

**APPENDIX 4D**  
**HALF-YEAR REPORT**

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

Current period	<b>Half-year ended 31 December 2014</b>
Prior corresponding period	Half-year ended 31 December 2013

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

Key information	31 Dec 2014 \$'000	31 Dec 2013 \$'000	Change %
2.1 Revenue from continuing operations	29,446	24,742	19.01
2.2 Profit/(loss) from ordinary activities after tax	803	(2,188)	n/a
2.3 Profit for the period attributable to members	803	(2,188)	n/a

	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 operating & financial review in the director's report contained within the attached Financial Report for the half-year.

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**Lantern Hotel Group**  
**APPENDIX 4D - Half-year report**  
**For the half-year ended 31 December 2014**

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

	31 Dec 2014	31 Dec 2013
	cents	cents
Stapled security	7.38	8.25

**9. Audit qualification or review**

The interim financial statements for the period ended 31 December 2014 were subject to a review by the auditors and their report is attached as part of the Interim Report.

**10. Attachments**

The Financial Report of Lantern Hotel Group for the half-year ended 31 December 2014 is attached.

**11. Signed**

Signed:

  
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Russell Naylor

Director

27 February 2015



Lantern Hotel Group  
and its controlled entities

Interim report

For the half-year ended 31 December 2014



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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

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Directors	Bryan Mogridge Deborah Cartwright Julian Davidson Russell Naylor
Company Secretary	Leanne Ralph
Registered Office	Level 8, 1 York St Sydney NSW 2001 Phone : (02) 8223 3602
Principal Administration Office	Level 8, 1 York St 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	<a href="http://www.lanternhotels.com.au">www.lanternhotels.com.au</a>



# DIRECTORS' REPORT

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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 2014.

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.

The following persons were Directors of the Responsible Entity during the whole of the half-year ended 31 December 2014 and up to the date of this report:

Bryan Mogridge  
Deborah Cartwright  
Julian Davidson  
Russell Naylor

## Review of operations

Net profit from continuing operations for the half-year to 31 December 2014 was \$0.84 million, an increase of \$3.00m from a loss of \$2.16m in the previous corresponding period.

This is a result of:

- Increase in Gross profit from trading of \$3.2m - an increase of 22%.
- Decrease in Unrealised gain on interest rate swaps of \$1.5m.
- Decrease in Unrealised gain on Investment Property of \$1.3m.
- Decrease in Changes in fair value of property, plant, equipment and intangibles expense of \$3.0m.
- Increase in Hotel operating expenses of \$1.2m - an increase of 10%.
- Decrease in Realised loss on cancelled interest rate swaps costs of \$1.4m.
- Increase in Interest paid of \$0.3m - an increase of 11%.



# DIRECTORS' REPORT

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## 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.



Bryan Mogridge  
Non-Executive Chairman  
Dated in Sydney this 27th of February 2015



Deborah Cartwright  
Non-Executive Director  
Dated in Sydney this 27th of February 2015



**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 2014, 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**  
**27 February 2015**

# CONSOLIDATED INCOME STATEMENT

HALF-YEAR ENDED 31 DECEMBER 2014

	Note	December 2014 \$'000	December 2013 \$'000
<b>Revenue from continuing operations</b>	2	<b>29,446</b>	24,742
Cost of sales		<b>(11,367)</b>	(9,888)
<b>Gross profit from continuing operations</b>		<b>18,079</b>	14,854
Other revenue	2	<b>1,260</b>	1,213
Other income	2	<b>759</b>	3,912
Hotel operating expenses		<b>(13,186)</b>	(11,958)
Administration & fund expenses		<b>(2,851)</b>	(2,869)
Changes in fair value of property, plant, equipment and intangibles	3	-	(3,000)
Finance costs	3	<b>(3,224)</b>	(4,312)
<b>Net profit/(loss) from continuing operations before income tax expense</b>		<b>837</b>	(2,160)
Income tax expense		-	-
<b>Profit/(loss) from continuing operations after income tax expense</b>		<b>837</b>	(2,160)
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations	11(b)	<b>(34)</b>	(28)
<b>Profit/(loss) for the period</b>		<b>803</b>	(2,188)
Profit is attributable to:			
Stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)		<b>(2,341)</b>	(2,759)
Equity holders of Lantern Hotel Group Limited (non-controlling interest)		<b>3,144</b>	571
		<b>803</b>	(2,188)
		<b>Cents</b>	<b>Cents</b>
Distributions per security		-	-
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust - basic and diluted	4	<b>0.09</b>	(0.25)
Profit/(loss) per stapled security attributable to the ordinary security holders of the Trust from continuing operations - basic and diluted	4	<b>0.09</b>	(0.25)

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

HALF-YEAR ENDED 31 DECEMBER 2014

Note	December 2014 \$'000	December 2013 \$'000
<b>Parent interest - Lantern Real Estate Trust</b>		
Net profit/(loss) for the half-year	(2,341)	(2,759)
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 differences on translation of foreign operations	82	683
<b>Total comprehensive profit/(loss) for the year - parent interest</b>	<b>(2,259)</b>	<b>808</b>
<b>Non-controlling interest - Lantern Hotel Group Limited</b>		
Net profit for the half-year	3,144	571
<b>Total comprehensive profit/(loss) for the year - non-controlling interest</b>	<b>3,144</b>	<b>571</b>
<b>Stapled Entity</b>		
<b>Net profit/(loss) for the year</b>	<b>803</b>	<b>(2,188)</b>
<b>Other comprehensive income:</b>		
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	82	683
<b>Total comprehensive profit/(loss) for the year - stapled entity</b>	<b>885</b>	<b>1,379</b>

The components of other comprehensive income shown above are presented net of related income tax effects of \$Nil (Dec 2013: \$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 2014

	Note	December 2014 \$'000	June 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,755	2,747
Trade and other receivables	5	2,623	1,820
Inventories		1,444	1,155
Assets of discontinued operations	11(d)	6,631	7,498
<b>Total Current Assets</b>		<b>14,453</b>	<b>13,220</b>
<b>Non-current assets</b>			
Investment properties		20,700	20,700
Property, plant and equipment	7	125,922	112,048
Intangibles	8	33,520	28,298
Deferred tax asset		-	108
Other	6	306	412
<b>Total Non-current Assets</b>		<b>180,448</b>	<b>161,566</b>
<b>Total Assets</b>		<b>194,901</b>	<b>174,786</b>
<b>Current liabilities</b>			
Payables		9,885	10,060
Borrowings	9	12,264	12,265
Derivatives		2,859	2,627
Provisions		54	54
<b>Total Current Liabilities</b>		<b>25,062</b>	<b>25,006</b>
<b>Non-current liabilities</b>			
Payables		1,228	1,225
Borrowings	9	65,030	44,965
Derivatives		4,741	5,666
Provisions		150	119
<b>Total Non-current Liabilities</b>		<b>71,149</b>	<b>51,975</b>
<b>Total Liabilities</b>		<b>96,211</b>	<b>76,981</b>
<b>Net Assets</b>		<b>98,690</b>	<b>97,805</b>
Security holders interest attributable to stapled security holders as:			
Equity holders of Lantern Real Estate Trust (parent interest)			
Issued units	10	220,763	220,763
Reserves		727	645
Retained earnings/(accumulated losses)		(127,450)	(125,109)
<b>Total unit holders' interest attributable to equity holders of Lantern Real Estate Trust (parent interest)</b>		<b>94,040</b>	<b>96,299</b>
Equity holders of Lantern Hotel Group Limited (non-controlling interest)			
Issued shares	10	2,745	2,745
Retained earnings/(accumulated losses)		1,905	(1,239)
<b>Total shareholders' interest attributable to equity holders of Lantern Hotel Group Limited (non-controlling interest)</b>		<b>4,650</b>	<b>1,506</b>
<b>Total Security Holders' Interest</b>		<b>98,690</b>	<b>97,805</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

HALF-YEAR ENDED 31 DECEMBER 2014

Note	December 2014 \$'000	December 2013 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers (inclusive of GST)	33,335	28,980
Cash paid to suppliers and employees (inclusive of GST)	(27,750)	(25,127)
Proceeds from insurance claim	-	62
Interest received	28	456
Interest paid	(3,168)	(3,595)
<b>Net cash from operating activities</b>	<b>2,445</b>	<b>776</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant, equipment and intangibles	(2,823)	(2,616)
Proceeds from sale of discontinued operations	982	2,260
Proceeds from loans repaid by third parties	110	200
Payment for acquisition of business, net of cash acquired	(18,368)	(16,325)
<b>Net cash inflow from investing activities</b>	<b>(20,099)</b>	<b>(16,481)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	20,100	16,513
Repayment of borrowings	-	(50,000)
Repayment of finance leases	(38)	(32)
Payment for cancelled interest rate swaps	-	(1,412)
Payment for equity buyback facilitation	(1,400)	-
Payment for borrowing costs	-	(511)
Payment for securities bought back	-	(1,999)
<b>Net cash inflow from financing activities</b>	<b>18,662</b>	<b>(37,441)</b>
Net increase in cash or cash equivalents	1,008	(53,146)
Cash or cash equivalents at the beginning of the period	2,747	56,202
Effects of exchange rate changes on cash	-	4
<b>Cash and cash equivalents at the end of the period</b>	<b>3,755</b>	<b>3,060</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amounts at 1 July 2014</b>	<b>220,763</b>	<b>645</b>	<b>(125,109)</b>	<b>1,506</b>	<b>97,805</b>
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the half-year	-	-	(2,341)	-	(2,341)
Other comprehensive income	-	82	-	-	82
	-	82	(2,341)	-	(2,259)
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the half-year	-	-	-	3,144	3,144
	-	-	-	3,144	3,144
<b>Total stapled entity</b>					
Net profit/(loss) for the half-year	-	-	(2,341)	3,144	803
Other comprehensive income	-	82	-	-	82
<b>Total comprehensive profit/(loss) for the half-year</b>	<b>-</b>	<b>82</b>	<b>(2,341)</b>	<b>3,144</b>	<b>885</b>
<b>Carrying amounts at 31 December 2014</b>	<b>220,763</b>	<b>727</b>	<b>(127,450)</b>	<b>4,650</b>	<b>98,690</b>

	Issued Capital	Reserves	Retained earnings	Non- controlling interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amounts at 1 July 2013</b>	<b>222,122</b>	<b>(128)</b>	<b>(123,167)</b>	<b>1,755</b>	<b>100,582</b>
<b>Lantern Real Estate Trust</b>					
Net profit/(loss) for the half-year	-	-	(2,759)	-	(2,759)
Other comprehensive income	-	3,567	-	-	3,567
	-	3,567	(2,759)	-	808
<b>Lantern Hotel Group Limited</b>					
Net profit/(loss) for the half-year	-	-	-	571	571
	-	-	-	571	571
<b>Total stapled entity</b>					
Net profit/(loss) for the half-year	-	-	(2,759)	571	(2,188)
Other comprehensive income	-	3,567	-	-	3,567
<b>Total comprehensive profit/(loss) for the half-year</b>	<b>-</b>	<b>3,567</b>	<b>(2,759)</b>	<b>571</b>	<b>1,379</b>
<b>Carrying amounts at 31 December 2013</b>	<b>222,122</b>	<b>3,439</b>	<b>(125,926)</b>	<b>2,326</b>	<b>101,961</b>

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

HALF-YEAR ENDED 31 DECEMBER 2014

## 1. Significant Accounting Policies

This consolidated financial report for the half-year period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The consolidated financial report include:

(i) Lantern Real Estate Trust and its controlled entities,

(ii) Lantern Hotel Group 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 on 30 June 2014 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. An amount of \$1,573,000, related to the half-year ended 31 December 2013, previously classified in the income statement - result from Discontinued Operations - as an expense has been reclassified to Other Comprehensive Income as an exchange rate difference on translation of foreign operations.

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

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

### **Going concern**

The Group's Statement of Financial Position shows a deficiency of current assets to current liabilities of \$10.609m as at 31 December 2014 as part of an overall net assets position of \$98.690m. This has occurred as the Group's secondary facility (\$12.2m) is due for repayment on 30 September 2015. 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 would be able to sell assets to enable it to repay this debt on the due date.

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



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

2. Revenue	December 2014 \$'000	December 2013 \$'000
<b>Revenue from continuing operations</b>		
Sale of goods	29,446	24,742
<b>Other revenue</b>		
Rental income	1,260	1,213
<b>Other income</b>		
Interest income	19	301
Net gain/(loss) in fair value of:		
Interest rate swaps	693	2,219
Investment property	-	1,300
Other	47	92
<b>Total other income</b>	<b>759</b>	<b>3,912</b>

3. Expenses	December 2014 \$'000	December 2013 \$'000
<i>Amortisation</i>		
Borrowing costs	(106)	(740)
<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)
<b>Total changes in fair value of property, plant, equipment and intangibles</b>	<b>-</b>	<b>(3,000)</b>
<b>Employee benefits expense</b>	<b>(8,162)</b>	<b>(7,105)</b>
<b>Net loss on disposal of property, plant and equipment</b>	<b>-</b>	<b>(284)</b>
<i>Finance costs</i>		
Realised loss on cancelled interest rate swaps	-	(1,412)
Interest paid or payable	(3,224)	(2,900)
<b>Total finance expenses</b>	<b>(3,224)</b>	<b>(4,312)</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

4. Earnings per security	December 2014 \$'000	December 2013 \$'000
Profit/(loss) attributable to ordinary security holders of the Trust:		
From continuing operations	837	(2,160)
From discontinued operations	(34)	(28)
	<b>803</b>	<b>(2,188)</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary securities used in calculating basic and diluted earnings per security	<b>883,202</b>	883,202
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per security attributable to the security holders of the Trust		
From continuing operations	0.09	(0.25)
From discontinued operations	(0.00)	(0.00)
	<b>0.09</b>	<b>(0.25)</b>

5. Trade and other receivables	December 2014 \$'000	June 2014 \$'000
<b>Current</b>		
Other debtors	1,546	826
Accrued income, prepayments and deposits	1,077	994
<b>Total trade and other receivables</b>	<b>2,623</b>	<b>1,820</b>

6. Other assets	December 2014 \$'000	June 2014 \$'000
<b>Non-current</b>		
Unamortised borrowing costs	306	412
<b>Total non-current assets</b>	<b>306</b>	<b>412</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

7. Property, plant and equipment	December 2014 \$'000	June 2014 \$'000
Land and buildings - at fair value	112,690	102,364
Plant and equipment - at cost or fair value at acquisition date	17,145	12,509
Less: Accumulated depreciation	(3,969)	(2,886)
	<b>13,176</b>	<b>9,623</b>
Motor vehicles - at cost	76	76
less: accumulated depreciation	(20)	(15)
	<b>56</b>	<b>61</b>
<b>Total Property, plant and equipment</b>	<b>125,922</b>	<b>112,048</b>

#### Reconciliations

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

	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>102,364</b>	<b>9,623</b>	<b>61</b>	<b>112,048</b>
Additions	10,763	4,636	-	15,399
Depreciation expense	(437)	(1,083)	(5)	(1,525)
<b>Balance at 31 December 2014</b>	<b>112,690</b>	<b>13,176</b>	<b>56</b>	<b>125,922</b>

Land and Buildings includes hotel licences. Property, plant and equipment and Intangibles (refer Note 7 and Note 8) includes freehold going concern hotel assets of the Group. The Land and Buildings are carried at fair value and are independently valued every 3 years (on a freehold going concern basis for assets where we own both the leasehold and freehold interest). 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 2014 \$'000	June 2014 \$'000
Land and buildings	112,690	102,364
Plant and equipment	13,176	9,623
Intangibles	33,520	28,298
<b>Total freehold going concern hotels</b>	<b>159,386</b>	<b>140,285</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

8. Intangibles	December 2014 \$'000	June 2014 \$'000
Goodwill - at cost	8,150	7,050
Less: Impairment	(2,842)	(2,842)
	5,308	4,208
Gaming licences - at fair value on acquisition	28,212	24,090
<b>Total Intangibles</b>	<b>33,520</b>	<b>28,298</b>

## 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
<b>Balance at 1 July 2014</b>	<b>4,208</b>	<b>24,090</b>	<b>28,298</b>
Acquisition	1,100	4,122	5,222
<b>Balance at 31 Dec 2014</b>	<b>5,308</b>	<b>28,212</b>	<b>33,520</b>

9. Borrowings	December 2014 \$'000	June 2014 \$'000
<b>Current liabilities</b>		
Finance lease liabilities	64	65
Bank debt	12,200	12,200
<b>Total current borrowings</b>	<b>12,264</b>	<b>12,265</b>
<b>Non-current liabilities</b>		
Finance lease liabilities	30	65
Bank debt	65,000	44,900
<b>Total Non-current borrowings</b>	<b>65,030</b>	<b>44,965</b>

## Bank debt

Bank debt comprises Australian dollar denominated debt of \$77,200,000 (June 2014: \$57,100,000).

Debt is provided through two facilities. The primary facility, with a limit of \$78,000,000 and drawn to \$65,000,000, is repayable on 30 August 2016, and the second facility, fully drawn to \$12,200,000, is repayable on 30 September 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 \$180,142,000 (June 2014 \$161,046,000).

The Group's secondary facility (\$12.2m) is due for repayment on 30 September 2015. 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 would be able to sell assets to enable it to repay this debt on the due date.



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

10. Issued securities	December 2014 \$'000	June 2014 \$'000
<b>(a) Carrying amounts</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of period	220,763	222,122
Payment to facilitate future buybacks of units	-	(1,359)
At end of period	220,763	220,763
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of period	2,745	2,786
Payment to facilitate future buybacks of units	-	(41)
At end of year	2,745	2,745
Total issued stapled securities	223,508	223,508
<b>(b) Number of securities issued</b>		
Attributable to stapled security holders of Lantern Real Estate Trust		
At beginning of period	883,202	883,202
At end of period	883,202	883,202
Attributable to stapled security holders of Lantern Hotel Group Limited		
At beginning of period	883,202	883,202
At end of period	883,202	883,202
Total issued stapled securities	883,202	883,202



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

11. Discontinued operations	December 2014 \$'000	December 2013 \$'000
-----------------------------	----------------------------	----------------------------

## (a) Details of discontinued operations

The New Zealand portfolio consists of 3 properties (2013: 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	11	332
Other income	1	3
Net gain/(loss) on change in fair value of investment properties	(37)	-
Expenses	(9)	(363)
Interest expense	-	-
<b>Profit/(loss) from discontinued operations for the half-year</b>	<b>(34)</b>	<b>(28)</b>

## (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	85	391
Payments to suppliers	(9)	(51)
Other receipts	-	12
Interest received	1	3
Cash flows from investing activities		
Sale of investment properties	982	2,260
Effects of exchange rate changes on cash	-	4
<b>Cash flows from discontinued operations</b>	<b>1,059</b>	<b>2,619</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

11. Discontinued operations (continued)	December 2014 \$'000	June 2014 \$'000
<b>(d) Assets and liabilities</b>		
The assets of the discontinued operations as at reporting date were:		
<b>Assets</b>		
Investment properties	6,631	7,498
<b>Total assets of discontinued operations</b>	<b>6,631</b>	<b>7,498</b>
<b>Net assets of discontinued operations</b>	<b>6,631</b>	<b>7,498</b>
<b>(e) Leasing arrangements</b>		
Future minimum rentals receivable under these leases are:		
Within one year	1,368	1,339
Later than one year but not later than five years	5,825	5,605
Later than five years	5,334	5,958
	<b>12,527</b>	<b>12,902</b>

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.



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

## 12. Business combinations

### (i) 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	4,790
Intangibles	2,100
Plant and equipment	1,360
Other assets and liabilities	(139)
Stamp duty and costs of acquisition	439
Acquisition date fair value of the assets and liabilities acquired	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

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

	2014 \$'000
Revenue	1,017
Expenses	(912)
Profit/(Loss)	105

### (ii) 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
Land and buildings	5,179
Intangibles	2,120
Plant and equipment	1,951
Other assets and liabilities	(11)
Stamp duty and costs of acquisition	494
Acquisition date fair value of the assets and liabilities acquired	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

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

	2014 \$'000
Revenue	907
Expenses	(816)
Profit/(Loss)	91

The business combinations for the Waterworks Hotel & Exchange Hotel have 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

HALF-YEAR ENDED 31 DECEMBER 2014

13. Commitments	December 2014 \$'000	June 2014 \$'000
<b>Capital expenditure commitments</b>		
Estimated capital expenditure under firm contracts, not provided for in these financial statements;		
Commitments for operating lease payments, payable		
Later than 1 year but not later than 5 years	1,418	-
Minimum lease payments	1,418	-
Operating lease commitments relate to a new head office lease.		
Commitments for finance lease payments, payable		
Within 1 year	67	77
Later than 1 year but not later than 5 years	32	62
Minimum lease payments	99	139
Future finance charges	(5)	(9)
Liability recognised	94	130
Disclosed as:		
Current liability	64	65
Non-current liability	30	65
	94	130
Commitments for capital expenditure		
Within 1 year	102	-

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.



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

## 15. Fair value measurement

### Fair value hierarchy

The Group uses the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Input other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The fair value of derivatives was calculated as the net present value of future payment obligations discounted at market rates. This valuation technique uses both observable and unobservable market inputs.

The tables below present the Group's financial instruments that were measured and recognised at fair value at the end of the reporting period.

<b>Consolidated - December 2014</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Liabilities				
Interest rate swaps	-	7,600	-	7,600

### Consolidated - June 2014

Liabilities				
Interest rate swaps	-	8,293	-	8,293

There were no transfers between levels during the period.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.



# DIRECTOR'S DECLARATION

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## 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 6 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 2014 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



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Bryan Mogridge  
Chairman  
Dated in Sydney this 27th of February 2015



---

Deborah Cartwright  
Director  
Dated in Sydney this 27th of February 2015



**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 2014, 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 2014 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.

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

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

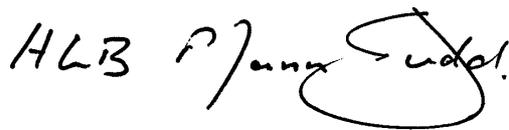
**Independence**

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 2014 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**  
**27 February 2015**

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Lantern Hotel Group Limited  
and its controlled entities

Interim report

For the half-year ended 31 December 2014



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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 annual report has been prepared for the stapled group.

Lantern Hotel Group Limited is a public company and as such 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 the sub-group without at the same time dealing with their units in the Trust.

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



## CORPORATE INFORMATION

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Directors	Bryan Mogridge Deborah Cartwright Julian Davidson Russell Naylor
Company Secretary	Leanne Ralph
Registered Office	Level 8, 1 York St Sydney NSW 2001 Phone : (02) 8223 3602
Principal Administration Office	Level 8, 1 York St 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	<a href="http://www.lanternhotels.com.au">www.lanternhotels.com.au</a>



# DIRECTORS' REPORT

The directors of Lantern Hotel Group Limited ('the Company') present their report, together with the financial statements of Lantern Hotel Group Limited and its controlled entities (the "Group"), for the half-year ended 31 December 2014.

## Directors

The following persons were Directors of the Company during the whole of the half-year ended 31 December 2014 and up to the date of this report:

Bryan Mogridge  
Deborah Cartwright  
Julian Davidson  
Russell Naylor

## Review of operations

Net profit from operations for the half-year to 31 December 2014 was \$0.564 million, up from a loss of \$0.889m in the previous corresponding period.

This is a result of:

- Increase in Gross profit from trading of \$3.2m
- Increase in Hotel operating expenses of \$3.1m
- Decrease in administration expenses of \$0.2m
- Decrease in write down of intangibles of \$1m

## 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.

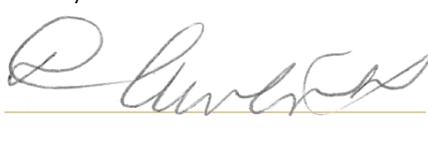
## Auditor's independence declaration

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.



Bryan Mogridge  
Non-Executive Chairman  
Dated in Sydney this 27th of February 2014



Deborah Cartwright  
Non-Executive Director  
Dated in Sydney this 27th 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 2014, 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**  
**27 February 2015**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

HALF-YEAR ENDED 31 DECEMBER 2014

	Note	December 2014 \$'000	December 2013 \$'000
<b>Revenue from operations</b>	2	29,446	24,742
Cost of sales		(11,367)	(9,888)
<b>Gross profit from operations</b>		18,079	14,854
Other income	2	632	780
Hotel operating expenses		(16,454)	(13,360)
Administration expenses		(1,693)	(1,879)
Write down of intangibles		-	(1,000)
Other		-	(284)
<b>Net profit/(loss) from operations for the half-year before income tax expense</b>		564	(889)
Income tax expense		-	-
<b>Profit/(loss) for the period</b>		564	(889)
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		564	(889)
Profit/(loss) per share attributable to the ordinary share holders	4	0.06	(0.10)

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	December 2014 \$'000	June 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,603	2,384
Trade and other receivables	5	1,877	533
Inventories	6	1,444	1,155
Other assets		607	636
<b>Total Current Assets</b>		<b>7,531</b>	<b>4,708</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	13,232	9,684
Intangibles	8	5,308	4,208
Deferred tax asset		-	108
<b>Total Non-current Assets</b>		<b>18,540</b>	<b>14,000</b>
<b>Total Assets</b>		<b>26,071</b>	<b>18,708</b>
<b>Current liabilities</b>			
Payables	9	8,518	8,629
Borrowings	10	64	65
Provisions		54	54
<b>Total Current Liabilities</b>		<b>8,636</b>	<b>8,748</b>
<b>Non-current liabilities</b>			
Payables	9	891	850
Borrowings	10	20,118	13,279
Provisions		150	119
<b>Total Non-current Liabilities</b>		<b>21,159</b>	<b>14,248</b>
<b>Total Liabilities</b>		<b>29,795</b>	<b>22,996</b>
<b>Net Assets</b>		<b>(3,724)</b>	<b>(4,288)</b>
Shareholders of Lantern Hotel Group Limited			
Issued shares	11	2,745	2,745
Retained earnings/(accumulated losses)		(6,469)	(7,033)
<b>Total Shareholders' Interest</b>		<b>(3,724)</b>	<b>(4,288)</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

HALF-YEAR ENDED 31 DECEMBER 2014

	Note	December 2014 \$'000	December 2013 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST)		31,818	27,494
Proceeds from insurance claim		-	61
Cash paid to suppliers and employees (inclusive of GST)		(30,013)	(26,569)
Interest received		16	52
<b>Net cash from operating activities</b>		<b>1,821</b>	<b>1,038</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(1,623)	(1,319)
Receipt on acquisition of business, net of cash acquired		103	-
Payment on acquisition of business, net of cash acquired		(38)	-
Proceeds from loans repaid by third parties		110	200
<b>Net cash inflow from investing activities</b>		<b>(1,448)</b>	<b>(1,119)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,284	630
Repayment of finance leases		(38)	(33)
Payment for equity buyback facilitation agreement		(1,400)	-
<b>Net cash inflow from financing activities</b>		<b>846</b>	<b>597</b>
Net increase in cash or cash equivalents		<b>1,219</b>	516
Cash or cash equivalents at the beginning of the period		<b>2,384</b>	2,048
<b>Cash and cash equivalents at the end of the period</b>		<b>3,603</b>	2,564

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Issued Capital \$'000	Retained earnings \$'000	Total \$'000
<b>Carrying amounts at 1 July 2014</b>		2,745	(7,033)	(4,288)
<b>Lantern Hotel Group Limited</b>				
Net profit/(loss) for the half-year		-	564	564
<b>Total comprehensive profit/(loss) for the half-year</b>		-	564	564
<b>Carrying amounts at 31 December 2014</b>		2,745	(6,469)	(3,724)
<b>Carrying amounts at 1 July 2013</b>				
		2,786	(3,544)	(758)
<b>Lantern Hotel Group Limited</b>				
Net profit/(loss) for the half-year		-	(889)	(889)
<b>Total comprehensive profit/(loss) for the half-year</b>		-	(889)	(889)
<b>Carrying amounts at 31 December 2013</b>		2,786	(4,433)	(1,647)

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



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

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## 1. Significant Accounting Policies

This consolidated financial report for the half-year ended 31 December 2014 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 2014 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 has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

### **Going concern**

At 31 December 2014 the Group had a net asset deficiency of \$3.724m, which included related party loans of \$20.088m 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

<b>2. Revenue</b>	<b>December 2014 \$'000</b>	<b>December 2013 \$'000</b>
<b>Revenue from continuing operations</b>		
Sale of goods	29,446	24,742
<b>Total revenue from continuing operations</b>	<b>29,446</b>	<b>24,742</b>
<b>Other income</b>		
Responsible entity fees - Lantern Real Estate Trust	513	616
Interest received	15	52
Other - Lantern Real Estate Trust	104	112
<b>Total other income</b>	<b>632</b>	<b>780</b>

<b>3. Expenses</b>	<b>December 2014 \$'000</b>	<b>December 2013 \$'000</b>
<i>Depreciation</i>		
Plant and equipment	(689)	(338)
Gaming machines	(394)	(208)
Motor vehicles - under finance lease	(5)	(5)
<b>Total depreciation and amortisation</b>	<b>(1,088)</b>	<b>(551)</b>
<i>Employee benefits expense</i>		
Employee benefits expense	(8,162)	(7,108)



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

4. Earnings per share	December 2014 \$'000	December 2013 \$'000
Profit / (Loss) attributable to ordinary shareholders of the Group	564	(889)
	564	(889)
	'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	0.06	(0.10)

5. Trade and other receivables	December 2014 \$'000	June 2014 \$'000
<b>Current</b>		
Receivables - Lantern Real Estate Trust	578	-
Receivables - Other	1,299	533
<b>Total trade and other receivables</b>	<b>1,877</b>	<b>533</b>

6. Inventories	December 2014 \$'000	June 2014 \$'000
Finished goods at cost	1,444	1,155
<b>Total inventories</b>	<b>1,444</b>	<b>1,155</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

7. Plant and equipment	December 2014 \$'000	June 2014 \$'000
Plant and equipment - at fair value or cost at acquisition date	10,527	7,074
Less: Accumulated depreciation	(2,656)	(1,967)
	<b>7,871</b>	<b>5,107</b>
Gaming equipment - at fair value or cost at acquisition date	6,500	5,317
Less: Accumulated depreciation	(1,195)	(801)
	<b>5,305</b>	<b>4,516</b>
Motor vehicles - at cost	76	76
less: accumulated depreciation	(20)	(15)
	<b>56</b>	<b>61</b>
<b>Total plant and equipment</b>	<b>13,232</b>	<b>9,684</b>

### 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
<b>Balance at 30 June 2014</b>	<b>5,107</b>	<b>4,516</b>	<b>61</b>	<b>9,684</b>
Additions	3,453	1,183	-	4,636
Depreciation expense	(689)	(394)	(5)	(1,088)
<b>Balance at 31 December 2014</b>	<b>7,871</b>	<b>5,305</b>	<b>56</b>	<b>13,232</b>

8. Intangibles	December 2014 \$'000	June 2014 \$'000
Goodwill - at cost on acquisition	5,308	4,208
<b>Total Intangibles</b>	<b>5,308</b>	<b>4,208</b>

### Reconciliations

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

	Goodwill \$'000	Total \$'000
<b>Balance at 30 June 2014</b>	<b>4,208</b>	<b>4,208</b>
Acquisition	1,100	1,100
<b>Balance at 31 December 2014</b>	<b>5,308</b>	<b>5,308</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

9. Payables	December 2014 \$'000	June 2014 \$'000
<b>Current liabilities</b>		
Trade payables	7,980	6,166
Other payables	538	2,463
<b>Total current liabilities</b>	<b>8,518</b>	<b>8,629</b>
<b>Non-current liabilities</b>		
Other payables	891	850
<b>Total non-current liabilities</b>	<b>891</b>	<b>850</b>

10. Borrowings	December 2014 \$'000	June 2014 \$'000
<b>Current liabilities</b>		
Finance lease	64	65
<b>Total current borrowings</b>	<b>64</b>	<b>65</b>
<b>Non-current liabilities</b>		
Finance lease	30	65
Loan from Lantern Real Estate Trust	20,088	13,214
<b>Total Non-current borrowings</b>	<b>20,118</b>	<b>13,279</b>

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 shares	December 2014 \$'000	June 2014 \$'000
<b>(a) Carrying amounts</b>		
Attributable to share holders of Lantern Hotel Group		
At beginning of year	2,745	2,786
Payment to facilitate future buybacks	-	(41)
At end of year	<b>2,745</b>	<b>2,745</b>
<b>(b) Number of shares issued</b>		
Attributable to share holders of Lantern Hotel Group		
At beginning of year	883,202	883,202
At end of year	<b>883,202</b>	<b>883,202</b>



# NOTES TO THE FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2014

## 12. Business combinations

### (i) 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	500
Plant and equipment	1,360
Other assets and liabilities	(139)
Stamp duty and costs of acquisition	99
Acquisition date fair value of the assets and liabilities acquired	1,953
<i>Consideration:</i>	
Cash paid to vendor	(6)
Loan from Lantern Real Estate Trust	1,860
Loan from Lantern Real Estate Trust for stamp duty and costs of acquisition	99
Total Consideration	1,953

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

	2014 \$'000
Revenue	1,017
Expenses	(994)
Profit/(Loss)	23

### (ii) 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	600
Plant and equipment	1,951
Other assets and liabilities	(11)
Stamp duty and costs of acquisition	136
Acquisition date fair value of the assets and liabilities acquired	2,752
<i>Consideration:</i>	
Cash paid to vendor	65
Loan from lantern Real Estate Trust	2,551
Loan from Lantern Real Estate Trust for stamp duty and costs of acquisition	136
Total Consideration	2,752

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

	2014 \$'000
Revenue	907
Expenses	(923)
Profit/(Loss)	(16)

The business combinations for the Waterworks Hotel & Exchange Hotel have 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

HALF-YEAR ENDED 31 DECEMBER 2014

<b>13. Commitments</b>	<b>December 2014</b>	<b>June 2014</b>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:		
Commitments for operating lease payments, payable		
Later than 1 year but not later than 5 years	<b>1,418</b>	-
Minimum lease payments	1,418	-
Commitments for finance lease payments, payable		
Within 1 year	<b>67</b>	77
Later than 1 year but not later than 5 years	<b>32</b>	62
Minimum lease payments	<b>99</b>	139
Future finance charges	<b>(5)</b>	(9)
Liability recognised	<b>94</b>	130
Disclosed as:		
Current liability	<b>64</b>	65
Non-current liability	<b>30</b>	65
	<b>94</b>	130
Commitments for capital expenditure		
Within 1 year	<b>102</b>	-

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

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## Directors' declaration

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

- (a) the consolidated financial statements and notes, set out on pages 29 to 39, 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 2014 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 Sydney this 27th of February 2014



Deborah Cartwright  
Director  
Dated in Sydney this 27th 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 ("the Company") which comprises the statement of financial position as at 31 December 2014, 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 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

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

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

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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**  
**27 February 2015**