
APPENDIX 4D

HALF-YEAR REPORT

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

Current Period	Half-year ended 31 December 2013
Prior corresponding period	Half-year ended 31 December 2012

2. Results for announcement to the market

Key information	31 Dec 2013 \$'000	31 Dec 2012 \$'000	Change %
2.1 Revenue from continuing operations	24,742	22,040	12.3
2.2 Profit/(loss) from ordinary activities after tax	(2,160)	2,199	n/a
2.3 Profit for the period attributable to members	(2,160)	2,199	n/a

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

2.5 Distribution record date

N/A

2.6 Commentary

Please refer to the operating & financial review in the director's report contained within the attached Interim Financial Report.

Lantern Hotel Group
APPENDIX 4D - Half-year report
For the half-year ended 31 December 2013

3. Net tangible assets per stapled security

	31 Dec 2013	31 Dec 2012
	cents	cents
Stapled security	8.25	8.16

9. Audit qualification or review

The interim financial statements for the period ended 31 December 2013 were subject to a review by the auditors and their report is attached as part of the Interim Report.

10. Attachments

The Interim Financial Report of Lantern Hotel Group for the half-year ended 31 December 2013 is attached.

11. Signed

Signed:



Russell Naylor

Director

28 February 2014



LANTERN HOTEL GROUP

INTERIM REPORT

For the half-year ended 31 December 2013



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Lantern Hotel Group is a stapled entity comprising the Lantern Real Estate Trust (the 'Trust'), 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	Bryan Mogridge Deborah Cartwright Julian Davidson Russell Naylor
Company Secretary	Leanne Ralph
Registered Office	Level 10, 9 Castlereagh St Sydney NSW 2000 Phone : (02) 9712 5766
Principal Administration Office	Level 10, 9 Castlereagh Street Sydney NSW 2001 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 2013.

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;
- (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 2013 and up to the date of this report:

Directors

Bryan Mogridge
Deborah Cartwright
Julian Davidson
Russell Naylor

Principal activity

During the financial year the principal activity of the Group was owning and operating hotel properties.

Review of operations

Net loss from continuing operations for the half-year to 31 December 2013 was \$2.2 million, down from a profit of \$2.2m in the previous corresponding period. The decrease in profit was largely due to a number of one off factors not related to the hotel operations including:

- Reduction in interest income to \$0.3m from \$3.8m due to the application of the Panthers and Panthers Unit Property Trust (PPUT) proceeds against borrowings, offset by a reduction in interest paid on borrowings from \$4.8m to \$2.9m.
- Profit of \$3.0m booked in the December 2012 half-year period on the sale of PPUT.
- A \$2m write down of Property, plant and equipment vs. \$0.0m in the previous corresponding period
- A \$1m write down of Goodwill vs. \$0.0m in the previous corresponding period
- Unrealised gain on Investment Property fair value of \$1.3m vs. \$0.0m in the previous corresponding period
- Increase of employee costs from \$5.9m to \$7.1m in the current period impacted by the acquisition of Crown Hotel in October 2013 and effect of Bowral Hotel for the full six months to December 2013.
- Decrease in amortisation of borrowing costs expense from \$1.9m to \$0.7m due to a decreased level of capitalised borrowing costs.
- Increase in Rental Income from \$0.3m to \$1.2m due to a straight-lining adjustment to rent in December 2012 half-year accounts.

Revenue on a same hotel basis (excluding Bowral and Crown) grew 3.8% compared to the previous corresponding period with the operating performance being impacted by the costs associated with refreshing the hotels and disruption to trade while capital works were being carried out.



DIRECTORS' REPORT

Significant changes in the state of affairs

1. On 10 July 2013 Lantern paid \$1.4m to terminate interest rate swaps with a face value of \$63.7m. These swap agreements were entered into by the previous Responsible Entity during 2007 and 2008. There was no financial impact on the profit & loss for the current half-year reporting period as the realised loss on this transaction was matched by a reversal of part of the unrealised loss recognised in prior periods.
2. On 12 July 2013 the group sold the discontinued New Zealand asset Exchange Hotel for NZ\$2.2m (A\$1.9m) (in line with its carrying value as at 30 June 2013).
3. On 30 August 2013, Lantern Hotel Group entered into a new 3 year finance facility with its principal financier. The key terms are as follows:
 - Balance of Panthers proceeds, held in cash at 30 June 2013, has been used to reduce debt.
 - Revised facility limit of \$78m with revolving terms.
 - Facility can be redrawn for acquisitions of freehold going concern hotels and other capital expenditure.
 - Proceeds from the sale of NZ investment property assets (discontinued operations) will be available for use in the ordinary course of business, including but not limited to acquisitions, capital expenditure and security buybacks.
4. On 23 October 2013 the Group purchased the property, plant, equipment and intangibles of the Crown Hotel, Surry Hills. Total cost of the acquisition was \$16.4m. See note 12 for additional information
5. On 25 October 2013 the group sold a portion of the discontinued New Zealand asset Realm Hotel for NZ\$540k (A\$467k) (in line with its carrying value as at 30 June 2013).
6. A program of replacement of existing gaming machines across all our venues commenced in November 2013. Gaming machines replacement will be ongoing to ensure gaming machines are kept current.

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 statements. Amounts in the directors' report and financial statements 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



Bryan Mogridge
Non-Executive Chairman
Dated in Auckland this 28th of February 2014



Deborah Cartwright
Non-Executive Director
Dated in Sydney this 28th of February 2014



**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 2013, 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 audit.

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



**D K Swindells
Partner**

**Sydney
28 February 2014**

CONSOLIDATED INCOME STATEMENT

	Note	December 2013 \$'000	December 2012 \$'000
Revenue from continuing operations	2	24,742	22,040
Cost of sales		(9,888)	(8,870)
Gross profit from continuing operations		14,854	13,170
Other revenue	2	1,213	261
Other income	2	3,912	7,321
Share of profits - associates		-	496
Hotel expenses		(11,958)	(10,004)
Administration expenses		(2,869)	(4,204)
Changes in fair value of property, plant, equipment and intangibles	3	(3,000)	-
Finance costs	3	(4,312)	(4,841)
Net profit/(loss) from continuing operations before income tax expense		(2,160)	2,199
Income tax expense		-	-
Profit from continuing operations after income tax expense		(2,160)	2,199
Discontinued operations			
Profit/(loss) from discontinued operations	11(b)	1,545	108
Profit/(loss) for the period		(615)	2,307
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		(1,186)	1,005
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		571	1,302
		(615)	2,307
Distributions per security		Cents -	Cents -
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust - basic and diluted	4	(0.07)	0.24
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted	4	(0.24)	0.23

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	December 2013 \$'000	December 2012 \$'000
Parent interest - Lantern Real Estate Trust		
Net profit for the half-year	(1,186)	1,005
Other comprehensive income:		
Revaluation surplus	2,884	-
Exchange differences on translation of foreign operations	(890)	(117)
Total comprehensive profit/(loss) for the year - parent interest	808	888
Non-controlling interest - Lantern Hotel Group Limited		
Net profit for the half-year	571	1,302
Total comprehensive profit/(loss) for the year - non-controlling interest	571	1,302
Stapled Entity		
Net profit/(loss) for the year	(615)	2,307
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation surplus	2,884	-
Items that may be reclassified to profit or loss:		
Exchange rate differences on translation of foreign operations	(890)	(117)
Total comprehensive profit/(loss) for the year - stapled entity	1,379	2,190

The components of other comprehensive income shown above are presented net of related income tax effects of \$Nil (Dec 2012: \$Nil).

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 2013 \$'000	June 2013 \$'000
Current assets			
Cash and cash equivalents		3,060	56,202
Trade and other receivables	5	2,075	2,322
Inventories		1,303	1,103
Assets of discontinued operations	11(d)	7,428	9,367
Total Current Assets		13,866	68,994
Non-current assets			
Investment properties		20,400	19,100
Property, plant and equipment	7	112,123	95,545
Intangibles	8	29,090	26,640
Deferred tax asset		108	108
Other	6	526	755
Total Non-current Assets		162,247	142,148
Total Assets		176,113	211,142
Current liabilities			
Payables		7,626	9,076
Borrowings	9	66	64
Derivatives		2,421	3,419
Provisions		60	70
Total Current Liabilities		10,173	12,629
Non-current liabilities			
Payables		900	450
Borrowings	9	56,813	90,328
Derivatives		6,181	7,077
Provisions		85	76
Total Non-current Liabilities		63,979	97,931
Total Liabilities		74,152	110,560
Net Assets		101,961	100,582
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	10	222,122	222,122
Reserves		1,866	(128)
Retained earnings/(accumulated losses)		(124,353)	(123,167)
Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)		99,635	98,827
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	10	2,786	2,786
Retained earnings/(accumulated losses)		(460)	(1,031)
Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)		2,326	1,755
Total Security Holders' Interest		101,961	100,582

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



CONSOLIDATED STATEMENT OF CASH FLOWS

Note	December 2013 \$'000	December 2012 \$'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	28,980	26,396
Cash paid to suppliers and employees (inclusive of GST)	(25,127)	(22,812)
Proceeds from insurance claim	62	-
Interest received	456	3,182
Interest paid	(3,595)	(5,188)
Net cash from operating activities	776	1,578
Cash flows from investing activities		
Payment for property, plant, equipment and intangibles	(2,616)	(1,967)
Earnings from equity investment	-	932
Proceeds from sale of discontinued operations	2,260	-
Proceeds from loans repaid by third parties	200	9,186
Payment for acquisition of business, net of cash acquired	(16,325)	(20)
Proceeds from loan extension fees	-	435
Net cash inflow from investing activities	(16,481)	8,566
Cash flows from financing activities		
Proceeds from borrowings	16,513	-
Repayment of borrowings	(50,000)	(6,385)
Repayment of finance leases	(32)	-
Payment for cancelled interest rate swaps	(1,412)	-
Unit issue costs	-	(394)
Payment for borrowing costs	(511)	(220)
Payment for securities bought back	(1,999)	-
Net cash inflow from financing activities	(37,441)	(6,999)
Net increase in cash or cash equivalents	(53,146)	3,145
Cash or cash equivalents at the beginning of the period	56,202	4,116
Effects of exchange rate changes on cash	4	(3)
Cash and cash equivalents at the end of the period	3,060	7,258

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amounts at 1 July 2013	222,122	(128)	(123,167)	1,755	100,582
Lantern Real Estate Trust					
Net profit/(loss) for the half-year	-	-	(1,186)	-	(1,186)
Other comprehensive income	-	1,994	-	-	1,994
	-	1,994	(1,186)	-	808
Lantern Hotel Group Limited					
Net profit/(loss) for the half-year	-	-	-	571	571
	-	-	-	571	571
Total stapled entity					
Net profit/(loss) for the half-year	-	-	(1,186)	571	(615)
Other comprehensive income	-	1,994	-	-	1,994
Total comprehensive profit/(loss) for the half-year	-	1,994	(1,186)	571	1,379
Carrying amounts at 31 December 2013	222,122	1,866	(124,353)	2,326	101,961

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Issued Capital \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total \$'000
Carrying amounts at 1 July 2012	228,746	(159)	(126,399)	1,605	103,793
Lantern Real Estate Trust					
Net profit/(loss) for the half-year	-	-	1,005	-	1,005
Other comprehensive income	-	(117)	-	-	(117)
	-	(117)	1,005	-	888
Lantern Hotel Group Limited					
Net profit/(loss) for the half-year	-	-	-	1,302	1,302
	-	-	-	1,302	1,302
Total stapled entity					
Net profit/(loss) for the half-year	-	-	1,005	1,302	2,307
Other comprehensive income	-	(117)	-	-	(117)
Total comprehensive profit/(loss) for the half-year	-	(117)	1,005	1,302	2,190
Carrying amounts at 31 December 2012	228,746	(276)	(125,394)	2,907	105,983

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



NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

This consolidated interim financial report for the half-year period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The consolidated financial statements include:

- (i) Lantern Real Estate Trust and its controlled entities
- (ii) Lantern Hotel Group and its controlled entities.

The consolidated interim financial statements do not include all of the notes of the type normally included in annual financial statements. Accordingly, it is recommended that these financial statements are read in conjunction with the annual report for the year ended 30 June 2013 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 and some comparatives may have been adjusted to ensure compliance.

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations will be disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.



NOTES TO THE FINANCIAL STATEMENTS

2. Revenue	December 2013 \$'000	December 2012 \$'000
Revenue from operations		
Sale of goods	24,742	22,040
Other revenue		
Rental income	1,213	261
Other income		
Gain on sale of equity accounted investment	-	3,058
Interest income	301	3,811
Net gain/(loss) in fair value of:		
Interest rate swaps	2,219	93
Investment property	1,300	-
Other	92	359
Total other income	3,912	7,321
3. Expenses	December 2013 \$'000	December 2012 \$'000
<i>Depreciation</i>		
Buildings	(375)	-
Plant and equipment	(546)	(397)
Motor vehicles - under finance lease	(5)	-
	(926)	(397)
<i>Amortisation</i>		
Borrowing costs	(740)	(1,916)
	(740)	(1,916)
Total depreciation and amortisation	(1,666)	(2,313)
<i>Changes in fair value of Property, plant, equipment and intangibles</i>		
Write down of Goodwill	(1,000)	-
Write down of Property, plant & equipment	(2,000)	-
Total changes in fair value of property, plant, equipment and intangibles	(3,000)	-
Employee benefits expense	(7,105)	(5,928)
Net loss on disposal of property, plant and equipment	(284)	(131)
<i>Impairment loss on:</i>		
Trade receivables	-	(105)
Loans	-	(320)
Total impairment loss	-	(425)
<i>Finance costs</i>		
Realised loss on cancelled interest rate swaps	(1,412)	-
Interest paid or payable	(2,900)	(4,841)
Total finance expenses	(4,312)	(4,841)



NOTES TO THE FINANCIAL STATEMENTS

4. Earnings per security	December 2013 \$'000	December 2012 \$'000
Profit attributable to ordinary security holders of the Trust:		
From continuing operations	(2,160)	2,199
From discontinued operations	1,545	108
	(615)	2,307
	'000	'000
Weighted average number of ordinary securities used in calculating basic and diluted earnings per security	883,202	971,952
	Cents	Cents
Basic and diluted earnings per security attributable to the security holders of the Trust		
From continuing operations	(0.24)	0.23
From discontinued operations	0.17	0.01
	(0.07)	0.24

5. Trade and other receivables	December 2013 \$'000	June 2013 \$'000
Current		
Other debtors	1,052	1,531
Accrued income, prepayments and deposits	1,023	791
Total Trade and other receivables	2,075	2,322

6. Other assets	December 2013 \$'000	June 2013 \$'000
Non-current		
Unamortised borrowing costs	526	755

Other assets refers to unamortised costs incurred in obtaining bank finance facilities.



NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment	December 2013 \$'000	June 2013 \$'000
Land and buildings - at fair value	104,654	89,869
Plant and equipment - at cost or fair value at acquisition date	9,145	7,085
Less: Accumulated depreciation	(1,742)	(1,480)
	7,403	5,605
Motor vehicles - at cost	76	76
less: accumulated depreciation	(10)	(5)
	66	71
Total Property, plant and equipment	112,123	95,545

Reconciliations

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

	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 30 June 2013	89,869	5,605	71	95,545
Additions	14,276	2,628	-	16,904
Disposals	-	(284)	-	(284)
Revaluation increments	2,884	-	-	2,884
Revaluation decrements	(2,000)	-	-	(2,000)
Depreciation expense	(375)	(546)	(5)	(926)
Balance at 31 December 2013	104,654	7,403	66	112,123

Land and Buildings includes hotel licences. Property, plant and equipment and Intangibles (refer Note 8) includes freehold going concern hotel assets of the Group. The Land and Buildings are carried at independent valuations (on a freehold going concern basis for assets where we own both the leasehold and freehold interest), which are no more than 3 years old. The Group has a policy of revaluing the hotel assets on at least a triennial basis. The directors believe that the current carrying value represents fair value.

Whilst the 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:

	December 2013 \$'000	June 2013 \$'000
Land and buildings	104,654	89,869
Plant and equipment	7,403	5,605
Intangibles	29,090	26,640
Total freehold going concern hotels	141,147	122,114



NOTES TO THE FINANCIAL STATEMENTS

8. Intangibles	December 2013 \$'000	June 2013 \$'000
Goodwill - at cost	5,000	6,000
Gaming licences - at fair value	24,090	20,640
Total Intangibles	29,090	26,640

Goodwill relates to the acquisition of hotel operating businesses from the Icon Hospitality Group on 15 June 2012.

Reconciliations

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

	Goodwill \$'000	Gaming licences \$'000	Total \$'000
Balance at 1 June 2013	6,000	20,640	26,640
Transfers from Investment Property (note 10)	-	-	-
Write down	(1,000)	-	(1,000)
Acquisition	-	3,450	3,450
Balance at 31 Dec 2013	5,000	24,090	29,090

9. Borrowings	December 2013 \$'000	June 2013 \$'000
Current liabilities		
Finance lease liabilities	66	64
Total current borrowings	66	64
Non-current liabilities		
Finance lease liabilities	100	128
Bank debt	56,713	90,200
Total Non-current borrowings	56,813	90,328

Bank debt

Bank debt comprises Australian dollar denominated debt of \$56,713,000 (June 2013: \$90,200,000).

Debt is provided through two facilities. The primary facility, with a limit of \$78,000,000 and drawn to \$44,513,000, is repayable on 30 August 2016 and the second facility, fully drawn to \$12,200,000, is repayable on 22 June 2015. 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 \$161,547,000 (June 2013 \$202,449,344).



NOTES TO THE FINANCIAL STATEMENTS

10. Issued securities	December 2013 \$'000	June 2013 \$'000
(a) Carrying amounts		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of period	222,122	228,746
Unit buybacks	-	(6,624)
Return of capital	-	-
At end of period	222,122	222,122
Attributable to stapled security holders of Lantern stapled on 26 April 2012		
At beginning of period	2,786	3,135
Share buybacks	-	(349)
At end of year	2,786	2,786
Total issued stapled securities	224,908	224,908
(b) Number of securities issued		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of period	883,202	971,952
Unit buybacks	-	(88,750)
At end of period	883,202	883,202
Attributable to stapled security holders of Lantern		
At beginning of period	883,202	971,952
Share buybacks	-	(88,750)
At end of period	883,202	883,202
Total issued stapled securities	883,202	883,202



NOTES TO THE FINANCIAL STATEMENTS

11. Discontinued operations	December 2013 \$'000	June 2013 \$'000
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(a) Details of discontinued operations

The New Zealand portfolio consists of 5 properties. Engagement with selling agents is ongoing to actively market the properties and they are expected to be sold in the next 12 months. The assets are carried at fair value.

(b) Financial performance

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

Revenue	332	331
Other income	3	136
Realised loss on sale of investment properties	(3,402)	-
Net gain/(loss) on change in fair value of investment properties	3,402	-
Unrealised foreign exchange gain/(loss)	1,573	-
Expenses	(363)	(24)
Interest expense	-	(335)
Profit/(loss) from discontinued operations for the year	1,545	108

(c) Cash flows

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

Cash flows from operating activities		
Rental and other property income	391	450
Payments to suppliers	(51)	(32)
Other receipts	12	-
Interest received	3	-
Interest paid	-	(355)
Cash flows from investing activities		
Sale of investment properties	2,260	(9)
Cash flows from financing activities		
Loan from Lantern Real Estate Trust	-	50
Repayment of loan to Lantern Real Estate Trust	(2,554)	-
Effects of exchange rate changes on cash	4	(3)
Cash flows from discontinued operations	65	101



NOTES TO THE FINANCIAL STATEMENTS

11. Discontinued operations (continued)	December 2013 \$'000	December 2013 \$'000
(d) Assets and liabilities		
The assets of the discontinued operations as at reporting date were:		
Assets		
Investment properties	7,428	9,367
Total assets of discontinued operations	7,428	9,367
Net assets of discontinued operations	7,428	9,367
(e) Leasing arrangements		
Future minimum rentals receivable under these leases are:		
Within one year	1,210	1,953
Later than one year but not later than five years	5,046	8,415
Later than five years	6,099	11,479
	12,355	21,847

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

12. Business combinations

(i) Crown Hotel

On 23 October 2013 the Group purchased the property, plant, equipment & intangibles of the Crown Hotel.

Details of the acquisition are as follows:

	Fair value \$'000
Cash	33
Inventories	44
Land and buildings	11,885
Intangibles	3,450
Plant and equipment	165
Other assets and liabilities	(80)
Stamp duty and costs of acquisition	861
Acquisition date fair value of the assets and liabilities acquired	16,358
<i>Consideration:</i>	
Cash paid to vendor	15,497
Cash paid for stamp duty and costs of acquisition	861
Total Consideration	16,358

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

	2013 \$'000
Revenue	930
Expenses	(633)
Profit/(Loss)	297

The business combination for the Crown Hotel has initially been accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises 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 measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all possible information possible to determine fair value.



NOTES TO THE FINANCIAL STATEMENTS

13. Commitments	December 2013	June 2013
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than 1 year	764	-
Between 2 and 3 years	665	-
	1,429	-

The capital expenditure commitments relate to future purchases and improvements of property, plant and equipment and gaming equipment.

14. Events subsequent to the reporting date

There have been no matters or circumstances arising after the end of the reporting period that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations, or the Group's state of affairs in future financial years.



DIRECTOR'S DECLARATION

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 7 to 21 , 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 2013 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 of the Responsible Entity



Bryan Mogridge
Chairman
Dated in Auckland this 28th of February 2014



Deborah Cartwright
Director
Dated in Sydney this 28th of February 2014



LANTERN REAL ESTATE TRUST
INDEPENDENT AUDITOR'S REVIEW REPORT

To the unitholders of Lantern Real Estate Trust:

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Lantern Real Estate Trust ("the Trust") which comprises the statement of financial position as at 31 December 2013, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of Lantern RE Limited, the responsible entity of the Trust, for the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Lantern RE Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 2013 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 consolidated entity, 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

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 2013 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*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of Lantern Real Estate Trust for the half-year ended 31 December 2013 published in the interim financial report and included on the consolidated entity's website. The directors of Lantern RE Limited are responsible for the integrity of the consolidated entity's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

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

HLB Mann Judd
Chartered Accountants

Sydney, NSW
28 February 2014

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

D K Swindells
Partner

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**LANTERN HOTEL GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

INTERIM REPORT

For the half-year ended 31 December 2013



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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. A separate annual report has been prepared for the stapled group.



CORPORATE INFORMATION

Directors	Bryan Mogridge Deborah Cartwright Julian Davidson Russell Naylor
Company Secretary	Leanne Ralph
Registered Office	Level 10, 9 Castlereagh St Sydney NSW 2000 Phone : (02) 8223 3602
Principal Administration Office	Level 10, 9 Castlereagh Street Sydney NSW 2001 Phone : (02) 9225 6072
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 30 December 2013.

Directors

The following persons were Directors of the Company during the whole of the half-year ended 31 December 2013 and up to the date of this report:

Directors

Bryan Mogridge
Deborah Cartwright
Julian Davidson
Russell Naylor

Principal activity

During the half-year the principal activity of the Group was operating hotel properties.

Review of operations

Net loss from operations for the half-year to 31 December 2013 was \$0.9 million, from a loss of \$2.9m in the previous corresponding period. The decrease in profit was largely due to:

- \$1.7m increase in gross profit from operations compared to the previous corresponding period.
- \$1.2m reduction in Hotel Expenses for the period, primarily due to rent abatement agreements to compensate for trade disruption during capex works.
- \$1m write down of goodwill versus \$0.0m in the previous corresponding period.

Revenue on a same hotel basis (excluding Bowral and Crown) grew 3.8% compared to the previous corresponding period with the operating performance being impacted by the costs associated with refreshing the hotels and disruption to trade while capital works were being carried out.



DIRECTORS' REPORT

Significant changes in the state of affairs

1. On 23 October the Group purchased the plant & equipment of the Crown Hotel. Total cost of the acquisition was \$162,000. See note 12 for further information.
2. A program of replacement of existing gaming machines across all our venues commenced in November 2013. Gaming machines replacement will be ongoing to ensure gaming machines are kept current.

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 statements. Amounts in the directors' report and financial statements 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



Bryan Mogridge
Non-Executive Chairman
Dated in Auckland this 28th of February 2014



Deborah Cartwright
Non-Executive Director
Dated in Sydney this 28th of February 2014



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 2013, 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 audit.

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



D K Swindells
Partner

Sydney
28 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	December 2013 \$'000	December 2012 \$'000
Revenue from operations	2	24,742	22,040
Cost of sales		(9,888)	(8,870)
Gross profit from operations		14,854	13,170
Other income	2	780	862
Hotel expenses		(13,360)	(14,608)
Administration expenses		(1,879)	(2,150)
Write down of intangibles	8	(1,000)	-
Other	3	(284)	(131)
Net profit/(loss) from operations for the half-year before income tax expense		(889)	(2,857)
Income tax expense		-	-
Profit/(loss) for the period		(889)	(2,857)
Other comprehensive income		-	-
Total comprehensive income for the period		(889)	(2,857)
Profit/(loss) per share attributable to the ordinary share holders	4	(0.10)	(0.29)

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 2013 \$'000	June 2013 \$'000
Current assets			
Cash and cash equivalents		2,564	2,048
Trade and other receivables	5	1,398	1,263
Inventories	6	1,303	1,103
Other assets		588	600
Total Current Assets		5,853	5,014
Non-current assets			
Property, plant and equipment	7	7,469	5,652
Intangibles	8	5,000	6,000
Deferred tax asset		108	108
Total Non-current Assets		12,577	11,760
Total Assets		18,430	16,774
Current liabilities			
Payables	9	6,353	4,898
Borrowings	10	66	64
Provisions		60	70
Total Current Liabilities		6,479	5,032
Non-current liabilities			
Payables	9	487	-
Borrowings	10	13,026	12,424
Provisions		85	76
Total Non-current Liabilities		13,598	12,500
Total Liabilities		20,077	17,532
Net Assets		(1,647)	(758)
Shareholders of Lantern Hotel Group Limited			
Issued shares	11	2,786	2,786
Retained earnings/(accumulated losses)		(4,433)	(3,544)
Total Shareholders' Interest		(1,647)	(758)

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



CONSOLIDATED STATEMENT OF CASH FLOWS

Note	December 2013 \$'000	December 2012 \$'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	27,494	25,373
Proceeds from insurance claim	61	-
Cash paid to suppliers and employees (inclusive of GST)	(26,569)	(24,935)
Interest received	52	17
Net cash from operating activities	1,038	455
Cash flows from investing activities		
Payment for property, plant and equipment	(1,319)	(763)
Proceeds from loans repaid by third parties	200	-
Net cash inflow from investing activities	(1,119)	(763)
Cash flows from financing activities		
Proceeds from borrowings	630	887
Repayment of finance leases	(33)	-
Net cash inflow from financing activities	597	887
Net increase in cash or cash equivalents	516	579
Cash or cash equivalents at the beginning of the period	2,048	2,999
Cash and cash equivalents at the end of the period	2,564	3,578

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued Capital \$'000	Retained earnings \$'000	Total \$'000
Carrying amounts at 1 July 2013		2,786	(3,544)	(758)
Lantern Hotel Group Limited				
Net profit/(loss) for the half-year		-	(889)	(889)
Total comprehensive profit/(loss) for the half-year		-	(889)	(889)
Carrying amounts at 31 December 2013		2,786	(4,433)	(1,647)
Carrying amounts at 1 July 2012		3,135	(1,725)	1,410
Lantern Hotel Group Limited				
Net profit/(loss) for the half-year		-	(2,857)	(2,857)
Total comprehensive profit/(loss) for the half-year		-	(2,857)	(2,857)
Carrying amounts at 31 December 2012		3,135	(4,582)	(1,447)

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



NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

This consolidated interim financial report for the half-year ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The consolidated interim financial statements do not include all of the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 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 and some comparatives may have been adjusted to ensure compliance.

New, revised or amending Accounting Standards and Interpretations adopted

The Group 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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations will be disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Going concern

At 31 December 2013 the Group had a net asset deficiency of \$1.647m, which included related party loans of \$12.926m payable to Lantern Real Estate Trust ("the Trust"), an entity stapled to Lantern Hotel Group Limited. The financial statements have been prepared on a going concern basis as the 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 12 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.



NOTES TO THE FINANCIAL STATEMENTS

2. Revenue	December 2013 \$'000	December 2012 \$'000
Revenue from operations		
Sale of goods	24,742	22,040
	24,742	22,040
Other income		
Responsible entity fees	616	657
Interest received	52	68
Other	112	137
	780	862

3. Expenses	December 2013 \$'000	December 2012 \$'000
<i>Depreciation</i>		
Plant and equipment	(338)	(223)
Gaming machines	(208)	(174)
Motor vehicles - under finance lease	(5)	-
Total depreciation and amortisation	(551)	(397)
<i>Employee benefits expense</i>		
Employee benefits expense	(7,108)	(5,928)
Net loss on disposal of property, plant and equipment	(284)	(131)



NOTES TO THE FINANCIAL STATEMENTS

4. Earnings per share	December 2013 \$'000	December 2012 \$'000
Profit attributable to ordinary shareholders of the Group:	(889)	(2,857)
	(889)	(2,857)
	'000	'000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	883,202	971,952
	Cents	Cents
Basic and diluted earnings per share attributable to the shareholders of the Group	(0.10)	(0.29)

5. Trade and other receivables	December 2013 \$'000	June 2013 \$'000
Current		
Receivables	676	379
Loan to unrelated party	722	884
Total Trade and other receivables	1,398	1,263

The loan to the unrelated party is unsecured with no fixed term of repayment and bears an interest rate of 10% per annum.

6. Inventories	December 2013 \$'000	June 2013 \$'000
Finished goods at cost	1,303	1,103



NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment	December 2013 \$'000	June 2013 \$'000
Plant and equipment - at cost or fair value at acquisition date	5,475	4,457
Less: Accumulated depreciation	(1,433)	(1,109)
	4,042	3,348
Gaming equipment - at cost or fair value at acquisition date	3,644	2,578
Less: Accumulated depreciation	(283)	(345)
	3,361	2,233
Motor vehicles - at cost	76	76
less: accumulated depreciation	(10)	(5)
	66	71
Total Property, plant and equipment	7,469	5,652

Reconciliations

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

	Plant and equipment \$'000	Gaming equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 30 June 2013	3,348	2,233	71	5,652
Additions	1,046	1,606	-	2,652
Disposals	(14)	(270)	-	(284)
Depreciation expense	(338)	(208)	(5)	(551)
Balance at 31 December 2013	4,042	3,361	66	7,469

8. Intangibles	December 2013 \$'000	June 2013 \$'000
Goodwill - at cost	5,000	6,000
Total Intangibles	5,000	6,000

Goodwill relates to the acquisition of hotel operating businesses from the Icon Hospitality Group on 15 June 2012.

Reconciliations

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

	Goodwill \$'000	Total \$'000
Balance at 1 July 2013	6,000	6,000
Write off	(1,000)	(1,000)
Balance at 31 Dec 2013	5,000	5,000



NOTES TO THE FINANCIAL STATEMENTS

9. Payables	December 2013 \$'000	June 2013 \$'000
Current liabilities		
Trade payables	5,491	4,609
Other payables	862	289
	6,353	4,898
Non-current liabilities		
Other payables	487	-
	487	-

10. Borrowings	December 2013 \$'000	June 2013 \$'000
Current liabilities		
Finance lease	66	64
Total current borrowings	66	64
Non-current liabilities		
Finance lease	100	128
Loan from Lantern Real Estate Trust	12,926	12,296
Total Non-current borrowings	13,026	12,424

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

11. Issued securities	December 2013 \$'000	June 2013 \$'000
(a) Carrying amounts		
Attributable to stapled security holders of Lantern Hotel Group		
At beginning of year	2,786	3,135
Unit buybacks	-	(349)
At end of year	2,786	2,786
(b) Number of securities issued	December 2013 '000	June 2013 '000
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of year	883,202	971,952
Unit buybacks	-	(88,750)
At end of year	883,202	883,202



NOTES TO THE FINANCIAL STATEMENTS

12. Business combinations

(i) Crown Hotel

On 23 October 2013 the Group purchased the property, plant, equipment & intangibles of the Crown Hotel.

Details of the acquisition are as follows:

	Fair value \$'000
Cash	33
Inventories	44
Plant and equipment	165
Other assets and liabilities	(80)
Acquisition date fair value of the assets and liabilities acquired	162
<i>Consideration:</i>	
Loan from Lantern Real Estate Trust	162
Total consideration	162

The acquired hotel business contributed revenue and profit/(loss) as follows:

	2013 \$'000
Revenue	930
Expenses	(633)
Profit/(Loss)	297

13. Segment information

Description of segments

The group operates hotels in Australia and a subsidiary acts as Responsible Entity of Lantern Real Estate Trust. The Group has indentified its operating segments as being each of these activites, based on internal reporting to the Managing Director.

		Responsible Entity \$'000	Hotel Operations \$'000	Eliminations \$'000	Group \$'000
Assets	December 2013	1,729	18,001	(1,300)	18,430
Revenue and other income	December 2013	662	24,860	-	25,522
Profit (Loss)		564	(1,453)	-	(889)

		Responsible Entity \$'000	Hotel Operations \$'000	Eliminations \$'000	Group \$'000
Assets	June 2013	3,101	14,973	(1,300)	16,774
Revenue and other income	December 2012	781	22,121	-	22,902
Profit (Loss)		565	(3,422)	-	(2,857)



NOTES TO THE FINANCIAL STATEMENTS

14. Commitments	December 2013	June 2013
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Not later than 1 year	400	-
Between 2 and 3 years	665	-
	1,065	-

The capital expenditure commitments relate to future purchases of plant and equipment and gaming equipment.

15 Events subsequent to the reporting date

There have been no matters or circumstances arising after the end of the reporting period that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations, or the Group's state of affairs in future financial years.



DIRECTOR'S DECLARATION

Directors' declaration

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

- (a) the consolidated financial statements and notes, set out on pages 7 to 17, 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 2013 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.



Bryan Mogridge
Chairman
Dated in Auckland this 28th of February 2014



Deborah Cartwright
Director
Dated in Sydney this 28th of February 2014



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 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Lantern Hotel Group 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 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 2013 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 consolidated entity, 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

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 2013 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*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of Lantern Hotel Group Limited for the half-year ended 31 December 2013 published in the concise financial report and included on the consolidated entity's website. The consolidated entity's directors are responsible for the integrity of the consolidated entity's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

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

HLB Mann Judd
Chartered Accountants

Sydney, NSW
28 February 2014

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

D K Swindells
Partner