note 12).

9. Borrowings	December 2015 \$'000	June 2015 \$'000
Current liabilities		
Finance lease liabilities	14	57
Bank debt	33,082	72,283
Total current borrowings	33,096	72,340
Non-current liabilities		
Bank debt	12,700	-
Total non-current borrowings	12,700	-

Bank Debt

Total bank debt comprises Australian dollar denominated debt of \$80.082m (June 2015: \$72.283m). \$34.3m 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 11(d)).

Bank borrowings – continuing operations	45,782	72,283
Bank borrowings – discontinued operations (note 11(d))	34,300	-
Total bank borrowings	80,082	72,283

Debt is provided through two facilities. The primary facility, with a limit of \$78m and drawn to \$66.382m, is repayable on 30 August 2016.

The Group's fully drawn secondary facility (\$13.7m) is due for repayment on 30 June 2018. Repayments of \$0.5m are due in six monthly intervals to a total of \$1.5m and cease once the balance of the facility is \$12.2m.

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 \$168.4m (June 2015: \$168.9m).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

10. Issued Securities	December 2015 \$'000	June 2015 \$'000
(a) Carrying amounts		
Attributable to stapled security holders of Lantern Real Estate Trust		
At the beginning of the half-year	220,763	220,763
At the end of the half-year	220,763	220,763
Attributable to stapled security holders of Lantern		
At the beginning of the half-year	2,745	2,745
At the end of the half-year	2,745	2,745
Total issued stapled securities	223,508	223,508
(b) Number of securities issued		
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		
At the beginning of the half-year	883,202	883,202
At the end of the half-year	883,202	883,202
Total issued stapled securities	883,202	883,202
11. Discontinued Operations	December 2015 \$'000	December 2014 \$'000
(a) Details of discontinued operations		
The New Zealand portfolio as at 31 December 2015 consisted of 2 properties (30 June 2015: 3 properties): the Albert Hotel in Palmerston North and a small parcel of vacant land in Waikanae. Subsequent to 31 December 2015 contracts were exchanged for the sale of these 2 properties. See note 14: Events subsequent to the reporting date for more detail.		
The Australian disposal group consists of two hotels (Dolphin Hotel & El Toro Hotel). Both venues have been contracted to sell in financial year 2016.		
The assets are carried at fair value less expected costs to sell.		
(b) Financial performance		
The results of the discontinued operations for the half-year were:		
New Zealand		
Revenue	-	11
Other income	-	1
Change in fair value of discontinued assets	(420)	(37)
Expenses	(14)	(9)
Profit/(loss) from New Zealand discontinued operations for the half-year	(434)	(34)
Australia		
Revenue	5,273	5,284
Cost of sales	(1,920)	(1,885)
Gross profit	3,353	3,399
Expenses	(2,304)	(2,592)
Interest paid or payable	(723)	(808)
Profit/(loss) from Australian discontinued operations for the half-year	326	(1)
Profit/(loss) from discontinued operations	(108)	(35)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

11. Discontinued Operations (continued)	December 2015 \$'000	December 2014 \$'000
(c) Cash flows		
The cash flows of the discontinued operations during the half-year were:		
New Zealand		
Cash flows from operating activities		
Rental and other property income	-	85
Payments to suppliers	(14)	(9)
Interest received	-	1
Cash flows from investing activities		
Proceeds from sale of investment properties	2,108	982
Cash flows from New Zealand discontinued operations	2,094	1,059
Australia		
Cash flows from operating activities		
Receipts from customers	5,801	5,813
Payments to suppliers	(4,548)	(5,247)
Interest paid or payable	(723)	(808)
Cash flows from investing activities		
Acquisition of Property, plant and equipment	(8)	(33)
Cash flows from Australian discontinued operations	522	(275)
Net cash inflows/(outflows) form discontinued operations	2,616	784
	December 2015 \$'000	June 2015 \$'000
(d) Assets and liabilities		
The assets and liabilities of the discontinued operations as at reporting date were:		
Assets – New Zealand		
Investment properties	3,240	5,740
Total assets of New Zealand discontinued operations	3,240	5,740
Assets – Australia		
Property, plant and equipment	20,725	-
Intangibles	4,880	-
Inventory	207	-
Cash	197	-
Receivables	11	-
Total assets of Australian discontinued operations	26,020	-
Total assets of discontinued operations	29,260	5,740
Liabilities - Australia		
Borrowings	34,300	-
Payables	658	-
Total liabilities of Australian discontinued operations	34,958	-
Net assets of discontinued operations	(5,698)	5,740
(e) Leasing arrangements – New Zealand operations		
Future minimum rentals receivable under these leases are:		
Within one year	346	1,071
Later than one year but not later than five years	1,890	4,615
Later than five years	136	3,557
	2,372	9,243

The discontinued New Zealand operation's assets are leased to a single tenant under a long term operating lease. Due to the impaired nature of these assets held for sale and the planned sale of these assets it is highly doubtful that the full amount receivable under this lease will be received.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

12. Business combinations

Increase/(Decrease)
\$'000

Retrospective adjustments to 30 June 2015 carrying values

The business combinations for the Waterworks Hotel & Exchange Hotel were initially accounted for on a provisional basis. During the half-year ended 31 December 2015 the Group retrospectively adjusted the provisional amounts recognised and also recognised additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the date of acquisition.

The effect of this retrospective adjustment on the 30 June 2015 carrying values was as follows:

Property, plant and equipment	(3,508)
Goodwill	2,686
Gaming licences	822
	-

Details of the acquisitions are set out below.

Waterworks Hotel

On 15 September 2014 the Group purchased the property, plant, equipment & intangibles of the Waterworks Hotel, Botany. Details of the acquisition are as follows:

	Fair Value \$'000
Cash	97
Inventories	36
Land and buildings	3,113
Intangibles	4,041
Plant and equipment	1,432
Other assets and liabilities	(139)
Acquisition date fair value of the assets and liabilities acquired	8,580
Add: amount expensed – portion of stamp duty allocated to goodwill	103
Acquisition date fair value of the assets and liabilities acquired and costs of acquisition expensed	8,683
<i>Consideration:</i>	
Cash paid to vendor	8,244
Cash paid for stamp duty and costs of acquisition	439
Total consideration	8,683
Less: cash acquired	97
Net cash outflow for acquisition	8,586

Exchange Hotel

On 21 October 2014 the Group purchased the property, plant, equipment & intangibles of the Beaumont Exchange Hotel, Newcastle. Details of the acquisition are as follows:

	Fair Value \$'000
Cash	27
Inventories	49
Land and buildings	2,405
Intangibles	5,117
Plant and equipment	2,055
Other assets and liabilities	(11)
Acquisition date fair value of the assets and liabilities acquired	9,642
Add: amount expensed – portion of stamp duty allocated to goodwill	167
Acquisition date fair value of the assets and liabilities acquired and costs of acquisition expensed	9,809
<i>Consideration:</i>	
Cash paid to vendor	9,315
Cash paid for stamp duty and costs of acquisition	494
Total consideration	9,809
Less: cash acquired	27
Net cash outflow for acquisition	9,782



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

12. Business combinations (continued)

\$'000

Payments for acquisition

The total payments for acquisition are as follows:

Waterworks Hotel	8,586
Exchange Hotel	9,782
Total payments for acquisition	18,368

Results of acquired businesses

The acquired hotel businesses contributed revenue and profit/(loss) since acquisition as follows:

	Waterworks	Exchange	December 2015
	\$'000	\$'000	\$'000
Revenue	2,100	1,994	4,094
Expenses (including depreciation)	(1,974)	(2,060)	(4,034)
Impairment of goodwill	-	(1,116)	(1,116)
Profit/(loss)	126	(1,182)	(1,056)

	Waterworks	Exchange	June 2015
	\$'000	\$'000	\$'000
Revenue	2,702	2,758	5,460
Expenses (including depreciation)	(2,595)	(2,781)	(5,376)
Impairment of goodwill	-	(2,000)	(2,000)
Profit/(loss)	107	(2,023)	(1,916)

13. Commitments

December 2015
\$'000

June 2015
\$'000

Finance lease agreements

Commitments for operating lease payments, payable

Within 1 year	15	65
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Minimum lease payments	15	65
Future finance charges	(1)	(8)
Liability recognised	14	57
Disclosed as:		
Current liability	14	57
Non-current liability	-	-
	14	57

Operating lease agreements

Commitments for operating lease payments, payable:

Within 1 year	394	210
Later than 1 year but not later than 5 years	1,217	1,522
Later than 5 years	-	-
	1,611	1,732

Capital Expenditure

There are no commitments for capital expenditure at reporting date.

14. Events subsequent to the reporting date

- The \$24.2m sale of the El Toro Hotel was completed on 1 February 2016. The net proceeds from this sale have been applied to the reduction of bank debt. A profit on sale of \$8.1m was recorded.
- An unconditional contract for the sale of Lantern's interest in the Albert Hotel in New Zealand was exchanged on 26 January 2016. The sale price is NZ\$3.4m (approximately \$A3.2m) and the sale is expected to occur in late February 2016.
- An unconditional contract for the sale of vacant land in Waikanae in New Zealand was exchanged on 5 February 2016. The sale price is NZ\$200k (approximately \$A190k) and the sale is expected to occur in late February 2016.



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 16, 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 2015 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.



John Murphy
Non-Executive Chairman
Dated in Melbourne this 25th day of February 2016



Shirley Liew
Non-Executive Director
Dated in Sydney this 25th day of February 2016



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 2015, 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 2015 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.

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

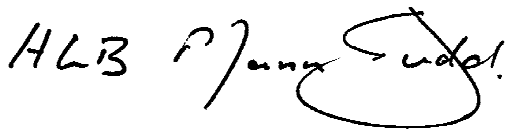
Independence

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

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 2015 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*.

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

HLB Mann Judd
Chartered Accountants

A handwritten signature in black ink that reads 'D K Swindells'.

D K Swindells
Partner

Sydney, NSW
25 February 2016



Lantern Hotel Group Limited
and its controlled entities

Interim report

For the half-year ended 31 December 2015



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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	John Murphy (Non-Executive Director) Graeme Campbell (Non-Executive Director) Shirley Liew (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 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	www.lanternhotels.com.au



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 2015.

Directors

The following persons were Directors of the Company during the whole of the half-year ended 31 December 2015 and up to the date of this report:

John Murphy (Non-Executive Director)
Graeme Campbell (Non-Executive Director)
Shirley Liew (Non-Executive Director)

Review of Operations

Net loss from continuing operations for the half-year to 31 December 2015 was \$1.528 million, down from a profit of \$0.328m in the previous corresponding period.

The results from continuing operations exclude the trading results from the Dolphin and El Toro hotels, which have been classified as discontinued operations. Unconditional contracts for the sale of these hotels were exchanged during the half-year ended 31 December 2015. Prior corresponding period comparatives have been restated to reflect this change.

The Directors took the decision to revalue the Exchange Hotel which accounts for most of the reduction in the value of intangible assets reported in the current reporting period.

Net cash inflow from operations for the reporting period was \$0.084m compared to a net cash inflow from the prior corresponding period of \$1.821m. This was primarily a result of the decision during the period to reduce current payables, which have decreased from \$12.609m at 30 June 2015 to \$11.297m at 31 December 2015.

Rounding of Amounts

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) 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 Class Order, 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.



John Murphy
Non-Executive Chairman
Dated in Melbourne this 25th day of February 2016



Shirley Liew
Non-Executive Director
Dated in Sydney this 25th day of February 2016



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 2015, 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.



D K Swindells
Partner

Sydney
25 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	December 2015 \$'000	December 2014 \$'000
Income			
Revenue from continuing operations	2	26,851	24,798
Total income		26,851	24,798
Cost of sales		10,307	9,482
Salaries and wages		7,666	6,909
Depreciation and amortisation		1,137	783
Impairment of goodwill		1,116	-
Professional fees		930	724
Repairs and maintenance		1,112	1,068
Insurance		131	181
Security		548	481
Property expenses		3,407	2,902
Loss on disposal of plant and equipment		18	3
Other	3	2,007	1,937
Total expenses		28,379	24,470
Profit/(loss) from continuing operations before income tax expense		(1,528)	328
Income tax expense		-	-
Profit/(loss) from continuing operations after income tax expense		(1,528)	328
Discontinued operations			
Profit/(loss) from discontinued operations		450	236
Profit/(loss) for the half-year		(1,078)	564
Other comprehensive income		-	-
Total comprehensive income for the half-year		(1,078)	564
Profit/(loss) attributable to ordinary shareholders		(1,078)	564
		Cents	Cents
Profit/(loss) per share attributable to the ordinary shareholders of the Group – basic and diluted	4	(0.12)	0.06
Profit/(loss) per share attributable to the ordinary shareholders of the Group from continuing operations - basic and diluted	4	(0.17)	0.04
Profit/(loss) per share attributable to the ordinary shareholders of the Group from discontinued operations - basic and diluted	4	0.05	0.02

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 2015

	Note	December 2015 \$'000	June 2015 \$'000
Current assets			
Cash and cash equivalents		4,269	3,577
Trade and other receivables	5	1,806	1,637
Inventories	6	1,254	1,333
Assets classified as held for sale	12	3,312	-
Other assets		511	439
Total current assets		11,152	6,986
Non-current assets			
Property, plant and equipment	7	12,082	13,445
Intangibles	8	4,642	6,894
Total non-current assets		16,724	20,339
Total assets		27,876	27,325
Current liabilities			
Payables	9	11,297	12,609
Liabilities directly associated with assets classified as held for sale	12	658	-
Borrowings	10	14	57
Provisions		208	115
Total current liabilities		12,177	12,781
Non-current liabilities			
Payables	9	970	450
Borrowings	10	23,846	22,125
Provisions		456	464
Total non-current liabilities		25,272	23,039
Total liabilities		37,449	35,820
Net assets		(9,573)	(8,495)
Equity			
Shareholders of Lantern Hotel Group Limited			
Issued Shares	11	2,745	2,745
Retained Earnings/(Accumulated Losses)		(12,318)	(11,240)
Total equity		(9,573)	(8,495)

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 2015

	Note	December 2015 \$'000	December 2014 \$'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		35,086	31,818
Proceeds from insurance claim		150	-
Cash paid to suppliers and employees (inclusive of GST)		(35,168)	(30,013)
Interest received		16	16
Net cash from operating activities		84	1,821
Cash flows from investing activities			
Payment for property, plant and equipment		(1,069)	(1,623)
Receipt on acquisition of business, net of cash acquired		-	103
Payment for acquisition of business, net of cash acquired		-	(38)
Option fee received		200	-
Proceeds from loans repaid by third parties		-	110
Net cash inflow from investing activities		(869)	(1,448)
Cash flows from financing activities			
Net proceeds from borrowings – Lantern Real Estate Trust		1,721	2,284
Repayment of finance leases		(47)	(38)
Payment for equity buyback facilitation agreement		-	(1,400)
Net cash inflow from financing activities		1,674	846
Net increase in cash or cash equivalents		889	1,219
Cash or cash equivalents at the beginning of the half-year		3,577	2,384
Cash and cash equivalents and the end of the half-year		4,466	3,603
Cash and cash equivalents are made up as follows:			
Cash and cash equivalents – continuing operations		4,269	3,603
Cash and cash equivalents – discontinuing operations	12(d)	197	-
Cash and cash equivalents and the end of the half-year		4,466	3,603

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 2015

	Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Carrying amount at 1 July 2015		2,745	(11,240)	(8,495)
Net profit/(loss) for the half-year		-	(1,078)	(1,078)
Total comprehensive profit/(loss) for the half-year		-	(1,078)	(1,078)
Carrying amounts at 31 December 2015		2,745	(12,318)	(9,573)
Carrying amount at 1 July 2014		2,745	(7,033)	(4,288)
Net profit/(loss) for the half-year		-	564	564
Total comprehensive profit/(loss) for the half-year		-	564	564
Carrying amounts at 31 December 2014		2,745	(6,469)	(3,724)

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 2015

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 2015 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 2015 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The accounts have been prepared in accordance with all accounting standards. Some comparatives may have been adjusted to enhance comparison with current period classifications. In particular, the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2014 has been restated to disclose separately operations that were discontinued in the current half-year.

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 future financial statements of the consolidated entity.

Going concern

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

At 31 December 2015 the Group had a net asset deficiency of \$9.573m, which included related party loans of \$23.846m payable to Lantern Real Estate Trust ("the Trust"), an entity stapled to Lantern Hotel Group Limited. Directors of Lantern RE Ltd (a controlled entity of the Company), the responsible entity of Lantern Real Estate Trust, have indicated that the Trust will not demand repayment of the loan for a minimum of 13 months from the date of issuing these financial statements. The Directors of the Company are confident that the Group will be able to pay its debts as and when they fall due, based on projected and future cash flows.

The Trust has provided a letter of support to the Group, guaranteeing to provide whatever financial assistance is necessary to enable the Group to pay its debts as and when they are due and payable.

2. Revenue	December 2015 \$'000	December 2014 \$'000
Revenue from hotel operations		
Gaming	10,645	9,420
Beverage	10,603	10,351
Food	4,233	3,750
Other	702	641
Responsible entity fee income – Lantern Real Estate Trust	545	513
Property management fee income – Lantern Real Estate Trust	107	107
Interest income	16	16
Total revenue from continuing operations	26,851	24,798



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. Other Expenses	December 2015 \$'000	December 2014 \$'000
Advertising and promotion	331	315
Entertainment	373	373
Electricity and gas	418	407
Pay TV subscriptions	280	213
Telephone & internet	98	90
Bank & merchant fees	89	70
Licences	92	25
Motor vehicle expenses	32	32
Printing & stationery	57	46
Accommodation expenses	31	-
Business acquisition costs	-	184
Other	206	182
	2,007	1,937

4. Earnings Per Share	December 2015 \$'000	December 2014 \$'000
Profit/(loss) attributable to ordinary shareholders of the Group:		
From continuing operations	(1,528)	328
From discontinued operations	450	236
	(1,078)	564
	'000	'000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	883,202	883,202
	Cents	Cents
Basic and diluted earnings per share attributable to the shareholders of the Group		
From continuing operations	(0.17)	0.04
From discontinued operations	0.05	0.02
	(0.12)	0.06

5. Trade and Other Receivables	December 2015 \$'000	June 2015 \$'000
Current		
Receivables – Lantern Real Estate Trust	1,217	1,286
Receivables – Other	589	351
Total trade and other receivables	1,806	1,637

6. Inventories	December 2015 \$'000	June 2015 \$'000
Finished goods - at cost	1,254	1,333
Total inventories	1,254	1,333



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. Plant and Equipment	December 2015 \$'000	June 2015 \$'000
Plant and equipment – at fair value or cost at acquisition date	10,186	12,480
Less: accumulated depreciation	(2,833)	(3,404)
	7,353	9,076
Gaming equipment – at fair value or cost at acquisition date	6,327	5,868
Less: accumulated depreciation	(1,624)	(1,550)
	4,703	4,318
Motor vehicles – at cost	39	76
Less: accumulated depreciation	(13)	(25)
	26	51
Total plant and equipment	12,082	13,445

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	Gaming Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 30 June 2015	9,076	4,318	51	13,445
Additions	295	1,466	-	1,761
Disposals	-	-	(23)	(23)
Transfer to operations held for sale (note 12(d))	(1,203)	(694)	-	(1,897)
Depreciation expense – continuing operations	(769)	(366)	(2)	(1,137)
Depreciation expense – discontinued operations	(46)	(21)	-	(67)
Balance at 31 December 2015	7,353	4,703	26	12,082

8. Intangibles	December 2015 \$'000	June 2015 \$'000
Goodwill – at cost at acquisition date	4,642	6,894
Total intangibles	4,642	6,894

Reconciliation

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

	Goodwill \$'000
Balance at 30 June 2015	6,894
Transfer to discontinued operations (note 12(d))	(1,000)
Impairments recognised in profit and loss	(1,116)
Additional costs of acquisition recognised in profit and loss	(136)
Balance at 31 December 2015	4,642

Intangibles acquired in business combinations for the Waterworks Hotel and Exchange Hotel were accounted for on a provisional basis at 30 June 2015. During the half-year the Group retrospectively increased the 30 June 2015 carrying value of Goodwill by \$2.686m in relation to these business combinations (refer note 13).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

9. Payables	December 2015 \$'000	June 2015 \$'000
Current liabilities		
Trade payables	6,407	8,589
Payables – Lantern Real Estate Trust	3,069	2,882
Other payables	1,821	1,138
Total current liabilities	11,297	12,609
Non-current liabilities		
Other payables	970	450
Total non-current liabilities	970	450

10. Borrowings	December 2015 \$'000	June 2015 \$'000
Current liabilities		
Finance lease	14	57
Total current borrowings	14	57
Non-current liabilities		
Loan from Lantern Real Estate Trust	23,846	22,125
Total non-current borrowings	23,846	22,125

As a result of retrospective adjustments to Goodwill during the half-year, the 30 June 2015 carrying value of the loan from Lantern Real Estate Trust has been retrospectively decreased by \$2.686m (see note 8 and note 13).

The loan from Lantern Real Estate Trust is unsecured, interest free and repayable thirteen months from the date that the lender provides a notice to repay. At the date of this report no such notice has been received.

11. Issued shares	December 2015 \$'000	June 2015 \$'000
(a) Carrying amounts		
At the beginning of the half-year	2,745	2,745
At the end of the half-year	2,745	2,745
(b) Number of shares issued		
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 2015

12. Discontinued Operations	December 2015 \$'000	December 2014 \$'000
(a) Details of discontinued operations		
Discontinued operations consist of two hotels (Dolphin Hotel & El Toro Hotel). Both venues were contracted before 31 December 2015 to sell in financial year 2016. The assets are carried at fair value less expected costs to sell.		
(b) Financial performance		
The results of the discontinued operations for the half-year were:		
Revenue	5,273	5,284
Cost of sales	(1,920)	(1,885)
Gross profit	3,353	3,399
Expenses	(2,903)	(3,163)
Profit/(loss) from disposal group for the half-year	450	236
(c) Cash flows		
The cash flows of the discontinued operations during the half-year were:		
Cash flows from operating activities		
Receipts from customers	5,801	5,813
Payments to suppliers	(5,208)	(5,247)
Cash flows from investing activities		
Acquisitions of property, plant, equipment and intangibles	(8)	(33)
Cash flows from discontinued operations for the half-year	585	533
	December 2015 \$'000	June 2015 \$'000
(d) Assets and liabilities		
The assets and liabilities of the discontinued operations as at reporting date were:		
Assets		
Property, plant and equipment	1,897	-
Intangibles	1,000	-
Inventory	207	-
Cash	197	-
Receivables	11	-
Total assets of discontinued operations	3,312	-
Liabilities		
Payables	658	-
Total liabilities of discontinued operations	658	-
Net assets of discontinued operations	2,654	-
(e) Leasing arrangements		
Commitments for operating leases for hotels, payable to Lantern Real Estate Trust, attributable to discontinued assets are payable as follows:		
Within one year	2,630	2,588
Later than one year but not later than five years	9,034	10,370
Later than five years	-	-
	11,664	12,958



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

13. Business combinations

Increase/(Decrease)
\$

Retrospective adjustments to 30 June 2015 carrying values

The business combinations for the Waterworks Hotel & Exchange Hotel were initially accounted for on a provisional basis. The Group retrospectively adjusted the provisional amounts recognised and also recognised additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the date of acquisition.

The effect of this retrospective adjustment on the 30 June 2015 carrying values was as follows:

Goodwill (note 8)	2,686
Loan from Lantern Real Estate Trust (note 10)	(2,686)
	-

Details of the acquisitions are set out below:

Waterworks Hotel

On 15 September 2014 the Group purchased the property, plant, equipment & intangibles of the Waterworks Hotel, Botany. Details of the acquisition are as follows:

	Fair Value \$'000
Cash	97
Inventories	36
Intangibles	1,934
Plant and equipment	1,432
Other assets and liabilities	(139)
Acquisition date fair value of the assets and liabilities acquired	3,360
Add: amount expensed – portion of stamp duty allocated to goodwill	103
Acquisition date fair value of the assets and liabilities acquired and costs of acquisition expensed	3,463
<i>Consideration:</i>	
Cash paid to vendor	(6)
Loan from Lantern Real Estate Trust	3,469
Total consideration	3,463

Exchange Hotel

On 21 October 2014 the Group purchased the property, plant, equipment & intangibles of the Exchange Hotel, Newcastle. Details of the acquisition are as follows:

	Fair Value \$'000
Cash	27
Inventories	49
Intangibles	3,116
Plant and equipment	2,055
Other assets and liabilities	(11)
Acquisition date fair value of the assets and liabilities acquired	5,236
Add: amount expensed – portion of stamp duty allocated to goodwill	167
Acquisition date fair value of the assets and liabilities acquired and costs of acquisition expensed	5,403
<i>Consideration:</i>	
Cash paid to vendor	65
Loan from Lantern Real Estate Trust	5,338
Total consideration	5,403

Payments for Acquisition

The total payments for acquisition are as follows:

Waterworks Hotel	3,463
Exchange Hotel	5,403
Total payments for acquisition	8,866



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

13. Business combinations (continued)

Results of acquired businesses

The acquired hotel businesses contributed revenue and profit/(loss) since acquisition as follows:

	Waterworks	Exchange	December 2015
	\$'000	\$'000	\$'000
Revenue	2,100	1,994	4,094
Expenses (including depreciation)	(1,974)	(2,060)	(4,034)
Rent paid to Lantern Real Estate Trust	(200)	(300)	(500)
Impairment of goodwill	-	(1,116)	(1,116)
Profit/(loss)	(74)	(1,482)	(1,556)

	Waterworks	Exchange	June 2015
	\$'000	\$'000	\$'000
Revenue	2,702	2,758	5,460
Expenses (including depreciation)	(2,595)	(2,781)	(5,376)
Rent paid to Lantern Real Estate Trust	(282)	(408)	(690)
Impairment of goodwill	-	(2,000)	(2,000)
Profit/(loss)	(175)	(2,431)	(2,606)

14. Commitments

	December 2015	June 2015
	\$'000	\$'000
Finance leases commitments		
Commitments for finance lease payments, payable:		
Within 1 year	15	65
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Minimum lease payments	15	65
Future finance charges	(1)	(8)
Liability recognised	14	57
Disclosed as:		
Current liability	14	57
Non-current liability	-	-
	14	57
Operating lease commitments – head office rental & equipment		
Commitments for operating lease payments, payable:		
Within 1 year	394	210
Later than 1 year but not later than 5 years	1,217	1,522
Later than 5 years	-	-
	1,611	1,732
Operating lease commitments – hotels (including discontinued operations)		
Commitments for operating leases for hotels, payable to Lantern Real Estate Trust:		
Within 1 year	13,340	13,129
Later than 1 year but not later than 5 years	45,577	47,535
Later than 5 years	7,559	12,378
	66,476	73,042

Capital Expenditure

There are no commitments for capital expenditure at reporting date.

15. Events subsequent to the reporting date

The \$5m sale of the El Toro Hotel was completed on 1 February 2016. The net proceeds from the sale have been applied to the Loan from Lantern Real Estate Trust. A profit of \$2.6m was recorded on sale.



DIRECTORS' DECLARATION

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

- (a) the consolidated financial statements and notes, set out on pages 25 to 35, 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 2015 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.



John Murphy
Non- Executive Chairman
Dated in Melbourne this 25th day of February 2016



Shirley Liew
Non- Executive Director
Dated in Sydney this 25th day of February 2016



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 Limited ("the Company") which comprises the statement of financial position as at 31 December 2015, 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 2015 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.

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

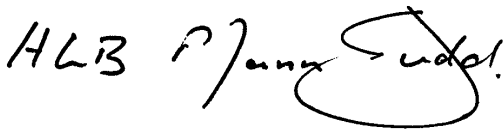
Independence

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

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 2015 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*.

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

HLB Mann Judd
Chartered Accountants

A handwritten signature in black ink that reads 'D K Swindells'.

D K Swindells
Partner

Sydney, NSW
25 February 2016