READING INTERNATIONAL INC
Form 10-K
March 19, 2013
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012 or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to ______

Commission File No. 1-8625

READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA	95-3885184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6100 Center Dr., Suite 900	
Los Angeles, CA	90045
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including Area Code: (213) 235-2240

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Nonvoting Common Stock, $0.01 par value	NASDAQ
Class B Voting Common Stock, $0.01 par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No þ

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for shorter period than the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K of any amendments to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer þ Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 18, 2013, there were 21,805,665 shares of class A non-voting common stock, par value $0.01 per share and 1,495,490 shares of class B voting common stock, par value $0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was $93,911,612 as of June 30, 2012.

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2012

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PART I

Item 1 – Our Business

General Description of Our Business

Reading International, Inc., a Nevada corporation ("RDI"), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIB, respectively. Our principal executive offices are located at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Our general telephone number is (213) 235-2240 and our website is www.readingrdi.com. It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission. In this Annual Report, we from time to time use terms such as the "Company," "Reading" and "we," "us," or "our" to refer collectively to RDI and our various consolidated subsidiaries an corporate predecessors.

We are an internationally diversified "hard asset" company principally focused on the development, ownership and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we have two business segments:

1. Cinema Exhibition, through our 56 cinemas, and
2. Real Estate, including real estate development and the rental of retail, commercial and live theater assets.

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations allow us to be opportunistic in acquiring and holding real estate assets, and can be used not only to grow and develop our cinema business but also to help fund the front-end cash demands of our real estate development business.

At December 31, 2012, the book value of our assets was $428.6 million; and as of that same date, we had a consolidated stockholders' book equity of $131.0 million. Calculated based on book value, $148.4 million or 34%, of our assets relate to our cinema exhibition activities and $260.3 million or 61%, of our assets relate to our real estate activities.

For additional segment financial information, please see Note 22 – Business Segments and Geographic Area Information to our 2012 Consolidated Financial Statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. We currently have approximately 29% of our assets (based on net book value) in the United States, 53% in Australia and 18% in New Zealand compared to 26%, 57%, and 17% at the end of 2011. For 2012, our gross revenue in these jurisdictions was $121.5 million, $108.3 million, and $24.6 million, respectively, compared to $112.0 million, $110.7 million, and $22.2 million for 2011.

For additional financial information concerning the geographic distribution of our business, please see Note 22 – Business Segments and Geographic Area Information to our 2012 Consolidated Financial Statements.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environments. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. In 2011, we acquired an existing 17-screen cinema in Southern California for $4.2 million. In late 2012, we opened a new 8-screen “Angelika” branded cinema in the Greater Washington D.C. area, and we have begun the process of converting one of our conventional cinemas in San Diego into an “Angelika”. In recent periods, reflecting the difficulties in finding financing and tenants for new real estate development projects, our cash flow has been invested more heavily in the cinema aspects of our business rather than in real estate development activities. However, over time, we do anticipate that the cash flow from our cinema operations will be used increasingly to support our real estate oriented activities, rather than for cinema growth, and that our real estate activities will, again, become the principal thrust of our business.

In the period 2008 through 2012, the market value of most commercial and undeveloped real estate saw a material decline in the markets in which we operate. This has affected some of our development projects resulting in impairment losses during those periods. However, the practical impact on our real estate holdings has been minimal, as we have continued to enjoy increases in rentals from the tenants in our retail holdings, and as our strategy has generally called for development of our raw land holdings over time for long-term development. We have also benefited from the strengthening of Australian and New Zealand dollars. On an overall or portfolio basis, our estimated market value of our real estate and cinema assets measured in US dollars has remained flat in recent periods. Furthermore, in our view, it appears that values have stabilized in the markets in which we operate. In some markets (such as Manhattan), our real estate portfolio values have increased materially in recent years and have, in our estimation, a value substantially in excess of their book value.

In light of uncertainties in the real estate and financial markets in recent periods, and the need to focus our attention on the renewal and preservation of our various lending facilities we have generally delayed our plans for development of our various properties. In 2011, we replaced our Australian credit facility with a new three-year credit facility from National Australia Bank (“NAB”) in the amount of $110.5 million (AUS$105.0 million). On

February 8, 2012, we amended our existing $36.9 million (NZ$45.0 million) New Zealand credit facility with Westpac, extending that facility for a further three-years and setting the borrowing limit at $32.8 million (NZ$40.0 million). On October 31, 2012, we replaced our GE Capital Term Loan of $27.7 million with a new credit facility from Bank of America of $30.0 million, which expires on October 31, 2017. In addition, Bank of America renewed and increased our existing $3.0 million line of credit to $5.0 million. In 2012, we also converted substantially all of our domestic cinemas to digital projection, under a $15.5 million equipment lease from the Banc of America Capital & Leasing, LLC.

Historically, it has not been our practice to sell assets, except in connection with the repositioning of such assets to a higher and better use. However, in light of the current market conditions and our desire to free up capital and pay down debt, we sold, in 2012, our 24,000 square foot office building in Indooroopilly, and anticipate the sale in 2013 of our property in Lake Taupo, New Zealand. In addition, we may sell additional properties in the year ahead to fund the development or redevelopment of other assets in our portfolio.

Given the resurgence of Manhattan commercial real estate values, we intend to focus on the redevelopment of our Cinemas 1, 2 & 3 property and our Union Square property. Also, we are actively pursuing the development of the next phase of our Courtenay Central property in Wellington, New Zealand. We continue to evaluate our options concerning our 50.6 acre Burwood property, our 3.3 acre Moonee Ponds property in Melbourne, Australia and our 70.3 acre Manukau property in New Zealand. We may sell all or portions of these properties to provide liquidity for other projects. In evaluating whether to sell a particular property, we consider the potential upside in a particular property and costs required to achieve that upside, compared to the opportunities presented by our other properties.

Typically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. We have followed this approach to reduce our risk to currency fluctuations. This structure has, however, somewhat limited our ability to move cash from one jurisdiction to another. During 2012, we deviated somewhat from this policy by purchasing $8.0 million in time deposits denominated in U.S. dollars and held by an Australian bank. In February 2007, we also deviated from this policy and privately placed $50.0 million of 20-year trust preferred securities ("TPS"), with dividends fixed at 9.22% for the first five years, to serve as a long-term financing foundation for our real estate assets and to pay down our New Zealand and a portion of our Australian dollar denominated debt. Although structured as the issuance of TPS by a related trust, the financing is essentially the same as an issuance of fully subordinated debt: the payments are tax deductible to us and the default remedies are the same as debt. During the first quarter of 2009, we returned somewhat to our debt-to-local-currency matching policy by taking advantage of the then current market illiquidity for TPS to repurchase $22.9 million in face value of our TPS for $11.5 million. As a result of this transaction, in 2009, we recorded a $10.7 million gain on retirement of subordinated debt. In addition, in December 2008 we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 2017), in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million, a payment of $270,000 made in December 2011 and a contractual obligation to pay $270,000 in December 2014. In the event that the remaining payment is not made, the only remedy available to us is the termination of the waiver. Also, we anticipate that, in order to reduce our cost of converting our Australian and New Zealand circuits to digital projection, our parent company will guaranty the equipment lease under which we anticipate acquiring the equipment to complete the conversion of our Australian and New Zealand cinemas to digital projection.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate and cinema company and intend to add to stockholder value by building the value of our portfolio of tangible real estate and entertainment-oriented assets. We endeavor to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operation coupled with our international diversification of assets, our business strategy is unique among public companies. While historically we have retained our properties through development, we continue to evaluate the sale

of certain assets to provide capital to develop our remaining properties.

At December 31, 2012, our principal assets included:

- interests in 54 cinemas comprising some 462 screens;

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- fee interests in four live theaters (the Union Square, the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee ownership of approximately 24.0 million square feet of developed and undeveloped real estate; and
- cash, cash equivalents, and time deposits aggregating $46.5 million.

Our Cinema Exhibition Activities

General

We conduct our cinema operations on four basic and rather simple premises:

- first, notwithstanding the enormous advances that have been made in home entertainment technology, humans are essentially social beings, and will continue to want to go beyond the home for their entertainment, provided that they are offered clean, comfortable and convenient facilities, with state of the art technology;
- second, cinemas can be used as anchors for larger retail developments and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate exclusively with third party anchor tenants;
- third, pure cinema operators can get themselves into financial difficulty as demands upon them to produce cinema based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper end specialty type theaters (like our Angelika Film Centers)in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units. We intend to focus our use of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us; and
- fourth, we are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity.

Our current cinema assets that we own and/or manage are as set forth in the following chart:

	Wholly Owned	Consolidated[1]	Unconsolidated[2]	Managed[3]	Totals
Australia	18 cinemas 138 screens	2 cinemas 11 screens	1 cinema[4] 16 screens	None	21 cinemas 165 screens
New Zealand	7 cinemas 40 screens	None	2 cinemas[5] 13 screens	None	9 cinemas 53 screens
United States	23 cinemas 238 screens	1 cinema[6] 6 screens	None	2 cinemas 9 screens	26 cinemas 253 screens
Totals	48 cinemas 416 screens	3 cinemas 17 screens	3 cinemas 29 screens	2 cinemas 9 screens	56 cinemas 471 screens

[1] Cinemas owned and operated through consolidated, but not wholly owned subsidiaries.

[2] Cinemas owned and operated through unconsolidated subsidiaries.

[3] Cinemas in which we have no ownership interest, but which are operated by us under management agreements.

[4] 33.3% unincorporated joint venture interest.

[5] 50% unincorporated joint venture interests.

[6] The Angelika Film Center and Café in Manhattan is owned by a limited liability company in which we own a 50% interest with rights to manage.

We focus on the ownership and/or operation of three categories of cinemas:

- first, modern stadium seating multiplex cinemas featuring conventional film product;
- second, specialty and art cinemas, such as our Angelika Film Centers in Manhattan, Dallas, and Fairfax, Virginia and the Rialto cinema chain in New Zealand; and
- third, in some markets, particularly small town markets that will not support the development of a modern stadium design multiplex cinema, conventional sloped floor cinemas.

We also have various premium class offerings including luxury seating, premium audio, private lounges, café and bar service, and other amenities in certain of our cinemas and are in the process of converting certain of our exiting cinemas to provide this premium offering.

Although we operate cinemas in three jurisdictions, the general nature of our operations and operating strategies does not vary materially from jurisdiction to jurisdiction. In each jurisdiction, our gross receipts are primarily from box office receipts, concession sales, and screen advertising. Our ancillary revenue is created principally from theater rentals (for example, for film festivals and special events), ancillary programming (such as concerts and sporting events), and internet advertising and ticket sales.

Our cinemas generated approximately 69% of their 2012 revenue from box office receipts. Ticket prices vary by location and we offer reduced rates for senior citizens and children.

Show times and features are placed in advertisements in local newspapers and on our various websites. In the United States, film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet and those costs are generally paid by distributors. In Australia and New Zealand, the exhibitor typically pays the costs of local newspaper film advertisements, while the distributors are responsible for the cost of any national advertising campaign.

Concession sales accounted for approximately 26% of our total 2012 revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, concession products primarily include popcorn, candy, and soda.

Screen advertising and other revenue contribute approximately 5% of our total 2012 revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies provide such advertising for us.

In New Zealand, we also own a one-third interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. The remaining 2/3 interest is owned by the founders of the company, who have been in the art film distribution business since 1993.

Management of Cinemas

With two exceptions, we manage all of our cinemas with executives located in Los Angeles, Manhattan, Melbourne, Australia, and Wellington, New Zealand. Approximately 2,268 individuals were employed (on a full time or part time basis) in our cinema operations in 2012. Our two New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of the cinemas, our joint venture partner, Greater Union, manages the day-to-day operations of these cinemas. In addition, we have a 33.3% interest in a 16-screen Brisbane cinema. Greater Union manages that cinema as well.

Licensing/Pricing

Film product is available from a variety of sources ranging from the major film distributors such as Columbia, Disney, Buena Vista, DreamWorks, Fox, MGM, Paramount, Warner Bros, and Universal, to a variety of smaller independent film distributors. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. The major film distributors dominate the market for mainstream conventional films. Similarly, most art and specialty films come from the art and specialty divisions of these major distributors, such as Fox's Searchlight and Miramax. Generally speaking, film payment terms are based upon an agreed upon percentage of box office receipts which will vary from film to film as films are licensed in Australia, New Zealand and the United States on a film-by-film, theater by theater basis.

While in certain markets film may be allocated by the distributor among competitive cinemas, typically in the markets in which we operate, we have access to all conventional film product. In the art and specialty markets, due to the limited number of prints available, we from time to time are unable to license all of the films that we might desire to play. In summary, while in some markets we are subject to film allocation, on the whole, access to film product has not in recent periods been a major impediment to our operations.

Competition

In each of the United States, Australia, and New Zealand, film patrons typically select the cinema that they are going to go to first by selecting the film they want to see, and then by selecting the cinema in which they would prefer to see it. Accordingly, the principal factor in the success or failure of a particular cinema is access to popular film products. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience and quality of the various cinemas. In many markets, the number of prints in distribution is less than the number of exhibitors seeking that film for that market, and distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion.

Competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens we can supply to distributors. Moreover, in the United States, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal and AMC, these

mega exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Accordingly, distributors may decide to give preference to these mega exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema. However, we have suffered somewhat in these

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markets from competition from boutique operators, who are able to book top grossing commercial films for limited runs, thus increasing competition for customers wishing to view such top film product.

Once a patron has selected the film, the choice of cinema is typically impacted by the quality of the cinema experience offered weighed against convenience and cost. For example, most cinema patrons seem to prefer a modern stadium design multiplex, to an older sloped floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not. However, if the film they desire to see is only available at a limited number of locations, they will typically choose the film over the quality of the cinema and/or the convenience of the cinema. Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. As discussed further below, the availability of 3D or digital technology and/or premium class seating can also be a factor in the preference of one cinema over another.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are Regal (with 6,880 screens in 540 cinemas), AMC (with 4,804 screens in 332 cinemas), Cinemark (with 3,918 screens in 299 cinemas), and Carmike (with 2,242 screens in 232 cinemas). As of December 31, 2012, we were the 11th largest exhibitor with 1% of the box office in the United States with 253 screens in 26 cinemas.

The principal exhibitors in Australia are Greater Union, which do business under the Event name (a subsidiary of Amalgamated Holdings Limited), Hoyts Cinemas ("Hoyts"), and Village. The major exhibitors control approximately 66% of the total cinema box office: Event 30%, Hoyts 21%, and Village 15%. Event has 476 screens nationally, Hoyts 359 screens, and Village 217 screens. By comparison, our 148 screens represent approximately 7% of the total box office.

The principle exhibitors in New Zealand are Event with 101 screens nationally and Hoyts with 64 screens. Reading has 40 screens (not including partnerships). The major exhibitors in New Zealand control approximately 57% of the total box office: Event 35% and Hoyts 22%. Reading has 11% of the market (Event and Reading market share figures again do not include any partnership theaters).

Greater Union is the owner of Birch Carroll & Coyle in Australia and purchased Sky Cinemas in New Zealand during 2010. In addition, generally speaking, all new multiplex cinema projects announced by Village are being jointly developed by a joint venture comprised of Greater Union and Village. These companies have substantial capital resources. Village had a publicly reported consolidated net worth of approximately $535.1 million (AUS$522.8 million) at June 30, 2012. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately $879.1 million (AUS$858.9 million) at June 30, 2012. Hoyts is privately held and does not publish financial reports. Hoyts is currently owned by Pacific Equity Partners.

In Australia, the industry is somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner Brothers and New Line Cinema. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow Film Distributors. Hoyts is also involved in film production and distribution.

Digital Exhibition

After years of uncertainty as to the future of digital exhibition and the impact of this technology on cinema exhibition, it became clear in 2012 that the industry must go digital. We have now substantially completed the conversion of our domestic cinema operations to digital projection. We are in the process of, and anticipate that we will complete in 2013, the conversion of our Australian and New Zealand cinema operations to digital projection. We anticipate that the cost of this conversion, over time, will be covered in substantial part by the receipt of Virtual Print Fees paid by film distributors for the use of such digital projection equipment.

In-Home Competition

The "in-home" entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming

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through cable, satellite, DVD, and internet distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These are issues common to both our domestic and international cinema operations.

Competitive issues are discussed in greater detail above under the caption, Competition, and under the caption, Item 1A - Risk Factors.

Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Year's Days, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australian and New Zealand holidays that are not celebrated in the United States.

Employees

We have 62 full time executive and administrative employees and approximately 2,268 cinema employees. Our cinema employees in Wellington, New Zealand and our projectionists in Hawaii are unionized. None of our other employees are subject to union contracts. Our one union contract with respect to our projectionists in Hawaii expired on March 31, 2012. Our union contracts with respect to our New Zealand employees expired on August 31, 2012. We are currently in the process of renegotiating these contracts. None of our Australian based employees is unionized. Overall, we are of the view that the existence of these contracts does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

Our Real Estate Activities

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema based real estate development projects;
- the acquisition of fee interests in land for general real estate development;
- the leasing to shows of our live theaters; and
- the redevelopment of our existing fee owned cinema or live theater sites to their highest and best use.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, again historically, has principally been in support of that business. In recent periods, however, we have acquired or developed properties which do not have any cinema or other entertainment component. As opportunities for cinema development become more limited, it is likely that our real estate activities will continue to expand beyond the development of entertainment-oriented properties.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – Properties.

Item 1A – Risk Factors

Investing in our securities involves risk. Set forth below is a summary of various risk factors that you should consider in connection with your investment in our company. This summary should be considered in the context of our overall Annual Report on Form 10K, as many of the topics addressed below are discussed in significantly greater detail in the context of specific discussions of our business plan, our operating results, and the various competitive forces that we face.

Business Risk Factors

We are currently engaged principally in the cinema exhibition and real estate businesses. Since we operate in two business segments (cinema exhibition and real estate), we discuss separately below the risks we believe to be material to our involvement in each of these segments. We have discussed separately certain risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. Please note, that while we report the results of our live theater operations as real estate operations – since we are principally in the business of renting space to producers rather than in licensing or producing plays ourselves – the cinema exhibition and live theater businesses share certain risk factors and are, accordingly, discussed together below.

Cinema Exhibition and Live Theater Business Risk Factors

We operate in a highly competitive environment, with many competitors who are significantly larger and may have significantly better access to funds than do we.

We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger exhibitors are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. In some cases, faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability.

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, and (iii) better visibility to landlords and real estate developers, than do we.

In the case of our live theaters, we compete for shows not only with other “for profit” off-Broadway theaters, but also with not-for-profit operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an off-Broadway theater, moving directly to larger Broadway venues.

We face competition from other sources of entertainment and other entertainment delivery systems.

Both our cinema and live theater operations face competition from developing “in-home” sources of entertainment. These include competition from DVDs, cable and satellite television, pay per view, the internet and other sources of entertainment, and video games. The quality of in-house entertainment systems has increased while the cost of such systems has decreased in recent periods, and some consumers may prefer the security of an ”in-home” entertainment experience to the more public experience offered by our cinemas and live theaters. The movie distributors have been responding to these developments by, in some cases, decreasing the period of time between cinema release and the date such product is made available to “in-home” forms of distribution.

The narrowing of this so-called “window” for cinema exhibition may be problematic for the cinema exhibition industry. On the other hand, the significant quantity of films produced in recent periods has probably had more to do, at least to date, with the shortening of the time most movies play in the cinemas, than any shortening of the cinema exhibition window. In recent periods, there has been discussion about the possibility of eliminating the cinema window altogether for certain films, in favor of a simultaneous release in multiple channels of distribution, such as theaters, pay-per-view, and DVD. However, again to date, this move has been strenuously resisted by the cinema exhibition industry and we view the total elimination of the cinema exhibition window, while theoretically possible, to be unlikely.

However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. This would adversely affect the competitive advantage enjoyed by cinemas over “in-home” forms of entertainment, as it may be that both the cinema market and the “in-home” market will have simultaneous access to motion picture product.

We also face competition from various other forms of “beyond-the-home” entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa.

Competition from less expensive “in-home” entertainment alternatives may be intensified as a result of the current economic recession.

Our cinema operations depend upon access to film that is attractive to our patrons and our live theater operations depend upon the continued attractiveness of our theaters to producers.

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, the amount of money spent by film distributors to promote their motion pictures, and the willingness of these producers to license their films on terms that are financial viable to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators, to book these movies and plays into our facilities.

We rely on film distributors to supply the films shown in our theatres. In the U.S., the film distribution business is highly concentrated, with six major film distributors accounting for approximately 83.0% of U.S. box office revenues. Numerous antitrust cases and consent decrees resulting from these antitrust cases impact the distribution of films. The consent decrees bind certain major film distributors to license films to exhibitors on a theatre-by-theatre and film-by-film basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration in our relationship with any of the [six] major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding.

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals or groups of such individuals and which are very risky due to the absence of any ability to recoup investment in secondary markets like DVD or cable.

Our screen advertising revenue may decline.

Over the past several years, cinema exhibitors have been looking increasingly to screen advertising as a way to boost income. No assurances can be given that this source of income will be continuing or that the use of such advertising will not ultimately prove to be counterproductive by giving consumers a disincentive to choose going to the movies over “in-home” entertainment alternatives.

We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies.

We are now in the midst of converting substantially all of our cinema auditoriums to digital projection. However, no assurances can be given that other technological advances will not require us to make further material investments in our cinemas or face loss of business. For example, only a limited number of our cinemas are

equipped with the 48 frame per second equipment that is required to show such films as The Hobbit. Also, equipment is currently being developed for holographic or laser projection. The future of these technologies in the cinema exhibition industry is uncertain.

Real Estate Development and Ownership Business Risks

We operate in a highly competitive environment, in which we must compete against companies with much greater financial and human resources than we have.

We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources than do we and may be able to achieve greater economies of scale than can we.

Risks Related to the Real Estate Industry Generally

Our financial performance will be affected by risks associated with the real estate industry generally.

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions such as an oversupply of, or a reduction in demand for commercial space and/or entertainment oriented properties, (iii) reduced attractiveness of our properties to tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in government regulations, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

We may incur costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties.

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either (i) “special purpose” properties that could not be readily converted to general residential, retail or office use, or (ii) undeveloped land. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment and competitive factors may prevent the pass-through of such costs to tenants.

Real estate development involves a variety of risks.

Real estate development includes a variety of risks, including the following:

- The identification and acquisition of suitable development properties. Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be "foreign owned" for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.
- The procurement of necessary land use entitlements for the project. This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.
- The construction of the project on time and on budget. Construction risks include the availability and cost of finance; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor related disruptions.
- The leasing or sell-out of the project. Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. For our entertainment themed retail centers ("ETRCs"), the extent to which our cinemas can continue to serve as an anchor tenant will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.
- The refinancing of completed properties. Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with roll over or other provisions mitigating our need to refinance immediately upon completion of construction.

The ownership of properties involves risk.

The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, environmental laws and requirements to remediate environmental contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment type properties.

International Business Risks

Our international operations are subject to a variety of risks, including the following:

Risk of currency fluctuations. While we report our earnings and assets in US dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the US dollar and compared to each other. We typically have not hedged against these currency fluctuations, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow and our ability to service this debt could be adversely impacted by

declines in the relative value of the Australian and New Zealand dollar compared to the US dollar. Our cash in Australia and New Zealand of $17.5 million (AUS$16.8 million) and $6.3 million (NZ$7.6 million),

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respectively, is denominated in local currencies and subject to the risk of currency exchange rate fluctuations. Also, our use of local borrowings to mitigate the business risk of currency fluctuations has reduced our flexibility to move cash between jurisdictions. Set forth below is a chart of the exchange ratios between these three currencies over the past twenty years:

- Risk of adverse government regulation. At the present time, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by US companies in their countries.
- Risk of adverse labor relations. Our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave).

Risks Associated with Certain Discontinued Operations

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health.

Operating Results, Financial Structure and Borrowing Risk

From time to time, we may have negative working capital.

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time to time had negative working capital. This negative working capital is typical in the cinema exhibition industry because our short-term liabilities are in part financing our long-term assets instead of long-term liabilities financing short-term assets as is the case in other industries such as manufacturing and distribution.

We have substantial short to medium term debt.

Generally speaking, we have historically financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have significant unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary.

In February 2007, we issued $50.0 million in 20-year TPS, and utilized the net proceeds principally to retire short-term bank debt in New Zealand and Australia. The interest rate on our TPS was only fixed for five years. Additionally, we used US dollar denominated obligations to retire debt denominated in New Zealand and Australian dollars which has increased our exposure to currency risk. In the first quarter of 2009, we repurchased $22.9 million of our TPS at a 50% discount.

At the present time, corporate borrowers both domestically and internationally are facing greater than normal constraints on liquidity. No assurances can be given that we will be able to refinance these debts as they become due.

We have substantial lease liabilities.

Most of our cinemas operate in leased facilities. These leases typically have cost of living or other rent adjustment features and require that we operate the properties as cinemas. A down turn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our cinema operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities. Unlike property rental leases, our newly added digital equipment leases do not have cost of living or other lease adjustment features.

Our stock is thinly traded.

Our stock is thinly traded, with an average daily volume in 2012 of only approximately 53,000 shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership and Management Structure, Corporate Governance, and Change of Control Risks

The interests of our controlling stockholder may conflict with your interests.

Mr. James J. Cotter beneficially owns 70.4% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. As a result, as of December 31, 2012, Mr. Cotter controlled 70.4% of the voting power of all of our outstanding common stock. For as long as Mr. Cotter continues to own shares of common stock representing more than 50% of the voting power of our common stock, he will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Mr. Cotter will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Mr. Cotter but not to other stockholders. In addition, Mr. Cotter and his affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 25 – Related Parties and Transactions to our 2012 Consolidated Financial Statements).

Since we are a Controlled Company, our Directors have determined to take advantage of certain exemptions provide by the NASDAQ from the corporate governance rules adopted by that Exchange.

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a Controlled Corporation, such as we, may elect not to be governed by certain of these provisions. Our board of directors has elected to exempt our Company from requirements that (i) at least a

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majority of our directors be independent, (ii) nominees to our board of directors be nominated by a committee comprised entirely of independent directors or by a majority of our Company's independent directors, and (iii) the compensation of our chief executive officer be determined or recommended to our board of directors by a compensation committee comprised entirely of independent directors or by a majority of our Company's independent directors. Notwithstanding the determination by our board of directors to opt-out of these NASDAQ requirements, a majority of our board of directors is nevertheless currently comprised of independent directors, and our compensation committee is nevertheless currently comprised entirely of independent directors.

We depend on key personnel for our current and future performance.

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms.

Item 1B - Unresolved Staff Comments

None.

Item 2 – Properties

Executive and Administrative Offices

We lease approximately 9,800 square feet of office space in Los Angeles, California to serve as our executive headquarters. We own an 8,100 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serves as the headquarters for our Australian and New Zealand operations (the remainder being leased to an unrelated third party). We maintain our accounting personnel and certain IT and operational personnel in approximately 5,900 square foot of offices located in our Wellington Courtenay Central shopping center. We occupy approximately 3,500 square feet at our Village East leasehold property for administrative purposes. We also own a residential condominium unit in Los Angeles, used for offsite corporate meetings and residential space by our Chairman and Chief Executive Officer.

Entertainment Properties

Entertainment Use Leasehold Interests

As of December 31, 2012, we lease approximately 1.8 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	942,000	2013 – 2049
Australia	721,000	2017 – 2049
New Zealand	141,000	2024 – 2034

During September 2012, we opened an 8-screen art cinema in the Mosaic District in the greater Washington D.C. metropolitan area. Additionally, during 2012, we elected not to renew the leases of our 4-screen Hastings cinema in New Zealand and our 4-screen Kukui cinema in Hawaii. We terminated operations with the Hastings cinema in January 2012 and we terminated operations for our Kukui cinema in November 2012.

Entertainment Use Fee Interests

In Australia, as of December 31, 2012, we own approximately 3.2 million square feet of land at nine locations. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney, including the 50.6-acre Burwood site. Of these fee interests, approximately 145,000 square feet are currently improved with cinemas.

In New Zealand, as of December 31, 2012, we own approximately 3.4 million square feet of land at seven locations. This includes the Courtney Central ETRC in Wellington, the 70.3 acre Manakau site, and the fee interests underlying three cinemas in New Zealand, which properties include approximately 22,000 square feet of ancillary retail space.

In the United States, as of December 31, 2012, we own approximately 134,000 square feet of improved real estate comprised of four live theater buildings, which include approximately 58,000 square feet of leasable space, and the fee interest in our Cinemas 1, 2 & 3 in Manhattan (held through a limited liability company in which we have a 75% managing member interest).

Live Theaters ("Liberty Theaters")

Included among our real estate holdings are four “Off Broadway” style live theaters, operated through our Liberty Theaters subsidiary. We license theater auditoriums to the producers of “Off Broadway” theatrical productions and provide various box office and concession services. The terms of our licenses are, naturally, principally dependent upon the commercial success of our tenants. STOMP has been playing at our Orpheum Theatre in excess of 16 years. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have three single auditorium theaters in Manhattan:

· the Minetta Lane (399 seats);
· the Orpheum (347 seats); and
· the Union Square (499 seats).

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats). Two of the properties, the Union Square and the Royal George, have ancillary retail and office space.

Liberty Theaters is primarily in the business of renting theater space. However, we may from time to time participate as an investor in a play, which can help facilitate the production of the play at one of our facilities, and do from time to time rent space on a basis that allows us to share in a production's revenue or profits. Revenue, expense, and profits are reported as a part of the real estate segment of our business.

Joint Venture Cinema Interests

We also hold real estate through several unincorporated joint ventures, two 75% owned subsidiaries, and one majority-owned subsidiary, as described below:

· in Australia, we own a 75% interest in a subsidiary company that leases two cinemas with eleven screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
· in New Zealand, we own a 50% unincorporated joint venture interest in two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin.
· In the United States, we own a 50% membership interest in Angelika Film Center, LLC, which holds the lease to the approximately 17,000 square foot Angelika Film Center & Café in the Soho district of Manhattan. We also hold the management rights with respect to this asset. We also own a 75% managing member interest in the limited liability company that owns our Cinemas 1, 2 & 3 property and a 50% managing member interest in Shadow View Land & Farming, LLC which owns an approximately 202-acre property in Riverside County, California which, while zoned residential and approved for 823 single family lots.

Income Operating Property

As of December 31, 2012, we own fee interests in approximately 1.0 million square feet of income producing properties (including certain properties principally occupied by our cinemas).

Property[7]	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Auburn 100 Parramatta Road Auburn, NSW, Australia	60000 / 57000 Plus a 871-space parking structure	100%	$35,894,000
Belmont Knutsford Avenue and Fulham Street Belmont, WA, Australia	15000 / 52000	78%	$16,102,000
Cinemas 1, 2 & 3[8] 1003 Third Avenue Manhattan, NY, USA	0 / 21000	N/A	$23,626,000
Courtenay Central 100 Courtenay Place Wellington, New Zealand	38000 / 71000 Plus a 1,086-space parking structure	75%	$26,237,000

[7] Rental square footage refers to the amount of area available to be rented to third parties and the percentage leased is the amount of such rental square footage currently leased to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. The gross book value refers to the gross carrying cost of the land and buildings of the property. Book value and rental information are as of December 31, 2012.

[8] This property is owned by a limited liability company in which we hold a 75% managing interest. The remaining 25% is owned by Sutton Hill Investments, LLC, a company owned in equal parts by our Chairman and Chief Executive Officer, Mr. James J. Cotter, and Michael Forman.

Property	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Invercargill Cinema 29 Dee Street Invercargill, New Zealand	10000 / 24000	72%	$3,243,000
Lake Taupo Motel 138-140 Lake Terrace Road Taupo, New Zealand	9000 / 0	Short-term rentals	$2,283,000
Maitland Cinema Ken Tubman Drive Maitland, NSW, Australia	0 / 22000	N/A	$2,472,000
Minetta Lane Theatre 18-22 Minetta Lane Manhattan, NY, USA	0 / 9000	N/A	$8,354,000
Napier Cinema 154 Station Street Napier, New Zealand	12000 / 17000	100%	$3,547,000
Newmarket 400 Newmarket Road Newmarket, Queensland, Australia	93000 / 0 Plus a 436-space parking structure	97%	$45,087,000
Orpheum Theatre 126 2nd Street Manhattan, NY, USA	0 / 5000	N/A	$3,439,000
Royal George 1633 N. Halsted Street Chicago, IL, USA	37000 / 23000 Plus a 55-space parking structure	91%	$3,415,000
Rotorua Cinema 1281 Eruera Street Rotorua, New Zealand	0 / 19000	N/A	$3,044,000
Union Square Theatre 100 E. 17th Street Manhattan, NY, USA	21000 / 17000	100%	$8,900,000

Long-Term Leasehold Operating Property

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2012, we had approximately 169,000 square foot of space subject to such long-term leases.

Property[9]	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Manville	0 / 53000	N/A	$2,285,000
Tower	0 / 16000	N/A	$994,000
Village East[10]	4000 / 38000	100%	$11,877,000
Waurn Ponds	6000 / 52000	100%	$3,656,000

[9] Rental square footage refers to the amount of area available to be rented to third parties, and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our long-term leasehold operating property include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. Book value includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31, 2012.

[10] The lease of the Village East provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term in 2020. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. See Note 25 - Related Parties and Transactions to our 2012 Consolidated Financial Statements.

Investment and Development Property

We are engaged in several investment and development projects relative to our currently undeveloped parcels of land. In addition, we anticipate that redevelopment of one or more of our existing developed properties may also occur.

Property[11]	Acreage	Gross Book Value (in U.S. Dollars)	Status
Auburn, Sydney, Australia	2.6 acres	$2,107,000	We are actively pursuing the development of the next phase of this property.
Burwood, Victoria, Australia	50.6 acres	$54,156,000	We continue to evaluate our options with regards to this property.
Coachella, CA, USA	202 acres	$4,050,000	We continue to evaluate our options with regards to this property.
Courtenay Central, Wellington, New Zealand	1.1 acres	$6,831,000	We are actively pursuing the development of the next phase of this property.
Moonee Ponds, Victoria, Australia	3.3 acres	$12,728,000	Zoned for high-density as a "Principal Activity Area." Recently, this property has enjoyed a rezoning by the city increasing our permitted development potential from up to 10 levels to a range of 10 to 16 levels. We continue to evaluate our options with regards to this property.
Lake Taupo, Taupo, New Zealand	0.5 acre	$2,283,000	We are actively pursuing various methods to dispose of this property.

[11] A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development. The gross book value includes, as applicable, the land, building, development costs, and capitalized interest.

Property[11]	Acreage	Gross Book Value (in U.S. Dollars)	Status
Manakau, Auckland, New Zealand	64 acres zoned agricultural and 6.4 acres zoned light industrial	$14,021,000	The bulk of the land is zoned for agriculture and is currently used for horticulture commercial purposes. A development plan has been filed to rezone the property for warehouse, distribution and manufacturing uses. We currently anticipate that this rezoning will be approved. In 2010, we acquired an adjacent property which is zoned industrial, but is currently unimproved. This property links our existing parcel with the existing road network.

Some of our income operating property and our investment and development property carry various debt encumbrances based on their income streams and geographic locations. For an explanation of our debt and the associated security collateral please see Note 12 – Notes Payable to our 2012 Consolidated Financial Statements.

Other Property Interests and Investments

We own the fee interest in 11 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. Additionally, we own a condominium in the Los Angeles, California area that is used for offsite corporate meetings and by our Chief Executive Officer when he is in town. Except for a negative pledge on the aforementioned Los Angeles condominium, these properties are unencumbered with any debt and are lien free.

Item 3 – Legal Proceedings

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") has examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court's order was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its claimed adjustment to income. Instead of a claim for unpaid taxes of $20.9 million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of $5.4 million, reduced by a federal tax refund of $800,000 and increased by interest of $9.3 million, for a net federal tax liability of $13.9 million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of $290,000 over a period of approximately five years. As of December 31, 2012 and 2011, after the payments made during 2012 and 2011, respectively, the remaining federal tax obligation was $10.0 million and $13.5 million, respectively, in tax and interest. Of the $10.0 million owed under the installment agreement as of December 31, 2012, $3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the $13.5 million owed under the installment agreement as of December 31, 2011, $3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately $1.4 million in tax plus interest and potential penalty. CRG's 1997 tax year remains open with respect to CRG's potential tax liability to the State of California. As of December 31, 2012, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed if a deficiency is asserted.

Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and

asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2012, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $17.7 million (AUS$17.1 million) and as of that date we had already incurred a total of $8.6 million (AUS$8.3 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the

work will be done in connection with the excavation and other development activity already contemplated for the property.

PART II

Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters

Market Information

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999. Historically, we have been listed on the AMEX and due to the 2008 purchase of the AMEX by the NYSE Alternext US, we were listed on that exchange at December 31, 2008. During July 2009, we moved our listing from NYSE Alternext to NASDAQ.

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2012 and 2011 as reported by NASDAQ:

		Class A Stock		Class B Stock	
		High	Low	High	Low
2012	Fourth Quarter	$ 6.23	$ 5.48	$ 7.40	$ 5.64
	Third Quarter	$ 6.58	$ 4.73	$ 7.95	$ 5.00
	Second Quarter	$ 5.88	$ 4.62	$ 6.75	$ 4.53
	First Quarter	$ 4.56	$ 4.12	$ 7.00	$ 4.26
2011	Fourth Quarter	$ 4.30	$ 3.95	$ 7.01	$ 4.26
	Third Quarter	$ 4.49	$ 3.88	$ 7.00	$ 6.00
	Second Quarter	$ 5.02	$ 4.53	$ 7.00	$ 5.25
	First Quarter	$ 5.16	$ 4.86	$ 9.00	$ 6.04

The following table summarizes the securities authorized for issuance under our equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	857,450	$ 7.03	1,829,436
Total	857,450	$ 7.03	1,829,436

Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.’s common stock for the years ended December 31, 2008, 2009, 2010, 2011, and 2012 against the cumulative total return as calculated by the NASDAQ composite, the motion picture theater operator group, and the real estate operator

group.

Holders of Record

The number of holders of record of our Class A Stock and Class B Stock in 2012 was approximately 3,500 and 300, respectively. On March 18, 2013, the closing price per share of our Class A Stock was $5.64 and the closing price per share of our Class B Stock was $5.65.

Dividends on Common Stock

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend; however, we review this matter on an ongoing basis.

(b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2011, we purchased 172,300 of Class A Nonvoting shares on the open market for $747,000. Additionally, during the first quarter of 2010, we purchased 62,375 shares for a total cost of $251,000. No shares were purchased during 2012.

Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Annual Report”), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

	At or for the Year Ended December 31,				
	2012	2011	2010	2009	2008
Revenue	$ 254,430	$ 244,979	$ 229,322	$ 216,740	$ 197,055
Operating income (loss)	$ 19,127	$ 18,178	$ 13,069	$ 13,910	$ (2,134)
Income (loss) from discontinued operations	$ (405)	$ 1,888	$ 97	$ 12	$ (154)
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)	$ 6,482	$ (16,189)
Net income (loss) attributable to Reading International, Inc. shareholders	$ (914)	$ 9,956	$ (12,650)	$ 6,094	$ (16,809)
Basic earnings (loss) per share – continuing operations	$ (0.02)	$ 0.36	$ (0.56)	$ 0.27	$ (0.74)
Basic earnings (loss) per share – discontinued operations	$ (0.02)	$ 0.08	$ --	$ --	$ (0.01)
Basic earnings (loss) per share	$ (0.04)	$ 0.44	$ (0.56)	$ 0.27	$ (0.75)
Diluted earnings (loss) per share – continuing operations	$ (0.02)	$ 0.35	$ (0.56)	$ 0.27	$ (0.75)
Diluted earnings (loss) per share – discontinued operations	$ (0.02)	$ 0.08	$ --	$ --	$ --
Diluted earnings (loss) per share	$ (0.04)	$ 0.43	$ (0.56)	$ 0.27	$ (0.75)
Other Information:					
Shares outstanding	23,083,265	22,806,838	22,804,313	22,588,403	22,482,605
Weighted average number of shares outstanding–basic	23,028,596	22,764,666	22,781,392	22,580,942	22,477,471
Weighted average number of shares outstanding–diluted	23,028,596	22,993,135	22,781,392	22,767,735	22,477,471
Total assets	$ 428,588	$ 430,764	$ 430,349	$ 406,417	$ 371,870
Total debt	$ 196,597	$ 209,614	$ 228,821	$ 226,993	$ 239,162
Working capital (deficit)	$ (21,415)	$ (12,844)	$ (57,634)	$ (16,229)	$ 12,516
Stockholders’ equity	$ 130,954	$ 124,987	$ 112,639	$ 110,263	$ 69,447
EBIT	$ 20,416	$ 18,664	$ 13,900	$ 22,618	$ 1,030
Depreciation and amortization	$ 16,049	$ 16,595	$ 15,563	$ 15,034	$ 18,556
Add: Adjustments for discontinued operations	$ 335	$ 365	$ 351	$ 134	$ 2
EBITDA	$ 36,800	$ 35,624	$ 29,814	$ 37,786	$ 19,588
Debt to EBITDA	$ 5.34	$ 5.88	$ 7.67	$ 6.01	$ 12.21
Capital expenditure (including acquisitions)	$ 13,723	$ 9,376	$ 19,371	$ 5,686	$ 75,167
Number of employees at 12/31	2,412	2,263	2,109	2,207	1,986

EBIT presented above represents net income (loss) adjusted for interest expense (calculated net of interest income) and income tax expense. EBIT is presented for informational purposes to show the significance of depreciation and amortization in the calculation of EBITDA. We use EBIT in our evaluation of our operating results since we believe that it is useful as a measure of financial performance, particularly for us as a multinational company. We believe it is a useful measure of financial performance principally for the following reasons:

- since we operate in multiple tax jurisdictions, we find EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions in which we operate.
- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.

· the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carry forwards.
· the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

EBITDA presented above is net income (loss) adjusted for interest expense (again, calculated net of interest income), income tax expense, and in addition depreciation and amortization expense. We use EBITDA in our evaluation of our performance since we believe that EBITDA provides a useful measure of financial performance and value. We believe this principally for the following reasons:

· we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.
· also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

We expect that investors may use EBITDA to judge our ability to generate cash, as a basis of comparison to other companies engaged in the cinema exhibition and real estate businesses and as a basis to value our company against such other companies.

Neither EBIT nor EBITDA is a measurement of financial performance under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States for purposes of analyzing our profitability. The exclusion of various components such as interest, taxes, depreciation, and amortization necessarily limit the usefulness of these measures when assessing our financial performance, as not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements to service debt, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail in this Annual Report on Form 10-K.

EBIT and EBITDA also fail to take into account the cost of interest and taxes. Interest is clearly a real cost that for us is paid periodically as accrued. Taxes may or may not be a current cash item but are nevertheless real costs that, in most situations, must eventually be paid. A company that realizes taxable earnings in high tax jurisdictions may be ultimately less valuable than a company that realizes the same amount of taxable earnings in a low tax jurisdiction. EBITDA fails to take into account the cost of depreciation and amortization and the fact that assets will eventually wear out and have to be replaced.

EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income (loss) to EBIT and EBITDA is presented below (dollars in thousands):

	2012	2011	2010	2009	2008
Net income (loss) attributable to Reading International, Inc. shareholders	$ (914)	$ 9,956	$ (12,650)	$ 6,094	$ (16,809)
Add: Interest expense, net	16,426	21,038	12,286	14,572	15,740
Add: Income tax (benefit) expense	4,904	(12,330)	14,264	1,952	2,099
EBIT	$ 20,416	$ 18,664	$ 13,900	$ 22,618	$ 1,030

Add: Depreciation and amortization	16,049	16,595	15,563	15,034	18,556
Adjustments for discontinued operations	335	365	351	134	2
EBITDA	$ 36,800	$ 35,624	$ 29,814	$ 37,786	$ 19,588

Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations

The following review should be read in conjunction with the consolidated financial statements and related notes included in this 2012 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

Overview

We are an internationally diversified company principally focused on the development, ownership, and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we operate in two business segments:

- Cinema Exhibition, through our 56 multiplex theaters, and
- Real Estate, including investment, development, and the rental of retail, commercial and live theater assets.

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations can be used to fund new cinema business opportunities and the front-end cash demands of our real estate investment and development business.

We manage our worldwide cinema exhibition businesses under various different brands:

- in the US, under the Reading, Angelika Film Center, Consolidated Amusements, and City Cinemas brands;
- in Australia, under the Reading brand; and
- in New Zealand, under the Reading and Rialto brands.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate investment and development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operations, our business strategy is unique among public companies.

Business Climate

Cinema Exhibition - General

After years of uncertainty as to the future of digital exhibition and the impact of this technology on cinema exhibition, it became clear in 2012 that the industry must go digital. We have now substantially completed the

conversion of our domestic cinema operations to digital projection. We are in the process, and anticipate that we will complete this year the conversion of our Australia and New Zealand cinema operations to digital projection.

Over several years, we anticipate that the cost of this conversion will be covered in substantial part by the receipt of Virtual Print Fees paid by film distributors for the use of such digital projection equipment.

In the case of "in-home" entertainment alternatives, the industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, DVD, and internet distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These are issues common to both our domestic and international cinema operations.

Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event, and Hoyts (the "Major Exhibitors") control approximately 66% of the cinema box office in Australia while Event and Hoyts control approximately 57% of New Zealand's cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under-shared facility arrangements, and have historically not engaged in head-to-head competition.

Cinema Exhibition – North America

In North America, distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us, which tends to compress the supply of screens in a very limited number of markets. This competitive disadvantage has increased significantly in recent periods with the development of mega circuits like Regal and AMC who are able to offer distributors access to screens on a truly nationwide basis, or, on the other hand, to deny access if their desires with respect to film supply are not satisfied.

These consolidations can adversely affect our ability to get film in certain domestic markets where we compete against major exhibitors. With the restructuring and consolidation undertaken in the industry, and the emergence of increasingly attractive "in-home" entertainment alternatives, strategic cinema acquisitions by our North American operation have and can continue to be a way to combat such a competitive disadvantage.

Real Estate – Australia and New Zealand

Over the past few years, there has been a noted decrease in real estate market activity resulting in decreases to commercial and retail property values in Australia and to a lesser extent in New Zealand. That being said, both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. Also, we have noted that our Australian and New Zealand developed properties have had consistent growth in rentals and values although project commencements have slowed. Once developed, we remain confident that our Australian and New Zealand holdings will continue to provide value and cash flows to our operations.

Real Estate – North America

The commercial real estate market has improved somewhat during 2012 and we have noted some strong increases associated with our real estate located in large urban environments.

Business Segments

As indicated above, our two primary business segments are cinema exhibition and real estate. These segments are summarized as follows:

Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. For a breakdown of our current cinema assets that we own and/or manage please see Item 1 – Our Business of this 2012 Annual Report under the subheading "Our Cinema Exhibition Activities."

During 2012, we opened one cinema with 8 screens and closed two cinemas having a total of 8 screens. In 2011, we purchase one 17-screen cinema. In 2010, we opened one 8-screen cinema and closed two cinemas having a total of 12 screens.

Our cinema revenue consists of admissions, concessions, and advertising. The cinema operating expense consists of the costs directly attributable to the operation of the cinemas including film rent expense, operating costs, and occupancy costs. Cinema revenue and expense fluctuate with the availability of quality first-run films and the numbers of weeks the first–run films stay in the market.

Real Estate

For fiscal 2012, our income operating property consisted of the following:

- our Belmont, Western Australia ETRC, our Auburn, New South Wales ETRC and our Wellington, New Zealand ETRC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane;
- three single auditorium live theaters in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theater complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George, their accompanying ancillary retail and commercial tenants;
- a New Zealand commercial property and Australian commercial properties rented to unrelated third parties, to be held for current income and long-term appreciation; and
- the ancillary retail and commercial tenants at some of our non-ETRC cinema properties.

In addition, we had various parcels of unimproved real estate held for development in Australia and New Zealand and certain unimproved land in the United States that was used in our historic activities. We also owned an 8,100 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 36% of which is leased to an unrelated third party.

Acquisitions

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 843 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $5.5 million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted into a 50% interest in Shadow View Land and Farming, LLC. We are the managing member of this company.

In August 2011, we purchased the CalOaks Cinema, our largest multi-screened cinema to date, for $4.2 million made up of $3.9 million of cash and a $250,000 holdback note for certain offset charges to the purchase price.

Disposals

On November 20, 2012, we sold our Indooroopilly property for $12.4 million (AUS$12.0 million). As the book value was $12.5 million (AUS$12.1 million) for this property, we recorded a loss on sale as an impairment expense of $318,000 (AUS$306,000) for the year ended December 31, 2012 which included the cost to sell the property. Additionally, on February 21, 2012, we sold our three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for $1.9 million (AUS$1.8 million). Because the net carrying amounts of these properties

were greater than the total sale price, we recorded an impairment expense for these properties of $369,000 (AUS$365,000) for the year ended December 31, 2011.

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $1.9 million (AUS$1.8 million) and recognized a gain on sale of a discontinued operation of $1.7 million (AUS$1.6 million).

Investment and Development Property

We are engaged in several real estate development projects. For a complete list of these properties with their size, status, and gross book values please see Item 2 – Properties under the heading of "Investment and Development Property."

Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting policies as those that are, in management's view, most important to the portrayal of the company's financial condition and results of operations and the most demanding in their calls on judgment. We believe our most critical accounting policies relate to:

· impairment of long-lived assets, including goodwill and intangible assets;
· tax valuation allowance and obligations; and
· legal and environmental obligations.

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows are less than the carrying amount of the asset, then an impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation. Goodwill and intangible assets are evaluated on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. Based on calculations of current value, we recorded impairment losses of $1.5 million, $369,000 and $2.2 million relating to certain of our property and cinema locations for the years ended December 31, 2012, 2011, and 2010, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions. For a further explanation of our 2012 impairment losses see below under the heading "Coachella impairment" and see Note 7 – Investment and Development Property to our 2012 Consolidated Financial Statements.

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2012, we had recorded approximately $50.6 million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards and tax credit carry forwards. These deferred tax assets were offset by a valuation allowance of $37.9 million resulting in a net deferred tax asset of $12.6 million. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry forwards and tax credit carry forwards.

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects and

adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust, and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

From time to time, we are involved with claims and lawsuits arising in the ordinary course of our business that may include contractual obligations, insurance claims, tax claims, employment matters, and anti-trust issues, among other matters.

Coachella impairment

In January 2012, we acquired in a foreclosure auction for $5.5 million a 202-acre property located in Coachella, California zoned for the development of up to 843 single-family residential units. The only other bidder was the holder of the mortgage on the property who bid up to $50,000 less than our final bid. At the time of the purchase, we knew, based on our due diligence that we were paying more for the property than would be supported by an Uniform Standards of Professional Appraisal Practice ("USPAP") appraisal. However, the amount that we bid was the lowest price at which we were able to acquire the property from the mortgagor. In valuing the property, we took into account a variety of factors, including the fact that the property is located within the City of Coachella, the state of the land use entitlements, and the fact that the prior owner had invested considerable time and money in obtaining the entitlements from the City of Coachella. Since an independent USPAP appraisal of the property produced an appraised value as of December 2012 at $4.0 million, we have written down the book value of the property by $1.5 million. As noted below, this property is 50% owned by Mr. James J. Cotter who shares in any impairment loss to the extent of his ownership interest.

We acquired the property as a potentially long-term investment based on the expectation that ready-for-development residential real estate will recover in value. As we are not in the business of developing single family residences, it is anticipated that the property will eventually be sold to a developer of this type of property.

We hold the property in a limited liability company, which we manage. This company is owned 50/50 by ourselves and our Chairman and Chief Executive Officer, James J. Cotter. The opportunity to acquire the property was originally presented to Mr. Cotter in his individual capacity and the transaction was approved by our Conflicts Committee, comprised entirely of independent directors.

Results of Operations

We currently have two operating segments: Cinema Exhibition and Real Estate. Our cinema exhibition segment includes the operations of our consolidated cinemas. Our real estate segment includes the operating results of our commercial real estate holdings, cinema real estate, live theater real estate, and ETRC's.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2012, 2011, and 2010 (dollars in thousands).

Year Ended December 31, 2012	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 234,703	$ 27,256	$ (7,529)	$ 254,430
Operating expense	198,040	11,163	(7,529)	201,674
Depreciation and amortization	11,154	4,441	--	15,595
General and administrative expense	2,598	718	--	3,316
Impairment expense	--	1,463	--	1,463
Segment operating income	$ 22,911	$ 9,471	$ --	$ 32,382

Year Ended December 31, 2011	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 225,849	$ 26,562	$ (7,432)	$ 244,979
Operating expense	189,647	10,190	(7,432)	192,405
Depreciation and amortization	11,842	4,444	--	16,286
General and administrative expense	2,740	646	--	3,386
Impairment expense	--	369	--	369
Segment operating income	$ 21,620	$ 10,913	$ --	$ 32,533

Year Ended December 31, 2010	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 211,073	$ 24,715	$ (6,466)	$ 229,322
Operating expense	178,261	9,049	(6,466)	180,844
Depreciation and amortization	10,559	4,289	--	14,848
General and administrative expense	2,880	1,043	--	3,923
Impairment expense	--	2,239	--	2,239
Segment operating income	$ 19,373	$ 8,095	$ --	$ 27,468

Reconciliation to net income attributable to Reading International, Inc. shareholders:	2012	2011	2010
Total segment operating income	$ 32,382	$ 32,533	$ 27,468
Non-segment:			
Depreciation and amortization expense	454	309	715
General and administrative expense	12,801	14,046	13,684
Operating income	19,127	18,178	13,069
Interest expense, net	(16,426)	(21,038)	(12,286)
Other income (loss)	(563)	1,157	(347)
Gain (loss) on sale of assets	144	(67)	352
Income tax benefit (expense)	(4,904)	12,330	(14,264)
Equity earnings (loss) of unconsolidated joint ventures and entities	1,621	(1,552)	1,345
Income (loss) from discontinued operations	(85)	232	97
Gain (loss) on sale of discontinued operation	(320)	1,656	--
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)
Net (income) loss attributable to noncontrolling interests	492	(940)	(616)
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (914)	$ 9,956	$ (12,650)

Cinema Exhibition Segment

The following tables and discussion that follows detail our operating results for our 2012, 2011, and 2010 cinema exhibition segment (dollars in thousands):

Year Ended December 31, 2012	United States	Australia	New Zealand	Total
Admissions revenue	$ 78,745	$ 68,819	$ 13,897	$ 161,461
Concessions revenue	32,219	24,564	4,266	61,049
Advertising and other revenues	5,433	5,806	954	12,193
Total revenues	116,397	99,189	19,117	234,703
Cinema costs	96,534	75,210	14,959	186,703
Concession costs	5,374	4,908	1,055	11,337
Total operating expense	101,908	80,118	16,014	198,040
Depreciation and amortization	6,482	3,589	1,083	11,154
General and administrative expense	1,937	661	--	2,598
Segment operating income	$ 6,070	$ 14,821	$ 2,020	$ 22,911

Year Ended December 31, 2011	United States	Australia	New Zealand	Total
Admissions revenue	$ 73,062	$ 72,887	$ 12,622	$ 158,571
Concessions revenue	28,225	23,306	3,446	54,977
Advertising and other revenues	5,482	6,019	800	12,301
Total revenues	106,769	102,212	16,868	225,849
Cinema costs	89,602	75,771	13,998	179,371
Concession costs	4,461	4,963	852	10,276
Total operating expense	94,063	80,734	14,850	189,647
Depreciation and amortization	6,525	4,218	1,099	11,842
General and administrative expense	1,973	691	76	2,740
Segment operating income	$ 4,208	$ 16,569	$ 843	$ 21,620

Year Ended December 31, 2010	United States	Australia	New Zealand	Total
Admissions revenue	$ 73,266	$ 61,640	$ 15,601	$ 150,507
Concessions revenue	27,391	18,658	3,861	49,910
Advertising and other revenues	5,096	4,559	1,001	10,656

Total revenues	105,753	84,857	20,463	211,073
Cinema costs	89,531	63,976	15,578	169,085
Concession costs	4,260	4,009	907	9,176
Total operating expense	93,791	67,985	16,485	178,261
Depreciation and amortization	6,556	2,969	1,034	10,559
General and administrative expense	2,040	840	--	2,880
Segment operating income	$ 3,366	$ 13,063	$ 2,944	$ 19,373

Cinema Results for 2012 Compared to 2011

· Cinema revenue increased in 2012 by $8.9 million or 3.9% compared to 2011. The geographic activity of our revenue can be summarized as follows:

o United States - Revenue in the United States increased by $9.6 million or 9.0%. This increase in revenue was predominately attributable to a 722,000 person increase in box office admissions and a commensurate increase in admissions and concessions revenue primarily from our 2011 acquisition of the CalOaks cinema in Murrieta, California and from our newly opened AFC

Mosaic cinema in the greater Washington D.C. metropolitan area; offset by, a 0.7% decrease in the average ticket price.

- o Australia - Revenue in Australia decreased by $3.0 million or 3.0%. This decrease in revenue was primarily related to a 91,000 person decrease in box office admissions coupled with a 3.9% decrease in the average ticket price resulting from a more competitive ticket pricing model. This decrease included the temporary closure of a cinema in Australia due to renovations during the second quarter. As noted below, there was only a nominal change in the Australian dollar compared to the U.S. dollar for the comparable periods. (see below).
- o New Zealand - Revenue in New Zealand increased by $2.2 million or 13.3%. This increase in revenue was predominately attributable to a year over year 236,000 person increase in admissions; offset by, a decrease in the average ticket price of 7.6% resulting from a more competitive ticket pricing model. The increase in New Zealand admissions was primarily as a result of the reopening of an earthquake damaged New Zealand multiplex in early January 2012. This increase in revenue was somewhat enhanced by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).

· Operating expense increased in 2012 by $8.4 million or 4.4% compared to 2011. Year over year operating expense increased only slightly in relation to revenue from 84.0% to 84.4%.

- o United States - Operating expense in the United States increased by $7.8 million or 8.3% primarily related to the operating activity of the aforementioned newly acquired and opened cinemas.
- o Australia - Operating expense in Australia decreased by $616,000 or 0.8%. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs; offset by, the year over year nominal increase in the value of the Australian dollar compared to the U.S. dollar (see below).
- o New Zealand - Operating expense in New Zealand increased by $1.2 million or 7.8%. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs and with the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).

· Depreciation expense decreased in 2012 by $688,000 or 5.8% compared to 2011. This decrease was primarily related to several of our cinema assets reaching the end of their depreciable lives.

· General and administrative expense decreased in 2012 by $142,000 or 5.2% compared to 2011. This decrease was primarily related to a write off of certain cinema assets in New Zealand and higher bonus accrual costs in 2011 neither of which reoccurred in 2012.

· Australian and New Zealand monthly average exchange rates for 2012 increased by 0.3% and 2.4%, respectively, from those in 2011, which had an overall positive impact on the income statement.

· As a result, cinema exhibition segment operating income increased in 2012 by $1.3 million compared to 2011 primarily from the aforementioned increase in revenue from our U.S. and New Zealand cinema operations.

Cinema Results for 2011 Compared to 2010

· Cinema revenue increased in 2011 by $14.8 million or 7.0% compared to 2010. The geographic activity of our revenue can be summarized as follows:

- o United States - Revenue in the United States increased by $1.0 million or 1.0%. This increase in revenue was predominately attributable to an increase in concessions and other cinema revenue in part from our newly acquired cinema in Murrieta, California; offset by, a decrease in our admissions revenue which was primarily affected by a 1.3% decrease in the average ticket price coupled with a relatively flat number of box office admissions.
- o Australia - Revenue in Australia increased by $17.4 million or 20.5%. This increase in revenue was predominately attributable to the opening of a new cinema in October 2010, a year over year increase in the average ticket price of 3.1%, a small increase in admissions of 83,000, and an increase in the value of the Australian dollar compared to the U.S. dollar. This change in currency value translated to higher Australian revenue for 2011 compared to 2010 (see below).
- o New Zealand - Revenue in New Zealand decreased by $3.6 million or 17.6%. This decrease in revenue was predominately attributable to a year over year decrease in the average ticket price of 2.2% and a 463,000 decrease in admissions due to poor film product being delivered to the country as a whole. The decrease in admissions was in large part affected by poorer film product

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offered throughout the country as a result of the rugby world cup being held in New Zealand during 2011. This decrease in revenue was somewhat offset by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).

- Operating expense increased in 2011 by $11.4 million or 6.4% compared to 2010. Year over year operating expense decreased in relation to revenue from 84.5% to 84.0%.
  - o United States - Operating expense in the United States increased by $272,000 or 0.3% primarily due to higher utility costs associated with our Hawaiian cinemas.
  - o Australia - Operating expense in Australia increased by $12.7 million or 18.8%. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs and with the year over year increase in the value of the Australian dollar compared to the U.S. dollar (see below).
  - o New Zealand - Operating expense in New Zealand decreased by $1.6 million or 9.9%. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs offset by the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Depreciation expense increased in 2011 by $1.3 million or 12.2% compared to 2010. This increase was primarily related to the opening of a new cinema in Australia and our continuing purchases of digital equipment.
- General and administrative expense decreased in 2011 by $140,000 or 4.9% compared to 2010. This decrease was primarily related to preopening costs in 2010 for a newly opened Australian cinema which did not recur in 2011.
- Australian and New Zealand monthly average exchange rates for 2011 increased by 12.2% and 9.7%, respectively, from those in 2010, which had an overall positive impact on the income statement.

As a result, cinema exhibition segment operating income increased in 2011 by $2.2 million compared to 2010 primarily from the aforementioned increase in revenue from our Australian cinema operations.

Real Estate Segment

As discussed above, our other business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development.

The tables and discussion that follow detail our operating results for our 2012, 2011, and 2010 real estate segment (dollars in thousands):

Year Ended December 31, 2012	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$ 3,416	$ --	$ --	$ 3,416
Property rental income	1,690	14,536	7,614	23,840
Total revenues	5,106	14,536	7,614	27,256
Live theater costs	1,917	--	--	1,917
Property rental cost	934	6,077	2,235	9,246
Total operating expense	2,851	6,077	2,235	11,163
Depreciation and amortization	305	2,823	1,313	4,441
General and administrative expense	99	536	83	718
Impairment expense	1,463	--	--	1,463
Segment operating income	$ 388	$ 5,100	$ 3,983	$ 9,471

Year Ended December 31, 2011		United States		Australia		New Zealand		Total
Live theater rental and ancillary income	$	3,507	$	--	$	--	$	3,507
Property rental income		1,714		13,850		7,491		23,055
Total revenues		5,221		13,850		7,491		26,562
Live theater costs		1,946		--		--		1,946
Property rental cost		528		5,628		2,088		8,244
Total operating expense		2,474		5,628		2,088		10,190
Depreciation and amortization		326		2,848		1,270		4,444
General and administrative expense		32		554		60		646
Impairment expense		--		369		--		369
Segment operating income	$	2,389	$	4,451	$	4,073	$	10,913

Year Ended December 31, 2010		United States		Australia		New Zealand		Total
Live theater rental and ancillary income	$	3,082	$	--	$	--	$	3,082
Property rental income		1,732		13,125		6,776		21,633
Total revenues		4,814		13,125		6,776		24,715
Live theater costs		2,044		--		--		2,044
Property rental cost		455		4,789		1,761		7,005
Total operating expense		2,499		4,789		1,761		9,049
Depreciation and amortization		321		2,467		1,501		4,289
General and administrative expense		13		957		73		1,043
Impairment expense		--		2,239		--		2,239
Segment operating income	$	1,981	$	2,673	$	3,441	$	8,095

Real Estate Results for 2012 Compared to 2011

- Real estate revenue increased by $694,000 or 2.6% compared to 2011. The increase in revenue was primarily related to an increase in rental income from our Australian and New Zealand ETRCs coupled with fluctuations in currency exchange rates (see below); offset by, a decrease in rent from our live theater venues in the U.S.
- Operating expense for the real estate segment increased by $1.0 million or 9.5% compared to 2011. This increase in expense was primarily related to higher repair, maintenance, and insurance costs for our operating properties, from legal costs incurred in 2012 associated with protecting the property rights of our Burwood property and with our residual railroad properties, and the aforementioned fluctuations in currency exchange rates (see below).
- We recorded a real estate impairment loss in 2012 of $1.5 million related to our Coachella property (see Note 7 – Investment and Development Property to our 2012 Consolidated Financial Statements) As noted above, this property

is 50% owned by Mr. James J. Cotter who shares in any impairment loss to the extent of his ownership interest. In 2011, we recorded a $369,000 impairment loss related to our Taringa real estate property. We subsequently sold the Taringa property on February 21, 2012 for $1.9 million (AUS$1.8 million).

- General and administrative costs increased by $72,000 or 11.1% compared to 2011 primarily due to an increase in our allowance for doubtful accounts for our U.S. properties in 2012.
- Australian and New Zealand monthly average exchange rates for 2012 increased by 0.3% and 2.4%, respectively, from those in 2011, which had an overall positive impact on the income statement.
- As a result of the above, real estate segment income decreased by $1.4 million or 13.2% compared to 2011.

Real Estate Results for 2011 Compared to 2010

- Real estate revenue increased by $1.8 million or 7.5% compared to 2010. The increase in revenue was primarily related to an increase in live theater revenue in the U.S., increased rental income from our Australian and New Zealand ETRCs coupled with fluctuations in currency exchange rates (see below).
- Operating expense for the real estate segment increased by $1.1 million or 12.6% compared to 2010. This increase in expense was primarily related to our efforts to sell various development properties in Australia and New Zealand and with the aforementioned fluctuations in currency exchange rates (see below).
- Depreciation expense for the real estate segment increased by $155,000 or 3.6% compared to 2010 primarily due to the impact of currency fluctuations for our Australian and New Zealand operations (see below); offset by, a $208,000 correction of a recorded prior year depreciation expense to the New Zealand results.
- We recorded a real estate impairment loss of $369,000 in 2011 compared to $2.2 million in 2010 related to our Taringa real estate property. We subsequently sold this property on February 21, 2012 for $1.9 million (AUS$1.8 million)
- General and administrative costs decreased by $397,000 or 38.1% compared to 2010 primarily due 2010 litigation costs for the Mackie case in Australia not repeated in 2011.
- Australian and New Zealand monthly average exchange rates for 2011 increased by 12.2% and 9.7%, respectively, from those in 2010, which had an overall positive impact on the income statement.

As a result of the above, real estate segment income increased by $2.8 million or 34.8% compared to 2010.

Non-Segment Activity

Non-segment expense/income includes expense and/or income that is not directly attributable to our two operating segments.

2012 Compared to 2011

- general and administrative expense decreased by $1.2 million primarily related to the one-time additional labor costs incurred during 2011, associated with the transfer of our accounting functions from the U.S. and Australia to New Zealand not being repeated in 2012, as well as some cost savings resulting from the synergies gained as a result of this move.
- net interest expense decreased by $4.6 million compared to 2011. The decrease in interest expense during 2012 was primarily due to a smaller increase in the fair value of our interest rate swaps in 2012 than that noted for the same period in 2011 and to a decrease in interest rates specifically from our Trust Preferred Securities. Effective May 1, 2012, that interest rate changed from a fixed rate of 9.22%, which was in effect for the past five years, to a variable rate of 3 month LIBOR plus 4.00%, which will reset each quarter through the end of the loan, unless we choose to fix the rate again.
- the $563,000 in other loss during 2012 was primarily related to the write off of our GE Capital loan costs at the time of the refinance of our U.S. Corporate Credit Facility with Bank of America; offset by, additional insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake. The $1.2 million in other income during 2011 was primarily related to insurance proceeds from a partial payment of our business interruption claim for the aforementioned temporary closure of our cinema in Christchurch, New Zealand (see Note 26 – Casualty Loss to our 2012 Consolidated Financial Statements).
- the net income tax expense was $4.9 million during 2012 compared to a net income tax benefit of $12.3 million during 2011. The year over year change in 2012 was primarily related to a reduction in deferred tax assets in Australia, caused by the sale of certain assets, plus a reduction in loss carryforwards available to offset future Australia taxable income. For 2011, the change was primarily related to a one-time tax provision adjustment of $14.4 million caused by a reduction in the valuation allowance related to our Australian operations (see Note 14 – Income Tax to our 2012 Consolidated Financial Statements).
- equity earnings from unconsolidated investments increased by $3.2 million primarily related to a 2011 $2.9 million impairment to our interest in Rialto Entertainment not repeated in 2012.

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2011 Compared to 2010

During 2011, the increase of $362,000 in corporate General and Administrative expense was primarily made up of:

- $1.2 million increase in corporate payroll expense primarily related to one-time severance and temporarily duplicated labor costs associated with our transfer of our accounting functions from the U.S. and Australia to New Zealand;
- $362,000 increase in consulting and administrative activities primarily related to the transfer of our accounting functions to New Zealand and to costs associated with the recent move of our Los Angeles corporate office; offset by,
- $1.3 million decrease in legal and professional fees in 2011 associated principally with our tax litigation case which was settled in 2010.

Also during 2011:

- net interest expense increased by $8.8 million compared to 2010. The increase in interest expense during 2011 was primarily driven by a $5.0 million increase associated with the mark-to-market of our interest rate swaps and cap, an increase to interest expense of $1.1 million associated with increased line of credit fees for our new Australian credit facility, and a decrease in our 2010 interest primarily related to a reduction of interest on our Nationwide notes associated with a purchase price adjustment of the Consolidated Cinemas acquisition.
- the $1.2 million in other income during 2011 was primarily related to insurance proceeds from a partial payment of our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake (see Note 26 – Casualty Loss to our 2012 Consolidated Financial Statements). The $347,000 other loss in 2010 included offsetting settlements related to our Whitehorse Center litigation and the 2008 sale of our interest in the Botany Downs cinema; a $605,000 loss associated with our Mackie litigation; and a recovery of previously written-off receivables.
- gain (loss) on sale of assets decreased by $419,000 primarily related to a deferred gain on sale of a property in 2010 not recurring in 2011.
- equity earnings from unconsolidated investments decreased by $2.9 million primarily related to a $2.9 million impairment in our interest in Rialto Entertainment.
- the net income tax benefit of $12.3 million during 2011 was primarily relating to a one-time tax provision adjustment of $14.4 million caused by a reduction in the valuation allowance related to our Australian operations compared to an income tax expense of $14.3 million during 2010 primarily relating to additional tax accrual associated with our tax litigation settlement. For more information regarding these tax provision and accrual adjustments, see Note 14 – Income Tax to our 2012 Consolidated Financial Statements.
- gain on the sale for our Elsternwick Cinema of $1.7 million that is included in our income from discontinued operations.

Income Taxes

We are subject to income taxation in several jurisdictions throughout the world. Our effective tax rate and income tax liabilities will be affected by a number of factors, such as:

- the amount of taxable income in particular jurisdictions;
- the tax rates in particular jurisdictions;
- tax treaties between jurisdictions;
- the extent to which income is repatriated; and
- future changes in law.

Generally, we file consolidated or combined tax returns in jurisdictions that permit or require such filings. For jurisdictions that do not permit such a filing, we may owe income, franchise, or capital taxes even though, on an overall basis, we may have incurred a net loss for the tax year.

Net Income Attributable to Reading International, Inc. Common Shareholders

For the years ending 2012, 2011, and 2010, our consolidated business units produced a net loss of $914,000, a net income of $10.0 million (primarily driven by a decrease in our tax provision of $14.4 million caused by a reduction in the valuation allowance related to our Australian operations), and a net loss of $12.7 million (primarily driven by an increase in our accrual for our IRS Tax Audit/Litigation case of $12.0 million), respectively, attributable to Reading International, Inc. common shareholders. For many of the years prior to 2012, we consistently experienced net losses. However, as explained in the Cinema and Real Estate segment sections above, we have generally noted improvements in our segment operating income such that we have a positive segment operating income for each of the years of 2012, 2011, and 2010, that in years past has been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

Business Plan, Liquidity, and Capital Resources of the Company

Business Plan

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate development operation, our business strategy is unique among public companies.

Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash.

Currently, our liquidity needs continue to arise mainly from:

- working capital requirements;
- capital expenditures; and
- debt servicing requirements.

With the changes to the worldwide credit markets, the business community is concerned that credit will be more difficult to obtain especially for potentially risky ventures like business and asset acquisitions. However, we believe that our acquisitions over the past few years coupled with our strengthening operational cash flows demonstrate our ability to improve our profitability. We believe that this business model will help us to demonstrate to lending institutions our ability not only to digitize our cinema circuit and make strategic acquisitions but also to service the associated debt.

Discussion of Our Statement of Cash Flows

The following discussion compares the changes in our cash flows over the past three years.

Operating Activities

2012 Compared to 2011. Cash provided by operations was $25.5 million in 2012 compared to $24.3 million in the 2011. The increase in cash provided by operations of $1.2 million was due primarily to a $4.4 million increase in operational cash flows; offset by, a $3.2 million decrease in cash from changes in operating assets and liabilities

2011 Compared to 2010. Cash provided by operations was $24.3 million in 2011 compared to $22.8 million in the 2010. The increase in cash provided by operations of $1.5 million was due primarily to $4.5 million from changes in operating assets and liabilities (excluding a $12.7 million change in accrual for our tax litigation settlement) offset by a $3.1 million decrease in operational cash flows.

Investing Activities

Cash used in investing activities was $6.1 million in 2012, $3.8 million in 2011, and $21.0 million in 2010. The following summarizes our discretionary investing activities for each of the three years ending December 31, 2012:

The $6.1 million cash used in 2012 was primarily related to:

- $8.2 million in property enhancements to our existing properties;
- $8.0 million to purchase time deposits;
- $1.8 million to purchase a note receivable; and
- $5.5 million for the purchase of the Coachella land acquisition;

offset by,

- $14.1 million of proceeds from the sale of our Taringa and Indooroopilly properties;
- $382,000 in return of investment in unconsolidated entities; and
- $3.0 million of proceeds from the sale of marketable securities.

The $3.8 million cash used in 2011 was primarily related to:

- $3.9 million for the purchase of the CalOaks cinema;
- $5.5 million in property enhancements to our existing properties;
- $168,000 of a change in restricted cash; and
- $2.8 million for the purchase of mortgage notes receivable;

offset by,

- $1.9 million of net proceeds from the sale of our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia;
- $143,000 of proceeds from the sale of marketable securities; and
- $6.8 million of proceeds from the pay off of a long-term other receivable associated with our Malulani investment.

The $21.0 million cash used in 2010 was primarily related to:

- $14.1 million in property enhancements to our existing properties;
- $5.3 million in acquisitions; and
- $1.8 million of change in restricted cash

offset by,

· $229,000 in return of investment of unconsolidated entities.

Financing Activities

Cash used in financing activities for 2012 was $12.7 million and $23.4 million in 2011 compared to cash provided by financing activities of $5.5 million in 2010. The following summarizes our financing activities for each of the three years ending December 31, 2012:

The $12.7 million cash used in 2012 was primarily related to:

· $62.6 million of loan repayments including $15.0 million to pay off our Eurohypo Cinemas 1, 2, 3 loan, $32.2 million to pay off our GE Capital Loan, and $14.8 million in payments on our NAB term debt;

offset by,

· $47.0 million of new borrowing including $30.0 million of loan proceeds from our new Bank of America U.S. Credit Facility and $15.0 million of loan proceeds from our new Cinemas 1, 2, 3 loan (both offset by a total of $782,000 of capitalized borrowing cost) and $2.0 million of borrowing from our Bank of America line of credit;
· $3.4 million in noncontrolling interests' contributions; and
· $308,000 of proceeds from the exercise of employee stock options.

The $23.4 million cash used in 2011 was primarily related to:

· $126.8 million of loan repayments including the $105.8 million payoff of our Australian BOSI loan, $5.3 million in loan repayment on our GE Capital Loan, $9.7 million payoff of our NAB revolver, $3.4 million loan repayment of our NAB term debt, and $2.0 million pay down of our Nationwide Notes;
· $747,000 to repurchase our Class A Nonvoting Common Stock; and
· $654,000 in noncontrolling interests' distributions.

offset by,

· $105.3 million of new borrowing including $104.2 million of loan proceeds from our new NAB loan net of $774,000 of capitalized borrowing costs and $1.1 million of borrowing from our New Zealand credit facility; and
· $233,000 in noncontrolling interests' contributions.

The $5.5 million cash provided in 2010 was primarily related to:

· $8.0 million of borrowing on our New Zealand credit facility;
· $7.2 million of borrowing proceeds from our new Union Square Theater Term Loan net of capitalized borrowing costs;
· $7.0 million of new borrowings from our recently renegotiated GE capital loan net of capitalized borrowing costs;
· $225,000 of contributions from noncontrolling interests; and
· $248,000 of proceeds from the exercise of employee stock options;

offset by,

· $15.5 million of loan repayments including $6.9 million for the pay off of our Union Square Term Loan, $5.0 million for the pay off of our SHC Loan, and $3.2 million pay down of our GE Capital Loan;
· $251,000 of repurchase of Class A Nonvoting Common Stock; and
· $1.4 million in noncontrolling interest distributions.

Future Liquidity and Capital Resources

During the past 24 months, we have put into place several measures that currently have or will have a positive effect on our overall liquidity, including:

- replacing our GE Capital Term Loan of $27.7 million with a new revolving line of credit from Bank of America (the "BofA Revolver") of $30.0 million which has significantly lower principal payments than those of our former GE Capital Term Loan.
- renewing and increasing our existing $3.0 million line of credit with Bank of America to $5.0 million.
- replacing our Eurohypo AG, New York Branch loan with a new $15.0 million Sovereign Bank, N.A. term loan having a one-year term ending on June 27, 2013, with a one year extension option to June 26, 2014.
- receiving, on February 8, 2012, an approved amendment from Westpac renewing our existing $36.9 million (NZ$45.0 million) New Zealand credit facility with a 3-year $32.8 million (NZ$40.0 million) credit facility.
- replacing our Australia Corporate Credit Facility with a new facility from National Australia Bank comprising, at December 31, 2012, a $75.3 million (AUS$72.5 million) term loan; a $10.4 million (AUS$10.0 million) revolving facility which was unused at December 31, 2012; and a $5.2 million (AUS$5.0 million) guarantee facility.

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements. To meet our current and future liquidity requirements, we have the following external sources of unused liquidity:

- $9.9 million (NZ$12.0 million) is available on our renewed New Zealand Corporate Credit facility;
- $10.4 million (AUS$10.0 million) is available on our new NAB revolver facility; and
- $3.0 million is available on our Bank of America Line of Credit.

Potential uses for funds during 2013 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- Securing digital and digital 3D projectors for our Australian and New Zealand cinema circuits;
- payment of our legal settlement obligation for the Tax/Audit Litigation based on a recently negotiated schedule;
- the selective development of our currently held for development projects; and
- the acquisition of assets with proven cash flow that we believe to be resistant to the current recessionary trends.

Our worldwide cash position at December 31, 2012 was $46.5 million including an $8.0 million time deposit in Australia. Of the $46.5 million, $17.5 million was in Australia, $22.7 million was in the U.S., and $6.3 million was in New Zealand. As part of our main credit facilities in Australia, New Zealand and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31, 2012, we have approximately $7.5 million of cash that is not restricted by loan covenants.

Based upon the current levels of the consolidated operations, further anticipated cost savings and future growth, we believe our cash flow from operations, together with both the existing and anticipated lines-of-credit and other sources of liquidity (including future potential asset sales) will be adequate to meet our anticipated requirements for principal repayments, interest payments, and short-term debt maturities plus any other debt service obligations, working capital, capital expenditures and other operating needs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

· to defer construction of projects currently slated for land presently owned by us;
· to take on joint venture partners with respect to such development projects; and/or
· to sell assets.

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2012 (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Debt	$ 19,714	$ 86,357	$ 32,613	$ 3,000	$ 18,000	$ --	$ 159,684
Notes payable to related parties	9,000	--	--	--	--	--	9,000
Subordinated notes (trust preferred securities)	--	--	--	--	--	27,913	27,913
Tax settlement liability	3,480	3,480	2,301	--	--	--	9,261
Pension liability	13	27	44	61	481	6,350	6,976
Lease obligations	34,388	30,543	26,424	22,574	19,688	76,271	209,888
Estimated interest on debt	9,536	5,835	3,621	2,894	1,715	10,900	34,501
Total	$ 76,131	$ 126,242	$ 65,003	$ 28,529	$ 39,884	$ 121,434	$ 457,223

Estimated interest on long-term debt is based on the anticipated loan balances for future periods calculated against current fixed and variable interest rates.

We adopted FASB ASC 740-10-25 – Income Taxes - Uncertain Tax Positions on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $12.5 million increasing to $13.7 million, to $14.5 million, and to $15.3 million as of December 31, 2007, 2008, and 2009, respectively. As of December 31 2010, the gross unrecognized tax benefit increased to $20.6 million, substantially as a result of having settled our Tax Audit/Litigation case (see Note 19 – Commitments and Contingencies to our 2012 Consolidated Financial Statements). As of December 31, 2011, the gross unrecognized tax benefit decreased to $4.1 million largely because the Tax Audit/Litigation matter is no longer in the nature of an uncertain tax position governed by FASB ASC 740-10-25, but is a fixed and determinable tax liability. As of December 31, 2012, the gross unrecognized tax benefit increased to $5.3 million. We do not expect a significant tax payment related to the $5.3 million in uncertain tax positions within the next 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was $703,000 and $663,000 as of December 31, 2012 and December 31, 2011, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $234,000 and $221,000 as of December 31, 2012 and December 31, 2011, respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Off-Balance Sheet Arrangements

There are no off-balance sheet transactions, arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenue or expense, results of operations, liquidity, capital expenditures or capital resources.

Financial Risk Management

Our internally developed risk management procedure, seeks to minimize the potentially negative effects of changes in foreign exchange rates and interest rates on the results of operations. Our primary exposure to fluctuations in the financial markets is currently due to changes in foreign exchange rates between U.S and Australia and New Zealand, and interest rates.

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed our currency exposure by

creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies. During 2012, we deviated somewhat from this practice by purchasing $8.0 million in time deposits denominated in U.S. dollars and held by an Australian bank. Additionally, by paying off our New Zealand debt and paying down on our Australian debt with the proceeds of our TPS, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our recent ability to repurchase, at a discount, some of these securities.

In the first quarter 2009, we took advantage of current market illiquidity for securities such as our TPS to repurchase $22.9 million of those securities for $11.5 million. In addition, in December 2008 we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 2017), in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million, a payment of $270,000 made in December 2011, and a contractual obligation to pay $270,000 in December 2014. In the event that the remaining payment is not made, the only remedy is the termination of the waiver. Because of this transaction, which was partially funded with borrowings against our New Zealand line-of-credit, we once again have substantially matched the currency in which we have financed our developments with the jurisdictions in which these developments are located.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 75% of the loan be swapped into fixed rate obligations but we have elected to swap 100% of the balance. On October 31, 2012, we replaced our GE Capital Term Loan of $27.7 million with a new credit facility from Bank of America of $30.0 million. Although the new credit facility does not require a fixed interest swap agreement, we will continue to use our existing fixed interest rate swap of $29.1 million until its term date of December 31, 2013 (see Note 12 – Notes Payable to our 2012 Consolidated Financial Statements).

In accordance with FASB ASC 815-20 – Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $1.1 million increase to interest expense during 2012, a $5.0 million increase to interest expense during 2011, and a $284,000 decrease to interest expense during 2010.

Inflation

We continually monitor inflation and the effects of changing prices. Inflation increases the cost of goods and services used. Competitive conditions in many of our markets restrict our ability to recover fully the higher costs of acquired goods and services through price increases. We attempt to mitigate the impact of inflation by implementing continuous process improvement solutions to enhance productivity and efficiency and, as a result, lower costs and operating expenses. In our opinion, the effects of inflation have been managed appropriately and as a result, have not had a material impact on our operations and the resulting financial position or liquidity.

Accounting Pronouncements Adopted During 2012

Please see Note 2 – Summary of Significant Accounting Policies to our 2012 Consolidated Financial Statements.

New Accounting Pronouncements

Please see Note 2 – Summary of Significant Accounting Policies to our 2012 Consolidated Financial Statements.

Forward-Looking Statements

Our statements in this annual report contain a variety of forward-looking statements as defined by the Securities Litigation Reform Act of 1995. Forward-looking statements reflect only our expectations regarding future events and operating performance and necessarily speak only as of the date the information was prepared. No guarantees can be given that our expectation will in fact be realized, in whole or in part. You can recognize these statements by our use of words such as, by way of example, "may," "will," "expect," "believe," and "anticipate" or other similar terminology.

These forward-looking statements reflect our expectation after having considered a variety of risks and uncertainties. However, they are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

Among the factors that could cause actual results to differ materially from those expressed in or underlying our forward-looking statements are the following:

- with respect to our cinema operations:
  - the number and attractiveness to movie goers of the films released in future periods;
  - the amount of money spent by film distributors to promote their motion pictures;
  - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
  - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as "home theaters" and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD and VHS rentals and sales, and so called "movies on demand;"
  - the extent to which we can digitalize our cinema circuit compared to our competitors; and
  - the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
  - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - the risks and uncertainties associated with real estate development;
  - the availability and cost of labor and materials;
  - competition for development sites and tenants;
  - environmental remediation issues; and
  - the extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
  - our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
  - the relative values of the currency used in the countries in which we operate;

- changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
- our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);

- o our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
- o changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- o changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and subject to influence by numerous factors outside of our control such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment.

Given the variety and unpredictability of the factors that will ultimately influence our businesses and our results of operation, it naturally follows that no guarantees can be given that any of our forward-looking statements will ultimately prove to be correct. Actual results will undoubtedly vary and there is no guarantee as to how our securities will perform either when considered in isolation or when compared to other securities or investment opportunities.

Finally, we undertake no obligation to update publicly or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

Additionally, certain of the presentations included in this annual report may contain “non-GAAP financial measures.” In such case, a reconciliation of this information to our GAAP financial statements will be made available in connection with such statements.

Item 7A – Quantitative and Qualitative Disclosure about Market Risk

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in currency exchange and interest rates in their Form 10-K filings. Several alternatives, all with some limitations, have been offered. The following discussion is based on a sensitivity analysis, which models the effects of fluctuations in currency exchange rates and interest rates. This analysis is constrained by several factors, including the following:

· it is based on a single point in time.
· it does not include the effects of other complex market reactions that would arise from the changes modeled.
Although the results of such an analysis may be useful as a benchmark, they should not be viewed as forecasts.

At December 31, 2012, approximately 51% and 18% of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $15.8 million in cash and cash equivalents. At December 31, 2011, approximately 57% and 16% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately $19.8 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenue and expenses, whenever possible, in local currencies. As a result, a majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating expense. The resulting natural operating hedge has led to a negligible foreign currency effect on our earnings. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 56% and 47% of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be $12.4 million and $3.6 million, respectively, and the change in annual net income would be $35,000 and $7,000, respectively. At the present time, we have no plan to hedge such exposure. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately $64.6 million and $60.1 million as of December 31, 2012 and 2011, respectively.

Historically, we maintained most of our cash and cash equivalent balances in short-term money market instruments with original maturities of six months or less. Some of our money market investments may decline in value if interest rates increase. Due to the short-term nature of such investments, a change of 1% in short-term interest rates would not have a material effect on our financial condition.

The majority of our loans have fixed interest rates; however, one of our international loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in approximately $681,000 increase or decrease in our 2012 interest expense.

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Item 8 – Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Reading International, Inc.

Los Angeles, California

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2012. Our audits of the consolidated financial statements also included the financial statement schedule listed in the Index at Item 15 for each of the two years in the period ended December 31, 2012. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule for each of the two years in the period ended December 31, 2012, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the accompanying consolidated financial statements have been retrospectively adjusted for the adoption of Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 19, 2013 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Los Angeles, California

March 19, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Reading International, Inc.

Los Angeles, California

We have audited the accompanying consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows of Reading International, Inc. and subsidiaries (the "Company") for the year ended December 31, 2010. Our audit also included Schedule II – Valuation and Qualifying Accounts for the year ended December 31, 2010, listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Reading International, Inc. and subsidiaries, for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, Schedule II – Valuation and Qualifying Accounts, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein for the year ended December 31, 2010.

As discussed in Note 2 to the 2010 consolidated financial statements, the Company's Australian Credit Facility with an outstanding balance of $101.7 million as of December 31, 2010 matures on June 30, 2011 and the Company is currently in negotiations to obtain a new credit facility. Management's plans concerning this matter are discussed in Note 2 to the financial statements.

As discussed in Note 9 to the consolidated financial statements, the accompanying 2010 consolidated financial statements have been retrospectively adjusted for the reversal of discontinued operations.

As discussed in Note 2 to the consolidated financial statements, the accompanying 2010 consolidated financial statements have been retrospectively adjusted for the adoption of Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income.

As discussed in Note 8 to the consolidated financial statements, the accompanying 2010 consolidated financial statements have been retrospectively adjusted for discontinued operations.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California

March 15, 2011

(March 15, 2012 as to the effects of the retrospective adjustments for the reversal of discontinued operations discussed in Note 9)

(March 19, 2013 as to the effects of the retrospective adjustments for the adoption of ASU No. 2011-05 discussed in Note 2 and the effects of the retrospective adjustments for discontinued operations discussed in Note 8)

Reading International, Inc. and Subsidiaries

Consolidated Balance Sheets as of December 31, 2012 and 2011

(U.S. dollars in thousands)

	December 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 38,531	$ 31,597
Time deposits	8,000	--
Receivables	8,514	6,973
Inventory	918	1,035
Investment in marketable securities	55	2,874
Restricted cash	2,465	2,379
Deferred tax asset	3,659	1,985
Prepaid and other current assets	3,576	3,781
Assets held for sale	--	14,495
Total current assets	65,718	65,119
Operating property, net	202,778	203,780
Investment and development property, net	94,922	90,699
Investment in unconsolidated joint ventures and entities	7,715	7,839
Investment in Reading International Trust I	838	838
Goodwill	22,898	22,277
Intangible assets, net	15,661	17,999
Deferred tax asset, net	8,989	12,399
Other assets	9,069	9,814
Total assets	$ 428,588	$ 430,764
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 18,909	$ 16,905
Film rent payable	6,657	6,162
Notes payable – current portion	19,714	29,630
Notes payable to related party – current portion	9,000	--
Taxes payable	15,234	14,858
Deferred current revenue	11,587	10,271
Other current liabilities	6,032	137
Total current liabilities	87,133	77,963
Notes payable – long-term portion	139,970	143,071
Notes payable to related party – long-term portion	--	9,000
Subordinated debt	27,913	27,913

Noncurrent tax liabilities	8,859	12,191
Other liabilities	33,759	35,639
Total liabilities	297,634	305,777
Commitments and contingencies (Note 19)		
Stockholders’ equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 31,951,945 issued and 21,587,775 outstanding at December 31, 2012 and 31,675,518 issued and 21,311,348 outstanding at December 31, 2011	223	220
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2012 and at December 31, 2011	15	15
Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2012 and December 31, 2011	--	--
Additional paid-in capital	136,754	135,171
Accumulated deficit	(66,993)	(66,079)
Treasury shares	(4,512)	(4,512)
Accumulated other comprehensive income	61,369	58,937
Total Reading International, Inc. stockholders’ equity	126,856	123,752
Noncontrolling interests	4,098	1,235
Total stockholders’ equity	130,954	124,987
Total liabilities and stockholders’ equity	$ 428,588	$ 430,764

See accompanying notes to consolidated financial statement.

Reading International, Inc. and Subsidiaries

Consolidated Statements of Operations for the Three Years Ended December 31, 2012

(U.S. dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
Operating revenue			
Cinema	$ 234,703	$ 225,849	$ 211,073
Real estate	19,727	19,130	18,249
Total operating revenue	254,430	244,979	229,322
Operating expense			
Cinema	190,511	182,215	171,795
Real estate	11,163	10,190	9,049
Depreciation and amortization	16,049	16,595	15,563
General and administrative	16,117	17,432	17,607
Impairment expense	1,463	369	2,239
Total operating expense	235,303	226,801	216,253
Operating income	19,127	18,178	13,069
Interest income	800	1,482	1,351
Interest expense	(17,226)	(22,520)	(13,637)
Net gain (loss) on sale of assets	144	(67)	352
Other income (expense)	(563)	1,157	(347)
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	2,282	(1,770)	788
Income tax benefit (expense)	(4,904)	12,330	(14,264)
Income (loss) before equity earnings of unconsolidated joint ventures and entities	(2,622)	10,560	(13,476)
Equity earnings (loss) of unconsolidated joint ventures and entities	1,621	(1,552)	1,345
Income (loss) before discontinued operations	(1,001)	9,008	(12,131)
Income (loss) from discontinued operations, net of tax	(85)	232	97
Gain (loss) on sale of discontinued operations	(320)	1,656	--
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)
Net (income) loss attributable to noncontrolling interests	492	(940)	(616)
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (914)	$ 9,956	$ (12,650)

Basic income (loss) per common share attributable to Reading International, Inc. shareholders:			
Earnings (loss) from continuing operations	$ (0.02)	$ 0.36	$ (0.56)
Earnings (loss) from discontinued operations, net	(0.02)	0.08	--
Basic income (loss) per share attributable to Reading International, Inc. shareholders	$ (0.04)	$ 0.44	$ (0.56)
Diluted income (loss) per common share attributable to Reading International, Inc. shareholders:			
Earnings (loss) from continuing operations	$ (0.02)	$ 0.35	$ (0.56)
Earnings (loss) from discontinued operations, net	(0.02)	0.08	--
Diluted income (loss) per share attributable to Reading International, Inc. shareholders	$ (0.04)	$ 0.43	$ (0.56)
Weighted average number of shares outstanding–basic	23,028,596	22,764,666	22,781,392
Weighted average number of shares outstanding–diluted	23,028,596	22,993,135	22,781,392

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2012

(U.S. dollars in thousands)

	Years Ended December 31,		
	2012	2011	2010
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)
Reclassification of realized gain on available for sale investments included in net income (loss)	(109)	(25)	--
Unrealized income (loss) on available for sale investments	107	(7)	(478)
Cumulative foreign currency adjustment	4,419	1,028	16,015
Accrued pension service benefit (costs)	(1,980)	832	112
Comprehensive income	$ 1,031	$ 12,724	$ 3,615
Net (income) loss attributable to noncontrolling interests	492	(940)	(616)
Comprehensive income attributable to noncontrolling interests	(5)	(11)	(43)
Comprehensive income attributable to Reading International, Inc.	$ 1,518	$ 11,773	$ 2,956

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Consolidated Statements of Stockholders’ Equity for the Three Years Ended December 31, 2012

(In thousands)

	Common Stock										
	Class A Shares	Class A Par Value	Class B Shares	Class B Par Value	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Reading International Inc. Stockholders’ Equity	Noncontrolling Interests	Total Stockholders’ Equity
At January 1, 2010	21,133	$ 215	1,495	$ 15	$ 134,044	$ (3,514)	$ (63,385)	$ 41,514	$ 108,889	$ 1,374	$ 110,263
Net loss	--	--	--	--	--	--	(12,650)	--	(12,650)	616	(12,034)
Other comprehensive income, net of tax	--	--	--	--	--	--	--	15,606	15,606	43	15,649
Stock option and restricted stock compensation expense	--	--	--	--	821	--	--	--	821	--	821
Purchase of treasury shares	(63)	--	--	--	--	(251)	--	--	(251)	--	(251)
Class A common stock issued for stock bonuses and options exercised	239	1	--	--	248	--	--	--	249	--	249
Deemed distribution from capital lease	--	--	--	--	(877)	--	--	--	(877)	--	(877)
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	225	225
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(1,406)	(1,406)
At December 31, 2010	21,309	$ 216	1,495	$ 15	$ 134,236	$ (3,765)	$ (76,035)	$ 57,120	$ 111,787	$ 852	$ 112,639

Net income	--	--	--	--	--	--	9,956	--	9,956	940	10,896
Other comprehensive income, net of tax	--	--	--	--	--	--	--	1,817	1,817	11	1,828
Stock option and restricted stock compensation expense	--	4	--	--	935	--	--	--	939	--	939
Purchase of treasury shares	(172)	--	--	--	--	(747)	--	--	(747)	--	(747)
Class A common stock issued for stock bonuses and options exercised	174	--	--	--	--	--	--	--	--	--	--
Cinema sale to noncontrolling shareholder	--	--	--	--	--	--	--	--	--	(147)	(147)
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	233	233
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(654)	(654)
At December 31, 2011	21,311	$ 220	1,495	$ 15	$ 135,171	$ (4,512)	$ (66,079)	$ 58,937	$ 123,752	$ 1,235	$ 124,987
Net loss	--	--	--	--	--	--	(914)	--	(914)	(492)	(1,406)
Other comprehensive income, net of tax	--	--	--	--	--	--	--	2,432	2,432	5	2,437
Stock option and restricted stock compensation expense	--	2	--	--	1,276	--	--	--	1,278	--	1,278
Class A common stock issued for stock bonuses and options exercised	277	1	--	--	307	--	--	--	308	--	308
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	3,350	3,350

At December 31, 2012	21,588	$ 223	1,495	$ 15	$ 136,754	$ (4,512)	$ (66,993)	$ 61,369	$ 126,856	$ 4,098	$ 130,954

See accompanying notes to consolidated financial statement.

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Reading International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2012

(U.S. dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
Operating Activities			
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Income) loss recognized on foreign currency transactions	(20)	16	(59)
Equity (earnings) loss of unconsolidated joint ventures and entities	(1,621)	1,552	(1,345)
Distributions of earnings from unconsolidated joint ventures and entities	1,540	1,119	1,352
Loss provision on impairment of asset	1,463	369	2,239
(Gain) loss on sale of assets	176	(1,589)	(352)
Change in valuation allowance on net deferred tax assets	1,929	(15,028)	--
Gain on sale of marketable securities	(109)	(25)	--
Depreciation and amortization	16,384	16,960	15,914
Amortization of prior service costs	304	832	112
Amortization of above and below market leases	395	427	924
Amortization of deferred financing costs	1,440	1,276	1,402
Amortization of straight-line rent	1,213	782	(93)
Stock based compensation expense	1,278	939	821
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,449)	(1,468)	4,363
(Increase) decrease in prepaid and other assets	1,907	(7)	(162)
Increase in accounts payable and accrued expenses	1,800	833	115
Increase (decrease) in film rent payable	435	361	(1,841)
Increase (decrease) in taxes payable	(2,965)	908	13,009
Increase (decrease) in deferred revenue and other liabilities	2,802	5,100	(1,581)
Net cash provided by operating activities	25,496	24,253	22,784

Investing Activities			
Acquisitions	(5,510)	(3,917)	(5,313)
Acquisition deposit paid	--	(200)	--
Purchases of and additions to operating property	(8,213)	(5,459)	(14,058)
Change in restricted cash	(6)	(168)	(1,838)
Purchase of notes receivable	(1,800)	(2,784)	--
Purchase of marketable securities	--	--	(42)
Sale of marketable securities	2,974	143	30
Distributions of investment in unconsolidated joint ventures and entities	382	--	229
Proceeds from sale of property	14,078	6,750	--
Cinema sale proceeds from noncontrolling shareholder	--	1,867	--
Purchase of time deposits	(8,000)	--	--
Net cash used in investing activities	(6,095)	(3,768)	(20,992)
Financing Activities			
Repayment of long-term borrowings	(62,602)	(126,780)	(15,450)
Proceeds from borrowings	47,007	105,311	23,525
Capitalized borrowing costs	(782)	(774)	(1,347)
Repurchase of Class A Nonvoting Common Stock	--	(747)	(251)
Proceeds from the exercise of stock options	308	--	248
Noncontrolling interest contributions	3,350	233	225
Noncontrolling interest distributions	--	(654)	(1,406)
Net cash provided by (used in) financing activities	(12,719)	(23,411)	5,544
Effect of exchange rate on cash	252	(45)	2,620
Increase (decrease) in cash and cash equivalents	6,934	(2,971)	9,956
Cash and cash equivalents at the beginning of the period	31,597	34,568	24,612
Cash and cash equivalents at the end of the period	$ 38,531	$ 31,597	$ 34,568
Supplemental Disclosures			
Cash paid during the period for:			
Interest on borrowings	$ 14,526	$ 16,957	$ 15,133
Income taxes	$ 5,666	$ 2,688	$ 792
Non-Cash Transactions			
Noncontrolling interest contribution from bonus accrual	255	--	--
Foreclosure of a mortgage note to obtain title of the underlying property	--	1,984	--
Reduction in note payable associated with acquisition purchase price adjustment	--	--	4,381
Deemed distribution	--	--	877
Capital lease asset addition	--	--	4,697
Capital lease asset obligation	--	--	5,573

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2012

Note 1 – Nature of Business

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999 and, following the consummation of a consolidation transaction on December 31, 2001 (the "Consolidation"), is now the owner of the consolidated businesses and assets of Reading Entertainment, Inc. ("RDGE"), Craig Corporation ("CRG"), and Citadel Holding Corporation ("CDL"). Our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States.

Note 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of RDI and its subsidiaries include the accounts of RDGE, CRG, and CDL. Also consolidated are Australia Country Cinemas Pty, Limited ("ACC"), a company in which we own a 75% interest and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia; the Angelika Film Center LLC ("AFC") in which we own a 50% controlling membership interest and whose only asset is the Angelika Film Center in Manhattan, and Shadow View Land and Farming, LLC in which we own a 50% controlling membership interest and whose only asset is a 202 acre land parcel in Coachella, California .

Our investment interests are accounted for as unconsolidated joint ventures and entities, and accordingly, our unconsolidated joint ventures and entities in 20% to 50% owned companies are accounted for on the equity method. These investment interests include our

- 25% undivided interest in the unincorporated joint venture that owns 205-209 East 57th Street Associates, LLC (Place 57) a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan;
- 33.3% undivided interest in the unincorporated joint venture that owns the Mt. Gravatt cinema in a suburb of Brisbane, Australia;
- 33.3% undivided interest in Rialto Distribution, an unincorporated joint venture engaged in the business of distributing art film in New Zealand and Australia; and
- 50% undivided interest in the unincorporated joint venture that owns Rialto Cinemas.

Refinancing Long-Term Debt

Liberty Theatre Term Loans

As our Liberty Theater Term Loans are due to mature on April 1, 2013, the December 31, 2012 outstanding balance of this debt of $6.4 million is classified as current on our balance sheet. We intend to refinance the property's debt.

Cinemas 1, 2, 3 Loan

On June 28, 2012, Sutton Hill Properties LLC (“SHP”), one of our consolidated subsidiaries, paid off its Eurohypo AG, New York Branch loan with a new $15.0 million term loan (the “Sovereign Bank Loan”) from Sovereign Bank, N.A. The Sovereign Bank Loan has a one-year term ending on June 27, 2013, with a one year extension option to June 26, 2014 subject to an extension fee equal to 1.00% of the ending principal balance and a

compliance requirement with certain special covenants. Currently, we intend to exercise this extension option. See Note 12 – Notes Payable.

U.S. Credit Facility

On October 31, 2012, we replaced our GE Capital Term Loan of $27.7 million with a new credit facility from Bank of America (the “BofA Revolver”) of $30.0 million with an interest rate of between 2.50% and 3.00% above LIBOR and an expiration date of October 31, 2017. In addition, Bank of America increased our existing $3.0 million line of credit to $5.0 million. See Note 12 – Notes Payable.

Australian Credit Facility

On June 24, 2011, we replaced our Australian Corporate Credit Facility with BOS International (“BOSI”) of $115.8 million (AUS$110.0 million) with the proceeds from a new credit facility from National Australia Bank (“NAB”) of $110.5 million (AUS$105.0 million). The outstanding balance of this loan of $101.7 million (AUS$100.5 million) was classified as a current liability at December 31, 2010 on our 2010 Consolidated Balance Sheet as we had not refinanced the then currently maturing facility prior to the annual report issuance date. See Note 12 – Notes Payable.

Cash Position

Our cash position at December 31, 2012 was $46.5 million including an $8.0 million time deposit in Australia. Of the $46.5 million, $17.5 million was in Australia, $22.7 million was in the U.S., and $6.3 million was in New Zealand. As part of our main credit facilities in Australia, New Zealand and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31, 2012, we have approximately $7.5 million of cash worldwide that is not restricted by loan covenants.

At December 31, 2012, we had undrawn funds of $10.4 million (AUS$10.0 million) available under our NAB line of credit in Australia, $9.9 million (NZ$12.0 million) available under our New Zealand Corporate Credit facility, and $3.0 million available under our BofA Revolver in the U.S. Accordingly, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our $46.5 million cash balance, to meet our anticipated short-term working capital requirements.

Accounting Principles

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents for which cost approximates fair value.

Time Deposits

Time deposits are cash depository investments in which the original maturity of the investments is greater than 90 days. During May 2012, we purchased $8.0 million in U.S. dollar time deposits in Australia which mature on January 3, 2013 having an interest rate of 0.48%.

Receivables

Our receivables balance is composed primarily of credit card receivables, representing the purchase price of tickets, concessions, or coupon books sold at our various businesses. Sales charged on customer credit cards are collected when the credit card transactions are processed. The remaining receivables balance is primarily made up of the goods and services tax ("GST") refund receivable from our Australian taxing authorities and the management fee receivable from the managed cinemas. We have no history of significant bad debt losses and we have established an allowance for accounts that we deem uncollectible.

Inventory

Inventory is composed of concession goods used in theater operations and is stated at the lower of cost (first-in, first-out method) or net realizable value.

Investment in Marketable Securities

We account for investments in marketable debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320-10 - Investments—Debt and Equity Securities ("ASC 320-10"). Our investment in Marketable Securities includes equity instruments that are classified as available for sale and are recorded at market using the specific identification method. In accordance with ASC 320-10, available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of any debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. We evaluate our available for sale securities for other than temporary impairments at the end of each reporting period. These investments have a cumulative unrealized gain of $9,000 included in other comprehensive income at December 31, 2012. For the twelve months ended December 31, 2012, 2011, and 2010, our net unrealized losses were $2,000, $32,000, and $478,000, respectively. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2012 and 2011, our restricted cash balance was $2.5 million and $2.4 million, respectively, which were primarily funds held in escrow for our Mackie litigation settlement.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, restricted cash, and accounts payable approximate fair value due to their short-term maturities. See Note 16 – Fair Value of Financial Instruments.

Derivative Financial Instruments

In accordance with FASB ASC 815-20 – Derivatives and Hedging ("ASC 815-20"), we carry all derivative financial instruments on our consolidated balance sheets at fair value. Derivatives are generally executed for interest rate management purposes but are not designated as hedges in accordance with ASC 815-20. Therefore, changes in market values are recognized in current earnings.

Operating property

Operating property consists of land, buildings and improvements, leasehold improvements, fixtures and equipment which we use to derive operating income associated with our two business segments, cinema exhibition and real estate. Buildings and improvements, leasehold improvements, fixtures and equipment initially recorded at the lower of cost or fair market value and depreciated over the useful lives of the related assets. In accordance with US GAAP, land is not depreciated.

Investment and Development Property

Investment and development property consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs that we are either holding for development, currently developing, or holding for investment appreciation purposes. These properties are initially recorded at the lower of cost or fair market value. Within investment and development property are building and improvement costs directly associated with the development of potential cinemas (whether for sale or lease), the development of entertainment themed retail centers ("ETRCs"), or other improvements to real property. As incurred, we expense start-up costs (such as pre-opening cinema advertising and training expense) and other costs

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not directly related to the acquisition and development of long-term assets. We cease capitalization on a development property when the property is complete and ready for its intended use, or if activities necessary to get the property ready for its intended use have been substantially curtailed. During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, these properties are considered held for development and we have not capitalized interest for these projects and will not do so, until the development work recommences.

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site, a former brickworks site, was greater than we had originally believed. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2012, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $17.7 million (AUS$17.1 million) and as of that date we had incurred a total of $8.6 million (AUS$8.3 million) of these costs. In accordance with FASB ASC 410-30-25 – Environmental Obligations, contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

Accounting for the Impairment of Long Lived Assets

We assess whether there has been impairment in the value of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is then measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. We recorded impairment losses of approximately $1.5 million, $369,000, and $2.2 million, relating to certain of our operating property and investment and development property for the years ended December 31, 2012, 2011, and 2010, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions. Our impairment calculations contain uncertainties and use significant estimates and judgments, and are based on the information available at the balance sheet date. Future economic and other events could negatively impact the evaluation and future material impairment charges may become necessary. We evaluate our joint venture investments for other than temporary impairments in accordance with FASB ASC 318-10 – Investments—Equity Method and Joint Ventures. For a further explanation of our 2012 impairment losses see Note 7 – Investment and Development Property.

Variable Interest Entity

Our determination of the appropriate accounting method with respect to our investment in Reading International Trust I, which is considered a Variable Interest Entity ("VIE"), is based on FASB ASC 810-10. We account for this VIE, of which we are not the primary beneficiary, under the equity method of accounting.

We determine if an entity is a VIE under FASB ASC 810-10 based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, then a quantitative analysis, if necessary. In a quantitative analysis, we incorporate various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. If the entity is a VIE, we then determine whether we consolidate the

entity as the primary beneficiary. We determine whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. If we made different judgments or utilized different estimates in these evaluations, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not to consolidate such entity. Our investments in unconsolidated entities in which we have the ability to exercise significant influence over operating and financial policies, but do not control, or entities which are variable interest entities in which we are not the primary beneficiary are accounted for under the equity method.

We carry our investment in the Reading International Trust I using the equity method of accounting because we have the ability to exercise significant influence (but not control) over operating and financial policies of the entity. We eliminate transactions with an equity method entity to the extent of our ownership in such an entity. Accordingly, our share of net income (loss) of this equity method entity is included in consolidated net income (loss). We have no implicit or explicit obligation to further fund our investment in Reading International Trust I.

Goodwill and Intangible Assets

We use the purchase method of accounting for all business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually. Prior to conducting our goodwill impairment analysis, we assess long-lived assets for impairment in accordance with FASB ASC 360-15 - Impairment or Disposal of Long-Lived Assets (“ASC 360-15”). We then perform the impairment analysis at the reporting unit level (one level below the operating segment level) (see Note 10 – Goodwill and Intangibles) as defined by FASB ASC 350-35 – Goodwill Subsequent Measurement (“ASC 350-35”). This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists; and (2) measure the amount of impairment. We estimate the fair value of our reporting units as compared with their current book value. If the estimated fair value of a reporting unit is less than the book value, then impairment is deemed to have occurred. In estimating the fair value of our reporting units, we primarily use the income approach (which uses forecasted, discounted cash flows to estimate the fair value of the reporting unit). For the year ended December 31, 2010, in accordance with the sale agreement of Consolidated Entertainment, the initial aggregate purchase price of the cinemas was adjusted down by $16.9 million resulting in a corresponding decrease in goodwill associated with the purchased cinemas. No further adjustments are anticipated for this transaction. The resulting net goodwill balance associated with this transaction is $1.7 million at December 31, 2012 and 2011.

Discontinued Operations and Properties Held for Sale

In accordance with ASC 360-15, the revenue, expenses and net gain on dispositions of operating properties and the revenue and expenses on properties classified as held for sale are reported in the consolidated statements of operations as discontinued operations for all periods presented through the date of the respective disposition. The net gain (loss) on disposition is included in the period the property is sold. In determining whether the income and loss and net gain on dispositions of operating properties is reported as discontinued operations, we evaluate whether we have any significant continuing involvement in the operations, leasing or management of the sold property in accordance with FASB ASC 205-20 – Presentation of Financial Statements – Discontinued Operations (“ASC 205-20”). If we were to determine that there was any significant continuing involvement, the income and loss and net gain on dispositions of the operating property would not be recorded in discontinued operations.

A property is classified as held for sale when certain criteria, as set forth under ASC 360-15, are met. At such time, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. For a description of the properties previously held for sale see Note 9 – Transfer of Held for Sale Real Estate to Continuing Operations and Related Items. These asset transfers from held for sale to operating resulted in a reclassification of their operating results which is reflected in our December 31, 2012, 2011, and 2010 Consolidated Statements of Operations.

Revenue Recognition

Revenue from cinema ticket sales and concession sales are recognized when sold. Revenue from gift certificate sales is deferred and recognized when the certificates are redeemed. Rental revenue is recognized on a straight-line basis in accordance with FASB ASC 840-20-25 – Leases Having Both Scheduled Rent Increases and Contingent Rents (“ASC

840-20-25”).

Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and/or financing are amortized over the respective term of the lease or loan on a straight-line basis. Direct costs incurred in connection with financing are amortized over the respective term of the loan utilizing the effective interest method, or straight-line method if the

result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments are also recognized on the effective interest method.

Advertising Expense

We expense our advertising as incurred. The amount of our advertising expense was $3.8 million, $3.8 million, and $3.8 million for the years ended December 2012, 2011, and 2010, respectively.

Other Income/Expense

For the years ended December 31, 2012, 2011, and 2010, we recorded gains/(losses) on the settlement of litigation of ($194,000), $0, and ($808,000), respectively, included in other income (expense).

Depreciation and Amortization

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally as follows:

Building and improvements	15-40 years
Leasehold improvement	Shorter of the life of the lease or useful life of the improvement
Theater equipment	7 years
Furniture and fixtures	5 – 10 years

Translation of Non-U.S. Currency Amounts

The financial statements and transactions of our Australian and New Zealand cinema and real estate operations are reported in their functional currencies, namely Australian and New Zealand dollars, respectively, and are then translated into U.S. dollars. Assets and liabilities of these operations are denominated in their functional currencies and are then translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the reporting period. Translation adjustments are reported in “Accumulated Other Comprehensive Income,” a component of Stockholders’ Equity.

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the U.S. dollar to the Australian dollar were $1.0393 and $1.0251 as of December 31, 2012 and 2011, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were $0.8267 and $0.7805 as of December 31, 2012 and 2011, respectively.

Income Taxes

We account for income taxes under FASB ASC 740-10 – Income Taxes (“ASC 740-10”), which prescribes an asset and liability approach. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense (benefit) is the tax payable (refundable) for the period and the change during the period in deferred tax assets and liabilities.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies. We then include assumptions about the amount of projected future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses. In evaluating the

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objective evidence that historical results provide, we consider three years of cumulative operating income (loss). In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

ASC 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities in accordance with ASC 740-10 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares of Class A and Class B Stock outstanding during the years ended December 31, 2012, 2011, and 2010, respectively. Diluted earnings per share is calculated by dividing net earnings available to common stockholders by the weighted average common shares outstanding plus the dilutive effect of stock options and unvested restricted stock. We had issued stock options to purchase 672,350, 622,350, and 622,350 shares of Class A Common Stock at December 31, 2012, 2011, and 2010, respectively, at a weighted average exercise price of $6.24, $5.65, and $5.65 per share, respectively. Stock options to purchase 185,100, 185,100, and 185,100 shares of Class B Common Stock were outstanding at the years ended December 31, 2012, 2011, and 2010, respectively, at a weighted average exercise price of $9.90, $9.90, and $9.90 per share, respectively. In accordance with FASB ASC 260-10 – Earnings Per Share ("ASC 260-10"), for any years that we record losses from continuing operations before discontinued operations, the effect of the stock options and restricted stock are anti-dilutive and accordingly excluded from the diluted earnings per share computation (see Note 4 – Earnings (Loss) Per Share).

Real Estate Purchase Price Allocation

We allocate the purchase price to tangible assets of an acquired property (which includes land, building and tenant improvements) based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land are based on factors such as comparisons to other properties sold in the same geographic area adjusted for unique characteristics. Estimates of fair values of buildings and tenant improvements are based on present values determined based upon the application of hypothetical leases with market rates and terms.

We record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases.

We measure the aggregate value of other intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers

(e.g., discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management also estimates costs to

execute similar leases including leasing commissions, legal, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

We amortize the value of in-place leases to expense over the initial term of the respective leases. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event may the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

These assessments have a direct impact on revenue and net income. If we assign more fair value to the in-place leases versus buildings and tenant improvements, assigned costs would generally be depreciated over a shorter period, resulting in more depreciation expense and a lower net income on an annual basis. Likewise, if we estimate that more of our leases in-place at acquisition are on terms believed to be above the current market rates for similar properties, the calculated present value of the amount above market would be amortized monthly as a direct reduction to rental revenue and ultimately reduce the amount of net income.

Business Acquisition Valuations

The assets and liabilities of businesses acquired are recorded at their respective preliminary fair values as of the acquisition date in accordance with FASB ASC 805-10 – Business Combinations ("ASC 805-10"). Upon the acquisition of real properties, we allocate the purchase price of such properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases and the value of in-place leases, based in each case on their fair values. We use independent appraisals to assist in the determination of the fair values of the tangible assets of an acquired property (which includes land and building). We also perform valuations and physical counts of property, plant and equipment, valuations of investments and the involuntary termination of employees, as necessary. Costs in excess of the net fair values of assets and liabilities acquired are recorded as goodwill.

We record and amortize above-market and below-market operating leases assumed in the acquisition of a business in the same way as those under real estate acquisitions.

The fair values of any other intangible assets acquired are based on the expected discounted cash flows of the identified intangible assets. Finite-lived intangible assets are amortized using the straight-line method of amortization over the expected period in which those assets are expected to contribute to our future cash flows. We do not amortize indefinite lived intangibles and goodwill.

Fair Value of Financial Instruments

FASB ASC 820-10 – Fair Value Measurements and Disclosures ("ASC 820-10") defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value measurements. ASC 820-10 applies to all other accounting pronouncements that require or permit fair value measurements.

The fair value of our financial assets and liabilities are disclosed in Note 16 – Fair Value of Financial Instruments to our consolidated financial statements. We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or using appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments while estimating for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

The financial assets and liabilities recorded at fair value in our consolidated financial statements are marketable securities and interest rate swaps/cap. The carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities. The remaining financial assets and liabilities that are only disclosed at fair value are comprised of notes payable, TPS, and other debt instruments. We estimated the fair value of our secured mortgage notes payable, our unsecured notes payable, TPS and other debt instruments by performing discounted cash flow analyses using an appropriate market discount rate. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR rates for variable-rate debt, for maturities that correspond to the maturities of our debt adding an appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads take into account factors such as our credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt.

Assets and liabilities typically recorded at fair value on a non-recurring basis to which ASC 820-10 applies include:

- Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination;
- Long-lived assets measured at fair value due to an impairment assessment under ASC 360-15; and
- Asset retirement obligations initially measured under FASB ASC 410-20 – Asset Retirement Obligations (“ASC 410-20”).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Accounting Pronouncements Adopted During 2012

FASB ASU No. 2011-05 - Comprehensive Income (Topic 220): Presentation of Comprehensive Income

ASU No. 2011-05 requires that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. This amendment is effective for our Company in 2012 and was applied retrospectively.

FASB ASU No. 2011-08 - Intangibles—Goodwill and Other

ASU No. 2011-08 relates to a change in the annual test of goodwill for impairment. The statement permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. This amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. For our goodwill impairment testing, at least for now, we have continued to use a quantitative approach.

New Accounting Pronouncements

No new pronouncements were made pertaining to our Company’s accounting during the year ended December 31, 2012.

Note 3 – Stock Based Compensation and Employee Stock Option Plan

Stock Based Compensation

As part of his compensation package, Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, was granted $950,000, $750,000, and $750,000, respectively, of restricted class A non-voting common stock ("Class A Stock") for each of the years ended December 31, 2012, 2011, and 2010, respectively. The 2012, 2011, and 2010 stock grants of 217,890, 155,925, and 174,825 shares, respectively, were granted with stock grant prices of $4.36, $4.81, and $4.29, respectively. Mr. Cotter's stock compensation is granted fully vested with a five-year restriction on sale. As of December 31, 2012, the 2012 stock grant had not yet been issued to Mr. Cotter. During 2012, we issued to Mr. Cotter 155,925 of Class A Stock for his 2011 vested stock grants which had a stock grant price of $4.81 and a grant date fair value of $750,000.

During 2012, we issued 9,680 shares as a one-time stock grant of Class A Nonvoting shares to our employees valued at $44,000. During 2010, as part of Mr. John Hunter's, our Chief Operating Officer, compensation package, $100,000 of restricted Class A Stock vested relating to Mr. Hunter's 2009 and 2008 stock grants. During 2010, we issued to Mr. Hunter 5,154 shares related to his 2009 vested stock compensation.

During the years ended December 31, 2012, 2011, and 2010, we recorded compensation expense of $994,000, $750,000, and $754,000, respectively, for the vesting of all our restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

	Non-Vested Restricted Stock		Weighted Average Fair Value at Grant Date
Outstanding – January 1, 2010	--	$	--
Granted	174,825		750
Vested	(174,825)		(750)
Outstanding – December 31, 2010	--	$	--
Granted	155,925		750
Vested	(155,925)		(750)
Outstanding – December 31, 2011	--	$	--
Granted	227,570		994
Vested	(227,570)		(994)
Outstanding – December 31, 2012	--	$	--

On April 1, 2010, we terminated our then existing contractual relationship with Doug Osborne, at that time the chief executive officer of our Landplan real estate operations. Mr. Osborne's incentive interest in our various Landplan projects, which was valued at $0, was revoked at that time. Mr. Osborne continues to provide services to us on a non-exclusive independent contractor basis.

Employee Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees, directors, and consultants of incentive or nonstatutory options to purchase shares of our Class A Nonvoting Common Stock. Our 1999 Stock Option Plan expired in November 2009, and was replaced by our new 2010 Stock Incentive Plan, which

was approved by the holders of our Class B Voting Common Stock in May 2010. For the stock options exercised during the years ended December 31, 2012 and 2010, we issued 95,000 and 90,000 shares of Class A Stock for cash to employees of the corporation under this stock based compensation plan at exercise prices of $4.68 and $2.76, respectively. During the year ended December 31, 2011, we did not issue any shares under this stock based compensation plan.

FASB ASC 718-10 – Stock Compensation (“ASC 718-10”) requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. We estimate the valuation of stock based compensation using a Black-Scholes option-pricing model.

When our tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. ASC 718-10 requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the years ended December 31, 2012, 2011, and 2010, there was no impact to the consolidated statements of cash flows because there were no recognized tax benefits during these periods.

ASC 718-10 requires companies to estimate forfeitures. Based on our historical experience, we did not estimate any forfeitures for the options granted during the years ended December 31, 2012, 2011, and 2010.

In accordance with ASC 718-10, we estimate the fair value of our options using the Black-Scholes option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. The dividend yield is excluded from the calculation, as it is our present intention to retain all earnings. We estimated the expected stock price volatility based on our historical price volatility measured using daily share prices back to the inception of the Company in its current form beginning on December 31, 2001. We estimate the expected option life based on our historical share option exercise experience during this same period. We expense the estimated grant date fair values of options issued on a straight-line basis over their vesting periods.

No options were granted during 2011. For the 206,000 and 157,700 options granted during 2012 and 2010, respectively, we estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2012	2010
Stock option exercise price	$5.94	$5.17
Risk-free interest rate	1.71%	2.74%
Expected dividend yield	--	--
Expected option life	7.20 yrs	7.23 yrs
Expected volatility	32.15%	33.01%
Weighted average fair value	$2.62	$1.88

Using the above assumptions and based on our use of the modified prospective method, we recorded $285,000, $189,000, and $67,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2012, 2011, and 2010, respectively. At December 31, 2012 total unrecognized estimated compensation cost related to non-vested stock options granted was $342,000 which is expected to be recognized over a weighted average vesting period of 2.38.

No options were exercised in 2011. The total realized value of stock options exercised during the years ended December 31, 2012 and 2010 was $136,000 and $138,000, respectively. The grant date fair value of options that vested during the years ending December 31, 2012, 2011, and 2010 was $285,000, $189,000, and $67,000, respectively. We recorded cash received from stock options exercised of $308,000 and $248,000 during the years ended December 31, 2012 and 2010, respectively. Additionally, in 2012, 41,000 options were exercised having a realized value of $103,000 for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on an exercise price of $4.01 and a market price of $6.53. At December 31, 2012, the intrinsic, unrealized value of all options outstanding, vested and expected to vest,

was $509,000 of which 100.0% were currently exercisable.

Pursuant to both our 1999 Stock Option Plan and our 2010 Stock Incentive Plan, all stock options expire within ten years of their grant date. The aggregate total number of shares of Class A Stock and class B voting common stock authorized for issuance under our 2010 Stock Option Plan is 1,250,000. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the employee or board member. Dependent on the grant letter to the employee or board member, the required service period for option vesting is between zero and four years.

We had the following stock options outstanding and exercisable:

	Common Stock Options Outstanding		Weighted Average Exercise Price of Options Outstanding		Common Stock Exercisable Options		Weighted Average Price of Exercisable Options	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Outstanding-January 1, 2010	589,750	150,000	$ 5.51	$ 10.24	534,750	150,000	$ 5.62	$ 10.24
Granted	122,600	35,100	$ 5.17	$ 8.47				
Exercised	(90,000)	--	$ 2.76	$ --				
Outstanding- December 31, 2010	622,350	185,100	$ 5.65	$ 9.90	449,750	150,000	$ 6.22	$ 10.24
No activity during the period	--	--	$ --	$ --				
Outstanding-December 31, 2011	622,350	185,100	$ 5.65	$ 9.90	544,383	167,550	$ 5.86	$ 10.05
Granted	206,000	--	$ 5.94	$ --				
Exercised	(136,000)	--	$ 4.68	$ --				
Expired	(20,000)	--	$ 3.75	$ --				
Outstanding-December 31, 2012	672,350	185,100	$ 6.24	$ 9.90	546,350	185,100	$ 6.26	$ 9.90

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The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2012 and 2011 were approximately 5.32 and 4.13 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31, 2012 and 2011 was approximately 4.28 and 3.85 years, respectively.

Note 4 – Earnings (Loss) Per Share

For the three years ended December 31, 2012, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):

	2012	2011	2010
Income (loss) from continuing operations	$ (509)	$ 8,068	$ (12,747)
Income (loss) from discontinued operations	(405)	1,888	97
Net income (loss) attributable to Reading International, Inc. common shareholders	(914)	9,956	(12,650)
Basic income (loss) per common share attributable to Reading International, Inc. shareholders:			
Earnings (loss) from continuing operations	$ (0.02)	$ 0.36	$ (0.56)
Earnings (loss) from discontinued operations, net	(0.02)	0.08	--
Basic income (loss) per share attributable to Reading International, Inc. shareholders	$ (0.04)	$ 0.44	$ (0.56)
Diluted income (loss) per common share attributable to Reading International, Inc. shareholders:			
Earnings (loss) from continuing operations	$ (0.02)	$ 0.35	$ (0.56)
Earnings (loss) from discontinued operations, net	(0.02)	0.08	--
Diluted income (loss) per share attributable to Reading International, Inc. shareholders	$ (0.04)	$ 0.43	$ (0.56)
Weighted average shares of common stock – basic	23,028,596	22,764,666	22,781,392
Weighted average shares of common stock – diluted	23,028,596	22,993,135	22,781,392

For the year ended December 31, 2011, the weighted average common stock – dilutive included 228,469 of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock. For the years ended December 31, 2012 and 2010, we recorded losses from continuing operations. As such, the 284,054 and 235,517, respectively, of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock were excluded from the computation of diluted loss per share because they were anti-dilutive in those periods. In addition, 791,286, 734,906, and 746,758 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2012, 2011, and 2010, respectively. The total number of in-the-money stock options, out-of-the-money stock options, and unissued restricted Class A Stock that could potentially dilute basic earnings per share was 1,075,340, 963,375, and 982,275 for the years ended December 31, 2012, 2011, and 2010, respectively.

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Note 5 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows (dollars in thousands):

	December 31,	
	2012	2011
Prepaid and other current assets		
Prepaid expenses	$ 1,150	$ 1,168
Prepaid taxes	855	781
Deposits	373	605
Other	1,198	1,227
Total prepaid and other current assets	$ 3,576	$ 3,781
Other non-current assets		
Other non-cinema and non-rental real estate assets	$ 1,134	$ 1,134
Long-term deposits	212	264
Deferred financing costs, net	2,230	3,725
Notes receivable	2,000	851
Tenant inducement asset	716	1,064
Straight-line rent asset	2,775	2,776
Other	2	--
Total non-current assets	$ 9,069	$ 9,814

Investment in Notes Receivable

Notes Receivable

We currently hold two promissory notes secured by assets in the United States and New Zealand. The purchase price of these notes aggregate to $2.0 million and they are carried on our balance sheet at their purchase price.

Note 6 – Operating Property

Property associated with our operating activities is summarized as follows (dollars in thousands):

	December 31,	
Operating property	2012	2011
Land	$ 69,370	$ 62,873

Building and improvements	136,225	134,967
Leasehold improvements	45,391	41,380
Fixtures and equipment	108,169	103,872
Total cost	359,155	343,092
Less: accumulated depreciation	(156,377)	(139,312)
Operating property, net	$ 202,778	$ 203,780

Depreciation expense for operating property was $14.9 million, $14.9 million, and $13.0 million for the three years ended December 31, 2012, 2011, and 2010, respectively.

In 2011, we recorded impairment losses totaling $65,000 on two of our cinema properties. We did not record an impairment charge for our operating assets during 2012 or 2010.

Note 7 – Investment and Development Property

Investment and development property is summarized as follows (dollars in thousands):

Investment and Development Property	December 31, 2012	2011
Land	$ 77,020	$ 75,384
Construction-in-progress (including capitalized interest)	17,902	15,315
Investment and development property, net	$ 94,922	$ 90,699

During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, we did not capitalize interest on these projects during 2012, 2011, and 2010 and we will not capitalize interest for these projects until development work recommences.

Coachella, California Land

Based on a December 2012 appraisal of the property, the fair value of the property was $4.0 million resulting in a $1.5 million impairment to the carrying value of the asset. As noted below, this property is 50% owned by Mr. James J. Cotter who shares in any impairment loss to the extent of his ownership interest.

Note 8 – Acquisitions, Disposals, and Assets Held for Sale

2012 Transactions

Indooroopilly - Sale

On November 20, 2012, we sold our Indooroopilly property for $12.4 million (AUS$12.0 million). As its book value at the time of sale was $12.5 million (AUS$12.1 million), we recorded a loss on sale in the form of an impairment expense of $318,000 (AUS$306,000) for the year ended December 31, 2012 which included the cost to sell the property. The net book value of this property's assets is included in assets held for sale on our Consolidated Balance Sheets at December 31, 2011 and the operational results are included in income (loss) from discontinued operations on our Condensed Consolidated Statements of Operations for the three years ended December 31, 2012. The condensed statement of operations for Indooroopilly is as follows (dollars in thousands):

	2012	2011	2010
Revenue	$ 793	$ 825	$ 809
Less: operating expense	560	593	712
Less: impairment expense	318	--	--
Income (loss) from discontinued operations, net of tax	$ (85)	$ 232	$ 97

Taringa - Sale

On February 21, 2012, we sold our three properties of approximately 1.1 acres in the Taringa area of Brisbane, Australia for $1.9 million (AUS$1.8 million). Because the net carrying amounts of these properties were greater than

the total sale price, we recorded an impairment expense for these properties of $369,000 (AUS$365,000) for the year ended December 31, 2011.

Coachella, California Land - Acquisition

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 843 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $5.5 million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a 50% interest in Shadow View Land and Farming, LLC. We are the managing member of this company. See Note 20 – Noncontrolling Interests.

2011 Transactions

Cal Oaks Cinema - Acquisition

On August 25, 2011, we purchased a 17-screen multiplex in Murrieta, California (the "CalOaks Cinema") for $4.2 million made up of $3.9 million of cash and a $250,000 holdback note for certain offset charges to the purchase price (see Note 12 – Notes Payable).

On May 15, 2011, in conjunction with the contemplated purchase of the CalOaks cinema, we lent $2.3 million to the owner of the CalOaks cinema in exchange for a 90-day note receivable. The note was secured by three cinemas' leases and had an annualized interest of 9.9%. On August 25, 2011, as part of the CalOaks cinema acquisition, this note was repaid.

Elsternwick Classic Cinema - Sale

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $1.9 million (AUS$1.8 million) and recognized a gain on sale of a discontinued operation of $1.7 million (AUS$1.6 million).

2010 Transactions

Manukau Land - Acquisition

On April 30, 2009, we entered into an agreement to purchase for $3.6 million (NZ$5.2 million) a property adjacent to our Manukau property. An initial deposit of $26,000 (NZ$50,000) was paid upon signing of the agreement, a second deposit of $175,000 (NZ$258,000) was paid in the second quarter of 2009 and a third deposit of $531,000 (NZ$773,000) was paid in August 2009. The fourth and final purchase payment of $2.9 million (NZ$4.1 million) was made on March 31, 2010 completing our acquisition of this land parcel.

Note 9 – Transfer of Held for Sale Real Estate to Continuing Operations and Related Items

2011 Transactions

Lake Taupo Motel

During the fourth quarter of 2010, we listed for sale the residential units of our Lake Taupo property and the adjoining 1.0-acre parcel located in Lake Taupo, New Zealand. A portion of this property was previously improved with a motel in which we recently renovated the property's units to be condominiums and have enhanced the property value with residential apartment entitlements for the adjoining vacant land. At December 31, 2011, we had not yet sold the property. Pursuant to ASC 360-10-45, as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale, we reclassified $5,000 of income from discontinued operations to the components of income from continuing operations for the year ended December 31, 2010. As a result of the transfer of the asset from held for sale to continuing operations, we recorded a loss for 2011 of $37,000 (NZ$48,000) to measure the property at the lower of its carrying amount, adjusted for depreciation and amortization expense that would have been recognized had the asset been continuously classified as a continuing operational asset, or its fair value at the date of the decision not to sell. We continue to discuss with potential buyers and plan to monetize the property in time.

Burwood Development Property

In May 2010, we announced our intent to sell and began actively marketing our 50.6-acre Burwood development site in suburban Melbourne. At June 30, 2011, we had not yet achieved that aim. Pursuant to ASC 360-10-45, as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale, we reclassified the current carrying value of this property of $53.4 million (AUS$52.1 million) from assets held for sale to investment and development property on our December 31, 2011 consolidated balance sheet. We continue to evaluate our options concerning this property.

2012 and 2010 Transactions

There were no transfers of held for sale real estate to continuing operations or related items in 2012 or 2010.

Note 10 – Goodwill and Intangible Assets

Goodwill associated with our business combinations is tested for impairment at the beginning of the fourth quarter with continued evaluation through the end of the fourth quarter of every year. The fair value estimates of each of our reporting units is based on the projected profits and cash flows of the related assets using each reporting unit's weighted average cost of capital as a discount rate. As a result of this test, whereby the Step 1 Test was passed for all reporting units, it was determined that there is no impairment to our goodwill as of December 31, 2012 or 2011.

At December 31, 2012 or 2011, our goodwill consisted of the following (dollars in thousands):

2012	Cinema	Real Estate	Total
Balance as of January 1, 2012	$ 17,053	$ 5,224	$ 22,277
Foreign currency translation adjustment	621	--	621
Balance at December 31, 2012	$ 17,674	$ 5,224	$ 22,898

2011	Cinema	Real Estate	Total
Balance as of January 1, 2011	$ 16,311	$ 5,224	$ 21,535
Goodwill acquired during 2011	539	--	539
Foreign currency translation adjustment	203	--	203
Balance at December 31, 2011	$ 17,053	$ 5,224	$ 22,277

We have intangible assets other than goodwill that are subject to amortization which are being amortized over various periods (dollars in thousands):

As of December 31, 2012	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$ 24,284	$ 7,254	$ 458	$ 31,996
Less: Accumulated amortization	12,873	3,059	403	16,335
Total, net	$ 11,411	$ 4,195	$ 55	$ 15,661

As of December 31, 2011	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$ 24,471	$ 7,220	$ 456	$ 32,147
Less: Accumulated amortization	11,238	2,553	357	14,148
Total, net	$ 13,233	$ 4,667	$ 99	$ 17,999

We amortize our beneficial leases over the lease period, the longest of which is approximately 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our option fee and other intangible assets over 10 years. For the years ended December 31, 2012, 2011, and 2010, our amortization expense was $2.2 million, $2.4 million, and $2.6 million, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

Year Ending December 31,	
2013	$ 2,222
2014	1,960
2015	1,845
2016	1,595
2017	1,165
Thereafter	6,874
Total future amortization expense	$ 15,661

Note 11 – Investments in and Advances to Unconsolidated Joint Ventures and Entities

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Rialto Distribution as described below. As of December 31, 2012 and 2011, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

		December 31,	
	Interest	2012	2011
Rialto Distribution	33.3%	$ --	$ --
Rialto Cinemas	50.0%	1,561	1,586
205-209 East 57th Street Associates, LLC	25.0%	60	33
Mt. Gravatt	33.3%	6,094	6,220
Total investments		$ 7,715	$ 7,839

For the years ended December 31, 2012, 2011, and 2010, we recorded our earnings (loss) from our unconsolidated joint ventures and entities as follows (dollars in thousands):

	Year Ended December 31,		
	2012	2011	2010
Rialto Distribution	$ 199	$ 383	$ 286
Rialto Cinemas	209	(72)	64
205-209 East 57th Street Associates, LLC	27	33	89
Mt. Gravatt	1,186	1,038	906
Total investor share of earnings	1,621	1,382	1,345
Rialto Cinemas impairment recorded at investor level	--	(2,934)	--
Total equity earnings	$ 1,621	$ (1,552)	$ 1,345

Rialto Distribution

Effective October 1, 2005, we purchased for $694,000 (NZ$1.0 million) a 33.3% interest in Rialto Distribution. Rialto Distribution, an unconsolidated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. We own an undivided 33.3% interest in the assets and liabilities of the joint venture. Prior to January 1, 2010, we treated our interest as an equity method interest in an unconsolidated joint venture. However, during 2009, the reporting company of Rialto Distribution reported a net loss of $2.2 million

(NZ$3.2 million). Our share of this loss was $734,000 (NZ$1.1 million). Due to this significant loss, we determined that the goodwill associated with Rialto Distribution's investment in the film distribution business was fully impaired. Therefore, we recorded our share of the impairment loss of $331,000 (NZ$434,000) as a part of our equity losses resulting in a net zero balance at December 31, 2009. As of January 1, 2010, we treat our interest as a cost method interest in an unconsolidated joint venture. For the years ended December 31, 2012 2011, and 2010 we received $199,000 (NZ$245,000), $383,000 (NZ$500,000), and $286,000 (NZ$400,000), respectively, in distributions from our interest in Rialto Distribution which we recorded as earnings at the time of receipt.

Rialto Cinemas

Effective October 1, 2005, we purchased, indirectly, a beneficial ownership of 100% of the stock of Rialto Entertainment for $4.8 million (NZ$6.9 million). Rialto Entertainment was at the time of purchase a 50% joint venture partner with Village and Sky in Rialto Cinemas, the largest art cinema circuit in New Zealand. The Village and Sky ownership interest have subsequently been sold to Greater Union, an Australian based cinema chain operator. We own an undivided 50% interest in the assets and liabilities of the joint venture and treat our interest as an equity method interest in an unconsolidated joint venture. Subsequent to the February 22, 2011 earthquake in

Christchurch, the joint venture obtained a termination agreement with the landlord associated with the Christchurch cinema lease (see Note 26 – Casualty Loss). As of December 31, 2012, following the closure of three cinemas with 15 screens, the joint venture owned two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin. As part of our investment impairment analysis for 2011, we determined that the value of our investment was impaired. For this reason, we recorded an impairment charge to our investment in Rialto Cinemas of $2.9 million (NZ$3.8 million) during December 31, 2011 and included it in our equity loss from unconsolidated joint ventures and entities for the year ended December 31, 2011.

205-209 East 57th Street Associates, LLC

We own a non-managing 25% membership interest in 205-209 East 57th Street Associates, LLC a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan.

During the fourth quarter of 2010, the last residential condominium was sold for $900,000 from which we recorded earnings of $64,000 and received distributions totaling $293,000. During 2012, as a consequence of a purchaser's dispute, a condominium which was previously sold was repurchased, renovated, and resold for a small gain resulting in additional earnings to us of $27,000.

Mt. Gravatt

We own an undivided 33.3% interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a 16-screen multiplex cinema in Australia. The condensed balance sheets and statements of operations of Mt. Gravatt are as follows (dollars in thousands):

Mt. Gravatt Condensed Balance Sheet Information

	December 31,	
	2012	2011
Current assets	$ 1,318	$ 1,935
Noncurrent assets	4,078	3,832
Current liabilities	1,111	846
Noncurrent liabilities	43	60
Members' equity	4,242	4,861

Mt. Gravatt Condensed Statements of Operations Information

	December 31,		
	2012	2011	2010
Total revenue	$ 15,236	$ 14,097	$ 12,909
Net income	3,513	3,045	2,711

Malulani Investments, Limited

On June 26, 2006, we acquired for $1.8 million, an 18.4% interest in a private real estate company. On July 2, 2009, Magoon Acquisition and Development, LLC (“Magoon LLC”) and we entered into a settlement agreement (the “Settlement Terms”) with respect to a lawsuit against certain officers and directors of Malulani Investments, Limited (“MIL”). Under the Settlement Terms, Magoon LLC and we received $2.5 million in cash, a $6.8 million three-year 6.25% secured promissory note issued by The Malulani Group (“TMG”), and a ten-year “tail interest” in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. A gain on the transfer of our ownership interest in MIL of $268,000 was recognized during 2009 as a result of this transaction. The tail interest allows us to participate in certain distributions made or received by MIL, TMG, and in certain cases, the shareholders of TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will receive any distributions from this tail interest. During 2011 and 2010, we received $191,000 and $635,000 in interest on the promissory note and, on June 14, 2011, we received $6.8 million with respect to the principal and interest owed on this note. We believe that further amounts are owed under the note and we have begun litigation to collect such amounts. Any further collections will be recognized when received.

Berkeley Cinemas – Botany

We previously had investments in three joint ventures with Everard Entertainment Ltd in New Zealand. On June 6, 2008, we sold our last investment in these joint ventures of the Botany Downs Cinema to our joint venture partner. During 2010, we finalized our claims regarding the sale of this cinema resulting in an additional gain on sale of $384,000 (NZ$554,000) for the year ended 2010 included in other income (expense) on our Consolidated Statement of Operations.

Combined Condensed Financial Information

The combined condensed financial information for all of the above unconsolidated joint ventures and entities accounted for under the equity method is as follows; therefore, these financials only exclude Rialto Distribution (dollars in thousands):

Condensed Balance Sheet Information

	December 31,	
	2012	2011
Current assets	$ 3,488	$ 5,245
Noncurrent assets	6,621	6,611
Current liabilities	2,197	3,031
Noncurrent liabilities	751	723
Members’ equity	7,161	8,102

Condensed Statements of Operations Information

	December 31,		
	2012	2011	2010
Total revenue	$ 26,138	$ 28,017	$ 24,944
Net income	4,590	4,021	4,779

Note 12 - Notes Payable

Notes payable are summarized as follows (dollars in thousands):

Name of Note Payable or Security	December 31, 2012	December 31, 2011	Maturity Date	December 31, 2012	December 31, 2011
Trust Preferred Securities	4.31%	9.22%	April 30, 2027	$ 27,913	$ 27,913
Australian NAB Corporate Term Loan	5.82%	7.20%	June 30, 2014	75,349	88,671
Australian NAB Corporate Revolver	5.82%	7.20%	June 30, 2014	--	--
Australian Shopping Center Loans	-	-	2012-2014	208	384
New Zealand Corporate Credit Facility	4.70%	4.15%	March 31, 2015	23,148	21,854
US Bank of America Revolver	3.26%	-	October 31, 2017	30,000	--
US Bank of America Line of Credit	3.21%	-	October 31, 2017	2,007	--
US Cinema 1, 2, 3 Term Loan	-	6.73%	July 1, 2012	--	15,000
US Cinema 1, 2, 3 Term Loan	5.24%	-	June 27, 2013	15,000	--
US GE Capital Term Loan	-	5.50%	October 31, 2012	--	32,188
US Liberty Theaters Term Loans	6.20%	6.20%	April 1, 2013	6,429	6,583
US Nationwide Loan 1	8.50%	8.50%	February 21, 2013	593	597
US Sanborn Note	-	7.00%	January 31, 2012	--	250
US Sutton Hill Capital Note – Related Party	8.25%	8.25%	December 31, 2013	9,000	9,000
US Union Square Theatre Term Loan	5.92%	5.92%	May 1, 2015	6,950	7,174
Total				$ 196,597	$ 209,614

Trust Preferred Securities

On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes to a trust that we control, which in turn issued $51.5 million in securities. Of the $51.5 million, $50.0 million in TPS were issued to unrelated investors in a private placement and $1.5 million of common trust securities were issued by the trust to Reading called “Investment in Reading International Trust I” on our balance sheet. Effective May 1, 2012, the interest rate on our Trust Preferred Securities changed from a fixed rate of 9.22%, which was in effect for the past five years, to a variable rate of three month LIBOR plus 4.00%, which will reset each quarter through the end of the loan unless we exercise our right to refix the rate at the current market rate at that time. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a

number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 31, 2017), in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million, a payment of $270,000 made in December 2011, and a contractual obligation to pay $270,000 in December 2014.

The private placement generated $49.9 million in net proceeds, which were used principally to make our investment in the common trust securities of $1.5 million, to retire all of our bank indebtedness in New Zealand of $34.4 million (NZ$50.0 million) and to retire a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million). During the years ended December 31, 2012, 2011, and 2010, we paid $1.9 million, $2.5 million, and $2.5 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2012 and 2011, we had preferred dividends payable of $198,000 and $416,000, respectively. Interest payments for this loan are required every three months.

During the first quarter of 2009, we took advantage of the then current market illiquidity for securities such as our TPS to repurchase $22.9 million in face value of those securities through an exchange of $11.5 million worth of marketable securities purchased during the period for the express purpose of executing this exchange transaction with the third party holder of these TPS. During the twelve months ended 2009, we amortized $106,000 of discount to interest income associated with the holding of these securities prior to their extinguishment. On April 30, 2009, we extinguished $22.9 million of these TPS, which resulted in a gain on retirement of subordinated debt (TPS) of

$10.7 million net of loss on the associated write-off of deferred loan costs of $749,000 and a reduction in our Investment in Reading International Trust I from $1.5 million to $838,000.

Australia

NAB Australian Corporate Term Loan

On June 24, 2011, we replaced our Australian Corporate Credit Facility of $115.8 million (AUS$110.0 million) with BOS International ("BOSI") with a new credit facility from National Australia Bank ("NAB") of $110.5 million (AUS$105.0 million). NAB provided us term debt of $94.7 million (AUS$90.0 million) and $9.5 million (AUS$9.0 million) in line of credit which we used combined with our cash of $1.6 million (AUS$1.5 million) to pay off our $105.8 million (AUS$100.5 million) of outstanding BOSI debt.

The new three-tiered credit facility from NAB (the "NAB Credit Facility") has a term of three years, due and payable June 30, 2014, and comprised of a term loan with a December 31, 2012 balance of $75.3 million (AUS$72.5 million); a $10.4 million (AUS$10.0 million) revolving facility for which we do not have a balance at December 31, 2012; and a $5.2 million (AUS$5.0 million) guarantee facility. This loan to Reading Entertainment Australia commenced on June 24, 2011 with an interest rate of between 2.90% and 2.15% above the BBSY bid rate. This credit facility is secured by substantially all of our cinema assets in Australia and is only guaranteed by several of our wholly owned Australian subsidiaries. The NAB Credit Facility requires annual principal payments of between $7.3 million (AUS$7.0 million) and $9.4 million (AUS$9.0 million) which we anticipate will be paid from Reading Entertainment Australia operating cash flows. The covenants of the NAB Credit Facility include a fixed charge coverage ratio, a debt service cover ratio, an operating leverage ratio, a loan to value ratio, and other financial covenants. Additionally, the NAB Credit Facility allows us to transfer only $4.2 million (AUS$4.0 million) per year outside of Australia. On August 2, 2011, we paid down our NAB revolver by $9.7 million (AUS$9.0 million) resulting in a zero balance on that date. In December 2012, as part of the sale of our Indooroopilly property, we paid down $6.3 million (AUS$6.0 million) on our NAB term loan.

In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement which swaps over 100% of our $75.3 million (AUS$72.5 million) variable rate term loan (decreasing in line with scheduled principal repayments) based on BBSY, for a 5.50% fixed rate. For further information regarding our swap agreements, see Note 13 – Derivative Instruments.

Australian Shopping Center Loans

In July 2004, as part of the acquisition of the Anderson Cinema Circuit, we assumed the three loans on the Epping, Rhodes, and West Lakes properties. The total amount assumed on the transaction date was $1.5 million (AUS$2.1 million) and the loans carry no interest as long as we make timely principal payments of approximately $182,000 (AUS$175,000) per year. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties. During 2009 and 2010, we were in dispute with the landlord. During 2010, we resolved the dispute and paid $51,000 (AUS$51,000) in principal payments on this loan. During 2011 and 2012, we paid $256,000 (AUS$250,000) and $182,000 (AUS$175,000), respectively, in principal payments on this loan.

New Zealand

New Zealand Corporate Credit Facility

On February 8, 2012, we received an approved amendment from Westpac renewing our existing $36.9 million (NZ$45.0 million) New Zealand credit facility with a 3-year credit facility. The renewed facility calls for a decrease

in the overall facility by $4.1 million ($5.0 million) to $32.8 million (NZ$40.0 million), an increase in the facility margin of 0.55% to 2.00%, and the line of credit charge increase from 0.30% to 0.40%. The facility is secured by substantially all of our New Zealand assets, but has not been guaranteed by any entity other than several of our New Zealand subsidiaries. The facility includes various affirmative and negative financial covenants designed to protect the bank's security regarding capital expenditures and the repatriation of funds out of New Zealand. Also included in the restrictive covenants of the facility is the restriction of transferring funds from subsidiary to parent.

US

Bank of America Revolver

On October 31, 2012, we replaced our GE Capital Term Loan of $27.7 million with a new credit facility from Bank of America (the “BofA Revolver”) of $30.0 million with an interest rate of between 2.50% and 3.00% above LIBOR and an expiration date of October 31, 2017. Although the BofA Revolver does not require a fixed interest swap agreement, we will continue to use our existing fixed interest rate swap of $29.1 million until its term date of December 31, 2013, see Note 13 – Derivative Instruments. The BofA Revolver requires borrowing limit reductions of $3.0 million per year with a balloon payment of $18.0 million at the expiration date. The BofA Revolver contains other customary terms and conditions, including representations and warranties, affirmative and negative covenants, events of default and indemnity provisions. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level.

As part of the negotiations of the BofA Revolver, we entered into a master operating equipment lease financing agreement with Banc of America Leasing & Capital, LLC to finance the acquisition of up to $15.5 million in digital projection equipment for our U.S. cinema operations. See Note 19 - Commitments and Contingencies.

Bank of America Line of Credit

On October 31, 2012, Bank of America renewed and increased our existing $3.0 million line of credit to $5.0 million. The LOC carries an interest rate equal to BBA LIBOR floating plus a 3.50% margin and an unused line fee of 0.03%. The agreement is in effect till October 31, 2017 and is potentially renewable at that date. The undrawn balance of this LOC is $3.0 million at December 31, 2012.

Cinemas 1, 2, 3 Term Loan

On June 28, 2012, Sutton Hill Properties LLC (“SHP”), one of our consolidated subsidiaries, paid off its Eurohypo AG, New York Branch loan with a new $15.0 million term loan (the “Sovereign Bank Loan”) from Sovereign Bank, N.A. The Sovereign Bank Loan has a one-year term ending on June 27, 2013, with a one year extension option to June 26, 2014 subject to an extension fee equal to 1.00% of the ending principal balance and a compliance requirement with certain special covenants. As we currently intend to exercise this option, we have classified this loan as long-term. The terms of the loan require interest only payments at LIBOR plus a 5.00% margin to be calculated and paid monthly. This loan is secured by SHP’s interest in the Cinemas 1, 2, & 3 land and building. Covenants include maintaining a loan to value ratio of at least 50% of fair market value and an 11% debt yield (with a numerator of the cash available for debt service and a denominator of the outstanding principal balance of the loan). The Sovereign Bank Loan is further secured by a guaranty provided by Reading International, Inc. and by its noncontrolling interest member, Sutton Hill Capital, LLC.

Liberty Theaters Term Loan

On March 17, 2008, we entered into a $7.1 million loan agreement with a financial institution, secured by our Royal George Theatre in Chicago, Illinois and our Minetta Lane Theatre and Orpheum Theatre in New York. The loan has a 5-year term loan that accrues a 6.20% interest rate payable monthly in arrears. We incurred deferred financing costs of $527,000 related to our borrowings of this loan. The loan agreement requires only monthly principal and interest payments along with self-reported annual financial statements. As this loan is due to mature on April 1, 2013, the December 31, 2012 outstanding balance of this debt of $6.4 million is classified as current on our balance sheet. We

intend to refinance the property's debt.

US Nationwide Loan 1

On February 22, 2008, we acquired 15 motion picture theaters and theater-related assets from Pacific Theatres Exhibition Corp. and its affiliates (collectively, the "Sellers") for $70.2 million a transaction referred to as the "Pacific Theaters Acquisition." The Seller's affiliate, Nationwide Theatres Corp ("Nationwide"), provided $21.0 million of acquisition financing evidenced by a five-year promissory note (the "Nationwide Note 1") of Reading Consolidated Holdings, Inc., our wholly owned subsidiary ("RCHI"), maturing on February 21, 2013.

The Nationwide Note 1 bears interest (i) as to $4.5 million of principal at the annual rates of 7.50% for the first three years and 8.50% thereafter and (ii) as to $13.0 million of principal at the annual rates of 6.50% through July 31, 2009 and 8.50% thereafter. Accrued interest is due and payable on February 21, 2011 and thereafter on the last day of each calendar quarter, commencing on June 30, 2011. The entire principal amount is due and payable upon maturity, subject to our right to prepay at any time without premium or penalty and to the requirement that, under certain circumstances, we make mandatory prepayments equal to a portion of free cash flow generated by the acquired theaters. The loan is recourse only to RCHI and its assets, which include all of the Hawaii theaters and certain of the California theaters acquired from the Sellers and our Manville and Dallas Angelika Theaters.

The Nationwide Note 1 was subject to certain purchase price related adjustments. Through December 31, 2012, these adjustments have resulted in a net reduction in principal of $20.4 million comprised of a reduction in the amount of $6.3 million in 2008, a further reduction of $226,000 during the first quarter of 2009, an additional advance of $3.0 million in 2009 (such advance was used to pay down a portion of the GE Capital Term Loan discussed above), a $4.4 million reduction during the first quarter of 2010 in which Nationwide Theaters Corp. and Reading agreed to reduce the seller's note, and finally a $12.5 million reduction in September 2010. As a result of these reductions, the principal balance of the notes at December 31, 2012 was $593,000.

Sutton Hill Capital Notes 1 & 2

As part of the negotiation of the Village East Lease (see Note 25 – Related Parties and Transactions), we paid off the Sutton Hill Capital ("SHC") Note 1 of $5.0 million on June 30, 2010 and renegotiated the SHC Note 2 for $9.0 million. Under the new terms of the SHC Note 2, the loan has a variable annual rate equal to a Five-Year Constant Maturity United States Treasury Note rate plus a 5.75% margin, subject to a minimum rate of 8.25% and a maximum rate of 10% and the note matures on December 31, 2013. No interim principal payments are required and the balance of the note is payable upon maturity. No other covenants are required for this loan. This loan is unsecured.

Union Square Theatre Term Loan

On April 30, 2010, we refinanced the loan secured by our Union Square property with another lender. The new loan for $7.5 million has a five-year term with a fixed interest rate of 5.92% per annum and an amortization payment schedule of 20 years with a balloon payment of approximately $6.4 million at the end of the loan term.

US Nationwide Loan 2

In connection with the Pacific Theaters Acquisition, the Sellers also committed to loan to RDI up to $3.0 million in two draws of $1.5 million each, one of which was drawn on July 21, 2008 and the other of which may have been drawn on or before July 31, 2009. During 2010, as part of the $4.4 million note reduction of the US Nationwide Loan 1, we waived our right to draw on the second $1.5 million. The existing $1.5 million loan bore an interest rate of 8.50%, compounded annually. The loan and accrued interest were due and payable, in full, on February 21, 2011, subject to our right to prepay the loan without premium or penalty. Pursuant to the terms of this note, we paid off this loan of $1.5 million with its $359,000 of accrued interest on February 21, 2011.

Summary of Notes Payable

Our aggregate future principal loan payments are as follows (dollars in thousands):

Year Ending December 31,	
2013	$ 28,714
2014	86,357
2015	32,613
2016	3,000
2017	18,000
Thereafter	27,913
Total future principal loan payments	$ 196,597

Since approximately $98.7 million of our total debt of $196.6 million at December 31, 2012 consisted of

debt denominated in Australian and New Zealand dollars, the U.S dollar amounts of these repayments will fluctuate in accordance with the relative values of these currencies.

Note 13 – Derivative Instruments

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts, which effectively convert a portion of our variable rate debt to a fixed rate over the term of the interest rate swap.

In the case of our Australian borrowings, we are presently required to swap no less than 75% of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations. In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement, which swaps 100% of our variable rate term loan based on BBSY for a 5.50% fixed rate loan which steps down commensurate with the payments of the loan balance. At the time of entering into this NAB swap, our existing BOSI swap was “in-the-money” by $160,000. In lieu of a cash payment for the in-the-money BOSI swap, we negotiated a slightly lower fixed swap rate by 0.05% for our new NAB fixed rate swap.

On October 31, 2012, we replaced our GE Capital Term Loan of $27.7 million with a new credit facility from Bank of America of $30.0 million (see Note 12 – Notes Payable). Although the new credit facility does not require a fixed interest swap agreement, we will continue to use our existing fixed interest rate swap of $29.1 million until its term date of December 31, 2013. In order for Bank of America to agree to taking on this swap agreement, we agreed to increase the swap contract rate by 0.10%.

As a result of these swap and loan agreements, we pay a total fixed interest rate of 8.15% (5.50% swap contract rate plus a 2.65% margin under the loan) for our NAB Loan and a total fixed interest rate of 5.84% (1.44% swap contract rate plus a 4.50% margin under the loan) for our BofA Loan instead of the obligatorily disclosed loan rates of 5.82% and 3.21%, respectively, as indicated in Note 12 – Notes Payable.

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2012:

Type of Instrument	Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	$29,062,000	1.440%	0.580%	December 31, 2013
Interest rate swap	$81,585,000	5.500%	4.550%	June 30, 2016

In accordance with FASB ASC 815-20 – Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $1.1 million increase to interest expense during 2012, a $5.0 million increase to interest expense during 2011, and a $284,000 decrease to interest expense during 2010. At December 31, 2012 and 2011, we recorded the fair market value of an interest rate swap of $5.9 million and $4.7 million, respectively, as an other long-term liabilities. In accordance with FASB ASC 815-20, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 14 - Income Taxes

Income (loss) before income tax expense includes the following (dollars in thousands):

	Year Ended December 31,		
	2012	2011	2010
United States	$ 836	$ (1,391)	$ (1,566)
Foreign	1,446	(379)	2,354
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	$ 2,282	$ (1,770)	$ 788
Net income attributable to noncontrolling interests:			
United States	578	(604)	(309)
Foreign	(86)	(336)	(307)
Equity earnings and gain on sale of unconsolidated subsidiary:			
United States	27	33	86
Foreign	1,594	(1,585)	1,259
Gain on sale of discontinued operation:			
United States	--	--	--
Foreign	(405)	1,888	97
Income (loss) before income tax expense	$ 3,990	$ (2,374)	$ 1,614

Significant components of the provision for income taxes are as follows (dollars in thousands):

	Year Ended December 31,		
	2012	2011	2010
Current income tax expense			
Federal	$ 964	$ 1,332	$ 7,730
State	584	531	5,239
Foreign	1,370	1,067	1,295
Total	2,918	2,930	14,264
Deferred income tax expense (benefit)			
Federal	--	--	--
State	--	--	--
Foreign	1,986	(15,260)	--
Total	1,986	(15,260)	--
Total income tax expense (benefit)	$ 4,904	$ (12,330)	$ 14,264

Deferred income taxes reflect the "temporary differences" between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows (dollars in thousands):

Components of Deferred Tax Assets	December 31, 2012	2011
Deferred Tax Assets:		
Net operating loss carry forwards	$ 31,040	$ 35,455
Impairment reserves	4,493	1,764
Alternative minimum tax carry forwards	3,118	2,993
Installment sale of cinema property	3,022	2,929
Deferred revenue and expense	6,708	6,378
Acquired and option properties	(952)	2,924
Other	3,122	402
Total Deferred Tax Assets	50,551	52,845
Valuation allowance	(37,903)	(38,461)
Net deferred tax asset	$ 12,648	$ 14,384

In accordance with FASB ASC 740-10 – Income Taxes ("ASC 740-10"), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. ASC 740-10 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue. Because of such negative evidence available for the U.S., Puerto Rico, and New Zealand, as of December 31, 2012, we recorded a valuation allowance of $37.9 million. After consideration of a number of factors for the Reading Australia group, including its recent history of financial income, its expected future earnings, the increase in market value of its real estate assets, and having executed a credit facility of over $100.0 million to resolve potential liquidity issues, the Company determined as of July 1, 2011 that it is more likely than not that deferred tax assets in Reading Australia group will be realized. Accordingly, we reversed the full valuation allowance in Australia, resulting in a net deferred tax asset of $14.4 million as of December 31, 2011, with approximately $3.4 million classified as current and $11.0 million as non-current.

As of December 31, 2012, we had U.S. net operating loss carry forwards of $21.7 million, of which $14.4 million expire between 2025 and 2030, while $7.3 million expire between 2030 and 2035.

In addition to the above net operating loss carry forwards having expiration dates, we have the following carry forwards that have no expiration date at December 31, 2012:

- approximately $3.1 million in U.S. alternative minimum tax credit carry forwards;
- approximately $45.9 million in Australian loss carry forwards; and
- approximately $16.3 million in New Zealand loss carry forwards.

We disposed of our Puerto Rico operations during 2005 and plan no further investment in Puerto Rico for the foreseeable future. We have approximately $14.1 million in Puerto Rico loss carry forwards expiring no later than 2018. No material future tax benefits from Puerto Rico loss carry forwards can be recognized by the Company unless it re-enters the Puerto Rico market.

We expect no other substantial limitations on the future use of U.S. or foreign loss carry forwards except as may occur for certain losses occurring in New Zealand related to the Landplan operations, which may only be used to offset income and gains from those particular activities, and cannot be shared with their respective consolidated group.

U.S. income taxes have not been recognized on the temporary differences between book value and tax basis of investment in foreign subsidiaries. These differences become taxable upon a sale of the subsidiary or upon distribution of assets from the subsidiary to U.S. shareholders. We expect neither of these events will occur in the foreseeable future for any of our foreign subsidiaries.

The provision for income taxes is different from amounts computed by applying U.S. statutory rates to consolidated losses before taxes. The significant reason for these differences follows (dollars in thousands):

	Year Ended December 31,		
	2012	2011	2010
Expected tax provision (benefit)	$ 1,397	$ (831)	$ 554
Increase (decrease) in tax expense resulting from:			
Change in valuation allowance	(558)	(15,260)	(5,595)
Expired foreign loss carry forward	--	1,100	1,816
Foreign tax provision	3,356	1,067	1,291
Tax effect of foreign tax rates on current income	(126)	24	(240)
State and local tax provision	408	361	440
Tax/Audit Litigation Settlement	1,140	1,375	12,528
Effect of tax rate change	--	--	3,422
Other items	(713)	(166)	48
Actual tax provision (benefit)	$ 4,904	$ (12,330)	$ 14,264

Pursuant to ASC 740-10, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. Current earnings were available for distribution in the Reading Australia consolidated group of subsidiaries as of December 31, 2012. There is no withholding tax on dividends paid by an Australian company to its 80% or more U.S. public company shareholder, thus we have not provided foreign withholding taxes for these current retained earnings. We believe the U.S. tax impact of a dividend from our Australian subsidiary, net of loss carry forward and potential foreign tax credits, would not have a material effect on the tax provision as of December 31 2012.

We have accrued $24.1 million in income tax liabilities as of December 31, 2012, of which $15.2 million has been classified as current taxes payable and $8.9 million have been classified as non-current tax liabilities. As part of current taxes payable, we have accrued $8.0 million in connection with federal and state liabilities arising from the "Tax/Audit Litigation" matter which has now been settled (see Note 19 – Commitments and Contingencies). As part of noncurrent tax liabilities, we have accrued an additional $6.5 million related to the "Tax Audit/Litigation" matter. Amounts assessed by the IRS and expected to be assessed by state income tax agencies in connection with the "Tax Audit/Litigation" matter are no longer recorded under the cumulative probability approach prescribed by FASB ASC 740-10-25 but are recorded as a fixed and determinable liability. We believe the $24.1 million in tax liabilities represents an adequate provision for our income tax exposures.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ending December 31, 2012, December 31, 2011, and December 31, 2010 (dollars in thousands):

	Year Ended	Year Ended	Year Ended

	December 31, 2012	December 31, 2011	December 31, 2010
Unrecognized tax benefits – gross beginning balance	$ 1,974	$ 8,058	$ 11,412
Gross increases – prior period tax provisions	197	--	--
Gross increases – current period tax positions	--	151	405
Settlements	--	(6,235)	(3,189)
Statute of limitations lapse	--	--	(570)
Unrecognized tax benefits – gross ending balance	$ 2,171	$ 1,974	$ 8,058

We adopted FASB ASC 740-10-25 – Income Taxes - Uncertain Tax Positions (“ASC 740-10-25”) on January 1, 2007. In connection, we record interest and penalties related to income tax matters as part of income tax expense.

We had approximately $10.8 million and $11.4 million of gross tax benefits as of the adoption date and December 31, 2007, respectively, plus $1.7 million and $2.3 million of tax interest unrecognized on the financial

statements as of each date, respectively. The gross tax benefits mostly reflect operating loss carry forwards and the IRS Tax Audit/Litigation case described below.

We recorded a reduction to our gross unrecognized tax benefits of approximately $3.4 million and an increase to tax interest of approximately $8.8 million during the period January 1, 2010 to December 31, 2010, and the total balance at December 31, 2010 was approximately $20.6 million (of which approximately $12.6 million represents IRS interest). Having settled the Tax Audit/Litigation matter described in Note 19 – Commitments and Contingencies, we further recorded a net reduction to our gross unrecognized tax benefits of approximately $6.1 million and a reduction to tax interest of approximately $10.4 million during the period January 1, 2011 to December 31, 2011, resulting in a total balance at December 31, 2011 of approximately $4.1 million, consisting of $1.9 million tax and $2.2 million interest. Of the $4.1 million gross unrecognized tax benefit at December 31, 2011, approximately $3.0 million would impact the effective tax rate if recognized. During the period January 1, 2012 to December 31, 2012 we recorded an increase of $0.2 million to our gross unrecognized tax benefits and an increase to tax interest of approximately $1.1 million, resulting in a total balance of $5.3 million consisting of $2.1 million in tax and $3.2 million in interest. Of the $5.3 million gross unrecognized tax benefit at December 31, 2012, approximately $4.3 million would impact the effective rate if recognized.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company's assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will increase within a range of $0.5 million to $1.5 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2013, revaluation of current uncertain tax positions, and expiring statutes of limitation.

Our company and subsidiaries are subject to U.S. federal income tax, income tax in various U.S. states, and income tax in Australia, New Zealand, and Puerto Rico.

Generally, changes to our federal and most state income tax returns for the calendar year 2007 and earlier are barred by statutes of limitations. Certain domestic subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in "Tax Audit/Litigation," Note 19 – Commitments and Contingencies. Our income tax returns for Australia filed since inception in 1995 are generally open for examination. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2006 and afterward remain open for examination as of December 31, 2012.

Note 15 – Other Liabilities

Other liabilities are summarized as follows (dollars in thousands):

	December 31, 2012	2011
Current liabilities		
Lease liability	$ 5,855	$ --
Security deposit payable	174	137
Other	3	--
Other current liabilities	$ 6,032	$ 137
Other liabilities		
Foreign withholding taxes	$ 6,480	$ 6,212
Straight-line rent liability	8,893	8,067
Lease liability	--	5,746
Environmental reserve	1,656	1,656
Accrued pension	6,976	4,289
Interest rate swap	5,855	4,722
Acquired leases	2,078	2,742
Other payable	1,191	1,243
Other	630	962
Other liabilities	$ 33,759	$ 35,639

Village East Purchase Option

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 1, 2031 (the “cinema ground lease”). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC’s interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC’s put option may be exercised on one or more occasions in increments of not less than $100,000 each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we recorded the Village East Cinema building as a property asset of $4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding lease liability of $5.9 million presented under other liabilities which accretes up to the $5.9 million liability till July 1, 2013 (see Note 25 – Related Parties and Transactions). As the option can be exercised starting on July 1, 2013, we have classified the $5.9 million lease liability as a current liability.

Note 16 – Fair Value of Financial Instruments

ASC 820-10 applies to existing accounting pronouncements in which fair value measurements are already required and defines fair value, establishes a framework for measuring fair value in accordance with accounting principles

generally accepted in the United States, and expands disclosures about fair value measurements.

ASC 820-10 (see Note 2 –Summary of Significant Accounting Policies) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

We use appropriate valuation techniques based on the available inputs to measure the fair values of our assets and liabilities. When available, we measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

We used the following methods and assumptions to estimate the fair values of the assets and liabilities in the table above.

Level 1 Fair Value Measurements – are based on market quotes of our marketable securities.

Level 2 Fair Value Measurements – Interest Rate Swaps – The fair value of interest rate swaps are estimated using internal discounted cash flow calculations based upon forward interest rate curves, which are corroborated by market data, and quotes obtained from counterparties to the agreements.

Level 3 Fair Value Measurements – Impaired Property – For assets measured on a non-recurring basis, such as real estate assets that are required to be recorded at fair value as a result of an impairment, our estimates of fair value are based on management's best estimate derived from evaluating market sales data for comparable properties developed by a third party appraiser and arriving at management's estimate of fair value based on such comparable data primarily based on properties with similar characteristics. For the years ended December 31, 2012, 2011, and 2010, the fair value of our impaired properties was estimated to be $4.1 million, $1.9 million, and $1.8 million, respectively, which we used to record our impairment expense and was based on level 3 inputs in developing management's estimate of fair value. For the year ended December 31, 2011, the fair value of our Rialto Cinemas investment was $1.6 million (NZ$2.0 million) resulting in an impairment charge of $2.9 million (NZ$3.8 million).

As of December 31, 2012, we held certain items that are required to be measured at fair value on a recurring basis. These included available for sale securities and interest rate derivative contracts. Derivative instruments are related to our economic hedge of interest rates. Our available-for-sale securities primarily consist of investments associated with the ownership of marketable securities in Australia.

The fair values of the interest rate swap agreements are determined using the market standard methodology of discounting the future expected cash receipts or payments that would occur if variable interest rate fell above or below the strike rate of the interest rate swap agreement. The variable interest rates used in the calculation of projected receipts or payments on the interest rate swap and cap agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820-10, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2012, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

The following items are measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at December 31, 2012 and 2011, respectively (dollars in thousands):

		Book Value		Fair Value	
Financial Instrument	Level	2012	2011	2012	2011
Investment in marketable securities	1	$ 55	$ 2,874	$ 55	$ 2,874
Interest rate swaps liability	2	$ 5,855	$ 4,722	$ 5,855	$ 4,722

Financial Instruments Disclosed at Fair Value

The following table sets forth the carrying value and the fair value of our financial assets and liabilities at December 31, 2012 and 2011 (dollars in thousands):

		Book Value		Fair Value	
Financial Instrument	Level	2012	2011	2012	2011
Cash	1	$ 38,531	$ 31,597	$ 38,531	$ 31,597
Time deposits	1	$ 8,000	$ --	$ 8,000	$ --
Accounts receivable	1	$ 8,514	$ 6,973	$ 8,514	$ 6,973
Other assets - notes receivable	1	$ 2,000	$ 851	$ 2,000	$ 851
Restricted cash	1	$ 2,465	$ 2,379	$ 2,465	$ 2,379
Accounts and film rent payable	1	$ 25,566	$ 23,067	$ 25,566	$ 23,067
Notes payable	3	$ 159,684	$ 172,701	$ 154,795	$ 166,152
Notes payable to related party	N/A	$ 9,000	$ 9,000	$ N/A	$ N/A
Subordinated debt	3	$ 27,913	$ 27,913	$ 12,268	$ 20,544

For purposes of this fair value disclosure, we based our fair value estimate for notes payable and subordinated debt on our internal valuation whereby we apply the discounted cash flow method to our expected cash flow payments due under our existing debt agreements based on a representative sample of our lenders' market interest rate quotes as of December 31, 2012 and 2012, respectively, for debt with similar risk characteristics and maturities.

Note 17 – Lease Agreements

Most of our cinemas conduct their operations in leased facilities. Thirteen of our eighteen operating multiplexes in Australia, four of our eight cinemas in New Zealand, and all but one of our cinemas in the United States are in leased facilities. These cinema leases have remaining terms inclusive of options of 1 to 38 years. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of theater revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. We also lease office space and equipment under non-cancelable operating leases. All of our leases are accounted for as operating leases and accordingly, we have no leases of facilities that require capitalization.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Base rent expense and contingent rental expense under the operating leases totaled approximately $32.6 million and $1.7 million for 2012, respectively; $31.2 million and $1.6 million for 2011, respectively; and $30.9 million and $1.1 million for 2010, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2012 (dollars in thousands):

	Minimum Ground Lease Payments	Minimum Premises Lease Payments	Equipment Lease	Total Minimum Lease Payments

2013	$ 3,218	$ 28,477	$ 2,693	$ 34,388
2014	2,130	25,720	2,693	30,543
2015	1,094	22,637	2,693	26,424
2016	1,128	18,753	2,693	22,574
2017	1,223	15,772	2,693	19,688
Thereafter	15,248	61,023	--	76,271
Total minimum lease payments	$ 24,041	$ 172,382	$ 13,465	$ 209,888

Since approximately $90.2 million of our total minimum lease payments of $209.9 million as of December 31, 2012 consisted of lease obligations denominated in Australian and New Zealand dollars, the U.S dollar amounts of these obligations will fluctuate in accordance with the relative values of these currencies. See Note 25 – Related Parties and Transactions for the amount of leases associated with any related party leases.

Digital Projection Equipment Lease

Effective December 1, 2012, we entered into a 5-year digital projection equipment lease obligation with Banc of America enabling us to convert substantially all of our domestic cinemas to digital projection. The equipment lease agreement requires that we make lease payments of $218,000 per month for the next 60 months after which we can either purchase the equipment at a market price or renew the lease for an undertermined length of time. This lease qualifies as an operating lease and is recorded accordingly.

Note 18 – Pension Liabilities

Supplemental Executive Retirement Plan

In March 1, 2007, the Board of Directors of Reading International, Inc. ("Reading") approved a Supplemental Executive Retirement Plan ("SERP") pursuant to which Reading has agreed to provide James J. Cotter, its Chief Executive Officer and Chairman of the Board of Directors, supplemental retirement benefits effective March 1, 2007. Under the SERP, Mr. Cotter will receive a monthly payment of the greater of (i) 40% of the average monthly earnings over the highest consecutive 36-month period of earnings prior to Mr. Cotter's separation from service with Reading or (ii) $25,000 per month for the remainder of his life, with a guarantee of 180 monthly payments following his separation from service with Reading or following his death. The beneficiaries under the SERP may be designated by Mr. Cotter or by his beneficiary following his or his beneficiary's death. The benefits under the SERP are fully vested as of March 1, 2007.

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with FASB ASC 715-30-05 – Defined Benefit Pension Plans ("ASC 715-30-05"), the initial pension benefit obligation of $2.7 million was included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income on March 1, 2007. The initial benefit obligation was based on a discount rate of 5.75% and a compensation increase rate of 3.5%. The $2.7 million is being amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the years ended December 31, 2012, 2011, and 2010, we recognized $149,000, $195,000, and $200,000, respectively, of interest cost and $304,000 of amortized prior service cost per year. For the years ended December 31, 2012 and 2011, we recognized $0 and $24,000 of amortized net gains. The balance of the other liability for this pension plan was $5.9 million and $3.5 million at December 31, 2012 and 2011, respectively, and the accumulated unrecognized prior service costs included in other comprehensive income balance was $3.2 and $1.2 million at December 31, 2012 and 2011, respectively. The December 31, 2012 and 2011 values of the SERP are based on a discount rate of 3.40% and 4.25%, respectively and an annual compensation growth rate of 3.50% per year.

The change in the SERP pension benefit obligation and the funded status for the year ending December 31, 2012 and 2011 are as follows (dollars in thousands):

Change in Benefit Obligation	For the year ending December 31, 2012
Benefit obligation at January 1, 2012	$ 3,511
Interest cost	149

Actuarial loss		2,284
Benefit obligation at December 31, 2012		5,944
Funded status at December 31, 2012	$	(5,944)

Change in Benefit Obligation		For the year ending December 31, 2011
Benefit obligation at January 1, 2011	$	3,820
Interest cost		195
Actuarial gain		(504)
Benefit obligation at December 31, 2011		3,511
Funded status at December 31, 2011	$	(3,511)

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Amount recognized in balance sheet consists of (dollars in thousands):

	At December 31, 2012	At December 31, 2011
Current liabilities	$ 14	$ 10
Noncurrent liabilities	5,930	3,501

Items not yet recognized as a component of net periodic pension cost consist of (dollars in thousands):

	At December 31, 2012	At December 31, 2011
Unamortized actuarial (gain) loss	$ 2,269	$ (14)
Prior service costs	931	1,234
Accumulated other comprehensive loss	3,200	1,220

The components of the net periodic benefit cost and other amounts recognized in other comprehensive income are as follows (dollars in thousands):

Net periodic benefit cost	For the year ending December 31, 2012	For the year ending December 31, 2011
Interest cost	$ 149	$ 195
Amortization of prior service costs	304	304
Amortization of net gain	--	24
Net periodic benefit cost	$ 453	$ 523
Other changes in plan assets and benefit obligations recognized in other comprehensive income		
Net (gain) loss	$ 2,284	$ (504)
Amortization of prior service cost	(304)	(304)
Amortization of net gain	--	(24)
Total recognized in other comprehensive income	$ 1,980	$ (832)
Total recognized in net periodic benefit cost and other comprehensive income	$ 2,433	$ (309)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be $356,000 and

$304,000, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31, 2012 and 2011:

	2012	2011
Discount rate	3.40%	4.25%
Rate of compensation increase	3.50%	3.50%

The following weighted-average assumptions were used to determine net periodic benefit cost for the year ended December 31, 2012 and 2011:

	2012	2011
Discount rate	4.25%	5.10%
Expected long-term return on plan assets	0.00%	0.00%
Rate of compensation increase	3.50%	3.50%

Other Pension Liabilities

In addition to the aforementioned SERP, we have defined contribution pension plans for selected current and former executives of our corporation resulting in a pension liability of $1.0 million and $778,000 at December 31, 2012 and 2011, respectively. These pensions accrued $204,000 and $101,000 of pension expense for the years ended December 31, 2012 and 2011, respectively.

The benefit payments for all of our pensions, which reflect expected future service, as appropriate, are expected to be paid over the following periods (dollars in thousands):

	Pension Payments
2013	$ 13
2014	27
2015	44
2016	61
2017	481
Thereafter	6,350
Total pension payments	$ 6,976

Note 19 - Commitments and Contingencies

Unconsolidated Joint Venture Loans

The following section describes any loans associated with our investments in unconsolidated joint ventures. As these investments are unconsolidated, any associated bank loans are not reflected in our Consolidated Balance Sheet at December 31, 2012. Each loan is without recourse to any assets other than our interests in the individual joint venture.

Rialto Distribution. We are the 33.3% co-owners of the assets of Rialto Distribution. At December 31, 2012 and 2011, Rialto Distribution had a bank line of credit of $1.7 million (NZ$2.0 million) and $1.6 million (NZ$2.0 million), respectively, and had an outstanding balance of $703,000 (NZ$850,000) and $663,000 (NZ$850,000), respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") has examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court's order was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its claimed adjustment to income. Instead of a claim for unpaid taxes of $20.9 million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of $5.4 million, reduced by a federal tax refund of $800,000 and increased by interest of $9.3 million, for a net federal tax liability of $13.9 million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of $290,000 over a period of approximately five years. As of December 31, 2012 and 2011, after the payments made during 2012 and 2011, respectively, the remaining federal tax obligation was $10.0 million and $13.5 million, respectively, in tax and interest. Of the $10.0 million owed under the installment agreement as of December 31, 2012, $3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the $13.5 million owed under the installment agreement as of December 31, 2011, $3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately $1.4 million in tax plus interest and potential penalty. CRG's 1997 tax year remains open with respect to CRG's potential tax liability to the State of California. As of December 31, 2012, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed when a deficiency is asserted.

Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2012, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $17.7 million (AUS$17.1 million) and as of that date we had incurred a total of $8.6 million (AUS$8.3 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the work will be done in connection with the excavation and other development activity already contemplated for the property.

Note 20 – Noncontrolling interests

As of December 31, 2012, the noncontrolling interests in our consolidated subsidiaries are comprised of the following:

- 50% of membership interest in Angelika Film Center LLC ("AFC LLC") owned by a subsidiary of iDNA
- 25% noncontrolling interest in Australian Country Cinemas by 21st Century Pty, Ltd
- 50% noncontrolling membership interest in Shadow View Land and Farming, LLC owned by Mr. James J. Cotter, Sr.; and
- 25% noncontrolling interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC

The components of noncontrolling interest are as follows (dollars in thousands):

	December 31,	
	2012	2011
AFC LLC	$ 1,737	$ 1,125
Australian Country Cinemas	601	360
Elsternwick unincorporated joint venture	--	--
Shadow View Land and Farming LLC	1,912	--
Sutton Hill Properties	(152)	(250)
Noncontrolling interests in consolidated subsidiaries	$ 4,098	$ 1,235

The components of income attributable to noncontrolling interests are as follows (dollars in thousands):

	Year Ended December 31,		
	2012	2011	2010
AFC LLC	$ 612	$ 909	$ 546
Australian Country Cinemas	86	311	249
Elsternwick unincorporated joint venture	--	25	59
Shadow View Land and Farming LLC	(843)	--	--
Sutton Hill Properties	(347)	(305)	(238)
Net income attributable to noncontrolling interest	$ (492)	$ 940	$ 616

Shadow View Land and Farming LLC

During the 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed $2.5 million of cash and $255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in

Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC. However, as Mr. Cotter is considered to be our controlling shareholder, pursuant to FASB ASC 810-10-05, we have consolidated Mr. Cotter's interest in the property and its expenses with that of our interest and shown his interest as a noncontrolling interest. Note 8 – Acquisitions, Disposals, and Assets Held for Sale.

Elsternwick Sale

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $1.9 million (AUS$1.8 million) and recognized a gain on sale of a discontinued operation of $1.7 million (AUS$1.6 million).

Note 21 - Common Stock

Our common stock trades on the NASDAQ under the symbols RDI and RDIB which are our Class A (non-voting) and Class B (voting) stock, respectively. Our Class A (non-voting) has preference over our Class B (voting) shares upon liquidation. No dividends have ever been issued for either share class.

2012 Common Stock Activity

During 2012, we issued 155,925 of Class A Nonvoting shares to an executive employee associated with his prior years' stock grant, and, during 2012, we issued 9,680 as a one-time stock grant of Class A Nonvoting shares to our employees valued at $44,000 which we accounted for as compensation expense.

95,000 options were exercised during 2012 having a realized value of $136,000 for which we received $308,000 of cash. Additionally, 41,000 options were exercised during 2012 having a realized value of $103,000 for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on an exercise price of $4.01 and a market price of $6.53.

2011 Common Stock Activity

During 2011, we issued 174,825 of Class A Nonvoting shares to certain executive employee associated with his prior years' stock grants.

During 2011, we purchased 172,300 of Class A Nonvoting shares on the open market for $747,000.

2010 Common Stock Activity

During 2010, we issued 148,616 shares of Class A Stock (non-voting) to certain executive employees associated with their prior years' stock bonuses. Additionally, we canceled 4,348,780 shares of Class A Stock (non-voting) held as treasury by one of our subsidiaries due to an issuance error made in 2002 associated with the consolidation of Reading Entertainment Inc. and Craig Corporation, Inc. into Reading International, Inc.

For the stock options exercised during 2010, we issued for cash to employees or directors of the corporation under our employee stock option plan 90,000 shares of Class A Stock at an exercise price of $2.76 per share.

Due to a perceived low price of our common shares, during the first quarter of 2010, we purchased 62,375 shares for a total cost of $251,000. Also, as a result of our revised Village East Cinema building lease, we recorded a deemed equity distribution of $877,000 (see Note 25 – Related Parties and Transactions).

Note 22 – Business Segments and Geographic Area Information

The table below sets forth certain information concerning our cinema operations and our real estate operations (which includes information relating to both our real estate development, retail rental and live theater rental activities) for the three years ended December 31, 2012 (dollars in thousands):

Year Ended December 31, 2012	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 234,703	$ 27,256	$ (7,529)	$ 254,430
Operating expense	198,040	11,163	(7,529)	201,674
Depreciation and amortization	11,154	4,441	--	15,595
General and administrative expense	2,598	718	--	3,316
Impairment expense	--	1,463	--	1,463
Segment operating income	$ 22,911	$ 9,471	$ --	$ 32,382

Year Ended December 31, 2011	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 225,849	$ 26,562	$ (7,432)	$ 244,979
Operating expense	189,647	10,190	(7,432)	192,405
Depreciation and amortization	11,842	4,444	--	16,286
General and administrative expense	2,740	646	--	3,386
Impairment expense	--	369	--	369
Segment operating income	$ 21,620	$ 10,913	$ --	$ 32,533

Year Ended December 31, 2010	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 211,073	$ 24,715	$ (6,466)	$ 229,322
Operating expense	178,261	9,049	(6,466)	180,844
Depreciation and amortization	10,559	4,289	--	14,848
General and administrative expense	2,880	1,043	--	3,923
Impairment expense	--	2,239	--	2,239
Segment operating income	$ 19,373	$ 8,095	$ --	$ 27,468

Reconciliation to net income attributable to Reading International, Inc. shareholders:	2012	2011	2010
Total segment operating income	$ 32,382	$ 32,533	$ 27,468
Non-segment:			
Depreciation and amortization expense	454	309	715
General and administrative expense	12,801	14,046	13,684
Operating income	19,127	18,178	13,069
Interest expense, net	(16,426)	(21,038)	(12,286)
Other income (loss)	(563)	1,157	(347)
Gain (loss) on sale of assets	144	(67)	352
Income tax benefit (expense)	(4,904)	12,330	(14,264)
Equity earnings (loss) of unconsolidated joint ventures and entities	1,621	(1,552)	1,345
Income (loss) from discontinued operations	(85)	232	97
Gain (loss) on sale of discontinued operation	(320)	1,656	--
Net income (loss)	$ (1,406)	$ 10,896	$ (12,034)
Net (income) loss attributable to noncontrolling interests	492	(940)	(616)

Net income (loss) attributable to Reading International, Inc. common shareholders	$ (914)	$ 9,956	$ (12,650)

	December 31,		
Summary of assets:	2012	2011	2010
Segment assets	$ 408,667	$ 414,608	$ 406,569
Corporate assets	19,921	16,156	23,780
Total Assets	$ 428,588	$ 430,764	$ 430,349

	December 31,		
Summary of capital expenditures:	2012	2011	2010
Segment capital expenditures	$ 13,390	$ 8,419	$ 18,942
Corporate capital expenditures	333	957	429
Total capital expenditures	$ 13,723	$ 9,376	$ 19,371

The cinema results shown above include revenue and operating expense directly linked to our cinema assets. The real estate results include rental income from our properties and live theater venues and operating expense directly linked to our property assets.

The following table sets forth the book value of our operating property by geographical area (dollars in thousands):

	December 31,	
	2012	2011
Australia	$ 106,020	$ 106,263
New Zealand	35,456	33,322
United States	61,302	64,195
Total operating property	$ 202,778	$ 203,780

The following table sets forth our revenue by geographical area (dollars in thousands):

	December 31,		
	2012	2011	2010
Australia	$ 108,320	$ 110,742	$ 93,417
New Zealand	24,608	22,247	25,339
United States	121,502	111,990	110,566
Total revenue	$ 254,430	$ 244,979	$ 229,322

Note 23 – Unaudited Quarterly Financial Information (dollars in thousands, except per share amounts)

2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 62,431	$ 62,948	$ 63,934	$ 65,117
Net income (loss)	$ (109)	$ 224	$ 396	$ (1,917)
Net income (loss) attributable to Reading International, Inc. shareholders	$ (239)	$ 239	$ 363	$ (1,277)
Basic earnings (loss) per share	$ (0.01)	$ 0.01	$ 0.02	$ (0.06)
Diluted earnings (loss) per share	$ (0.01)	$ 0.01	$ 0.02	$ (0.06)
2011				
Revenue	$ 54,044	$ 66,960	$ 66,554	$ 57,421
Net income (loss)	$ (2,247)	$ 17,613	$ 291	$ (4,761)
Net income (loss) attributable to Reading International, Inc. shareholders	$ (2,480)	$ 17,432	$ 38	$ (5,034)
Basic earnings (loss) per share	$ (0.11)	$ 0.76	$ --	$ (0.21)
Diluted earnings (loss) per share	$ (0.11)	$ 0.76	$ --	$ (0.22)

Note 24 - Future Minimum Rental Income

Real estate revenue amounted to $19.7 million, $19.1 million, and $18.2 million, for the years ended December 31, 2012, 2011, and 2010, respectively. Future minimum rental income under all contractual operating leases is summarized as follows (dollars in thousands):

Year Ending December 31,	
2013	$ 10,913
2014	7,596
2015	7,258
2016	5,934
2017	231
Thereafter	30,711
Total future minimum rental income	$ 62,643

Note 25 – Related Parties and Transactions

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by James J. Cotter and Michael Forman and of which Mr. Cotter is the managing member. During 2012, 2011, and 2010, we paid rent to SHC in the amount of $590,000, $590,000, and $547,000, respectively.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than $100,000 each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we recorded the Village East Cinema building as a property asset of $4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of $5.9 million presented under other liabilities (see Note 15 – Other Liabilities). This resulted in a deemed equity distribution of $877,000.

In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying the Cinemas 1, 2 & 3 in Manhattan. In connection with that transaction, we agreed to grant to SHC an option to

acquire a 25% interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of their $3.0 million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a 25% non-managing membership interest in SHP.

OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations are managed by OBI LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of James J. Cotter and a member of our Board of Directors.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from

our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2012, OBI Management earned $390,000, which was 19.7% of net cash flows for the year. In 2011, OBI Management earned $398,000, which was 19.4% of net cash flows for the year. In 2010, OBI Management earned $416,000, which was 24.2% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

OBI Management conducts its operations from our office facilities on a rent-free basis, and we share the cost of one administrative employee of OBI Management. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renews automatically each year unless either party gives at least six months' prior notice of its determination to allow the Management Agreement to expire. In addition, we may terminate the Management Agreement at any time for cause.

Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. Messrs. James J. Cotter and Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater.

Shadow View Land and Farming LLC

During the 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed $2.5 million of cash and $255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC.

Note 26 – Casualty Loss

Our 8-screen complex in Christchurch, New Zealand, was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011. We have earthquake and lost profits insurance on that facility for which we have received to date $1.1 million (NZ$1.3 million) which is included in our other income (expense). We are awaiting a final settlement payment on this claim for a nominally estimated amount to be received in 2013. This cinema was reopened on November 17, 2011, but, as a result of a December 23, 2011 earthquake, the cinema was again temporarily closed for approximately two weeks.

Additionally, the 3-screen complex in Christchurch, New Zealand owned by our Rialto Cinemas joint venture entity ("Rialto Cinemas"), was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011, and has been closed since that date. Pursuant to the lease on the property, in May 2011, Rialto Cinemas gave notice to the landlord that Rialto Cinemas would be terminating the cinema lease. Rialto Cinemas and the landlord have terminated the lease under agreeable terms and did not result in a significant reduction to the value of our investment in the Rialto Cinemas joint venture relative to its carrying value.

Schedule II – Valuation and Qualifying Accounts

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
Year-ended December 31, 2012 – Allowance for doubtful accounts	$ 53	$ 367	$ 211	$ 209
Year-ended December 31, 2011 – Allowance for doubtful accounts	$ 58	$ 153	$ 158	$ 53
Year-ended December 31, 2010 – Allowance for doubtful accounts	$ 207	$ 69	$ 218	$ 58
Tax valuation allowance				
Year-ended December 31, 2012 – Tax valuation allowance	$ 38,461	$ --	$ 558	$ 37,903
Year-ended December 31, 2011 – Tax valuation allowance	$ 54,513	$ --	$ 16,052	$ 38,461
Year-ended December 31, 2010 – Tax valuation allowance	$ 59,603	$ --	$ 5,090	$ 54,513

Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A — Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012. The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A disclosure committee consisting of the principal accounting officer, general counsel, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d – 15(e) as of the end of the period covered by this report.

Changes in Internal Controls Over Financial Reporting

No changes in internal control over financial reporting occurred during the quarter ended December 31, 2012, that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Reading International, Inc.

Los Angeles, California

We have audited the internal control over financial reporting of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2012 and our report dated March 19, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ Grant Thornton LLP

Los Angeles, California
March 19, 2013

PART III

Items 10, 11, 12, 13 and 14

Information required by Part II (Items 10, 11, 12, 13 and 14) of this From 10-K is herby incorporated by reference from the Reading International, Inc.'s definitive Proxy Statement for its 2013 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1.Financial Statements

The following financial statements are filed as part of this report under Item 8 – Financial Statements and Supplementary Data.

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3.Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K...125

(b) Exhibits Required by Item 601 of Regulation S-K

See Item (a) 3. above.

(c) Financial Statement Schedule

See Item (a) 2. above.

Following are financial statements and notes of Mt. Gravatt Cinemas Joint Venture for the periods indicated. We are required to include in our Report on Form 10-K audited financial statements for the years ended December 31, 2012, 2011, and 2010.

Mt. Gravatt Cinemas Joint Venture

Statements of Comprehensive Income

For the Year Ended December 31, 2012

In AUS$	Note	2012	2011	2010
Revenue from rendering services	5	$ 10,689,440	$ 10,022,854	$ 10,378,232
Revenue from sale of concession		4,015,329	3,625,410	3,646,982
Total revenue		14,704,769	13,648,264	14,025,214
Film expenses		(4,311,436)	(3,974,267)	(4,200,089)
Personnel expenses	6	(1,845,515)	(1,925,190)	(2,084,251)
Occupancy expenses		(1,584,751)	(1,521,307)	(1,413,895)
House expenses		(1,260,328)	(1,159,484)	(1,182,071)
Cost of concession		(944,355)	(851,575)	(913,716)
Depreciation and amortization expenses	11	(597,349)	(555,594)	(573,224)
Advertising and marketing costs		(313,791)	(334,325)	(325,214)
Management fees		(261,004)	(253,914)	(243,290)
Repairs and maintenance expense		(217,289)	(182,566)	(163,994)
Results for operating activities		3,368,951	2,890,042	2,925,470
Finance income		21,256	58,301	19,522
Net finance income	7	21,256	58,301	19,522
Profit for the period		$ 3,390,207	$ 2,948,343	$ 2,944,992
Other comprehensive income				
Other comprehensive income for the period		--	--	--
Total comprehensive income for the period		$ 3,390,207	$ 2,948,343	$ 2,944,992

The accompanying notes are an integral part of these financial statements.

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Mt. Gravatt Cinemas Joint Venture

Statements of Changes in Equity

For the Year Ended December 31, 2012

In AUS$	Birch Carroll & Coyle Limited	Reading Exhibition Pty Ltd	Village Roadshow Exhibition Pty Ltd	Total
Members' Equity at December 31, 2009 (Unaudited)	$ 1,166,261	$ 1,166,260	$ 1,166,260	$ 3,498,781
Member distributions	(850,000)	(850,000)	(850,000)	(2,550,000)
Total other comprehensive income	--	--	--	--
Profit for the period	981,664	981,664	981,664	2,944,992
Total comprehensive income for the period	981,664	981,664	981,664	2,944,992
Members' Equity at December 31, 2010	$ 1,297,925	$ 1,297,924	$ 1,297,924	$ 3,893,773
Member distributions	(700,000)	(700,000)	(700,000)	(2,100,000)
Total other comprehensive income	--	--	--	--
Profit for the period	982,780	982,781	982,781	2,948,342
Total comprehensive income for the period	982,780	982,781	982,781	2,948,342
Members' Equity at December 31, 2011	$ 1,580,705	$ 1,580,705	$ 1,580,705	$ 4,742,115
Member distributions	(1,350,000)	(1,350,000)	(1,350,000)	(4,050,000)
Total other comprehensive income	--	--	--	--
Profit for the period	1,130,069	1,130,069	1,130,069	3,390,207
Total comprehensive income for the period	1,130,069	1,130,069	1,130,069	3,390,207
Members' Equity at December 31, 2012	$ 1,360,774	$ 1,360,774	$ 1,360,774	$ 4,082,322

The accompanying notes are an integral part of these financial statements.

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Mt. Gravatt Cinemas Joint Venture

Statements of Financial Position

For the Year Ended December 31, 2012

In AUS$	Note	2012	2011
ASSETS			
Cash and cash equivalents	8	$ 898,217	$ 1,590,333
Trade receivables	9	196,598	143,488
Inventories	10	173,411	153,899
Total current assets		1,268,226	1,887,720
Property, plant and equipment	11	3,923,871	3,737,955
Total non-current assets		3,923,871	3,737,955
Total assets		$ 5,192,097	$ 5,625,675
Trade and other payables	12	$ 878,026	$ 657,891
Employee benefits	13	162,961	128,377
Deferred revenue	14	27,683	39,068
Total current liabilities		1,068,670	825,336
Employee benefits	13	41,105	58,224
Total non-current liabilities		41,105	58,224
Total liabilities		1,109,775	883,560
Net assets		$ 4,082,322	$ 4,742,115
Equity			
Contributed equity		202,593	202,593
Retained earnings		3,879,729	4,539,522
Total equity		$ 4,082,322	$ 4,742,115

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture

Statements of Cash Flows

For the Year Ended December 31, 2012

In AUS$	Note	2012	2011	2010
Cash flows from operating activities				
Cash receipts from customers		$ 16,091,198	$ 14,889,678	$ 15,424,727
Cash paid to suppliers and employees		(11,971,304)	(11,450,521)	(11,905,889)
Net cash provided from operating activities	18	4,119,894	3,439,157	3,518,838
Cash flows from investing activities				
Acquisition of property, plant and equipment	11	(783,266)	(1,309,432)	(265,351)
Interest received	7	21,256	58,301	19,522
Net cash used in investing activities		(762,010)	(1,251,131)	(245,829)
Cash flows from financing activities				
Distributions to Joint Venturers		(4,050,000)	(2,100,000)	(2,550,000)
Net cash used in financing activities		(4,050,000)	(2,100,000)	(2,550,000)
Net increase/ (decrease) in cash and cash equivalents		(692,116)	88,024	723,009
Cash and cash equivalents at 1 January		1,590,333	1,502,309	779,300
Cash and cash equivalents at 31 December	8	$ 898,217	$ 1,590,333	$ 1,502,309

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture

Notes to Financial Statements

December 31, 2012

1. Reporting entity

Mt. Gravatt Cinemas Joint Venture (the "Joint Venture") is a legal joint venture between Birch Carrol & Coyle Ltd, Reading Exhibition Pty Ltd and Village Roadshow Exhibition Pty Ltd. The Joint Venture is domiciled and provides services solely in Australia. The address of the Joint Venture's registered office is 227 Elizabeth Street, Sydney NSW 2000. The Joint Venture primarily is involved in the exhibition of motion pictures at one cinema site.

The joint venture is to continue in existence until the Joint Venture is terminated and associated underlying assets have been sold and the proceeds of sale distributed upon agreement of the members. All distributions of earnings are required to be agreed upon and distributed evenly to the three Joint Venturers. The three Joint Venturers will evenly contribute any future required contributions.

2. Basis of presentation

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The financial year end of the Joint Venture is 30 June. For purposes of the use of these financial statements by one of the Joint Venturers, these financial statements have been prepared on a 12-month period basis ending on 31 December.

The financial statements were approved by the Management Committee on 4th March 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in Note 4, Determination of fair values.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is also the Joint Venture's functional currency. Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 15, Financial instruments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Joint Venture has not elected to early adopt any accounting standards and amendments. See Note 3(n).

(a) Financial instruments

Non-derivative financial instruments comprise trade receivables, cash and cash equivalents, and trade payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Joint Venture becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Joint Venture's contractual rights to the cash flows from the financial assets expire or if the Joint Venture transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Joint Venture commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Joint Venture's obligations specified in the contract expire, are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Joint Venture's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(k), Finance income.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs also may include purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Joint Venture and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvementsShorter of estimated useful life and term of lease

Plant and equipment3 to 20 years

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Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(c) Leased assets

Leases in which the Joint Venture assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Joint Venture's statement of financial position.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against the relevant asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Joint Venture's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change

in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Long-term employee benefits

The Joint Venture's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Joint Venture is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Joint Venture has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Joint Venture expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(g) Provisions

A provision is recognised if, as a result of a past event, the Joint Venture has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Contributed equity

The Joint Venture is comprised of three parties who share an equal ownership over the Joint Venture. The Contributed Equity amount represents the initial investment in the partnership. Distributions to the partners are made on behalf of the Joint Venture and are recognised through retained earnings.

(i) Revenue

Rendering of service/sale of concessions

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and value rebates. Revenues are generated principally through admissions and concession sales with proceeds received in cash at the point of sale. Service revenue also includes product advertising and other ancillary revenues, such as booking fees, which are recognised as income in the period earned. The Joint Venture recognises payments received attributable to the advertising services provided by the Joint Venture under certain vendor programs as revenue in the period in which services are delivered.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease on a basis that is representative of the pattern of benefit derived from the leased property.

(k) Finance income

Finance income comprises interest income on cash held in financial institutions. Interest income is recognised as it accrues in profit or loss using the effective interest method.

(l) Taxes

(i) Goods and service tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(ii) Income tax

Under applicable Australian law, the Joint Venture is not subject to tax on earnings generated. Accordingly the Joint Venture does not recognise any income tax expense, or deferred tax balances. Earnings of the Joint Venture are taxed at the Joint Venturer level.

(m) Film expense

Film expense is incurred based on a contracted percentage of box office results for each film. The Joint Venture negotiates terms with each film distributor on a film-by-film basis. Percentage terms are based on a sliding scale, with the Joint Venture subject to a higher percentage of box office results when the film is initially released and declining each subsequent week. Different films have different rates dependent upon the expected popularity of the film, and forecasted success.

(n) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2012, but have not been applied in preparing this financial report:

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009) AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Company has not yet determined the potential effect of the standard.

The Joint Venture does not consider that any other standards or interpretations issued by the IASB or the IFRIC, either applicable in the current year or not yet applicable, have, or will have, a significant impact on the financial statements.

(o) Amounts paid or payable to the auditor

The amounts paid or payable to the auditor for the audit of these financial statements has been borne by one of the Joint Venturers for which these financial statements have been prepared. The auditor provided no non-audit service in the current or prior periods disclosed.

In AUS$	2012	2011
Audit fees	$ 57,500	$ 57,500

4. Determination of fair values

A number of the Joint Venture's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Revenue from rendering of services

In AUS$	2012	2011	2010
Box office revenue	9,508,154	9,019,423	9,659,151
Screen advertising	286,501	249,524	251,325
Booking fees	268,180	200,017	187,206
Other cinema services	626,605	553,890	280,550
	$ 10,689,440	$ 10,022,854	$ 10,378,232

6. Personnel expenses

In AUS$	2012	2011	2010
Wages and salaries	1,767,789	1,846,267	1,987,041
Change in liability for annual leave	65,274	57,628	67,604
Change in liability for long-service leave	12,452	21,295	29,606

	$ 1,845,515	$ 1,925,190	$ 2,084,251

7. Finance income

In AUS$	2012	2011	2010
Interest income on cash at bank:	21,256	58,301	19,522
	$ 21,256	$ 58,301	$ 19,522

8. Cash and cash equivalents

In AUS$	Note	2012	2011
Cash at bank and on hand	15	898,217	1,590,333
Cash and cash equivalents in the statement of cash flows		$ 898,217	$ 1,590,333

The Joint Venture's exposure to interest rate risk is disclosed in Note 15(e), Financial instruments, Market risk.

9. Trade and other receivables

In AUS$	Note	2012	2011
Trade receivables	15	196,598	143,488
		$ 196,598	$ 143,488

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The Joint Venture's trade receivables relate mainly to the Joint Venture's screen advertiser and credit card companies.

The Joint Venture's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 15(c), Financial instruments, Credit risk.

10. Inventories

In AUS$	2012	2011
Concession stores at cost	173,411	153,899
	$ 173,411	$ 153,899

11. Property, Plant, and Equipment

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Cost				
Balance at January 1, 2011	9,347,006	2,566,704	265,351	12,179,061
Additions	--	--	1,309,433	1,309,433
Transfers	1,111,257	221,080	(1,332,337)	--
Balance at December 31, 2011	$ 10,458,263	$ 2,787,784	$ 242,447	$ 13,488,494
Balance at January 1, 2012	10,458,263	2,787,784	242,446	13,488,493
Additions	--	--	783,266	783,266
Transfers	94,123	4,900	(99,023)	--
Balance at December 31, 2012	$ 10,552,386	$ 2,792,684	$ 926,689	$ 14,271,759

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Accumulated depreciation				
Balance at January 1, 2011	(8,224,886)	(970,059)	--	(9,194,945)
Depreciation and amortisation	(463,815)	(91,779)	--	(555,594)
Disposals	--	--	--	--
Balance at December 31, 2011	$ (8,688,701)	$ (1,061,838)	$ --	$ (9,750,539)
Balance at January 1, 2012	(8,688,701)	(1,061,838)	--	(9,750,539)
Depreciation and amortisation	(492,890)	(104,459)	--	(597,349)
Balance at December 31, 2012	$ (9,181,591)	$ (1,166,297)	$ --	$ (10,347,888)

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Carrying amounts				
At January 1, 2011	$ 1,122,120	$ 1,596,645	$ 265,351	$ 2,984,116
At December 31, 2011	1,769,563	1,725,946	242,446	3,737,955
At January 1, 2012	1,769,563	1,725,946	242,446	3,737,955
At December 31, 2012	1,370,795	1,626,387	926,689	3,923,871

12. Trade and other payables

In AUS$	Note	2012	2011
Trade payables		413,082	365,188
Non-trade payables and accruals		464,944	292,703
	15	$ 878,026	$ 657,891

The Joint Venture's exposure to liquidity risk related to trade and other payables is disclosed in Note 15(d), Financial instruments, Liquidity risk. Trade payables represents payments to trade creditors. The Joint Venture makes these payments through the managing party's shared service centre and is charged a management fee for these services. Disclosure regarding the management fee is made in Note 19, Related parties.

13. Employee benefits

Current		
In AUS$	2012	2011
Liability for annual leave	102,540	82,698
Liability for long-service leave	60,421	45,679
	$ 162,961	$ 128,377

Non-current		
In AUS$	2012	2011
Liability for long-service leave	41,105	58,224
	$ 41,105	$ 58,224

14. Deferred revenue

In AUS$	2012	2011
Deferred revenue	27,683	39,068

$	27,683	$	39,068

Deferred revenue mainly consists of advance funds received from vendors for the exclusive rights to supply certain concession items. Revenue is recognised over the term of the related contract on a straight-line basis and is classified as service revenue.

15. Financial instruments

(a) Overview

This note presents information about the Joint Venture's exposure to financial risks, its objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Joint Venture's activities expose it to the following financial risks;

· credit risk;

- liquidity risk; and
- market risk.

(b) Risk management framework

The Joint Venturers' have overall responsibility for the establishment and oversight of the risk management framework and are also responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Joint Venture to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Joint Venture's activities. The Joint Venture, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Joint Venturers' oversee how management monitors compliance with the Joint Venture's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Joint Venture.

There were no changes in the Joint Venture's approach to capital management during the year.

(c) Credit risk

Credit risk is the risk of financial loss to the Joint Venture if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Joint Venture's receivables from customers.

The Joint Venture's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Joint Venture's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customers that are graded as "high risk" are placed on a restricted customer list, and monitored by the Joint Venturers.

The Joint Venture operates under the managing Joint Venturer's credit policy under which each new customer is analysed individually for creditworthiness before the Joint Venture's standard payment and delivery terms and conditions are offered. The Joint Venture's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. These limits are reviewed periodically. Customers that fail to meet the Joint Venture's benchmark creditworthiness may transact with the Joint Venture only on a prepayment basis.

Exposure to credit risk

The carrying amount of the Joint Venture's financial assets represents the maximum credit exposure. The Joint Venture's maximum exposure to credit risk at the reporting date was:

Carrying Amount

In AUS$	Note	2012	2011
Trade receivables	9	$ 196,598	$ 143,488
Cash and cash equivalents	8	898,217	1,590,333

The Joint Venture’s maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying Amount	
In AUS$	2012	2011
Screen advertisers	72,181	63,696
Credit card companies	114,418	71,242
Games, machine and merchandising companies	9,999	8,550
	$ 196,598	$ 143,488

Impairment losses

None of the Company's trade receivables are past due (2011: $nil). There were no allowances for impairment at 31 December 2012 or 2011.

(d) Liquidity risk

Liquidity risk is the risk that the Joint Venture will encounter difficulties in meeting its financial obligations as they fall due. The Joint Venture's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Joint Venture's reputation.

The only financial liabilities are trade and other payables all of which are contractually due within 12 months. The carrying value of such liabilities at 31 December 2012 is $878,026 (2011: $657,891).

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Joint Venture's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Joint Venture is not subject to market risks relating to foreign exchange rates or equity prices. Furthermore, the Joint Venture does not use derivative, financial instruments to hedge fluctuations in interest rates.

Interest rate risk

At the reporting date the interest rate profile of the Joint Venture's interest-bearing financial instruments was:

Variable rate instruments	Carrying amount	
In AUS$	2012	2011
Cash at bank	$ 855,715	$ 1,461,138

The Joint Venture held no fixed rate instruments during financial years 2012 or 2011.

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(f) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In AUS$	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Trade receivables	$ 196,598	$ 196,598	$ 143,488	$ 143,488
Cash and cash equivalents	898,217	898,217	1,590,333	1,590,333
Trade and other payables	878,026	878,026	657,891	657,891

The basis for determining fair values is disclosed in Note 4, Determination of fair values.

(g) Capital

Capital consists of contributed equity and retained earnings. The contributed equity amount represents the initial investment in the partnership. The Managing Committee's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business. There were no externally imposed capital requirements during the financial years 2012 or 2011.

16. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In AUS$	2012	2011
Less than one year	1,277,754	1,277,754
Between one and five years	5,111,016	5,111,016
More than five years	1,225,244	2,506,498
Total	$ 7,614,014	$ 8,895,268

The Joint Venture leases the cinema property under a long term operating lease.

The prior year operating lease commitments have been amended to exclude property outgoings which is consistent in the current year.

17. Contingencies and capital commitments

The nature of the Joint Venture's operations results in claims for personal injuries (including public liability and workers compensation) being received from time to time. As at period end there were no material current or ongoing outstanding claims.

The Joint Venture has no capital commitments at 31 December 2012 (2011: $nil).

18. Reconciliation of cash flows from operating activities

In AUS$	Note	2012	2011	2010
Cash flows from operating activities				
Profit for the period		3,390,207	2,948,343	2,944,992
Adjustments for:				
Depreciation and amortisation	11	597,349	555,594	573,224
Interest received	7	(21,256)	(58,301)	(19,522)
Loss on disposal of property, plant, and equipment		--	--	10,771
Operating profit before changes in working capital		$ 3,966,300	$ 3,445,636	$ 3,509,465
Change in trade receivables	9	(53,110)	(53,892)	7,763
Change in inventories	10	(19,512)	81,620	(96,837)
Change in prepayments and other receivables		--	--	109,099
Change in trade and other payables	12	220,135	7,388	(40,721)
Change in employee benefits	13	17,466	9,195	47,027
Change in deferred revenue	14	(11,385)	(50,790)	(16,958)
Net cash from operating activities		$ 4,119,894	$ 3,439,157	$ 3,518,838

19. Related parties

Entities with joint control or significant influence over the Joint Venture.

The managing Joint Venturer is paid an annual management fee, which is presented separately in the statement of comprehensive income. The management fee paid is as per the Joint Venture agreement and is to cover the costs of managing and operating the cinema complex and providing all relevant accounting and support services. The management fee is based on a contracted base amount, increased by the Consumer Price Index for the City of Brisbane as published by the Australian Bureau of Statistics on an annual basis. Such management fee agreement is binding over the life of the agreement which shall continue in existence until the Joint Venture is terminated under agreement by the Joint Venturers.

As of 31 December 2012 the management fee payable was $nil (2011: $24,116).

20. Subsequent events

Subsequent to 31 December 2012, there were no events which would have a material effect on these financial statements.

Independent Auditors’ Report

The Management Committee and Joint Venturers
Mt. Gravatt Cinemas Joint Venture:

Report on the Financial Statements

We have audited the accompanying financial statements of Mt. Gravatt Cinemas Joint Venture, which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2012 and 2011, and the results of its operations and its cash flows each of the years in the three-year period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG

Sydney, Australia

March 4, 2013

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Exhibits

3.1	Certificate of Amendment and Restatement of Articles of Incorporation of Reading International, Inc., a Nevada corporation, as filed with the Nevada Secretary of State on May 22, 2003 (filed as Exhibit 3.8 to the Company's report on Form 10-Q for the period ended June 30, 2009, and incorporated herein by reference).
3.2.1	Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation (filed as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference).
3.2.2	Amended Article V of the Amended and Restated Bylaws of Reading International, Inc. (filed as exhibit 3.2 to the Company's report on Form 8-K dated December 27, 2007, and incorporated herein by reference).
3.3	Articles of Merger of Craig Merger Sub, Inc. with and into Craig Corporation (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
3.4	Articles of Merger of Reading Merger Sub, Inc. with and into Reading Entertainment, Inc. (filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.1*	1999 Stock Option Plan of Reading International, Inc., as amended on December 31, 2001 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on January 21, 2004, and incorporated herein by reference).
4.2	Form of Preferred Securities Certificate evidencing the preferred securities of Reading International Trust I (filed as Exhibit 4.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.3	Form of Common Securities Certificate evidencing common securities of Reading International Trust I (filed as Exhibit 4.2 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.4	Form of Reading International, Inc. and Reading New Zealand, Limited, Junior Subordinated Note due 2027 (filed as Exhibit 4.3 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.5	Form of Indenture (filed as Exhibit 4.4 to the Company's report on Form S-3 on October 20, 2009, and incorporated herein by reference).
4.6*	2010 Stock Incentive Plan (filed as Exhibit 4.1 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.7*	Form of Stock Option Agreement (filed as Exhibit 4.2 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.8*	Form of Stock Bonus Agreement (filed as Exhibit 4.3 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.9*	Form of Restricted Stock Agreement (filed as Exhibit 4.4 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.10*	Form of Stock Appreciation Right Agreement (filed as Exhibit 4.5 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.11*	Amendment to the 2010 Stock Incentive Plan (filed as Appendix A of the Company's proxy statement on April 29, 2011, and incorporated here by reference).
10.1*	Employment Agreement, dated October 28, 1999, among Craig Corporation, Citadel Holding Corporation, Reading Entertainment, Inc., and Andrzej Matyczynski (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
10.2	Amended and Restated Lease Agreement, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.3	

	Amended and Restated Citadel Standby Credit Facility, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.4	Amended and Restated Security Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.5	Amended and Restated Pledge Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.6	Amended and Restated Intercreditor Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. and Nationwide Theatres Corp. (filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.7	Guaranty dated July 28, 2000 by Michael R. Forman and James J. Cotter in favor of Citadel Cinemas, Inc. and Citadel Realty, Inc. (filed as Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.8	Theater Management Agreement, effective as January 1, 2002, between Liberty Theaters, Inc. and OBI LLC (filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.9	Omnibus Amendment Agreement, dated as of October 22, 2003, between Citadel Cinemas, Inc., Sutton Hill Capital, L.L.C., Nationwide Theatres Corp., Sutton Hill Associates, and Reading International, Inc. (filed as Exhibit 10.49 to the Company's report on Form 10-Q for the period ended September 30, 2003, and incorporated herein by reference).
10.10	Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.11	License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C. dated as of September 19, 2005 (filed as exhibit 10.57 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.12	Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 (filed as exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
	Purchase Agreement, dated February 5, 2007, among Reading International, Inc., Reading International Trust I, and Kodiak Warehouse JPM LLC (filed as Exhibit 10.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
10.14	Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee (filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
10.15	Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee (filed as Exhibit 10.4 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
10.16*	Employment Agreement, dated December 28, 2006, between Reading International, Inc. and John Hunter (filed as Exhibit 10.66 to the Company's report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference).
10.17	Reading Guaranty Agreement dated February 21, 2008 among Consolidated Amusement Theatres, Inc., a Nevada corporation, General Electric Capital Corporation, and GE Capital Markets, Inc. (filed as Exhibit 10.73 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated

herein by reference).

10.18 Pledge and Security Agreement dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp (filed as Exhibit 10.74 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).

10.19 Promissory Note dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp. (filed as Exhibit 10.75 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).

10.20* Form of Indemnification Agreement, as routinely granted to the Company's officers and directors (filed as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and incorporated herein by reference).

10.21 Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.21 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).

10.22 Amended and Restated Purchase Money Installment Sale Note, dated September 19, 2005, as amended and restated as of June 29, 2010, by Sutton Hill Properties, LLC in favor of Sutton Hill Capital, L.L.C. (filed as Exhibit 10.22 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).

10.23 Amended and Restated Credit Agreement dated February 21, 2008, as amended and restated as of November 30, 2010, among Consolidated Entertainment, Inc., General Electric Capital Corporation, and GE Capital Markets, Inc. (filed as Exhibit 10.23 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).

10.24 Bill Acceptance and Discount & Bank Guarantee Facility Agreement dated June 24, 2011, among Reading Entertainment Australia Pty Ltd and National Australia Bank Limited (filed as Exhibit 10.24 to the Company's report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).

10.25 Property Finance Wholesale Term Loan Facility dated June 20, 2007, among Reading Courtenay Central Limited and Westpac New Zealand Limited (filed as Exhibit 10.25 to the Company's report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).

10.26 Letter dated May 6, 2009, amending Property Finance Wholesale Term Loan Facility dated June 20, 2007, among Reading Courtenay Central Limited and Westpac New Zealand Limited (filed as Exhibit 10.26 to the Company's report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).

10.27 Letter dated February 8, 2012, amending Property Finance Wholesale Term Loan Facility dated June 20, 2007, among Reading Courtenay Central Limited and Westpac New Zealand Limited (filed as Exhibit 10.27 to the Company's report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).

10.28 Amended and Restated Note dated June 28, 2012 among Sutton Hill Properties, LLC in favor of Sovereign Bank, N.A., amending Promissory Note dated June 27, 2007, by Sutton Hill Properties, LLC in favor of Eurohypo AG, New York Branch (filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended June 30, 2012, and incorporated herein by reference).

10.29 Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Filing ("Agreement") dated June 28, 2012 among Sutton Hill Properties, LLC in favor of Sovereign Bank, N.A., amending Agreement dated June 27, 2007, by Sutton Hill Properties, LLC in favor of Eurohypo AG, New York Branch (filed as Exhibit 10.2 to the Company's report on Form 10-Q for the period ended June 30, 2012, and incorporated herein by reference).

10.30 Credit Agreement entered into as of October 31, 2012, among Consolidated Entertainment, LLC and Bank of America (filed as Exhibit 99.1 to the Company's report on Form 8-K dated October 31, 2012, and incorporated herein by reference).

10.31 Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC (filed herewith).

10.32

	Amendment dated October 31, 2012 to the Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC (filed herewith).
21	List of Subsidiaries (filed herewith).
23.1	Consent of Independent Auditors, Grant Thornton LLP (filed herewith).
23.2	Consent of Independent Auditors, Deloitte & Touche LLP (filed herewith).
23.3	Consent of Independent Auditors, KPMG Australia (filed herewith).
31.1	Certification of Principal Executive Officer dated March 19, 2013 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer dated March 19, 2013 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer dated March 19, 2013 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Principal Financial Officer dated March 19, 2013 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

*These exhibits constitute the executive compensation plans and arrangements of the Company.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

READING INTERNATIONAL, INC.

(Registrant)

Date: March 19, 2013 By: /s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ James J. Cotter James J. Cotter	Chairman of the Board and Director and Chief Executive Officer	March 19, 2013
/s/ Andrzej Matyczynski Andrzej Matyczynski	Principal Financial and Accounting Officer	March 19, 2013
/s/ James J. Cotter, Jr. James J. Cotter, Jr.	Director	March 19, 2013
/s/ Margaret Cotter Margaret Cotter	Director	March 19, 2013
/s/ William D. Gould William D. Gould	Director	March 19, 2013
/s/ Edward L. Kane	Director	March 19, 2013

Edward L Kane

/s/ Douglas J. McEachern Douglas J. McEachern	Director	March 19, 2013
/s/ Tim Storey Tim Storey	Director	March 19, 2013
/s/ Alfred Villaseñor Alfred Villaseñor	Director	March 19, 2013