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## **FORM 10-K**

**READING INTERNATIONAL INC - RDI**

**Filed: March 15, 2012 (period: March 15, 2012)**

Annual report with a comprehensive overview of the company

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

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**

(State or other jurisdiction of incorporation or organization)

6100 Center Dr., Suite 900

Los Angeles, CA

(Address of principal executive offices)

**95-3885184**

(I.R.S. Employer Identification Number)

90045

(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 |
|---|---|
| <b>Class A Nonvoting Common Stock, \$0.01 par value</b> | <b>NASDAQ</b>                             |
| <b>Class B Voting Common Stock, \$0.01 par value</b>    | <b>NASDAQ</b>                             |

**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

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

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  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  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  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

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 14, 2012, there were 21,311,348 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 \$81,885,359 as of June 30, 2011.



READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K  
YEAR ENDED DECEMBER 31, 2011

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## **PART I**

### **Item 1 – Our Business**

#### **General Description of Our Business**

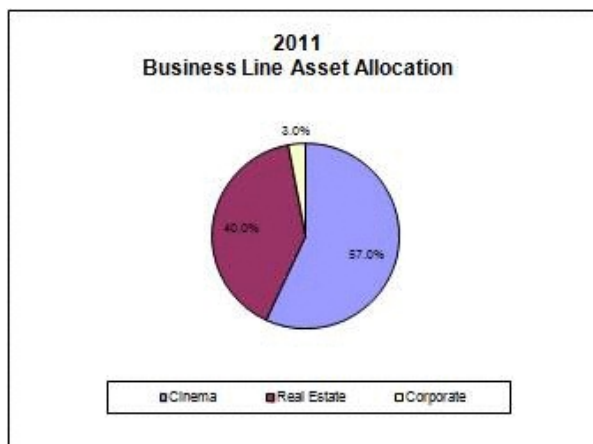
Reading International, Inc., a Nevada corporation (“RDI”), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock (“Class A Stock”) and class B voting common stock (“Class B Stock”) are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under 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](http://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 and 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 operate in two business segments :**

- (1) Cinema Exhibition, through our 57 cinemas, and**
- (2) Real Estate, including real estate development and the rental of retail, commercial and live theater assets.**

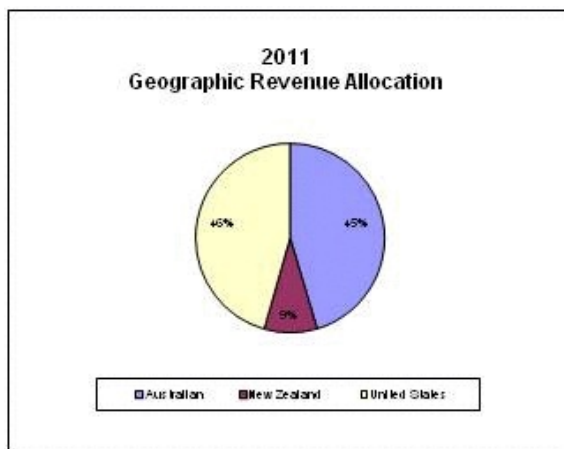
We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations can be used to fund the front-end cash demands of our real estate development business.

At December 31, 2011, the book value of our assets was \$430.8 million; and as of that same date, we had a consolidated stockholders’ book equity of \$125.0 million. Calculated based on book value, \$243.6 million or 57%, of our assets relate to our cinema exhibition activities and \$171.0 million or 40%, 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 2011 Consolidated Financial Statements.

Recognizing that we are part of a world economy, we have diversified our assets among three countries: the United States, Australia, and New Zealand. We currently have approximately 26% of our assets (based on net book value) in the United States, 57% in Australia and 17% in New Zealand compared to 29%, 55%, and 16% at the end of 2010. For 2011, our gross revenue in these jurisdictions was \$112.0 million, \$111.6 million, and \$22.2 million, respectively, compared to \$110.6 million, \$94.2 million, and \$25.0 million for 2010.



For additional financial information concerning the geographic distribution of our business, please see Note 22 – *Business Segments and Geographic Area Information* to our 2011 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. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, 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 recent years, the market value of most commercial and undeveloped real estate has seen a material decline in the markets in which we operate. While this decline has been, in our view, less pronounced in Australia and New Zealand than in the United States (and while the impact of the declines in Australia and New Zealand have been somewhat mitigated by renewed strength of the Australian and New Zealand dollar as compared to the US dollar), real estate values today are in many cases less than they were at the end of 2007. This has affected some of our development projects resulting in impairment losses. 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 generally calls for development of our raw land holdings over time for long-term development. On an overall or portfolio basis, our estimated value of our real estate and cinema assets has not in fact declined since the end of 2008. 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 and have, in our estimation, a value substantially in excess of their book value.

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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 2010, we were advised by our principal lender, BOS International (“BOSI”), in Australia that it was curtailing lending activities in that country, and would not be renewing our \$115.8 million (AU\$110.0 million) credit facility. However, on June 24, 2011, we replaced that facility with a new three-year credit facility from National Australia Bank (“NAB”) in the amount of \$110.5 million (AU\$105.0 million). On December 1, 2010, we refinanced our \$29.5 million credit facility with GE Credit with a new \$37.5 million facility, which expires on December 1, 2015, and, on February 8, 2012, we received an approved amendment from Westpac renewing our existing \$35.1 million (NZ\$45.0 million) New Zealand credit facility with a three-year \$31.2 million (NZ\$40.0 million) credit facility.

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. This was the situation, for example, in our sale of our interests in two Manhattan cinemas: the Sutton Cinema (redeveloped as a residential condominium complex commonly known as Place 57) and the Murray Hill Cinema (redeveloped as a hospital commonly known as NYU Clinical Cancer Center). However, in the current market, given the difficulty in obtaining leverage on attractive terms and our interest in now moving forward with the development or redevelopment of certain of our real property assets, we anticipate the sale of certain real estate assets such as our Cinemas 1, 2 & 3 property in Manhattan, our 0.54 acre property in Taringa, Australia and our 1.0 acre property in Lake Taupo, New Zealand (recently rezoned for residential purposes). Over the past year, we have also had substantive negotiations with third-party developers regarding the development of our Burwood property in Melbourne and our Union Square property in Manhattan. We have continued to add to our overall real estate holdings in recent periods by acquiring the fee interest in a property (aggregating approximately 6.4 acres) adjoining our 64.0 acre property in Manukau, New Zealand enhancing its accessibility, and by acquiring a 50% interest in the limited liability company that acquired an approximately 202-acre property in Riverside County, California which, while zoned residential and approved for 823 single family lots, is currently being used for agricultural purposes. The Riverside property was acquired in January 2012 in a foreclosure sale for \$5.5 million.

Given the resurgence of Manhattan commercial real estate values, in 2012, we intend to focus on the sale of our Cinemas 1, 2 & 3 property and the redevelopment of 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 in Melbourne, Australia.

It is anticipated that our 3.3 acre holdings in the Moonee Ponds area of Melbourne will benefit from the new structure plan adopted for Moonee Ponds, which has increased the density permitted at the site from ten to sixteen stories.

Consistent with our philosophy of acquiring proven cash-flowing cinemas, in February 2008, we acquired fifteen leasehold cinemas in Hawaii and California representing 181 screens for an adjusted purchase price of \$46.8 million. These cinemas produced gross revenue of \$75.7 million in 2011. In 2010, we opened a new 8-screen cinema in Australia and are currently fitting out a new 8-screen “Angelika” branded cinema in the Greater Washington D.C. area. We also acquired an existing 17-screen cinema in Southern California for \$4.2 million in August 2011.

We continue our efforts to upgrade the quality of our cinema offerings. Over the past two years we have added digital 3D capacity to 63 screens, and we have converted several theater auditoriums to a premium “gold class” formats. We anticipate over the next 24 months converting substantially all of our cinema auditoriums to digital.

Historically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. However, in February 2007 we broke with 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 is the termination of the waiver.

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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. 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, 2011, our principal assets included:

- interests in 55 cinemas comprising some 462 screens;
- 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 1.2 million square feet of developed commercial real estate, and approximately 15.6 million square feet of land; and
- cash, cash equivalents, and investments in marketable securities aggregating \$31.6 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 cinema acquisition opportunities in the future, and we believe that we have taken advantage of one such opportunity through our purchase of Consolidated Cinemas in February 2008, 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 <sup>1</sup>             | Unconsolidated <sup>2</sup>           | Managed <sup>3</sup>                 | Totals                                  |
|---------------|---|---------------------------------------|---------------------------------------|--------------------------------------|---|
| Australia     | 18 cinemas<br>138 screens               | 2 cinemas<br>11 screens               | 1 cinema <sup>4</sup><br>16 screens   | None                                 | <b>21 cinemas</b><br><b>165 screens</b> |
| New Zealand   | 8 cinemas<br>44 screens                 | None                                  | 2 cinemas <sup>5</sup><br>13 screens  | None                                 | <b>10 cinemas</b><br><b>57 screens</b>  |
| United States | 23 cinemas<br>234 screens               | 1 cinema <sup>6</sup><br>6 screens    | None                                  | 2 cinemas<br>9 screens               | <b>26 cinemas</b><br><b>249 screens</b> |
| <b>Totals</b> | <b>49 cinemas</b><br><b>416 screens</b> | <b>3 cinemas</b><br><b>17 screens</b> | <b>3 cinemas</b><br><b>29 screens</b> | <b>2 cinemas</b><br><b>9 screens</b> | <b>57 cinemas</b><br><b>471 screens</b> |

[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 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 and Dallas 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 offer premium class seating, large screens, enhanced audio stadiums, 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 70% of their 2011 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 24% of our total 2011 revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, concession products primarily include popcorn, candy, and soda.

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Screen advertising and other revenue contribute approximately 6% of our total 2011 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 to 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 2,124 individuals were employed (on a full time or part time basis) in our cinema operations in 2011. Our three 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 1/3 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.

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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 6,620 screens in 528 cinemas), AMC (with 5,203 screens in 361 cinemas), Cinemark (with 3,864 screens in 296 cinemas), and Carmike (with 2,215 screens in 235 cinemas). As of December 31, 2011, we were the 11th largest exhibitor with 1% of the box office in the United States with 249 screens in 26 cinemas.

The principal exhibitors in Australia are Greater Union, who 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 31%, Hoyts 21%, and Village 14%. Event has 476 screens nationally, Hoyts 359 screens, and Village 217 screens. By comparison, our 149 screens represent approximately 7% of the total box office.

The principle exhibitors in New Zealand are Event with 108 screens nationally and Hoyts with 64 screens. Reading has 44 screens (not including partnerships). The major exhibitors in New Zealand control approximately 70% of the total box office: Event 45% and Hoyts 25%. Reading has 13% 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 \$715.5 million (AUS\$666.7 million) at June 30, 2011. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately \$909.0 million (AUS\$847.0 million) at June 30, 2011. 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 and 3D

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping many of their facilities with 3D capability. In recent periods, cinemagoers have demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2012 lists 39 titles for 3D release, compared to 33 titles for the 2011 release schedule.

As of the end of 2011, we had 3D projectors in 35 of the 52 cinema locations that we either wholly own or consolidate and anticipate that this number will increase to approximately 47 by the end of 2012. We have now come to believe that the transition from film to digital projectors has now become inevitable and intend to convert all or substantially all of our auditoriums to digital over the next 24 months.

### 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 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 64 full time executive and administrative employees and approximately 2,124 cinema employees. Our cinema employees in Wellington, New Zealand and our projectionists in Hawaii are unionized. None of our other employees is subject to union contracts. Our one union contract with respect to our projectionists in Hawaii expires on March 31, 2012. We are currently involved in negotiations with the union and anticipate signing a new agreement prior to the expiration date. Our union contracts with respect to our New Zealand employees expire 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 existing cinema 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. An example of this is our recent acquisition of the Riverside property described above.

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, pay television, cable and satellite television, 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 since film-licensing fees have historically been front end loaded. 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.

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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.*

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It has been generally assumed that cinema exhibition will change over from film projection to digital projection technology. Such technology offers various cost benefits to both distributors and exhibitors. After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. Since 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2012 lists 39 titles for 3D release, compared to 33 titles for the 2011 release schedule. We have now come to believe that the transition from film to digital projectors has now become inevitable and intend to convert all or substantially all of our auditoriums to digital over the next 24 months. There can be no guarantee that we will have sufficient funding to make the conversion or that we will realize a positive return on the investment in the conversion.

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 \$16.5 million (AUS\$16.1 million) and \$3.3 million (NZ\$4.2 million), respectively, is denominated in local currencies and subject to the risk of currency exchange rate fluctuations. 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, since revenue are received in advance of our obligation to pay film licensing fees, rent and other costs.

*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. However, the interest rate on our TPS is only fixed for five years, and since we have used US dollar denominated obligations to retire debt denominated in New Zealand and Australian dollars, this transaction and use of net proceeds 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.

*Our stock is thinly traded.*

Our stock is thinly traded, with an average daily volume in 2011 of only approximately 21,000 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, 2011, 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 26 – *Related Parties and Transactions* to our 2011 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 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 8,783 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 2,000 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, 2011, we lease approximately 2.0 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

|               | <b>Aggregate Square Footage</b> | <b>Approximate Range of Remaining Lease Terms<br/>(including renewals)</b> |
|---------------|---------------------------------|--|
| United States | 1,005,000                       | 2012 – 2049  |
| Australia     | 756,000                         | 2017 – 2049  |
| New Zealand   | 193,000                         | 2024 – 2034  |

On February 22, 2008, we acquired 15 pre-existing cinemas from a third party, comprising approximately 708,000 square feet of cinema improvements in the United States. During 2010, we opened a new cinema in Newcastle, NSW Australia, elected not to renew the lease of our 4-screen Kapiti cinema in New Zealand, and, during September 2010, our landlord terminated the lease on our 8-screen AFC Houston cinema.

On February 12, 2010, we entered into a lease for an approximately 33,000 8-screen art cinema to be built as a part of the Mosaic District in the Greater Washington D.C. area. This lease is not reflected in the above table, as the cinema is not anticipated to open until late 2012.

On August 17, 2011, we acquired a 17-screen leasehold cinema in Southern California.

#### **Entertainment Use Fee Interests**

In Australia, as of December 31, 2011, we own approximately 3.3 million square feet of land at nine locations plus one strata title estate consisting of 22,000 square feet. 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 610,500 square feet are currently improved with cinemas.

In New Zealand, as of December 31, 2011, we own approximately 3.4 million square feet of land at seven locations. This includes an existing 335,000 square foot, nine-level parking structure in the heart of Wellington, the capital of New Zealand. All but 47,000 square feet of the Wellington site has been developed as an entertainment themed retail center (“ETRC”) that incorporates the existing parking garage. 38,000 square feet of the remaining land is currently leased and all the remaining 47,000 square feet is slated for development as phase two of our Wellington ETRC. We own the fee interests underlying three additional cinemas in New Zealand, which properties include approximately 12,000 square feet of ancillary retail space.

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In the United States, as of December 31, 2011, we own approximately 128,000 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 lease theater auditoriums to the producers of “Off Broadway” theatrical productions and provide various box office and concession services. The terms of our leases are, naturally, principally dependent upon the commercial success of our tenants. STOMP has been playing at our Orpheum Theatre in excess of 12 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). We own the fee interest in each of these theaters. Two of the properties, the Union Square and the Royal George, have ancillary retail and office space.

We are primarily in the business of leasing 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.

**Income Producing Real Estate Holdings**

As of December 31, 2011, we own fee interests in approximately 1.1 million square feet of income producing properties (including certain properties principally occupied by our cinemas).

| <b>Property<sup>7</sup></b>  | <b>Square Feet of Improvements (rental/entertainment)</b>                 | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|--|---|--------------------------|---|
| Auburn<br>100 Parramatta Road<br>Auburn, NSW, Australia                    | 57,000 / 57,000<br>Plus an 871-space<br>subterranean parking<br>structure | 100%                     | \$ 37,141,000                             |
| Belmont<br>Knutsford Avenue and<br>Fulham Street<br>Belmont, WA, Australia | 15,000 / 52,000   | 78%                      | \$ 15,804,000                             |

<sup>7</sup> 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 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, 2011.

| <b>Property</b>  | <b>Square Feet of Improvements (rental/entertainment)</b>          | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|--|--|--------------------------|---|
| Cinemas 1, 2 & 3 <sup>8</sup><br>1003 Third Avenue<br>Manhattan, NY, USA | 0 / 21,000   | N/A                      | \$ 23,458,000                             |
| Courtenay Central<br>100 Courtenay Place<br>Wellington, New Zealand      | 38,000 / 71,000<br>Plus a 335,000 square<br>foot parking structure | 75%                      | \$ 24,771,000                             |
| Indooroopilly,<br>70 Station Road<br>Brisbane, Australia                 | 24,000/0   | 100%                     | \$ 13,527,000                             |
| Invercargill Cinema<br>29 Dee Street<br>Invercargill, New Zealand        | 10,000 / 24,000  | 72%                      | \$ 3,061,000                              |
| Lake Taupo Motel<br>138-140 Lake Terrace Road<br>Taupo, New Zealand      | 9,000 / 0  | Short-term rentals       | \$ 2,079,000                              |
| Maitland Cinema<br>Ken Tubman Drive<br>Maitland, NSW, Australia          | 0 / 22,000   | N/A                      | \$ 2,439,000                              |
| Minetta Lane Theatre<br>18-22 Minetta Lane<br>Manhattan, NY, USA         | 0 / 9,000  | N/A                      | \$ 8,329,000                              |
| Napier Cinema<br>154 Station Street<br>Napier, New Zealand               | 12,000 / 17,000  | 100%                     | \$ 3,251,000                              |
| Newmarket<br>400 Newmarket Road<br>Newmarket, Queensland,<br>Australia   | 93,000 / 0   | 97%                      | \$ 44,440,000                             |
| Orpheum Theatre<br>126 2nd Street<br>Manhattan, NY, USA                  | 0 / 5,000  | N/A                      | \$ 3,430,000                              |
| Royal George<br>1633 N. Halsted Street<br>Chicago, IL, USA               | 37,000 / 23,000<br>Plus 21,000 square<br>feet of parking           | 91%                      | \$ 3,421,000                              |
| Rotorua Cinema<br>1281 Eruera Street<br>Rotorua, New Zealand             | 0 / 19,000   | N/A                      | \$ 2,874,000                              |
| Union Square Theatre<br>100 E. 17th Street<br>Manhattan, NY, USA         | 21,000 / 17,000  | 100%                     | \$ 9,045,000                              |

<sup>8</sup> 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, a major shareholder in our Company.



**Long-Term Leasehold Real Estate Holdings**

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, 2011, we had approximately 179,000 square foot of space subject to such long-term leases.

| <b>Property<sup>9</sup></b> | <b>Square Feet of Improvements (rental/entertainment)</b> | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|-----------------------------|---|--------------------------|---|
| Manville                    | 0 / 53,000  | N/A                      | \$ 2,274,000                              |
| Tower                       | 0 / 16,000  | N/A                      | \$ 902,000                                |
| Village East <sup>10</sup>  | 4,000 / 38,000  | 100%                     | \$ 11,950,000                             |
| Waurm Ponds                 | 6,000 / 52,000  | 100%                     | \$ 3,606,000                              |

<sup>9</sup>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 real estate properties 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, 2011.

<sup>10</sup>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 26 - Related Parties and Transactions to our 2011 Consolidated Financial Statements.

**Real Estate Development Properties**

We are engaged in several real estate development projects:

| <b>Property<sup>10</sup></b>                 | <b>Square Feet of Acreage</b>                                | <b>Gross Book Value (in U.S. Dollars)</b> | <b>Status</b>   |
|--|--|---|---|
| Auburn<br>Sydney, Australia                  | 2.6 acres  | \$ 2,078,000                              | No longer held for sale. We have elected to continue to hold the property for development for the foreseeable future.   |
| Burwood<br>Victoria, Australia               | 50.6 acres   | \$ 53,419,000                             | No longer held for sale. We continue to evaluate our options with regards to this property.   |
| Courtenay Central<br>Wellington, New Zealand | 1.1 acres  | \$ 6,268,000                              | Have regulatory approval for expansion and we are actively pursuing the development of the next phase.  |
| Moonee Ponds<br>Victoria, Australia          | 3.3 acres  | \$ 14,201,000                             | In planning stages of determining best use depending on factors including development of adjacent properties. 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.  |
| Taringa<br>Queensland, Australia             | 0.54 acres   | \$ 1,848,000                              | At December 31, 2011, this property is held for sale.   |
| Newmarket<br>Queensland, Australia           | 0.6 acres  | \$ 2,815,000                              | Analyzing if plans for a cinema should be replaced with plans for additional retail space.  |
| Lake Taupo<br>Taupo, New Zealand             | 0.5 acre   | \$ 2,079,000                              | No longer classified as held for sale but we are actively pursuing various methods to dispose of this property.   |
| Manakau,<br>Auckland, New Zealand            | 64.0 acres zoned agricultural and 6.4 acres zoned industrial | \$ 14,165,000                             | 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. While we currently anticipate that this rezoning will be approved, we do not anticipate that this process will conclude prior to mid 2013. 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. |

<sup>10</sup> 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.

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Some of our income producing real estate and our development properties 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 2011 Consolidated Financial Statements.

**Other Property Interests and Investments**

We currently own fee interests in the following properties located in Australia and New Zealand which are not related to our cinema activities: Indooroopilly, Taringa, Lake Taupo, and Manukau.

Non-operating Properties

We own the fee interest in 9 parcels comprising 189 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. We believe the value of these properties to be immaterial to our asset base, and while they are available for sale, we are not actively involved in the marketing of such properties. 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, 2011, after the payments made during 2011, the remaining federal tax obligation was \$4.3 million in tax plus \$9.2 million in interest. 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, 2011, 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.

In 2011, the Company claimed federal and state tax deductions for interest owed to the IRS and to state tax agencies, plus an additional federal deduction for taxes owed to state tax agencies.

The decision to settle was based on various business considerations, the most prominent of which was the potential size of an adverse judgment (some \$63.0 million net federal tax liability, including interest, if the case had remained unsettled as of December 31 2011), plus state liabilities and the direct costs of trial.

Prior to the settlement, we had accrued \$6.6 million in accordance with the cumulative probability approach prescribed in Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 740-10-25 – Income Taxes. As a result of the settlement, we recorded an additional federal and state tax expense of \$12.1 million for the year ended December 31, 2010 to increase our reserve for uncertain tax positions.

#### **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.

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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, 2011, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$12.5 million (AUS\$12.2 million) and as of that date we had incurred a total of \$8.5 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 much 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 2011 and 2010 as reported by NASDAQ:

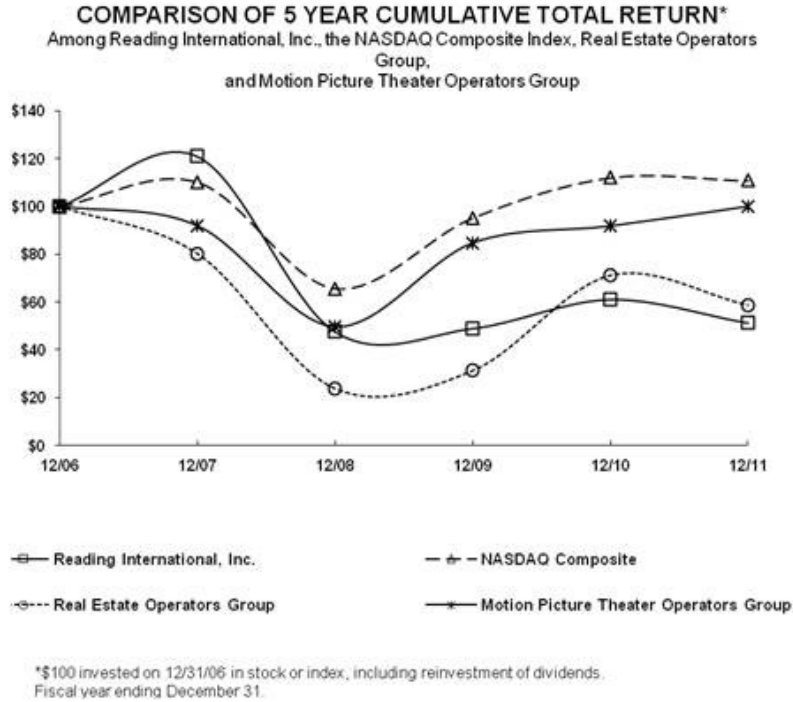
|             |                | <u>Class A Stock</u> |            | <u>Class B Stock</u> |            |
|-------------|----------------|----------------------|------------|----------------------|------------|
|             |                | <u>High</u>          | <u>Low</u> | <u>High</u>          | <u>Low</u> |
| <b>2011</b> | 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    |
| <b>2010</b> | Fourth Quarter | \$ 5.30              | \$ 4.51    | \$ 9.25              | \$ 7.53    |
|             | Third Quarter  | \$ 4.73              | \$ 3.87    | \$ 8.80              | \$ 6.52    |
|             | Second Quarter | \$ 4.45              | \$ 3.71    | \$ 9.90              | \$ 5.87    |
|             | First Quarter  | \$ 4.54              | \$ 3.85    | \$ 9.90              | \$ 5.25    |

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

| <b>Plan category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</b> | <b>Weighted-average exercise price of outstanding options, warrants, and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans</b> |
|--|---|---|---|
| Equity compensation plans approved by security holders     | 807,450   | 6.63  | 442,550   |
| Equity compensation plans not approved by security holders | --  | N/A   | --  |
| <b>Total</b>   | <b>807,450</b>  | <b>6.63</b>   | <b>442,550</b>  |

**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, 2007, 2008, 2009, 2010, and 2011 against the cumulative total return as calculated by the NASDAQ composite, the motion picture theater operator group, and the real estate operator group.



**Holdings of Record**

The number of holders of record of our Class A Stock and Class B Stock in 2011 was approximately 3,500 and 300, respectively. On March 14, 2012, the closing price per share of our Class A Stock was \$4.49 and the closing price per share of our Class B Stock was \$4.26.

**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.

**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, 2011 (the “2011 Annual Report”), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

|  | <b>As of or for the Year Ended December 31,</b> |             |             |             |             |
|--|---|-------------|-------------|-------------|-------------|
|  | <b>2011</b>                                     | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
| Revenue  | \$ 245,805                                      | \$ 230,119  | \$ 217,014  | \$ 197,054  | \$ 119,235  |
| Operating income (loss)  | \$ 18,410                                       | \$ 13,166   | \$ 13,922   | \$ (2,288)  | \$ 5,149    |
| Income from discontinued operations  | 1,656   | --          | --          | --          | 1,912       |
| Net income (loss)  | \$ 10,896                                       | \$ (12,034) | \$ 6,482    | \$ (16,189) | \$ (1,100)  |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ 9,956  | \$ (12,650) | \$ 6,094    | \$ (16,809) | \$ (2,103)  |
| Basic earnings (loss) per share – continuing operations                    | \$ 0.37   | \$ (0.56)   | \$ 0.27     | \$ (0.75)   | \$ (0.18)   |
| Basic earnings per share – discontinued operations                         | \$ 0.07   | --          | --          | --          | \$ 0.09     |
| Basic earnings (loss) per share  | \$ 0.44   | \$ (0.56)   | \$ 0.27     | \$ (0.75)   | \$ (0.09)   |
| Diluted earnings (loss) per share – continuing operations                  | \$ 0.36   | \$ (0.56)   | \$ 0.27     | \$ (0.75)   | \$ (0.18)   |
| Diluted earnings per share – discontinued operations                       | \$ 0.07   | --          | --          | --          | \$ 0.09     |
| Diluted earnings (loss) per share  | \$ 0.43   | \$ (0.56)   | \$ 0.27     | \$ (0.75)   | \$ (0.09)   |

Other Information:

|  |             |             |             |            |            |
|--|-------------|-------------|-------------|------------|------------|
| Shares outstanding                                     | 22,806,838  | 22,804,313  | 22,588,403  | 22,482,605 | 22,482,605 |
| Weighted average shares and dilutive share equivalents | 22,764,666  | 22,781,392  | 22,580,942  | 22,477,471 | 22,478,145 |
| Weighted average shares and dilutive share equivalents | 22,993,135  | 22,781,392  | 22,767,735  | 22,477,471 | 22,478,145 |
| Total assets   | \$ 430,764  | \$ 430,349  | \$ 406,417  | \$ 371,870 | \$ 346,071 |
| Total debt   | \$ 209,614  | \$ 228,821  | \$ 226,993  | \$ 239,162 | \$ 177,195 |
| Working capital (deficit)                              | \$ (25,491) | \$ (57,634) | \$ (16,229) | \$ 12,516  | \$ 6,345   |
| Stockholders’ equity                                   | \$ 124,987  | \$ 112,639  | \$ 110,263  | \$ 69,447  | \$ 124,197 |
| EBIT   | \$ 18,664   | \$ 13,900   | \$ 22,618   | \$ 1,030   | \$ 8,098   |
| Depreciation and amortization                          | \$ 16,960   | \$ 15,914   | \$ 15,168   | \$ 18,558  | \$ 11,921  |
| EBITDA   | \$ 35,624   | \$ 29,814   | \$ 37,786   | \$ 19,588  | \$ 20,019  |
| Debt to EBITDA   | 5.88        | 7.67        | 6.01        | 12.21      | 8.85       |
| Capital expenditure (including acquisitions)           | \$ 9,376    | \$ 19,371   | \$ 5,686    | \$ 75,167  | \$ 42,414  |
| Number of employees at 12/31                           | 2,263       | 2,109       | 2,207       | 1,986      | 1,383      |

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:



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- 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.

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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):

|  | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ 9,956    | \$ (12,650) | \$ 6,094    | \$ (16,809) | \$ (2,103)  |
| Add: Interest expense, net   | 21,038      | 12,286      | 14,572      | 15,740      | 8,163       |
| Add: Income tax (benefit) expense  | (12,330)    | 14,264      | 1,952       | 2,099       | 2,038       |
| EBIT   | \$ 18,664   | \$ 13,900   | \$ 22,618   | \$ 1,030    | \$ 8,098    |
| Add: Depreciation and amortization   | 16,960      | 15,914      | 15,168      | 18,558      | 11,921      |
| EBITDA   | \$ 35,624   | \$ 29,814   | \$ 37,786   | \$ 19,588   | \$ 20,019   |

## **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 2011 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 57 multiplex theaters, and
- 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 can be used to fund the front-end cash demands of our real estate 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. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new 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.

### **Business Climate**

#### **Cinema Exhibition - General**

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping many of their facilities with 3D capability. In recent periods, cinemagoers have demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2012 lists 39 titles for 3D release compared to 33 titles for the 2011 release schedule.

As of the end of 2011, we had 3D projectors in 35 of the 52 cinema locations that we either wholly own or consolidate and anticipate that this number will increase to approximately 47 by the end of 2012. We believe that the transition from film to digital projectors has now become inevitable and intend to convert all or substantially all of our auditoriums to digital over the next 24 months.

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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 70% 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 have adversely affected 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](#)

Although there has been a noted decrease in real estate market activity, commercial and retail property values have remained somewhat stable in Australia and mildly affected the market in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. During early 2009 interest rates materially decreased to 40-year lows in Australia and New Zealand. During 2010 and 2011, interest rates in these areas have slowing and sporadically begun to rise. Up until recently, New Zealand has had consistent growth in rentals and values although project commencements have slowed. New Zealand values softened during 2009 but have somewhat stabilized during 2010 and 2011.

Although the Australian property market softened in the first half of 2009, there are signs of improvement in the latter half of the year and during 2010 and 2011. An improved sentiment in retail and residential sectors has provided an improved outlook. These factors and an improving economy are putting upward pressure on interest rates.

The large institutional funds are still seeking out prime assets with premium prices being paid for good retail and commercial investments and development opportunities. Residential projects are in high demand.

Real Estate – North America

The commercial real estate market has followed the larger economy into a downturn that is likely to last through 2012. We believe that as our real estate is well located in generally large urban environments, it will be the first to see signs of recovery when the U.S. economy starts to recover.

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 2011 Annual Report under the subheading “Our Cinema Exhibition Activities.”

On February 22, 2008, we acquired from two related companies, Pacific Theatres and Consolidated Amusement Theatres, substantially all of their cinema assets in Hawaii (consisting of nine complexes with 98 screens), San Diego County (consisting of four complexes with 51 screens), and central and northern California (consisting of two complexes with 32 screens) for \$70.2 million subject to certain purchase price adjustments which have reduced the purchase price to \$46.8 million. We do not anticipate any further reductions in the purchase price. We refer to these cinemas from time to time in this report as Consolidated Entertainment cinemas. In addition, during 2008, we opened our Rouse Hill and Dandenong leasehold cinemas in Australia that collectively have 15 screens.

During the third quarter of 2009, we leased two existing cinemas in New York City with 3 screens but elected not to renew the lease of our 5-screen cinema in Market City, Australia.

In 2010, we entered in to a lease for an approximately 33,000 square foot 8-screen art cinema being built as a part of the Mosaic District in the greater Washington D.C. metropolitan area which is scheduled to open in late 2012 and we opened a new 8-screen cinema in Charlestown, NSW, Australia that opened strongly. During May 2010, we elected not to renew the lease of our 4-screen Kapiti cinema in New Zealand, and, during September 2010, our landlord terminated the lease on our 8-screen AFC Houston cinema. We also extended our lease (with option to buy) of our Village East Cinema in Manhattan.

In August 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.

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 2011, our income producing real estate holdings consisted of the following properties:

- 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;

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- 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, discussed in greater detail below, and certain unimproved land in the United States that was used in our historic activities. We also owned an 8,783 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 41% of which is leased to an unrelated third party.

## Acquisitions

On January 10, 2012, 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. See Note 28 – *Subsequent Events* to our 2011 Consolidated Financial Statements.

In August 2011, we purchased a 17-screen multiplex in Murrieta, California (the “CalOaks Cinema”), our largest 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.

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.

## Disposals

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 (AUSS\$1.8 million) and recognized a gain on sale of a discontinued operation of \$1.7 million (AUSS\$1.6 million).

## Properties Held for Sale

For fiscal 2011, our investments in property held for sale consisted of three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres. As of December 31, 2011, we were under contract to sell these properties for \$1.8 million (AUSS\$1.8 million). These properties were sold on February 21, 2012 for the agreed upon amount. See Note 28 – *Subsequent Events* to our 2011 Consolidated Financial Statements.

## Property Held For or Under Development

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 “Real Estate Development Properties.”

## 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.

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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 future cash flows, undiscounted, were to be less than the carrying amount of the asset, then an impairment would be 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 \$369,000, \$2.2 million and \$3.2 million relating to certain of our property and cinema locations for the years ended December 31, 2011, 2010, and 2009, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions.

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, 2011, we had recorded approximately \$53.1 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 \$38.7 million resulting in a net deferred tax asset of \$14.4 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.

**Results of Operations**

We currently operate 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.

During 2010, we changed our reporting for intercompany property rent where our cinema operations were substantially the only tenant of such property by eliminating the intersegment revenue and expense relating to the intercompany rent, and transferring the third party lease costs from the real estate segment to the cinema exhibition segment. This change in management's structure of the reportable segments commenced on January 1, 2010, such changes to segment reporting are reflected in the segment results for 2011, 2010, and 2009, respectively. The retroactive presentation in 2009 segment results decreased intersegment revenue and expense for the intercompany rent by \$4.4 million and transferred the third party lease costs from the real estate segment to the cinema exhibition segment. The overall results of these changes decreased real estate segment revenue and expense by \$4.4 million for the year ended December 31, 2009. This change resulted in a reduction of real estate operating expense and an increase of cinema operating expense of \$4.4 million on our Consolidated Statements of Operations for the year ended December 31, 2009.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2011, 2010, and 2009 (dollars in thousands).

| <b>Year Ended December 31, 2011</b> | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue                             | \$ 225,849                   | \$ 27,388              | \$ (7,432)                           | \$ 245,805   |
| Operating Expense                   | 189,647                      | 10,419                 | (7,432)                              | 192,634      |
| Depreciation & amortization         | 11,842                       | 4,809                  | --                                   | 16,651       |
| Impairment expense                  | --                           | 369                    | --                                   | 369          |
| General & administrative expense    | 2,740                        | 646                    | --                                   | 3,386        |
| Segment operating income            | \$ 21,620                    | \$ 11,145              | \$ --                                | \$ 32,765    |

| <b>Year Ended December 31, 2010</b> | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue                             | \$ 211,073                   | \$ 25,512              | \$ (6,466)                           | \$ 230,119   |
| Operating expense                   | 178,261                      | 9,221                  | (6,466)                              | 181,016      |
| Depreciation & amortization         | 10,559                       | 4,640                  | --                                   | 15,199       |
| Impairment expense                  | --                           | 2,239                  | --                                   | 2,239        |
| General & administrative expense    | 2,880                        | 1,220                  | --                                   | 4,100        |
| Segment operating income            | \$ 19,373                    | \$ 8,192               | \$ --                                | \$ 27,565    |

| <b>Year Ended December 31, 2009</b>                                    | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|--|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue  | \$ 201,388                   | \$ 20,867              | \$ (5,241)                           | \$ 217,014   |
| Operating expense  | 165,708                      | 7,591                  | (5,241)                              | 168,058      |
| Depreciation & amortization  | 10,816                       | 3,686                  | --                                   | 14,502       |
| Loss on transfer of real estate held for sale to continuing operations | --                           | 549                    | --                                   | 549          |
| Impairment expense   | --                           | 3,217                  | --                                   | 3,217        |
| Contractual commitment loss  | --                           | 1,092                  | --                                   | 1,092        |
| General & administrative expense                                       | 2,645                        | 1,063                  | --                                   | 3,708        |
| Segment operating income   | \$ 22,219                    | \$ 3,669               | \$ --                                | \$ 25,888    |



| <b>Reconciliation to net income attributable to Reading International, Inc. shareholders:</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|-------------|
| Total segment operating income  | \$ 32,765   | \$ 27,565   | \$ 25,888   |
| Non-segment:  |             |             |             |
| Depreciation & amortization expense   | 309         | 715         | 666         |
| General & administrative expense  | 14,046      | 13,684      | 13,851      |
| Other operating income  | --          | --          | (2,551)     |
| Operating income  | 18,410      | 13,166      | 13,922      |
| Interest expense, net   | (21,038)    | (12,286)    | (14,572)    |
| Other income (expense)  | 1,157       | (347)       | (2,013)     |
| Gain (loss) on sale of assets   | (67)        | 352         | (2)         |
| Income tax benefit (expense)  | 12,330      | (14,264)    | (1,952)     |
| Equity earnings (loss) of unconsolidated joint ventures and entities                          | (1,552)     | 1,345       | 117         |
| Income from discontinued operations   | 1,656       | --          | --          |
| Gain on extinguishment of debt  | --          | --          | 10,714      |
| Gain on sale of unconsolidated joint venture  | --          | --          | 268         |
| Net income (loss)   | \$ 10,896   | \$ (12,034) | \$ 6,482    |
| Net income attributable to noncontrolling interests   | (940)       | (616)       | (388)       |
| Net income (loss) attributable to Reading International, Inc. common shareholders             | \$ 9,956    | \$ (12,650) | \$ 6,094    |

**Cinema Exhibition Segment**

The following tables and discussion that follows detail our operating results for our 2011, 2010, and 2009 cinema exhibition segment (dollars in thousands):

| <b>Year Ended December 31, 2011</b> | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|-------------------------------------|----------------------|------------------|--------------------|--------------|
| 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 & administrative expense    | 1,973                | 691              | 76                 | 2,740        |
| Segment operating income            | \$ 4,208             | \$ 16,569        | \$ 843             | \$ 21,620    |

| <b>Year Ended December 31, 2010</b> | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|-------------------------------------|----------------------|------------------|--------------------|--------------|
| 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 & administrative expense    | 2,040                | 840              | --                 | 2,880        |
| Segment operating income            | \$ 3,366             | \$ 13,063        | \$ 2,944           | \$ 19,373    |
| <b>Year Ended December 31, 2009</b> | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
| Admissions revenue                  | \$ 75,105            | \$ 53,533        | \$ 13,985          | \$ 142,623   |
| Concessions revenue                 | 29,021               | 17,862           | 3,905              | 50,788       |
| Advertising and other revenues      | 4,820                | 2,383            | 774                | 7,977        |
| Total revenues                      | 108,946              | 73,778           | 18,664             | 201,388      |
| Cinema costs                        | 88,839               | 54,073           | 13,636             | 156,548      |
| Concession costs                    | 4,602                | 3,662            | 896                | 9,160        |
| Total operating expense             | 93,441               | 57,735           | 14,532             | 165,708      |
| Depreciation and amortization       | 7,043                | 2,658            | 1,115              | 10,816       |
| General & administrative expense    | 1,943                | 702              | --                 | 2,645        |
| Segment operating income            | \$ 6,519             | \$ 12,683        | \$ 3,017           | \$ 22,219    |

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:
  - 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.
  - 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).
  - 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 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).

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- 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%.
  - 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.
  - 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).
  - 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 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.

Cinema Results for 2010 Compared to 2009

- Cinema revenue increased in 2010 by \$9.7 million or 4.8% compared to 2009. The geographic activity of our revenue can be summarized as follows:
  - United States - Revenue in the United States decreased by \$3.2 million or 2.9%. This decrease in revenue was predominately attributable to a decrease in box office admissions of 564,000 which included a decrease in admissions from one of the acquired cinemas of the Consolidated Entertainment cinemas acquisition resulting in a purchase price adjustment of \$12.5 million (see Note 8 – *Acquisitions and Assets Held for Sale* to our 2011 Consolidated Financial Statements). The U.S. revenue was also affected by a decrease in concessions revenue of \$1.6 million offset by a 4.1% increase in average ticket price.
  - Australia - Revenue in Australia increased by \$11.1 million or 15.0%. This increase in revenue was predominately attributable to a year over year increase in the average ticket price of 7.1% coupled with a 16.2% 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 2010 compared to 2009 (see below). These increases in revenue were offset by a decrease in box office admissions of 414,000 compared to 2009.
  - New Zealand - Revenue in New Zealand increased by \$1.8 million or 9.6%. This increase in revenue was predominately attributable to a year over year increase in the average ticket price of 5.4% coupled with a 13.6% increase in the value of the New Zealand dollar compared to the U.S. dollar. This change in currency value translated to higher New Zealand revenue for 2010 compared to 2009 (see below). These increases in revenue were offset by a decrease in box office admissions of 121,000 compared to 2009.
- Operating expense increased in 2010 by \$12.6 million or 7.6% compared to 2009. Year over year operating expense increased in relation to revenue from 82.3% to 84.5%.

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- o United States - Operating expense in the United States increased by \$350,000 or 0.4% primarily due to the newly leased 3D equipment and the associated increased labor-intensive nature of showing 3D films.
- o Australia - Operating expense in Australia increased by \$10.3 million or 17.8%. This increase was in line with the above-mentioned increase in cinema revenue associated with the year over year increase in the value of the Australian dollars compared to the U.S. dollar (see below).
- o New Zealand - Operating expense in New Zealand increased by \$2.0 million or 13.4%. This increase was in line with the above-mentioned increase in cinema revenue associated with the year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Depreciation expense decreased in 2010 by \$257,000 or 2.4% compared to 2009. This decrease was primarily related to the short useful lives of the used assets associated with our Consolidated Entertainment cinemas purchased February 2008.
- General and administrative expense increased in 2010 by \$235,000 or 8.9% compared to 2009. This increase was primarily related to higher occupancy costs and a one-time union pension settlement in the U.S. and the aforementioned increase in the Australian dollar in 2010 compared to 2009 (see below).
- Australian and New Zealand monthly average exchange rates for 2010 increased by 16.2% and 13.6%, respectively, from those in 2009, which had an overall positive impact on the income statement.
- As a result, cinema exhibition segment operating income decreased in 2010 by \$2.8 million compared to 2009 primarily from the aforementioned decrease in revenue from our U.S. cinema operations driven in large part by the \$1.6 million decrease in revenue from one of our acquired Consolidated Entertainment cinemas.

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 2011, 2010, and 2009 real estate segment (dollars in thousands):

| <b>Year Ended December 31, 2011</b>      | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|--|----------------------|------------------|--------------------|--------------|
| Live theater rental and ancillary income | \$ 3,507             | \$ --            | \$ --              | \$ 3,507     |
| Property rental income                   | 1,714                | 14,676           | 7,491              | 23,881       |
| Total revenue                            | 5,221                | 14,676           | 7,491              | 27,388       |
| Live theater costs                       | 1,946                | --               | --                 | 1,946        |
| Property rental cost                     | 528                  | 5,857            | 2,088              | 8,473        |
| Total operating expense                  | 2,474                | 5,857            | 2,088              | 10,419       |
| Depreciation and amortization            | 326                  | 3,213            | 1,270              | 4,809        |
| Impairment expense                       | --                   | 369              | --                 | 369          |
| General & administrative expense         | 32                   | 554              | 60                 | 646          |
| Segment operating income                 | \$ 2,389             | \$ 4,683         | \$ 4,073           | \$ 11,145    |

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| <b>Year Ended December 31, 2010</b>                                    | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|--|----------------------|------------------|--------------------|--------------|
| Live theater rental and ancillary income                               | \$ 3,082             | \$ --            | \$ --              | \$ 3,082     |
| Property rental income   | 1,732                | 13,922           | 6,776              | 22,430       |
| Total revenue  | 4,814                | 13,922           | 6,776              | 25,512       |
| Live theater costs   | 2,044                | --               | --                 | 2,044        |
| Property rental cost   | 455                  | 4,961            | 1,761              | 7,177        |
| Total operating expense  | 2,499                | 4,961            | 1,761              | 9,221        |
| Depreciation and amortization  | 321                  | 2,818            | 1,501              | 4,640        |
| Impairment expense   | --                   | 2,239            | --                 | 2,239        |
| General & administrative expense                                       | 13                   | 1,134            | 73                 | 1,220        |
| Segment operating income   | \$ 1,981             | \$ 2,770         | \$ 3,441           | \$ 8,192     |
| <b>Year Ended December 31, 2009</b>                                    | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
| Live theater rental and ancillary income                               | \$ 2,665             | \$ --            | \$ --              | \$ 2,665     |
| Property rental income   | 1,545                | 10,853           | 5,804              | 18,202       |
| Total revenue  | 4,210                | 10,853           | 5,804              | 20,867       |
| Live theater costs   | 1,551                | --               | --                 | 1,551        |
| Property rental cost   | 493                  | 3,997            | 1,550              | 6,040        |
| Total operating expense  | 2,044                | 3,997            | 1,550              | 7,591        |
| Depreciation and amortization  | 334                  | 1,954            | 1,398              | 3,686        |
| Impairment expense   | --                   | --               | 3,217              | 3,217        |
| Loss on transfer of real estate held for sale to continuing operations | --                   | 549              | --                 | 549          |
| Contractual commitment loss  | --                   | --               | 1,092              | 1,092        |
| General & administrative expense                                       | 18                   | 914              | 131                | 1,063        |
| Segment operating income (loss)  | \$ 1,814             | \$ 3,439         | \$ (1,584)         | \$ 3,669     |

*Real Estate Results for 2011 Compared to 2010*

- Real estate revenue increased by \$1.9 million or 7.4% 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 \$1.2 million or 13.0% 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 \$168,000 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 \$1.8 million (AUS\$1.8 million)
- General and administrative costs decreased by \$574,000 or 47.0% compared to 2010 primarily due 2010 litigation costs for the Mackie case in Australia not repeated in 2011.

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- 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 \$3.0 million or 36.1% compared to 2010.

## Real Estate Results for 2010 Compared to 2009

- Real estate revenue increased by \$4.6 million or 22.3% compared to 2009. The increase in revenue was primarily related to increased rental income from our Australian properties, primarily related to a full year of rent from our Indooroopilly building, and an increase in live theater revenue in the U.S. coupled with fluctuations in currency exchange rates (see below).
- Operating expense for the real estate segment increased by \$1.6 million or 21.5% compared to 2009. This increase in expense was primarily related to increased live theater costs of \$493,000, which corresponds with the aforementioned increase in live theater revenue, and with the aforementioned fluctuations in currency exchange rates (see below).
- Depreciation expense for the real estate segment increased by \$954,000 or 25.9% compared to 2009 primarily due to the impact of currency fluctuations (see below).
- We recorded a decrease in real estate impairment losses of \$978,000. In 2010, we recorded a \$2.2 million impairment charge related to our Taringa real estate property primarily associated with the development costs of the project. In 2009, we recorded a \$3.2 million impairment loss due to weak property values in New Zealand and a contractual commitment loss of \$1.1 million associated with a property that we were under an unconditional contract to purchase in April 2010.
- We recorded a loss, in effect catch up depreciation, during 2009, on transfer of real estate held for sale to continuing operations of \$549,000 related to our Auburn property.
- General and administrative costs increased by \$157,000 or 14.8% compared to 2009 primarily due to the impact of currency fluctuations (see below) offset by our continuing cost cutting measures associated with our U.S. and New Zealand operations.
- Australian and New Zealand monthly average exchange rates for 2010 increased by 16.2% and 13.6%, respectively, from those in 2009, which had an overall positive impact on the income statement.
- As a result of the above, real estate segment income increased by \$4.5 million or 123.3% compared to 2009.

## Non-Segment Activity

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

## 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 27 – *Casualty Loss* to our 2011 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 2011 Consolidated Financial Statements.
- gain on the sale for our Elsternwick Cinema of \$1.7 million that is included in our income from discontinued operations.

2010 Compared to 2009

During 2010, the decrease of \$167,000 in corporate General and Administrative expense was primarily made up of:

- \$376,000 decrease in legal fees in 2010 associated principally with the settlement of our Malulani Investments Limited (“MIL”) case in 2009 (we anticipate that these legal costs will continue to decrease as we have settled all of our major outstanding cases over the past two years); and
- \$332,000 of reduced corporate payroll expense; offset by
- \$542,000 of increased professional fees for our 2010 settlement of the tax litigation case and for real estate and administrative activities.

Also during 2010:

- net interest expense decreased by \$2.3 million compared to 2009. The decrease in interest expense during 2010 was primarily driven by a \$3.7 million decrease in interest from our Nationwide Notes associated with the \$16.9 million in note reductions during 2010 and a \$705,000 decrease in interest associated with the 2009 paydown of our Trust Preferred Securities offset by a net \$1.1 million increase to interest associated with the mark-to-market of our interest swaps and cap and an increase to interest expense of \$1.4 million associated with an increase to Australian interest rates.
- the \$347,000 other loss 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. The \$2.0 million other loss in 2009 included a \$1.0 million other-than-temporary loss on marketable securities; a \$2.3 million loss on foreign currency transactions; \$848,000 in litigation loss accruals; offset by a \$1.5 million gain from fees associated with a terminated option and \$481,000 in gains from legal settlements.

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- the \$352,000 gain on sale of assets primarily related to a deferred gain on sale of a property.
- income tax expense increased by \$12.3 million primarily relating to our July 2010 settlement with the IRS on our Tax Audit/Litigation case.
- equity earnings from unconsolidated investments increased by \$1.2 million in primarily related to distributions from Rialto Distributions of \$286,000 after recording losses of \$1.1 million in 2009.

## 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 2011, 2010, and 2009, our consolidated business units produced 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), 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), and a net income of \$6.1 million, respectively, attributable to Reading International, Inc. common shareholders. For many of the years prior to 2011, 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 2011, 2010, and 2009, 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

Our business plan has evolved from a belief that while cinema exhibition is not a growth business at this time, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in a 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. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares 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.



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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 including the digitalization of our worldwide cinema circuit; 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*

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 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.

2010 Compared to 2009. Cash provided by operations was \$22.8 million in 2010 compared to \$18.0 million in the 2009. The increase in cash provided by operations of \$4.8 million was due primarily to \$2.0 million from changes in operating assets and liabilities (excluding a \$12.7 million change in accrual for our tax litigation settlement) and \$2.8 million from an increase in operational cash flows.

*Investing Activities*

Cash used in investing activities for 2011 was \$3.8 million compared to \$21.0 million in 2010 and \$12.9 million in 2009. The following summarizes our discretionary investing activities for each of the three years ending December 31, 2011:

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

- \$3.9 million for the purchase of the CalOaks cinema;
- \$200,000 as a deposit for the purchase of remaining 50% membership interest in the Angelika Film Centers LLC;
- \$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.

The \$12.9 million cash used in 2009 was primarily related to:

- \$5.7 million in property enhancements to our existing properties;
- \$706,000 deposit to purchase a property adjacent to our Manukau property; and
- \$11.5 million to purchase marketable securities to exchange for our Reading International Trust I securities;

offset by

- \$1.3 million in restricted cash primarily related to the use of construction deposits made in 2008 for repair work to one of our cinemas;
- \$3.3 million in return of investment of unconsolidated entities; and
- \$285,000 of sale option proceeds for our Auburn property.

*Financing Activities*

Cash used in financing activities for 2011 was \$23.4 million compared to cash provided by financing activities of \$5.5 million in 2010 and cash used in financing activities of \$14.4 million in 2009. The following summarizes our financing activities for each of the three years ending December 31, 2011:

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

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- \$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.

The \$14.4 million cash used in 2009 was primarily related to:

- \$1.5 million of borrowing on our Australian Construction facility; and
- \$175,000 of noncontrolling interest contributions;

offset by

- \$14.9 million of loan repayments including \$8.3 million to pay down on our GE Capital loan and \$6.1 million to pay off our Australian Construction facility; and
- \$1.1 million in noncontrolling interest distributions.

Future Liquidity and Capital Resources

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements.

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

- receiving on February 8, 2012, an approved amendment from Westpac renewing our existing \$35.1 million (NZ\$45.0 million) New Zealand credit facility with a 3-year \$31.2 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, 2011 an \$88.7 million (AUS\$86.5 million) term loan; a \$10.3 million (AUS\$10.0 million) revolving facility which was unused at December 31, 2011; and a \$5.1 million (AUS\$5.0 million) guarantee facility.

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- renegotiating our GE Capital loan resulting in an increase in the loan balance by \$8.0 million and the ability to use a larger portion of cash flows from our Consolidated Entertainment Inc. subsidiary.
- signing a new 5-year term loan on our Union Square theatre with a loan balance of \$7.4 million.
- renegotiating our Sutton Hill Capital loan, by paying off the \$5.0 million loan and extending the \$9.0 million loan along with an option to purchase the Village East building lease.

To meet our current and future liquidity requirements, we have the following external sources of unused liquidity:

- \$9.4 million (NZ\$12.0 million) is available on our renewed New Zealand Corporate Credit facility;
- \$10.3 million (AUS\$10.0 million) is available on our new NAB revolver facility; and
- \$500,000 is available on our Bank of America Line of Credit.

Potential uses for funds during 2012 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 cinema worldwide circuit;
- 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 cash position at December 31, 2011 was \$31.6 million compared to \$34.6 million at December 31, 2010. Of the \$31.6 million, \$16.5 million was in Australia, \$11.8 million was in the U.S., and \$3.3 million was in New Zealand. Of the \$16.5 million in Australia, pursuant to our new NAB credit agreement, we are only able to transfer \$4.1 million (AUS\$4.0 million) per year outside of Australia without the prior approval of NAB. This transfer from Australia (into the U.S.) was made earlier in 2011. Of the \$11.8 million in the U.S., \$8.7 million is included in our Consolidated Entertainment subsidiary and is subject to certain debt covenants with GE Capital that limit the use of this cash outside of the subsidiary without the prior approval of GE. Therefore, at December 31, 2011, we had approximately \$6.4 million of cash worldwide that is not restricted by covenants.

In late February 2007, it became apparent that our cost estimates with respect to the Burwood site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our estimated cost of \$600.0 million included approximately \$1.8 million (AUS\$1.8 million) of estimated cost to remove the contaminated soil. 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 this site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2011, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$12.5 million (AUS\$12.2 million) and as of that date we had incurred a total of \$8.5 million (AUS\$8.3 million) of these costs. In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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.

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.

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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, 2011 (in thousands):

|   | <u>2012</u>      | <u>2013</u>      | <u>2014</u>       | <u>2015</u>      | <u>2016</u>      | <u>Thereafter</u> | <u>Total</u>      |
|---|------------------|------------------|-------------------|------------------|------------------|-------------------|-------------------|
| Debt  | \$ 29,630        | \$ 31,216        | \$ 69,159         | \$ 42,696        | \$ --            | \$ --             | \$ 172,701        |
| Notes payable to related parties                | --               | 9,000            | --                | --               | --               | --                | 9,000             |
| Subordinated notes (trust preferred securities) | --               | --               | --                | --               | --               | 27,913            | 27,913            |
| Pension liability                               | 10               | 20               | 30                | 40               | 50               | 4,139             | 4,289             |
| Lease obligations                               | 31,117           | 28,412           | 25,060            | 21,045           | 19,578           | 76,942            | 202,154           |
| Estimated interest on debt                      | 13,014           | 11,033           | 6,778             | 2,591            | 1,568            | 16,460            | 51,444            |
| <b>Total</b>                                    | <b>\$ 73,771</b> | <b>\$ 79,681</b> | <b>\$ 101,027</b> | <b>\$ 66,372</b> | <b>\$ 21,196</b> | <b>\$ 125,454</b> | <b>\$ 467,501</b> |

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 2011 Consolidated Financial Statements). As of December 31 2011, the gross unrecognized tax benefit decreased to \$4.4 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. We do not expect a significant tax payment related to the \$4.4 million in uncertain tax positions within the next 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was \$663,000 and \$653,000 as of December 31, 2011 and December 31, 2010, respectively. Our share of unconsolidated debt, based on our ownership percentage, was \$221,000 and \$218,000 as of December 31, 2011 and December 31, 2010, 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. However, 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. Additionally, under our GE Capital Term Loan, we are required to swap no less than 50% of the December 1, 2010 balance of \$37.5 million for the first three years of the revised loan agreement (see Note 12 – *Notes Payable* to our 2011 Consolidated Financial Statements), but we have elected to swap 100% of the balance for the first three years.

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 2011

Please see Note 2 – *Summary of Significant Accounting Policies* to our 2011 Consolidated Financial Statements.

New Accounting Pronouncements

Please see Note 2 – *Summary of Significant Accounting Policies* to our 2011 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);
  - 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;
  - 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
  - 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, 2011, approximately 57% and 16% 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 \$19.8 million in cash and cash equivalents. At December 31, 2010, approximately 55% and 16% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately \$18.1 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 50% 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 \$13.8 million and \$3.6 million, respectively, and the change in annual net income would be \$1.9 million and \$410,000, 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 \$60.1 million and \$59.1 million as of December 31, 2011 and 2010, 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 \$280,000 increase or decrease in our 2011 interest expense.

**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 sheet of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2011. Our audit of the consolidated financial statements also included the financial statement schedule listed in the Index at Item 15 for the year ended December 31, 2011. 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 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries at December 31, 2011, and the results of their operations and their cash flows for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule for the year ended December 31, 2011, 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.

We have also 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, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2012 expressed an unqualified opinion thereon.

/s/ Grant Thornton LLP

Los Angeles, California  
March 15, 2012

**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, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2010. Our audits also included the financial statement schedule 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 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, such consolidated financial statements present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries at December 31, 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, 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 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 and 2009 consolidated financial statements have been retrospectively adjusted for the reversal of 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)

**Reading International, Inc. and Subsidiaries**  
**Consolidated Balance Sheets as of December 31, 2011 and 2010**  
**(U.S. dollars in thousands)**

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2011              | 2010              |
| <b>ASSETS</b>   |                   |                   |
| <b>Current Assets:</b>  |                   |                   |
| Cash and cash equivalents   | \$ 31,597         | \$ 34,568         |
| Receivables   | 6,973             | 5,470             |
| Inventory   | 1,035             | 989               |
| Investment in marketable securities   | 2,874             | 2,985             |
| Restricted cash   | 2,379             | 2,159             |
| Deferred tax asset  | 1,985             | --                |
| Prepaid and other current assets  | 3,781             | 3,536             |
| Assets held for sale  | 1,848             | 55,210            |
| <b>Total current assets</b>   | <b>52,472</b>     | <b>104,917</b>    |
| Property held for and under development   | 91,698            | 35,702            |
| Property & equipment, net   | 215,428           | 220,250           |
| Investment in unconsolidated joint ventures and entities  | 7,839             | 10,415            |
| Investment in Reading International Trust I   | 838               | 838               |
| Goodwill  | 22,277            | 21,535            |
| Intangible assets, net  | 17,999            | 20,156            |
| Deferred tax asset, net   | 12,399            | --                |
| Other assets  | 9,814             | 16,536            |
| <b>Total assets</b>   | <b>\$ 430,764</b> | <b>\$ 430,349</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |
| <b>Current Liabilities:</b>   |                   |                   |
| Accounts payable and accrued liabilities  | \$ 16,905         | \$ 15,930         |
| Film rent payable   | 6,162             | 5,757             |
| Notes payable – current portion   | 29,630            | 108,124           |
| Taxes payable   | 14,858            | 23,872            |
| Deferred current revenue  | 10,271            | 8,727             |
| Other current liabilities   | 137               | 141               |
| <b>Total current liabilities</b>  | <b>77,963</b>     | <b>162,551</b>    |
| Notes payable – long-term portion   | 143,071           | 83,784            |
| Notes payable to related party  | 9,000             | 9,000             |
| Subordinated debt   | 27,913            | 27,913            |
| Noncurrent tax liabilities  | 12,191            | 2,267             |
| Other liabilities   | 35,639            | 32,195            |
| <b>Total liabilities</b>  | <b>305,777</b>    | <b>317,710</b>    |
| <b>Commitments and contingencies (Note 19)</b>  |                   |                   |
| <b>Stockholders' equity:</b>  |                   |                   |
| Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 35,675,518 issued and 21,311,348 outstanding at December 31, 2011 and 31,500,693 issued and 21,308,823 outstanding at December 31, 2010 | 220               | 216               |
| Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2011 and at December 31, 2010  | 15                | 15                |
| Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued   |                   |                   |
| Additional paid-in capital  | 135,171           | 134,236           |
| Accumulated deficit   | (66,079)          | (76,035)          |
| Treasury shares   | (4,512)           | (3,765)           |
| Accumulated other comprehensive income  | 58,937            | 57,120            |
| <b>Total Reading International, Inc. stockholders' equity</b>   | <b>123,752</b>    | <b>111,787</b>    |
| Noncontrolling interests  | 1,235             | 852               |
| <b>Total stockholders' equity</b>   | <b>124,987</b>    | <b>112,639</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 430,764</b> | <b>\$ 430,349</b> |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Operations for the Three Years Ended December 31, 2011**  
(U.S. dollars in thousands, except per share amounts)

|   | Year Ended December 31, |             |            |
|---|-------------------------|-------------|------------|
|   | 2011                    | 2010        | 2009       |
| <b>Operating revenue</b>  |                         |             |            |
| Cinema  | \$ 225,849              | \$ 211,073  | \$ 201,388 |
| Real estate   | 19,956                  | 19,046      | 15,626     |
| Total operating revenue   | 245,805                 | 230,119     | 217,014    |
| <b>Operating expense</b>  |                         |             |            |
| Cinema  | 182,215                 | 171,795     | 160,467    |
| Real estate   | 10,419                  | 9,221       | 7,591      |
| Depreciation and amortization   | 16,960                  | 15,914      | 15,168     |
| Loss on transfer of real estate held for sale to continuing operations  | --                      | --          | 549        |
| Impairment expense  | 369                     | 2,239       | 3,217      |
| Contractual commitment loss   | --                      | --          | 1,092      |
| General and administrative  | 17,432                  | 17,784      | 17,559     |
| Other operating income  | --                      | --          | (2,551)    |
| Total operating expense   | 227,395                 | 216,953     | 203,092    |
| <b>Operating income</b>   | 18,410                  | 13,166      | 13,922     |
| Interest income   | 1,482                   | 1,351       | 1,154      |
| Interest expense  | (22,520)                | (13,637)    | (15,726)   |
| Gain on extinguishment of debt  | --                      | --          | 10,714     |
| Net gain (loss) on sale of assets   | (67)                    | 352         | (2)        |
| Other income (expense)  | 1,157                   | (347)       | (2,013)    |
| <b>Income (loss) before income tax benefit (expense), equity earnings (loss) of unconsolidated joint ventures and entities, and discontinued operations</b> | (1,538)                 | 885         | 8,049      |
| Income tax benefit (expense)  | 12,330                  | (14,264)    | (1,952)    |
| <b>Income (loss) before equity earnings (loss) of unconsolidated joint ventures and entities and discontinued operations</b>                                | 10,792                  | (13,379)    | 6,097      |
| Equity earnings (loss) of unconsolidated joint ventures and entities  | (1,552)                 | 1,345       | 117        |
| Gain on sale of unconsolidated joint venture  | --                      | --          | 268        |
| <b>Income (loss) before discontinued operations</b>   | 9,240                   | (12,034)    | 6,482      |
| Gain on sale of discontinued operation  | 1,656                   | --          | --         |
| <b>Net income (loss)</b>  | \$ 10,896               | \$ (12,034) | \$ 6,482   |
| Net income attributable to noncontrolling interests   | (940)                   | (616)       | (388)      |
| <b>Net income (loss) attributable to Reading International, Inc. common shareholders</b>  | \$ 9,956                | \$ (12,650) | \$ 6,094   |
| Earnings (loss) per common share attributable to Reading International, Inc. shareholders – basic:  |                         |             |            |
| Earnings (loss) from continuing operations  | \$ 0.37                 | \$ (0.56)   | \$ 0.27    |
| Earnings from discontinued operations, net  | 0.07                    | --          | --         |
| <b>Basic earnings (loss) per share attributable to Reading International, Inc. shareholders</b>   | \$ 0.44                 | \$ (0.56)   | \$ 0.27    |
| Earnings (loss) per common share attributable to Reading International, Inc. shareholders – diluted:  |                         |             |            |
| Earnings (loss) from continuing operations  | \$ 0.36                 | \$ (0.56)   | \$ 0.27    |
| Earnings from discontinued operations, net  | 0.07                    | --          | --         |
| <b>Diluted earnings (loss) per share attributable to Reading International, Inc. shareholders</b>   | \$ 0.43                 | \$ (0.56)   | \$ 0.27    |
| <b>Weighted average number of shares outstanding – basic</b>  | 22,764,666              | 22,781,392  | 22,580,942 |
| <b>Weighted average number of shares outstanding – diluted</b>  | 22,993,135              | 22,781,392  | 22,767,735 |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2011**  
(In thousands)

|   | Common Stock   |                   |                |                   |                            | Treasury Stock | Accumulated Deficit | Accumulated Other Comprehensive Income/(Loss) | Total Reading International, Inc. Stockholder's Equity | Noncontrolling Interests | Total Stockholders' Equity |
|---|----------------|-------------------|----------------|-------------------|----------------------------|----------------|---------------------|---|--|--------------------------|----------------------------|
|   | Class A Shares | Class A Par Value | Class B Shares | Class B Par Value | Additional Paid-In Capital |                |                     |   |  |                          |                            |
| At January 1, 2009  | 20,987         | \$ 216            | 1,495          | \$ 15             | \$ 133,906                 | \$ (4,306)     | \$ (69,479)         | \$ 7,278                                      | \$ 67,630  | \$ 1,817                 | \$ 69,447                  |
| Net income  | --             | --                | --             | --                | --                         | --             | 6,094               | --  | 6,094  | 388                      | 6,482                      |
| Other comprehensive income:   |                |                   |                |                   |                            |                |                     |   |  |                          |                            |
| Cumulative foreign exchange rate adjustment                         | --             | --                | --             | --                | --                         | --             | --                  | 34,130  | 34,130   | 141                      | 34,271                     |
| Accrued pension service costs                                       | --             | --                | --             | --                | --                         | --             | --                  | (418)   | (418)  | --                       | (418)                      |
| Unrealized gain on securities                                       | --             | --                | --             | --                | --                         | --             | --                  | 524   | 524  | --                       | 524                        |
| Total comprehensive income  | --             | --                | --             | --                | --                         | --             | --                  | --  | 40,330   | 529                      | 40,859                     |
| Stock option and restricted stock compensation expense              | --             | --                | --             | --                | 916                        | --             | --                  | --  | 916  | --                       | 916                        |
| Cancellation of treasury shares                                     | --             | (1)               | --             | --                | (791)                      | 792            | --                  | --  | --   | --                       | --                         |
| Class A common stock issued for stock bonuses and options exercised | 146            | --                | --             | --                | 13                         | --             | --                  | --  | 13   | --                       | 13                         |
| Contributions from noncontrolling shareholders                      | --             | --                | --             | --                | --                         | --             | --                  | --  | --   | 175                      | 175                        |
| Distributions to noncontrolling shareholders                        | --             | --                | --             | --                | --                         | --             | --                  | --  | --   | (1,147)                  | (1,147)                    |
| At December 31, 2009  | 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:   |                |                   |                |                   |                            |                |                     |   |  |                          |                            |
| Cumulative foreign exchange rate adjustment                         | --             | --                | --             | --                | --                         | --             | --                  | 15,972  | 15,972   | 43                       | 16,015                     |
| Accrued   |                |                   |                |                   |                            |                |                     |   |  |                          |                            |

|   |        |        |       |       |            |            |             |           |            |         |            |
|---|--------|--------|-------|-------|------------|------------|-------------|-----------|------------|---------|------------|
| pension service costs   | --     | --     | --    | --    | --         | --         | --          | 112       | 112        | --      | 112        |
| Unrealized loss on securities                                       | --     | --     | --    | --    | --         | --         | --          | (478)     | (478)      | --      | (478)      |
| Total comprehensive loss  | --     | --     | --    | --    | --         | --         | --          | --        | 2,956      | 659     | 3,615      |
| 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:   |        |        |       |       |            |            |             |           |            |         |            |
| Cumulative foreign exchange rate adjustment                         | --     | --     | --    | --    | --         | --         | --          | 1,017     | 1,017      | 11      | 1,028      |
| Accrued pension service costs                                       | --     | --     | --    | --    | --         | --         | --          | 832       | 832        | --      | 832        |
| Unrealized loss on securities                                       | --     | --     | --    | --    | --         | --         | --          | (32)      | (32)       | --      | (32)       |
| Total comprehensive income  | --     | --     | --    | --    | --         | --         | --          | --        | 11,773     | 951     | 12,724     |
| 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                           | <u>21,311</u> | <u>\$ 220</u> | <u>1,495</u> | <u>\$ 15</u> | <u>\$ 135,171</u> | <u>\$ (4,512)</u> | <u>\$ (66,079)</u> | <u>\$ 58,937</u> | <u>\$ 123,752</u> | <u>\$ 1,235</u> | <u>\$ 124,987</u> |       |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2011**  
**(U.S. dollars in thousands)**

|   | Year Ended December 31, |             |           |
|---|-------------------------|-------------|-----------|
|   | 2011                    | 2010        | 2009      |
| <b>Operating Activities</b>   |                         |             |           |
| Net income (loss)   | \$ 10,896               | \$ (12,034) | \$ 6,482  |
| <i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i> |                         |             |           |
| (Income) loss recognized on foreign currency transactions                                       | 16                      | (59)        | 2,257     |
| Equity (earnings) loss of unconsolidated joint ventures and entities                            | 1,552                   | (1,345)     | (117)     |
| Distributions of earnings from unconsolidated joint ventures and entities                       | 1,119                   | 1,352       | 1,167     |
| Loss provision on impairment of asset   | 369                     | 2,239       | 3,217     |
| (Gain) loss on sale of assets   | (1,589)                 | (352)       | 549       |
| Deferred tax benefit  | (15,028)                | --          | --        |
| (Gain) loss on marketable securities  | (25)                    | --          | 1,047     |
| Gain in other operating income  | --                      | --          | (2,551)   |
| Loss associated with contractual commitment   | --                      | --          | 1,092     |
| Gain on the sale of an unconsolidated entity  | --                      | --          | (268)     |
| Gain on option termination  | --                      | --          | (1,530)   |
| Gain on retirement of subordinated debt (trust preferred securities)                            | --                      | --          | (10,714)  |
| Depreciation and amortization   | 16,960                  | 15,914      | 15,168    |
| Amortization of prior service costs   | 832                     | 112         | (418)     |
| Amortization of above and below market leases   | 427                     | 924         | 772       |
| Amortization of deferred financing costs  | 1,276                   | 1,402       | 775       |
| Amortization of straight-line rent  | 782                     | (93)        | 977       |
| Stock based compensation expense  | 939                     | 821         | 916       |
| <i>Changes in assets and liabilities:</i>   |                         |             |           |
| (Increase) decrease in receivables  | (1,468)                 | 4,363       | (494)     |
| Increase in prepaid and other assets  | (7)                     | (162)       | (1,712)   |
| Increase in accounts payable and accrued expenses   | 833                     | 115         | 238       |
| Increase (decrease) in film rent payable  | 361                     | (1,841)     | (942)     |
| Increase in taxes payable   | 908                     | 13,009      | 1,762     |
| Increase (decrease) in deferred revenue and other liabilities                                   | 5,100                   | (1,581)     | 305       |
| Net cash provided by operating activities   | 24,253                  | 22,784      | 17,978    |
| <b>Investing Activities</b>   |                         |             |           |
| Acquisitions  | (3,917)                 | (5,313)     | --        |
| Acquisition deposit paid  | (200)                   | --          | (706)     |
| Purchases of and additions to property and equipment  | (5,459)                 | (14,058)    | (5,686)   |
| Change in restricted cash   | (168)                   | (1,838)     | 1,335     |
| Cinema sale proceeds from noncontrolling shareholder  | 1,867                   | --          | --        |
| Purchase of marketable securities   | --                      | (42)        | (11,463)  |
| Sale of marketable securities   | 143                     | 30          | --        |
| Proceeds from note receivable   | 6,750                   | --          | --        |
| Option proceeds   | --                      | --          | 285       |
| Distributions of investment in unconsolidated joint ventures and entities                       | --                      | 229         | 3,336     |
| Purchase of notes receivable  | (2,784)                 | --          | --        |
| Net cash used in investing activities   | (3,768)                 | (20,992)    | (12,899)  |
| <b>Financing Activities</b>   |                         |             |           |
| Repayment of long-term borrowings   | (126,780)               | (15,450)    | (14,888)  |
| Proceeds from borrowings  | 105,311                 | 23,525      | 1,455     |
| Capitalized borrowing costs   | (774)                   | (1,347)     | --        |
| Repurchase of Class A Nonvoting Common  | (747)                   | (251)       | --        |
| Proceeds from stock options   | --                      | 248         | 11        |
| Noncontrolling interest contributions   | 233                     | 225         | 175       |
| Noncontrolling interest distributions   | (654)                   | (1,406)     | (1,147)   |
| Net cash provided by (used in) financing activities   | (23,411)                | 5,544       | (14,394)  |
| <b>Effect of exchange rate on cash</b>  | (45)                    | 2,620       | 3,053     |
| <b>Increase (decrease) in cash and cash equivalents</b>   | (2,971)                 | 9,956       | (6,262)   |
| <b>Cash and cash equivalents at beginning of year</b>   | 34,568                  | 24,612      | 30,874    |
| <b>Cash and cash equivalents at end of year</b>   | \$ 31,597               | \$ 34,568   | \$ 24,612 |
| <b>Supplemental Disclosures</b>   |                         |             |           |
| Cash paid during the period for:  |                         |             |           |
| Interest on borrowings, net of amounts capitalized (see Note 6)                                 | \$ 16,957               | \$ 15,133   | \$ 14,347 |
| Income taxes  | \$ 2,688                | \$ 792      | \$ 774    |
| <b>Non-Cash Transactions</b>  |                         |             |           |
| 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 obligation  | -- | 5,573 | --       |
| Exchange of marketable securities for Reading International Trust I securities  | -- | --    | (11,463) |
| Retirement of subordinated debt (trust preferred securities)                    | -- | --    | (23,634) |
| Retirement of Reading International Trust I securities                          | -- | --    | 11,463   |
| Retirement of investment in Reading International Trust I securities            | -- | --    | 709      |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2011**  
**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 CDL, RDGE, and CRG. 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; and 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.

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 57<sup>th</sup> Street Associates, LLC (*Place 57*) a limited liability company formed to redevelop our former cinema site at 205 East 57<sup>th</sup> 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**

***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*.

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### *New Zealand Credit Facility*

The term of our New Zealand Credit Facility with Westpac matures on March 31, 2012. On February 8, 2012, we received an approved amendment from Westpac renewing our existing \$35.1 million (NZ\$45.0 million) New Zealand credit facility with a 3-year \$31.2 million (NZ\$40.0 million) credit facility (see Note 28 – *Subsequent Events*). Accordingly, the December 31, 2011 outstanding balance of this debt of \$21.9 million (NZ\$28.0 million) is classified as long-term on our balance sheet.

### *Cinemas 1, 2, 3 Loan*

As the loan is due to mature on July 1, 2012, the December 31, 2011 outstanding balance of this debt of \$15.0 million is classified as current on our balance sheet. We intend to either refinance the property's debt with similar financing or sell the property and use the proceeds to pay off the loan.

### *Cash Position*

Our cash position at December 31, 2011 was \$31.6 million. Of the \$31.6 million, \$16.5 million was in Australia, \$11.8 million was in the U.S., and \$3.3 million was in New Zealand. Of the \$16.5 million in Australia, pursuant to our new NAB Credit Facility, we are only able to transfer \$4.1 million (AUS\$4.0 million) per year outside of Australia without the prior approval of NAB. Of the \$11.8 million in the U.S., \$8.7 million is included in our Consolidated Entertainment subsidiary and is subject to certain debt covenants with GE Capital as discussed in Note 12 that limit the use of this cash outside of the subsidiary without the prior approval of GE. Therefore, at December 31, 2011, we have approximately \$6.4 million of cash worldwide that is not restricted by covenants.

At December 31, 2011, we had undrawn funds of \$10.3 million (AU\$10.0 million) available under our NAB line of credit in Australia, effectively \$9.4 million (NZ\$12.0 million) available under our renewed New Zealand Corporate Credit facility, \$5.0 million available under our GE Capital revolving loan credit facility in the U.S., and \$500,000 available under our Bank of America line of credit in the U.S. Accordingly, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our \$31.6 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.

## 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. During 2009, we realized a loss of \$2.1 million on certain marketable securities due to an other than temporary decline in market price. This loss was later offset by a \$1.1 million realized gain on exchange of marketable securities. Additionally, these investments have a cumulative unrealized loss of \$11,000 included in other comprehensive income at December 31, 2011. For the twelve months ended December 31, 2011, 2010, and 2009, our net unrealized gain (loss) was (\$32,000), (\$478,000), and \$524,000, 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.



### 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.

### 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, 2011 and 2010, our restricted cash balance was \$2.4 million and \$2.2 million, respectively, which was 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.

### Property Held for and Under Development

Property held for development is carried at the lower of cost or fair market value. Property under development consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs. These building and improvement costs are 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 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.

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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, 2011, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$12.5 million (AUS\$12.2 million) and as of that date we had incurred a total of \$8.5 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.

### Property and Equipment

Property and equipment consists of land, buildings and improvements, leasehold improvements, fixtures and equipment. With the exception of land, property and equipment is carried 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.

### Construction-in-Progress Costs

Construction-in-progress includes costs associated with already existing buildings, property, furniture, and fixtures for which we are in the process of improving the site or its associated business assets.

### 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 \$369,000, \$2.2 million, and \$3.2 million, relating to certain of our property under development, property held for development, and cinema locations for the years ended December 31, 2011, 2010, and 2009, 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*.

### 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 years ended December 31, 2010 and 2009, in accordance with the sale agreement of Consolidated Entertainment, the initial aggregate purchase price of the cinemas was adjusted down by \$16.9 million and \$226,000, respectively, 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, 2011 and 2010.



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*. The reclassified results for these transfers of held for sale to operating are reflected in our December 31, 2011, 2010, and 2009 Statement 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 \$3.4 million for the years ended December 2011, 2010, and 2009, respectively.

Other Income/Expense

For the years ended December 31, 2011, 2010, and 2009, we recorded gains/(losses) on the settlement of litigation of \$0, (\$808,000), and \$3.3 million, respectively, included in other income, as a recovery of legal expenses previously included in general and administrative expenses.

### 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 \$1.0251 and \$1.0122 as of December 31, 2011 and 2010, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were \$0.7805 and \$0.7687 as of December 31, 2011 and 2010, 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 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, 2011, 2010, and 2009, 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 622,350, 622,350, and 589,750 shares of Class A Common Stock at December 31, 2011, 2010, and 2009, respectively, at a weighted average exercise price of \$5.65, \$5.65, and \$5.51 per share, respectively. Stock options to purchase 185,100, 185,100, and 150,000 shares of Class B Common Stock were outstanding at the years ended December 31, 2011, 2010, and 2009, respectively, at a weighted average exercise price of \$9.90, \$9.90, and \$10.24 per share, respectively. In accordance with FASB ASC 260-10 – *Earnings Per Share* (“ASC 260-10”), as we had recorded a loss from continuing operations before discontinued operations for the year ended December 31, 2010, the effect of the stock options and restricted stock was anti-dilutive and accordingly excluded from the diluted earnings per share computation.

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.

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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 net income and revenue. 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

Effective January 1, 2008, we adopted FASB ASC 820-10 – *Fair Value Measurements and Disclosures* (“ASC 820-10”). 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 prospectively to all other accounting pronouncements that require or permit fair value measurements. The adoption of ASC 820-10 did not have a material impact on our consolidated financial statements since it only applies to our fair value measurement of our interest rate swaps and cap and we generally do not record our other financial assets and liabilities in our consolidated financial statements at fair value.

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.

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We adopted ASC 820-10 for our non-financial assets and non-financial liabilities on January 1, 2009. The adoption of ASC 820-10 did not have a material impact to our consolidated financial statements. 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 2011

### *FASB Accounting Standards Update (“ASU”) 2010-06 – Fair Value Measurements*

ASU 2010-06 requires additional disclosures about the transfers of classifications among the fair value classification levels and the reasons for those changes and separate presentation of purchases, sales, issuances, and settlements in the presentation of the roll forward of Level 3 assets and liabilities. Those disclosures are effective for interim and annual reporting periods for fiscal years beginning after December 15, 2010. The adoption of this portion of the ASU did not have a material effect on the Company's financial statements.

## New Accounting Pronouncements

### *FASB ASU No. 2011-05 - Comprehensive Income (Topic 220): Presentation of Comprehensive Income and FASB ASU No. 2011-12—Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*

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 will be effective for our Company in 2013 and will be applied retrospectively. This amendment will change the manner in which the Company presents comprehensive income but will not change any of the balances or activity.

### *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. This amendment will change the manner in which the Company performs its goodwill impairment test.

**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 \$750,000, \$750,000, and \$500,000, respectively, of restricted class A non-voting common stock (“Class A Stock”) for each of the years ending December 31, 2011, 2010, and 2009. The 2011, 2010, and 2009 stock grants of 155,925, 174,825, and 125,945 shares, respectively, were granted fully vested with a stock grant prices of \$4.81, \$4.29, and \$3.97, respectively. Mr. Cotter’s stock compensation is granted fully vested with a five-year restriction on sale. As of December 31, 2011, the 2011 stock grant had not yet been issued to Mr. Cotter. During 2011, we issued to Mr. Cotter 174,825 of Class A Stock for his 2010 vested stock grants which had a stock grant price of \$4.29 and a grant date fair value of \$750,000.

On August 21, 2008, as part of their executive compensation, 37,388 shares of fully vested restricted Class A Stock were granted to three of our executives as stock bonuses having a grant date fair value of \$340,000. During 2009, these shares were issued to these executives.

On February 11, 2010, \$100,000 of restricted Class A Stock vested, related 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. In July 2008, Mr. Jay Laifman started with the Company as our Corporate General Counsel. As part of his compensation package, Mr. Laifman was granted \$100,000 of Class A Stock or 10,638 shares with stock grant price of \$9.40 upon acceptance of his employment agreement. This stock grant had an employment-vesting period of two years. Upon his departure from our company during 2009, Mr. Laifman forfeited the unvested portion of this grant in the amount of 5,319 shares.

During the years ended December 31, 2011, 2010, and 2009, we recorded compensation expense of \$750,000, \$754,000, and \$725,000, 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):

|                                 | <b>Non-Vested<br/>Restricted<br/>Stock</b> | <b>Weighted<br/>Average Fair<br/>Value at Grant<br/>Date</b> |
|---------------------------------|--|--|
| Outstanding – January 1, 2009   | 33,621                                     | \$ 574   |
| Granted                         | 125,945                                    | 500  |
| Vested                          | (159,566)                                  | (1,074)  |
| Outstanding – December 31, 2009 | --   | \$ --  |
| Granted                         | 174,825                                    | 750  |
| Vested                          | (174,825)                                  | (750)  |
| Outstanding – December 31, 2010 | --   | \$ --  |
| Granted                         | 155,925                                    | 750  |
| Vested                          | (155,925)                                  | (750)  |
| Outstanding – December 31, 2011 | --   | \$ --  |

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. During the year ended December 31, 2009, we expensed \$157,000 associated with Mr. Osborne’s previous contractual interest in the properties associated with Landplan Property Partners, Pty Ltd.

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, 2010 and 2009, we issued 90,000 and 3,000 shares of Class A Stock for cash to employees of the corporation under this stock based compensation plan at exercise prices of \$2.76 and \$3.80, respectively. During the year ended December 31, 2011, we did not issue any shares under this stock based compensation plan.

Effective January 1, 2006, we adopted FASB ASC 718-10 – *Stock Compensation* (“ASC 718-10”). 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. This statement was adopted using the modified prospective method, which requires that we recognize compensation expense on a prospective basis for all newly granted options and any modifications or cancellations of previously granted awards. Therefore, prior period consolidated financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based payment awards, modifications to awards, and cancellations of awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. 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, 2011, 2010, and 2009, there was also 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 granted options during the years ended December 31, 2011, 2010, and 2009.

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 157,700 and 50,000 options granted during 2010 and 2009, 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:

|                             | 2010     | 2009     |
|-----------------------------|----------|----------|
| Stock option exercise price | \$ 5.07  | \$ 4.01  |
| Risk-free interest rate     | 2.736%   | 3.309%   |
| Expected dividend yield     | --       | --       |
| Expected option life        | 7.23 yrs | 9.60 yrs |
| Expected volatility         | 33.01%   | 33.74%   |
| Weighted average fair value | \$ 1.88  | \$ 1.98  |

Using the above assumptions and based on our use of the modified prospective method, we recorded \$189,000, \$67,000, and \$241,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2011, 2010, and 2009, respectively. The effect on earnings per share of the compensation charge was \$0.01, \$0.00, and \$0.01 per share for the years ended December 31, 2011, 2010, and 2009, respectively. At December 31, 2011 and 2010, the total unrecognized estimated compensation cost related to non-vested stock options granted was \$109,000 and \$247,000, respectively, which is expected to be recognized over a weighted average vesting period of 0.67 and 1.37 years, respectively. No options were exercised in 2011. The total realized value of stock options exercised during the years ended December 31, 2010 and 2009 was \$138,000 and \$1,000, respectively. The grant date fair value of options that vested during the years ending December 31, 2011, 2010, and 2009 was \$189,000, \$67,000, and \$241,000, respectively. We recorded cash received from stock options exercised of \$248,000 and \$11,000 during the years ended December 31, 2010 and 2009, respectively. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at December 31, 2011 and 2010 was \$175,000 and \$280,000, respectively, of which 88.6% and 70.1%, respectively, 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, 2009   | 577,850                          | 185,100  | \$ 5.60  | \$ 9.90  | 525,350                          | 110,100 | \$ 5.19                                       | \$ 9.67  |
| Granted                        | 50,000                           | --       | \$ 4.01  | \$ --    |                                  |         |   |          |
| Exercised                      | (3,000)                          | --       | \$ 3.80  | \$ --    |                                  |         |   |          |
| Expired                        | (35,100)                         | (35,100) | \$ 5.13  | \$ 8.47  |                                  |         |   |          |
| Outstanding- December 31, 2009 | 589,750                          | 150,000  | \$ 5.51  | \$ 10.24 | 534,750                          | 150,000 | \$ 5.62                                       | \$ 10.24 |
| Granted                        | 122,600                          | 35,100   | \$ 4.23  | \$ 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 |

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2011 and 2010 were approximately 4.13 and 5.13 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31, 2011 and 2010 was approximately 3.85 and 4.38 years, respectively.



**Note 4 – Earnings (Loss) Per Share**

For the three years ended December 31, 2011, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):

|   | 2011       | 2010        | 2009       |
|---|------------|-------------|------------|
| Income (loss) from continuing operations  | \$ 8,300   | \$ (12,650) | \$ 6,094   |
| Income from discontinued operations   | 1,656      | --          | --         |
| Net income (loss) attributable to Reading International, Inc. common shareholders | 9,956      | (12,650)    | 6,094      |
| Weighted average shares of common stock – basic                                   | 22,764,666 | 22,781,392  | 22,580,942 |
| Weighted average shares of common stock – diluted                                 | 22,993,135 | 22,781,392  | 22,767,735 |
| <b>Basic earnings (loss) per share:</b>   |            |             |            |
| Earnings (loss) from continuing operations  | \$ 0.37    | \$ (0.56)   | \$ 0.27    |
| Earnings from discontinued operations   | 0.07       | --          | --         |
| Basic earnings (loss) per share   | \$ 0.44    | \$ (0.56)   | \$ 0.27    |
| <b>Diluted earnings (loss) per share:</b>   |            |             |            |
| Earnings (loss) from continuing operations  | \$ 0.36    | \$ (0.56)   | \$ 0.27    |
| Earnings from discontinued operations   | 0.07       | --          | --         |
| Diluted earnings (loss) per share   | \$ 0.43    | \$ (0.56)   | \$ 0.27    |

For the year ended December 31, 2011 and 2009, the weighted average common stock – dilutive only included 228,469 and 186,793, respectively, incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock. For the year ended December 31, 2010, we recorded a loss from continuing operations. As such, the incremental shares of 174,825 shares of restricted Class A Stock and the 60,692 of exercisable in-the-money stock options in 2010 were excluded from the computation of diluted loss per share because they were anti-dilutive in those periods. In addition, 734,906, 746,758, and 696,419 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2011, 2010, and 2009, 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 963,375, 982,275, and 883,212 for the years ended December 31, 2011, 2010, and 2009, respectively.

**Note 5 – Prepaid and Other Assets**

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

|  | December 31,    |                  |
|--|-----------------|------------------|
|  | 2011            | 2010             |
| <b>Prepaid and other current assets</b>            |                 |                  |
| Prepaid expenses                                   | \$ 1,168        | \$ 1,145         |
| Prepaid taxes                                      | 781             | 1,044            |
| Deposits   | 605             | 151              |
| Other  | 1,227           | 1,196            |
| <b>Total prepaid and other current assets</b>      | <b>\$ 3,781</b> | <b>\$ 3,536</b>  |
| <b>Other non-current assets</b>                    |                 |                  |
| Other non-cinema and non-rental real estate assets | \$ 1,134        | \$ 1,134         |
| Long-term deposits                                 | 264             | 294              |
| Deferred financing costs, net                      | 3,725           | 3,830            |
| Interest rate swaps at fair value                  | --              | 446              |
| Other receivable                                   | --              | 6,750            |
| Tenant inducement asset                            | 1,064           | 1,327            |
| Straight-line rent asset                           | 2,776           | 2,627            |
| Mortgage notes receivable                          | 851             | --               |
| Other  | --              | 128              |
| <b>Total non-current assets</b>                    | <b>\$ 9,814</b> | <b>\$ 16,536</b> |

Investment in Notes Receivable

*Other Receivable*

On June 14, 2011, we received \$6.8 million with respect to the principal and interest owed on a note previously received in connection with a settlement agreement. We believe that further amounts are owed under that note, and we have begun litigation to collect such amounts.

*Mortgage Notes Receivable*

On February 14, 2011, we purchased for \$2.8 million mortgage notes secured by certain properties. These mortgage notes were in default on the date of acquisition and were acquired with the intention of acquiring the underlying properties. In February 2011 and in September 2011, we foreclosed on two of these properties valued at \$859,000 and \$1.1 million, respectively, which are now classified as a part of properties held for development. We are currently pursuing our remedies for the remaining mortgage note, which, at December 31, 2011, remained in default. We anticipate that we will ultimately acquire the remaining property.

**Note 6 – Property Held For and Under Development**

Property held for and under development is summarized as follows (dollars in thousands):

|   | December 31,     |                  |
|---|------------------|------------------|
|   | 2011             | 2010             |
| Land  | \$ 86,667        | \$ 31,689        |
| Construction-in-progress (including capitalized interest) | 5,031            | 4,013            |
| <b>Property Held For and Under Development</b>            | <b>\$ 91,698</b> | <b>\$ 35,702</b> |

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The amount of capitalized interest for our properties under development was \$136,000 for the year ending December 31, 2009. 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 2011, 2010, and 2009 and we will not capitalize interest for these projects until development work recommences. During 2010, we determined that we would no longer pursue the development of our Taringa properties. As such, we recorded an impairment to our investment in these properties based on the sales comparison valuation approach of \$2.2 million, primarily associated with the development costs of the project. During 2009, we recorded a contractual commitment loss of \$1.1 million associated with a property for which we purchased in April 2010. The impairments and contractual commitment loss are primarily related to the impact of the economic downturn in the Australian and New Zealand economies and the timing of our purchases of those assets.

**Note 7 – Property and Equipment**

Property and equipment is summarized as follows (dollars in thousands):

| Property and Equipment         | December 31, |            |
|--------------------------------|--------------|------------|
|                                | 2011         | 2010       |
| Land                           | \$ 65,281    | \$ 64,845  |
| Building and improvements      | 144,155      | 142,077    |
| Leasehold interests            | 40,855       | 37,262     |
| Construction-in-progress       | 525          | 408        |
| Fixtures and equipment         | 104,804      | 99,399     |
| Total cost                     | 355,620      | 343,991    |
| Less: accumulated depreciation | (140,192)    | (123,741)  |
| Property and equipment, net    | \$ 215,428   | \$ 220,250 |

Depreciation expense for property and equipment was \$15.6 million, \$13.3 million, and \$12.4 million for the three years ending December 31, 2011, 2010, and 2009, respectively.

In 2009, the slower recovery in New Zealand led to a further impairment charge to one of our operating properties of \$3.2 million as reported in our segment operating income. Additionally, 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 2010.

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

2011 Transactions

Taringa Property - Held for Sale

As of December 31, 2011, we were under contract to sell the three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for \$1.8 million (AUS\$1.8 million). These properties were sold on February 21, 2012 for the agreed upon amount. See Note 28 – *Subsequent Events* to our 2011 Consolidated Financial Statements. 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.

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 11 – *Notes Payable and Subordinated Debt (Trust Preferred Securities)*). Pursuant to ASC 805-10-25, we finalized the purchase accounting for this acquisition during 2011.

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On May 15, 2011, in conjunction with a potential 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 securitized 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.

[2009 Transactions](#)

We did not have acquisitions or asset sales in 2009.

**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 and \$58,000 of income from discontinued operations to the components of income from continuing operations for the years ended December 31, 2010 and 2009, respectively. 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.

[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 property held for development on our December 31, 2011 consolidated balance sheet. Nevertheless, discussions with qualified buyers continue, and it remains our plan to monetize at least the residential portions of this property. Based on recent valuations, we continue to believe that the fair market value of the property less costs to sell is greater than the current carrying value; therefore, no asset impairment loss was recorded at the time of the reclassification.

2010 Transactions

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

2009 Transactions

On September 16, 2008, we entered into a sale option agreement to sell our Auburn property for \$28.5 million (AUS\$36.0 million). During 2009, we received notice from the buyer that they intended to withdraw from the option agreement. Because of the termination of the option agreement, we recorded a gain on option termination of \$1.5 million (AUS\$2.0 million). As of December 31, 2008, we classified our Auburn property as held for sale, and, because of the buyer's withdrawal from the option agreement, we transferred this property to continuing operations during June 2009. As a result of the transfer of the asset from held for sale to continuing operations, we recorded a loss for 2009 of \$549,000 (AUS\$685,000) 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.

The real estate held for sale assets were reclassified from assets held for sale to real estate assets and then adjusted for the loss on transfer during 2009 as follows (in thousands):

|  | <u>December 31,</u><br><u>2008</u> | <u>Loss</u><br><u>Adjustment</u> | <u>December 31,</u><br><u>2009</u> |
|--|------------------------------------|----------------------------------|------------------------------------|
| Assets   |                                    |                                  |                                    |
| Land   | \$ 7,395                           | \$ --                            | \$ 7,395                           |
| Building   | 13,131                             | (286)                            | 12,845                             |
| Equipment and fixtures   | 7,364                              | (263)                            | 7,101                              |
| Less: Accumulated depreciation   | (7,771)                            | --                               | (7,771)                            |
| <b>Total assets held for sale transferred to continuing operations</b> | <b>\$ 20,119</b>                   | <b>\$ (549)</b>                  | <b>\$ 19,570</b>                   |

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, 2011 or 2010. At December 31, 2011 or 2010, our goodwill consisted of the following (dollars in thousands):

| <b>2011</b>                             | <b>Cinema</b> | <b>Real Estate</b> | <b>Total</b> |
|---|---------------|--------------------|--------------|
| 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    |

| <b>2010</b>   | <b>Cinema</b> | <b>Real Estate</b> | <b>Total</b> |
|---|---------------|--------------------|--------------|
| Balance as of January 1, 2010                         | \$ 32,187     | \$ 5,224           | \$ 37,411    |
| Change in goodwill due to a purchase price adjustment | (16,936)      | --                 | (16,936)     |
| Foreign currency translation adjustment               | 1,060         | --                 | 1,060        |
| Balance at December 31, 2010                          | \$ 16,311     | \$ 5,224           | \$ 21,535    |

For the years ended December 31, 2010 and 2009, in accordance with the sale agreement of Consolidated Entertainment, the initial aggregate purchase price of the cinemas was adjusted down by \$16.9 million and \$226,000, respectively, resulting in a corresponding decrease in goodwill associated with the purchased cinemas. We do not anticipate any further purchase price adjustments associated with this transaction.

Goodwill is tested for impairment annually or more frequently whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Historically, we have performed our annual goodwill impairment test at the beginning of the fourth quarter for all of our reporting units except for the US Cinemas reporting unit. The goodwill included in the US Cinemas reporting unit, which was created in the first quarter of 2008 as part of the Pacific Theater cinemas acquisition, was tested as of the anniversary date of such acquisition, February 22, 2009, and no impairment was indicated. During the fourth quarter of 2009, we changed the date on which we perform our annual goodwill impairment test for the US Cinemas reporting unit from February 22 to the first day of the fourth quarter to better align the annual goodwill impairment tests for our US Cinemas reporting unit with our other reporting units and our budgeting and forecasting process. We believe this change in accounting principle is to an alternative accounting principle that is preferable under the circumstances. The change in our annual goodwill impairment test date for the US Cinemas reporting unit is not intended to nor does it delay, accelerate or avoid an impairment charge nor does the change have any impact on our financial position, results of operations, or cash flows for any prior periods when applied retrospectively.

We have intangible assets subject to amortization consisting of the following (dollars in thousands):

| <b>2011</b>                    | <b>Beneficial Leases</b> | <b>Trade Name</b> | <b>Other Intangible Assets</b> | <b>Total</b> |
|--------------------------------|--------------------------|-------------------|--------------------------------|--------------|
| 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    |

| <b>2010</b>                    | <b>Beneficial Leases</b> | <b>Trade Name</b> | <b>Other Intangible Assets</b> | <b>Total</b> |
|--------------------------------|--------------------------|-------------------|--------------------------------|--------------|
| Gross carrying amount          | \$ 24,180                | \$ 7,220          | \$ 456                         | \$ 31,856    |
| Less: Accumulated amortization | 9,435                    | 1,993             | 272                            | 11,700       |
| Total, net                     | \$ 14,745                | \$ 5,227          | \$ 184                         | \$ 20,156    |

After the issuance of the 2010 financial statements, management identified a misclassification of \$10.5 million of gross intangible asset value and \$1.2 million in accumulated amortization between the trade name and beneficial leases columns within the presentation of the 2010 table of intangible assets subject to amortization. The presentation of the 2010 table of intangible assets subject to amortization presented above has been adjusted to reflect this correction. This correction only affects the presentation of the above table and does not have any effect to the balances or activity presented on our consolidated balance sheets or consolidated statements of operations, respectively.

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We have intangible assets other than goodwill that are subject to amortization which are being amortized over various periods. 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, 2011, 2010, and 2009, our amortization expense was \$2.4 million, \$2.6 million, and \$2.7 million, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

| <b>Year Ending December 31,</b>          |                  |
|--|------------------|
| 2012                                     | \$ 2,433         |
| 2013                                     | 2,258            |
| 2014                                     | 2,000            |
| 2015                                     | 1,882            |
| 2016                                     | 1,624            |
| Thereafter                               | 7,802            |
| <b>Total future amortization expense</b> | <b>\$ 17,999</b> |

**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 Malulani Investments, Limited and Rialto Distribution as described below. As of December 31, 2011 and 2010, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

|  | <b>Interest</b> | <b>December 31,</b> |                  |
|--|-----------------|---------------------|------------------|
|  |                 | <b>2011</b>         | <b>2010</b>      |
| Rialto Distribution                      | 33.3%           | \$ --               | \$ --            |
| Rialto Cinemas                           | 50.0%           | 1,586               | 4,580            |
| 205-209 East 57th Street Associates, LLC | 25.0%           | 33                  | --               |
| Mt. Gravatt                              | 33.3%           | 6,220               | 5,835            |
| <b>Total</b>                             |                 | <b>\$ 7,839</b>     | <b>\$ 10,415</b> |

For the years ending December 31, 2011, 2010, and 2009, we recorded our earnings (loss) from our unconsolidated joint ventures and entities as follows (dollars in thousands):

|  | <b>December 31,</b> |                 |               |
|--|---------------------|-----------------|---------------|
|  | <b>2011</b>         | <b>2010</b>     | <b>2009</b>   |
| Rialto Distribution                                  | \$ 383              | \$ 286          | \$ (1,065)    |
| Rialto Cinemas                                       | (72)                | 64              | 138           |
| 205-209 East 57th Street Associates, LLC             | 33                  | 89              | 153           |
| Mt. Gravatt  | 1,038               | 906             | 891           |
| <b>Total investor share of earnings</b>              | <b>1,382</b>        | <b>1,345</b>    | <b>117</b>    |
| Rialto Cinemas impairment recorded at investor level | (2,935)             | -               | -             |
| <b>Total equity earnings (loss)</b>                  | <b>\$ (1,553)</b>   | <b>\$ 1,345</b> | <b>\$ 117</b> |

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 \$6.75 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.

Rialto Distribution

Effective October 1, 2005, we purchased for \$694,000 (NZ\$1.0 million) a 1/3 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 1/3 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, 2011 and 2010, we received \$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, 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 determined they would seek to terminate the Christchurch cinema lease (see Note 27 – *Casualty Loss*). As of December 31, 2011, 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 57<sup>th</sup> Street Associates, LLC

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

The only retail condominium was sold in February 2009 for approximately \$3.8 million. Based on the closing statements of the sale, our share of the sales proceeds was approximately \$900,000 and earnings of \$304,000. On April 11, 2009, we received \$1.2 million relating to our investment in the Place 57 joint venture representing a return of substantially all of our initial investment. 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. No further significant income activity is expected from this investment.



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Mt. Gravatt

We own an undivided 1/3 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, |          |
|------------------------|--------------|----------|
|                        | 2011         | 2010     |
| Current assets         | \$ 1,935     | \$ 1,850 |
| Noncurrent assets      | 3,832        | 3,021    |
| Current liabilities    | 846          | 855      |
| Noncurrent liabilities | 60           | 74       |
| Members' equity        | 4,861        | 3,942    |

**Mt. Gravatt Condensed Statements of Operations Information**

|               | December 31, |           |           |
|---------------|--------------|-----------|-----------|
|               | 2011         | 2010      | 2009      |
| Total revenue | \$ 14,097    | \$ 12,909 | \$ 11,244 |
| Net income    | 3,045        | 2,711     | 2,629     |

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 for \$3.3 million (NZ\$4.3 million) resulting in a net gain on sale of an unconsolidated entity of \$2.5 million (NZ\$3.2 million). With the sale of the cinema, our unconsolidated joint venture debt decreased by \$3.2 million (NZ\$4.2 million). 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 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, |          |
|------------------------|--------------|----------|
|                        | 2011         | 2010     |
| Current assets         | \$ 5,245     | \$ 5,081 |
| Noncurrent assets      | 6,611        | 6,067    |
| Current liabilities    | 3,031        | 2,826    |
| Noncurrent liabilities | 723          | 727      |
| Members' equity        | 8,102        | 7,595    |

**Condensed Statements of Operations Information**

|               | December 31, |           |           |
|---------------|--------------|-----------|-----------|
|               | 2011         | 2010      | 2009      |
| Total revenue | \$ 28,017    | \$ 24,944 | \$ 23,512 |
| Net income    | 4,021        | 4,779     | 3,726     |

**Note 12 - Notes Payable**

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

| Name of Note Payable or Security            | December 31,             |                          | Maturity Date     | December 31,      |                   |
|---|--------------------------|--------------------------|-------------------|-------------------|-------------------|
|   | 2011<br>Interest<br>Rate | 2010<br>Interest<br>Rate |                   | 2011<br>Balance   | 2010<br>Balance   |
| BOSI Australian Corporate Credit Facility   | -                        | 6.31%                    | June 30, 2011     | \$ --             | \$ 101,726        |
| NAB Australian Corporate Term Loan          | 7.20%                    | -                        | June 30, 2014     | 88,671            | --                |
| NAB Australian Corporate Revolver           | 7.20%                    | -                        | June 30, 2014     | --                | --                |
| Australian Shopping Center Loans            | -                        | -                        | 2011-2014         | 384               | 633               |
| New Zealand Corporate Credit Facility       | 4.15%                    | 4.75%                    | March 31, 2015    | 21,854            | 20,370            |
| Trust Preferred Securities                  | 9.22%                    | 9.22%                    | April 30, 2027    | 27,913            | 27,913            |
| US Cinema 1, 2, 3 Term Loan                 | 6.73%                    | 6.73%                    | July 01, 2012     | 15,000            | 15,000            |
| US GE Capital Term Loan                     | 5.50%                    | 5.50%                    | December 01, 2015 | 32,188            | 37,500            |
| US Liberty Theaters Term Loans              | 6.20%                    | 6.20%                    | April 01, 2013    | 6,583             | 6,727             |
| US Nationwide Loan 1                        | 8.50%                    | 8.50%                    | February 21, 2013 | 597               | 730               |
| US Nationwide Loan 2                        | -                        | 8.50%                    | February 21, 2011 | --                | 1,839             |
| 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 01, 2015      | 7,174             | 7,383             |
| <b>Total</b>                                |                          |                          |                   | <b>\$ 209,614</b> | <b>\$ 228,821</b> |

**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 down 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, 2011 balance of \$88.7 million (AUS\$86.5 million); a \$10.3 million (AUS\$10.0 million) revolving facility for which we do not have a balance at December 31, 2011; and a \$5.1 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 \$7.2 million (AUS\$7.0 million) and \$9.2 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 \$4.1 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.

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In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement which swaps 100% of our \$88.7 million (AUS\$86.5 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*

As part of the acquisition of the Anderson Circuit, in July 2004, we assumed the three loans on the properties of Epping, Rhodes, and West Lakes. 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 \$256,000 (AUS\$250,000) per year. The balance of these loans at December 31, 2011 and 2010 was \$384,000 (AUS\$375,000) and \$633,000 (AUS\$625,000), respectively. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties. In 2009, we did not pay \$22,000 (AUS\$25,000) of principal payments on the West Lakes loan due to a dispute that we had with the landlord. During 2010, we resolved the dispute and paid \$51,000 (AUS\$51,000) in principal payments on this loan. During 2011, we paid \$256,000 (AUS\$200,000) in principal payments on this loan.

*New Zealand*

*New Zealand Corporate Credit Facility*

During May 2009, we extended the term of our New Zealand facility to March 31, 2012 and reduced the available borrowing amount to \$35.6 million (NZ\$45.0 million). The drawn balance of this loan was \$21.9 million (NZ\$28.0 million) at December 31, 2011. We recorded \$33,000 (NZ\$45,000) in deferred financing costs associated with this term extension which we amortize over the remaining life of the loan. The margin on the facility was increased to 1.45% from 1.00% and the line of credit charge increased to 0.30% from 0.20%. The loan comes due on March 31, 2012. 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.

As indicated above, the term of this facility with Westpac Bank was due to mature on March 31, 2012. On February 8, 2012, we received an approved amendment from Westpac renewing our existing \$35.1 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 \$3.9 million (\$5.0 million) to \$31.2 million (NZ\$40.0 million), an increase in the facility margin of 0.55% to 2.0%, and the line of credit charge increase from 0.30% to 0.40%. No other significant changes to the facility were made (see Note 28 – *Subsequent Events*). Accordingly, the December 31, 2011 outstanding balance of this debt of \$21.9 million (NZ\$28.0 million) is classified as long-term on our balance sheet.

*Domestic*

*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. The interest on the notes and preferred dividends on the trust securities carry a fixed rate for five years of 9.22% after which the interest will be based on an adjustable rate of LIBOR plus 4.00% 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 100.0% 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 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.

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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, 2011, 2010, and 2009, we paid \$2.5 million, \$2.5 million, and \$3.6 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2011 and 2010, we had preferred dividends payable of \$416,000 in each of the two years. 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.

[Cinemas 1, 2, 3 Term Loan](#)

On June 28, 2007, Sutton Hill Properties LLC (“SHP”), one of our consolidated subsidiaries, entered into a \$15.0 million loan that is secured by SHP’s interest in the Cinemas 1, 2 & 3 land and building. SHP is owned 75% by Reading and 25% by Sutton Hill Capital, LLC (“SHC”), a joint venture indirectly wholly owned by Mr. James J. Cotter, our Chairman and Chief Executive Officer, and Mr. Michael Forman. Under the terms of the credit agreement, this loan bears a fixed interest rate of 6.73% per annum payable monthly. The loan matures on July 1, 2012. No principal payments are due until maturity. SHP distributed the proceeds of the loan to Reading and to SHC in the amount of \$10.6 million and \$3.5 million, respectively. Because the cash flows from SHP are currently insufficient to cover its obligations, Reading and Sutton Hill Capital, LLC, have agreed to contribute the capital required to service the debt. Reading will be responsible for 75% and SHC will be responsible for 25% of such capital payments. Interest payments for this loan are required on a monthly basis.

As the loan is due to mature on July 1, 2012, the December 31, 2011 outstanding balance of this debt of \$15.0 million is classified as current on our balance sheet. We intend to either refinance the property’s debt with similar financing or sell the property and use the proceeds to pay off the loan.

[GE Capital Term Loan](#)

In connection with the Consolidated Entertainment acquisition, on February 21, 2008, our wholly-owned subsidiary, Consolidated Amusement Theatres, Inc., (now renamed Consolidated Entertainment, Inc.) as borrower (“Borrower”), and Consolidated Amusement Holdings, Inc. (“Holdings”) entered into a Credit Agreement with General Electric Capital Corporation (“GE”) as lender and administrative agent, and GE Capital Markets, Inc. as lead arranger, which provides Borrower with a senior secured credit facility of up to \$55.0 million in the aggregate, including a revolving credit facility of up to \$5.0 million including a \$1.0 million sub-limit for letters of credit (the “Credit Facility”). The initial borrowings under the Credit Facility were used to finance, in part, our acquisition of the theaters and other assets. We were able to borrow additional amounts under the Credit Facility for other acquisitions as permitted under the Credit Facility (and to pay any related transaction expenses), and for ordinary working capital and general corporate needs of Borrower, subject to the terms of the Credit Facility. At that time, we incurred deferred financing costs of \$2.6 million related to our borrowings under this Credit Facility. The Credit Facility was due to expire on February 21, 2013 and was secured by substantially all the assets of Borrower and Holdings. During 2010 and 2009, Borrower voluntarily paid down on the loan balance by \$3.2 million and \$8.3 million, respectively. On December 1, 2010, GE Capital amended and restated our GE Capital Term Loan agreement (the “revised Credit Facility”), lending to Borrower an additional \$8.0 million and extending the loan expiration date to December 1, 2015. We incurred deferred financing costs of \$1.1 million related to our additional borrowings under the revised Credit Facility.

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Borrowings under the revised Credit Facility bear interest at a rate equal to either (i) the Index Rate (defined as the higher of the Wall Street Journal prime rate and the federal funds rate plus 50 basis points), or (ii) LIBOR (as defined in the Credit Facility) with a 1.00% floor, at the election of Borrower, plus, in each case, a margin determined by reference to Borrower's Leverage Ratio (as defined in the Credit Facility) that ranges between prime rate plus 3.00% and prime rate plus 3.50%, and between LIBOR plus 4.00% and LIBOR plus 4.50%, respectively. At present, Borrower has elected to use the LIBOR plus 4.50% as our interest-borrowing rate. Borrower is required to swap no less than 50% of the original loan balance of \$37.5 million for the first three years of the revised Credit Facility. Borrower elected to swap 100% of the original loan balance and contracted for swap balance step-downs that correspond with the loan's principal payments through December 31, 2013. For further information regarding our swap agreements, see Note 13 – *Derivative Instruments*.

Borrowings under the revised Credit Facility are to be repaid in twenty consecutive installments at the end of each calendar quarter in total annual amounts ranging from 10.0% to 17.5% of the original loan balance of \$37.5 million at December 1, 2010. Additionally, borrowings under the revised Credit Facility may be prepaid at any time without penalty, subject to certain minimums and payment of any LIBOR funding breakage costs. Borrower is required to pay an unused commitment fee equal to 0.75% per annum on the actual daily-unused portion of the \$5.0 million revolving loan facility, payable quarterly in arrears. Outstanding letters of credit under the revised Credit Facility are subject to a fee of the applicable LIBOR rate in effect per annum on the face amount of such letters of credit, payable quarterly in arrears. Borrower is required to pay standard fees with respect to the issuance, negotiation, and amendment of letters of credit issued under the letter of credit facility.

The revised Credit Facility contains other customary terms and conditions, including representations and warranties, affirmative and negative covenants, events of default and indemnity provisions. Such covenants, among other things, limit Borrower's ability to incur indebtedness, incur liens or other encumbrances, make capital expenditures, enter into mergers, consolidations and asset sales, engage in transactions with affiliates, pay dividends or other distributions and change the nature of the business conducted by Borrower. Additionally, the Credit Facility limits the use of our cash outside of the subsidiary without the prior approval of GE.

The revised Credit Agreement contains financial covenants requiring the Borrower to maintain minimum fixed charge and interest coverage ratios and not to exceed specified maximum leverage ratios. The revised levels for the maximum leverage and minimum interest coverage covenants become stricter over the term of the Credit Facility.

The revised Credit Facility provides for customary events of default, including payment defaults, covenant defaults, cross-defaults to certain other indebtedness, certain bankruptcy events, judgment defaults, invalidity of any loan documents or liens created under the Credit Agreement, change of control of Borrower, termination of certain theater leases and material inaccuracies in representations and warranties.

### 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.

### 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.

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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. At December 31, 2011, 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, 2011 was \$597,000.

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.

Sutton Hill Capital Notes 1 & 2

As part of the negotiation of the Village East Lease (see Note 26 – *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 575 basis points, 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.

Bank of America Line of Credit

On August 18, 2011, Bank of America renewed its \$3.0 million line of credit (“LOC”) to RDI. The agreement is in effect till August 31, 2012 and is potentially renewable at that date. The LOC carries an interest rate equal to BBA LIBOR floating plus 350 basis points margin. During 2011, we used \$2.5 million of this LOC as a construction loan guarantee for our Mosaic cinema project in the greater Washington D.C. metropolitan area. The remaining balance of \$500,000 is undrawn at December 31, 2011.

**Summary of Notes Payable**

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

| <b>Year Ending December 31,</b>             |                   |
|---|-------------------|
| 2012  | \$ 29,630         |
| 2013  | 40,216            |
| 2014  | 69,159            |
| 2015  | 42,696            |
| 2016  | --                |
| Thereafter                                  | 27,913            |
| <b>Total future principal loan payments</b> | <b>\$ 209,614</b> |

Since approximately \$110.9 million of our total debt of \$209.6 million at December 31, 2011 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. As of December 1, 2010, under the amended GE Capital Term Loan, we are required to swap no less than 50% of the original loan balance on that date of \$37.5 million for the first three years of the loan. We elected to swap 100% of the original loan balance and have contracted for balance step-downs that correspond with the loan’s principal payments through December 31, 2013. On December 3, 2010, as part of amending our GE Capital loan, we were required to cancel the existing \$29.5 million hedge and replace it for a cost of \$368,000.

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2011:

| <b>Type of Instrument</b> | <b>Notional Amount</b> | <b>Pay Fixed Rate</b> | <b>Receive Variable Rate</b> | <b>Maturity Date</b> |
|---------------------------|------------------------|-----------------------|------------------------------|----------------------|
| Interest rate swap        | \$ 33,750,000          | 1.340%                | 0.580%                       | December 31, 2013    |
| Interest rate swap        | \$ 88,671,000          | 5.500%                | 4.550%                       | June 30, 2016        |

We recorded our FASB ASC 815-20, Derivatives and Hedging, net market and interest rate derivatives on market as the reported fixed liability amounting to a \$1.6 million decrease in interest expense during 2011, a \$103,000 decrease in interest expense during 2010, and a \$1.4 million decrease in interest expense during 2009. In December 31, 2011, we recorded the fair market value of an interest rate swap of \$4.7 million as an other long term liability. In December 31, 2010, we recorded the fair market value of an interest rate swap of a loss of \$300,000 as other long term assets and an interest rate swap of \$107,000 as an other long term liability. In December 31, 2009, we recorded a net decrease of \$1.4 million in interest expense during 2009.

**Note 14 - Income Taxes**

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

|   | Year Ended December 31, |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2011                    | 2010            | 2009            |
| United States   | \$ (1,391)              | \$ (1,566)      | \$ 10,870       |
| Foreign   | (147)                   | 2,451           | (2,821)         |
| <b>Income (loss) before income tax benefit (expense), equity earnings (loss) of unconsolidated joint ventures and entities, and discontinued operations</b> | <b>\$ (1,538)</b>       | <b>\$ 885</b>   | <b>\$ 8,049</b> |
| <i>Net income attributable to noncontrolling interests:</i>   |                         |                 |                 |
| United States   | (604)                   | (309)           | (359)           |
| Foreign   | (336)                   | (307)           | (29)            |
| <i>Equity earnings and gain on sale of unconsolidated subsidiary:</i>   |                         |                 |                 |
| United States   | 33                      | 86              | 421             |
| Foreign   | (1,585)                 | 1,259           | (36)            |
| <i>Gain on sale of discontinued operation:</i>  |                         |                 |                 |
| United States   | -                       | -               | -               |
| Foreign   | 1,656                   | -               | -               |
| <b>Income (loss) before income tax expense</b>  | <b>\$ (2,374)</b>       | <b>\$ 1,614</b> | <b>\$ 8,046</b> |

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

|   | Year Ended December 31, |                  |                 |
|---|-------------------------|------------------|-----------------|
|   | 2011                    | 2010             | 2009            |
| <b>Current income tax expense (benefit)</b>       |                         |                  |                 |
| Federal   | \$ 1,332                | \$ 7,730         | \$ 690          |
| State   | 531                     | 5,239            | 320             |
| Foreign   | 1,067                   | 1,295            | 942             |
| Total   | 2,930                   | 14,264           | 1,952           |
| <b>Deferred income tax expense (benefit)</b>      |                         |                  |                 |
| Federal   | --                      | --               | --              |
| State   | --                      | --               | --              |
| Foreign   | --                      | --               | --              |
| Total   | --                      | --               | --              |
| <b>Increase (decrease) in valuation allowance</b> |                         |                  |                 |
| Federal   | --                      | --               | --              |
| State   | --                      | --               | --              |
| Foreign   | (15,260)                | --               | --              |
| Total   | (15,260)                | --               | --              |
| <b>Total income tax expense (benefit)</b>         | <b>\$ (12,330)</b>      | <b>\$ 14,264</b> | <b>\$ 1,952</b> |

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):



| <b>Components of Deferred Tax Assets and Liabilities</b> | <b>December 31,</b> |              |
|--|---------------------|--------------|
|  | <b>2011</b>         | <b>2010</b>  |
| Deferred Tax Assets:                                     |                     |              |
| Net operating loss carry forwards                        | \$ 35,455           | \$ 37,824    |
| Impairment reserves                                      | 1,764               | 961          |
| Alternative minimum tax carry forwards                   | 2,993               | 2,993        |
| Installment sale of cinema property                      | 2,929               | 5,070        |
| Deferred revenue and expense                             | 6,378               | 3,806        |
| Acquired and option properties                           | 2,924               | 1,555        |
| Other  | 402                 | 2,304        |
| Net deferred tax assets before valuation allowance       | 52,845              | 54,513       |
| Valuation allowance                                      | (38,461)            | (54,513)     |
| <b>Net deferred tax asset</b>                            | <b>\$ 14,384</b>    | <b>\$ --</b> |

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, 2011, we recorded a valuation allowance of \$38.7 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 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 \$2.0 million classified as current and \$12.4 million as non-current.

As of December 31, 2011, we had U.S. net operating loss carry forwards of \$33.4 million, of which \$26.1 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, 2011:

- approximately \$2.9 million in U.S. alternative minimum tax credit carry forwards;
- approximately \$45.9 million in Australian loss carry forwards; and
- approximately \$15.8 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, |           |          |
|--|-------------------------|-----------|----------|
|  | 2011                    | 2010      | 2009     |
| Expected tax provision (benefit)                   | \$ (831)                | \$ 554    | \$ 2,817 |
| Increase (decrease) in tax expense resulting from: |                         |           |          |
| Change in valuation allowance                      | (15,260)                | (5,595)   | (4,509)  |
| Expired foreign loss carry forward                 | 1,100                   | 1,816     | 1,847    |
| Foreign tax provision                              | 1,067                   | 1,291     | 942      |
| Tax effect of foreign tax rates on current income  | 24                      | (240)     | 528      |
| State and local tax provision                      | 361                     | 440       | 320      |
| Tax/Audit Litigation Settlement                    | 1,375                   | 12,528    | --       |
| Effect of tax rate change                          | --                      | 3,422     | --       |
| Other items  | (166)                   | 48        | 7        |
| Actual tax provision (benefit)                     | \$ (12,330)             | \$ 14,264 | \$ 1,952 |

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, 2011. 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 2011.

We have accrued \$27.3 million in income tax liabilities as of December 31, 2011, of which \$14.9 million has been classified as income taxes payable and \$12.4 million have been classified as non-current tax liabilities. As part of current tax liabilities, we have accrued \$9.8 million in connection with 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 \$10.0 million related to the "Tax Audit/Litigation" matter. Amounts assessed by 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 \$27.3 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, 2011, December 31, 2010, and December 31, 2009 (dollars in thousands):

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2011                    | 2010      | 2009      |
| Unrecognized tax benefits – gross beginning balance | \$ 8,058                | \$ 11,412 | \$ 11,271 |
| Gross increases – prior period tax provisions       | --                      | --        | 92        |
| Gross decreases – prior period tax positions        | --                      | --        | --        |
| Gross increases – current period tax positions      | 151                     | 405       | 219       |
| Settlements   | (6,235)                 | (3,189)   | --        |
| Statute of limitations lapse                        | --                      | (570)     | (170)     |
| Unrecognized tax benefits – gross ending balance    | \$ 1,974                | \$ 8,058  | \$ 11,412 |

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.

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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 an increase to our gross unrecognized tax benefits of approximately \$0.2 million and an increase to tax interest of approximately \$0.6 million during the period January 1, 2009 to December 31, 2009, and the total balance at December 31, 2009 was approximately \$15.3 million (of which approximately \$3.8 million represents IRS interest). Of the \$11.4 million gross unrecognized tax benefit at December 31, 2009, \$3.2 million would impact the effective tax rate if recognized. We further 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 \$4.4 million gross unrecognized tax benefit at December 31, 2011, approximately \$3.0 million would impact the effective tax 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 2011, reevaluation of current uncertain tax positions, and expiring statutes of limitations.

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 of 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, 2011.

**Note 15 – Other Liabilities**

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

|                               | December 31, |           |
|-------------------------------|--------------|-----------|
|                               | 2011         | 2010      |
| <b>Current liabilities</b>    |              |           |
| Security Deposit Payable      | 137          | 141       |
| Other current liabilities     | \$ 137       | \$ 141    |
| <b>Other liabilities</b>      |              |           |
| Foreign Withholding Taxes     | \$ 6,212     | \$ 5,944  |
| Straight-line Rent Liability  | 8,067        | 7,559     |
| Related Party Lease Liability | 5,746        | 5,637     |
| Environmental Reserve         | 1,656        | 1,656     |
| Accrued Pension               | 4,289        | 4,406     |
| Interest Rate Swap            | 4,722        | 181       |
| Acquired Lease Liability      | 2,742        | 3,264     |
| Other Payable                 | 1,243        | 2,603     |
| Other                         | 962          | 945       |
| Other liabilities             | \$ 35,639    | \$ 32,195 |

**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 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 \$5.6 million presented under other liabilities which accretes up to the \$5.9 million liability till July 1, 2013 (see Note 26 – *Related Parties and Transactions*).

**Note 16 – Fair Value of Financial Instruments**

In September 2006, FASB issued ASC 820-10. ASC 820-10 does not establish requirements for any new fair value measurements, but it does apply to existing accounting pronouncements in which fair value measurements are already required. ASC 820-10 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. We adopted the provisions of ASC 820-10 as of January 1, 2008, for financial instruments. Although the adoption of ASC 820-10 has not materially impacted our financial condition, results of operations, or cash flow, we are now required to provide additional disclosures as part of our financial statements.

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.

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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 and cap 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, 2011, 2010, and 2009, the fair value of our impaired properties was estimated to be \$1.9 million, \$1.8 million, and \$4.5 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, 2011, we held certain items that are required to be measured at fair value on a recurring basis. These included cash equivalents, available for sale securities, and interest rate derivative contracts. Cash equivalents consist of short-term, highly liquid, income-producing investments, all of which have maturities of 90 days or less where the carrying value approximates fair value. 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, 2011, 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.

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The following items are measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at December 31, 2011 and 2010, respectively (dollars in thousands):

| Financial Instrument                | Level | Book Value |          | Fair Value |          |
|-------------------------------------|-------|------------|----------|------------|----------|
|                                     |       | 2011       | 2010     | 2011       | 2010     |
| Investment in marketable securities | 1     | \$ 2,874   | \$ 2,985 | \$ 2,874   | \$ 2,985 |
| Interest rate swaps asset           | 2     | \$ --      | \$ 446   | \$ --      | \$ 446   |
| Interest rate swaps liability       | 2     | \$ 4,722   | \$ 181   | \$ 4,722   | \$ 181   |

**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, 2011 and 2010 (dollars in thousands):

| Financial Instrument                | Book Value |            | Fair Value |            |
|-------------------------------------|------------|------------|------------|------------|
|                                     | 2011       | 2010       | 2011       | 2010       |
| Cash                                | \$ 31,597  | \$ 34,568  | \$ 31,597  | \$ 34,568  |
| Accounts receivable                 | \$ 6,973   | \$ 5,470   | \$ 6,973   | \$ 5,470   |
| Restricted cash                     | \$ 2,379   | \$ 2,159   | \$ 2,379   | \$ 2,159   |
| Accounts and film rent payable      | \$ 23,067  | \$ 21,687  | \$ 23,067  | \$ 21,687  |
| Notes payable                       | \$ 172,701 | \$ 191,908 | \$ 166,152 | \$ 173,142 |
| Notes payable to related party      | \$ 9,000   | \$ 9,000   | \$ N/A     | \$ N/A     |
| Subordinated debt                   | \$ 27,913  | \$ 27,913  | \$ 20,544  | \$ 18,241  |
| Investment in Marketable Securities | \$ 2,874   | \$ 2,985   | \$ 2,874   | \$ 2,985   |
| Interest rate swaps asset           | \$ --      | \$ 446     | \$ --      | \$ 446     |
| Interest rate swaps liability       | \$ 4,722   | \$ 181     | \$ 4,722   | \$ 181     |

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, 2011 and 2011, 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 39 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 \$31.2 million and \$1.6 million for 2011, respectively; \$30.9 million and \$1.1 for 2010, respectively; and \$27.5 million and \$794,000 for 2009, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2011 (dollars in thousands):

|                                     | <b>Minimum<br/>Ground<br/>Lease<br/>Payments</b> | <b>Minimum<br/>Premises<br/>Lease<br/>Payments</b> | <b>Total<br/>Minimum<br/>Lease<br/>Payments</b> |
|-------------------------------------|--|--|---|
| 2012                                | \$ 3,160   | \$ 27,957  | \$ 31,117                                       |
| 2013                                | 3,216  | 25,196   | 28,412  |
| 2014                                | 2,131  | 22,929   | 25,060  |
| 2015                                | 1,095  | 19,950   | 21,045  |
| 2016                                | 1,129  | 18,449   | 19,578  |
| Thereafter                          | 16,472   | 60,470   | 76,942  |
| <b>Total minimum lease payments</b> | <b>\$ 27,203</b>                                 | <b>\$ 174,951</b>                                  | <b>\$ 202,154</b>                               |

Since approximately \$86.4 million of our total minimum lease payments of \$202.2 million as of December 31, 2011 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 26 – *Related Parties and Transactions* for the amount of leases associated with any related party leases.

### **Note 18 – Pension Liabilities**

#### **Supplemental Executive Retirement Plan**

In March 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 (see Note 24 – *Comprehensive Income (Loss)*). 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, 2011, 2010, and 2009, we recognized \$195,000, \$200,000, and \$160,000, respectively, of interest cost and \$304,000 of amortized prior service cost per year. For the years ended December 31, 2011 and 2010, we recognized \$24,000 and \$0 of amortized net gains. The balance of the other liability for this pension plan was \$3.5 million and \$3.8 million at December 31, 2011 and 2010, respectively, and the accumulated unrecognized prior service costs included in other comprehensive income balance was \$1.2 and \$2.1 million at December 31, 2011 and 2010, respectively. The December 31, 2011 and 2010 values of the SERP are based on a discount rate of 5.10% and 6.25%, respectively and an annual compensation growth rate of 3.50% per year.

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The change in the SERP pension benefit obligation and the funded status for the year ending December 31, 2011 and 2010 are as follows (dollars in thousands):

| <b>Change in Benefit Obligation</b>     | <b>For the year ending<br/>December 31, 2011</b> |
|---|--|
| 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)                                       |

| <b>Change in Benefit Obligation</b>     | <b>For the year ending<br/>December 31, 2010</b> |
|---|--|
| Benefit obligation at January 1, 2010   | \$ 3,428   |
| Interest cost                           | 200  |
| Actuarial gain                          | 192  |
| Benefit obligation at December 31, 2010 | 3,820  |
| Funded status at December 31, 2010      | \$ (3,820)                                       |

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

|                        | <b>At December<br/>31,<br/>2011</b> | <b>At December<br/>31,<br/>2010</b> |
|------------------------|-------------------------------------|-------------------------------------|
| Noncurrent assets      | \$ --                               | \$ --                               |
| Current liabilities    | 10                                  | 9                                   |
| Noncurrent liabilities | 3,501                               | 3,811                               |

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

|                                      | <b>At December<br/>31,<br/>2011</b> | <b>At December<br/>31,<br/>2010</b> |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Unamortized actuarial (gain) loss    | \$ (14)                             | \$ 514                              |
| Prior service costs                  | 1,234                               | 1,538                               |
| Accumulated other comprehensive loss | \$ 1,220                            | \$ 2,052                            |



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

|  | From January 1,<br>2011<br>to December 31,<br>2011 | From January 1,<br>2010<br>to December 31,<br>2010 |
|--|--|--|
| <b>Net periodic benefit cost</b>   |  |  |
| Service cost   | \$ --  | \$ --  |
| Interest cost  | 195  | 200  |
| Expected return on plan assets   | --   | --   |
| Amortization of prior service costs  | 304  | 304  |
| Amortization of net gain   | 24   | --   |
| Net periodic benefit cost  | \$ 523   | \$ 504   |
| <b>Other changes in plan assets and benefit obligations<br/>recognized in other comprehensive income</b> |  |  |
| Net (gain) loss  | \$ (504)   | \$ 192   |
| Prior service cost   | --   | --   |
| Amortization of prior service cost   | (304)  | (304)  |
| Amortization of net gain   | (24)   | --   |
| Total recognized in other comprehensive income   | \$ (832)   | \$ (112)   |
| Total recognized in net periodic benefit cost and other<br>comprehensive income                          | \$ (309)   | \$ 392   |

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 \$0 and \$304,000, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31, 2011 and 2010:

|                               | 2011  | 2010  |
|-------------------------------|-------|-------|
| Discount rate                 | 4.25% | 5.10% |
| 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, 2011 and 2010:

|  | 2011  | 2010  |
|--|-------|-------|
| Discount rate                            | 5.10% | 5.85% |
| 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, Mr. S. Craig Tompkins has a vested interest in the pension plan originally established by Craig Corporation prior to its merger with our company of \$195,000 and \$194,000 at December 31, 2011 and 2010, respectively. The balance accrues interest at 30 day LIBOR and is maintained as an unfunded Executive Pension Plan obligation included in other liabilities. Mr. Tompkins will be paid the balance of this pension once he no longer provides services to the Company. Additionally, as part of his employment agreement, Mr. John Hunter, our Chief Operating Officer, has a vested interest in a pension plan that currently accrues \$200,000 per year and had a balance of \$583,000 and \$392,000 at December 31, 2011 and 2010, respectively. Mr. Hunter will be paid the balance of his pension on the last day of his employment with the Company.

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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):

|                               | <b>Pension<br/>Payments</b> |
|-------------------------------|-----------------------------|
| 2012                          | \$ 10                       |
| 2013                          | 20                          |
| 2014                          | 30                          |
| 2015                          | 40                          |
| 2016                          | 50                          |
| Thereafter                    | 4,139                       |
| <b>Total pension payments</b> | <b>\$ 4,289</b>             |

**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, 2011. 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, 2011 and 2010, the total line of credit was \$1.6 million (NZ\$2.0 million) and \$1.5 million (NZ\$2.0 million), respectively, and had an outstanding balance of \$663,000 (NZ\$850,000) and \$653,000 (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, 2011, after the payments made during 2011, the remaining federal tax obligation was \$4.3 million in tax plus \$9.2 million in interest. 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, 2011, 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.

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In 2011, the Company claimed federal and state tax deductions for interest owed to the IRS and to state tax agencies, plus an additional federal deduction for taxes owed to state tax agencies.

The decision to settle was based on various business considerations, the most prominent of which was the potential size of an adverse judgment (some \$63.0 million net federal tax liability, including interest, if the case had remained unsettled as of December 31 2011), plus state liabilities and the direct costs of trial.

Prior to the settlement, we had accrued \$6.6 million in accordance with the cumulative probability approach prescribed in Financial Accounting Standards Board Accounting Standards Codification ("ASC") 740-10-25 – Income Taxes. As a result of the settlement, we recorded an additional federal and state tax expense of \$12.1 million for the year ended December 31, 2010 to increase our reserve for uncertain tax positions.

**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, 2011, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$12.5 million (AUS\$12.2 million) and as of that date we had incurred a total of \$8.5 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 much 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, 2011, 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 21<sup>st</sup> Century Pty, Ltd
- 25% noncontrolling interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC

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

|   | December 31, |        |
|---|--------------|--------|
|   | 2011         | 2010   |
| AFC LLC   | \$ 1,125     | \$ 681 |
| Australian Country Cinemas                            | 360          | 162    |
| Elsternwick unincorporated joint venture              | --           | 176    |
| Sutton Hill Properties                                | (250)        | (167)  |
| Noncontrolling interests in consolidated subsidiaries | \$ 1,235     | \$ 852 |

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

|   | December 31, |        |        |
|---|--------------|--------|--------|
|   | 2011         | 2010   | 2009   |
| AFC LLC   | \$ 909       | \$ 546 | \$ 606 |
| Australian Country Cinemas                          | 311          | 249    | 152    |
| Elsternwick unincorporated joint venture            | 25           | 59     | 34     |
| Landplan  | --           | --     | (157)  |
| Sutton Hill Properties                              | (305)        | (238)  | (247)  |
| Net income attributable to noncontrolling interests | \$ 940       | \$ 616 | \$ 388 |

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd (“Reading Landplan”) to identify, acquire, develop, or redevelop properties on an opportunistic basis in Australia and New Zealand. These properties are held in separate special purpose entities, which are collectively referred to as “Reading Landplan.” The properties held through Landplan currently consist of the holdings described above as being located at Indooroopilly, Taringa, Lake Taupo (including the adjacent undeveloped parcel), and Manukau. 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.

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) share upon liquidation. No dividends have ever been issued for either share class.

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 to 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 26 – *Related Parties and Transactions*).

2009 Common Stock Activity

During 2009, we issued 146,017 shares of Class A Stock to certain executive employees associated with their prior years' stock bonuses. Additionally, 98,949 shares of Class A Stock which were previously held as treasury shares were canceled during 2009.

For the stock options exercised during 2009, we issued for cash to an employee of the corporation under our employee stock option plan 3,000 shares of Class A Stock at an exercise price of \$3.80 per share.

Note 22 – Business Segments and Geographic Area Information

During 2010, we changed our reporting for intercompany property rent where our cinema operations were substantially the only tenant of such property by eliminating the intersegment revenue and expense relating to the intercompany rent, and transferring the third party lease costs from the real estate segment to the cinema exhibition segment. This change in management's structure of the reportable segments commenced on January 1, 2010, such changes to segment reporting are reflected in the segment results for 2010 and 2009, respectively. The retroactive presentation in 2009 segment results decreased intersegment revenue and expense for the intercompany rent by \$4.4 million and transferred the third party lease costs from the real estate segment to the cinema exhibition segment. The overall results of these changes decreased real estate segment revenue and expense by \$4.4 million for the year ended December 31, 2009. This change results in a reduction of real estate operating expense and an increase of cinema operating expense of \$4.4 million on our Consolidated Statements of Operations for the year ended December 31, 2009.

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, 2011 (dollars in thousands):

| <b>Year Ended December 31, 2011</b> | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue                             | \$ 225,849                   | \$ 27,388              | \$ (7,432)                           | \$ 245,805   |
| Operating Expense                   | 189,647                      | 10,419                 | (7,432)                              | 192,634      |
| Depreciation & amortization         | 11,842                       | 4,809                  | --                                   | 16,651       |
| Impairment expense                  | --                           | 369                    | --                                   | 369          |
| General & administrative expense    | 2,740                        | 646                    | --                                   | 3,386        |
| Segment operating income            | \$ 21,620                    | \$ 11,145              | \$ --                                | \$ 32,765    |

| <b>Year Ended December 31, 2010</b> | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue                             | \$ 211,073                   | \$ 25,512              | \$ (6,466)                           | \$ 230,119   |
| Operating expense                   | 178,261                      | 9,221                  | (6,466)                              | 181,016      |
| Depreciation & amortization         | 10,559                       | 4,640                  | --                                   | 15,199       |
| Impairment expense                  | --                           | 2,239                  | --                                   | 2,239        |
| General & administrative expense    | 2,880                        | 1,220                  | --                                   | 4,100        |
| Segment operating income            | \$ 19,373                    | \$ 8,192               | \$ --                                | \$ 27,565    |

| <b>Year Ended December 31, 2009</b>                                    | <b>Cinema<br/>Exhibition</b> | <b>Real<br/>Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|--|------------------------------|------------------------|--------------------------------------|--------------|
| Revenue  | \$ 201,388                   | \$ 20,867              | \$ (5,241)                           | \$ 217,014   |
| Operating expense  | 165,708                      | 7,591                  | (5,241)                              | 168,058      |
| Depreciation & amortization  | 10,816                       | 3,686                  | --                                   | 14,502       |
| Loss on transfer of real estate held for sale to continuing operations | --                           | 549                    | --                                   | 549          |
| Impairment expense   | --                           | 3,217                  | --                                   | 3,217        |
| Contractual commitment loss  | --                           | 1,092                  | --                                   | 1,092        |
| General & administrative expense                                       | 2,645                        | 1,063                  | --                                   | 3,708        |
| Segment operating income   | \$ 22,219                    | \$ 3,669               | \$ --                                | \$ 25,888    |

| <b>Reconciliation to net income attributable to Reading International, Inc. shareholders:</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|-------------|
| Total segment operating income  | \$ 32,765   | \$ 27,565   | \$ 25,888   |
| Non-segment:  |             |             |             |
| Depreciation & amortization expense   | 309         | 715         | 666         |
| General & administrative expense  | 14,046      | 13,684      | 13,851      |
| Other operating income  | --          | --          | (2,551)     |
| Operating income  | 18,410      | 13,166      | 13,922      |
| Interest expense, net   | (21,038)    | (12,286)    | (14,572)    |
| Other income (expense)  | 1,157       | (347)       | (2,013)     |
| Gain (loss) on sale of assets   | (67)        | 352         | (2)         |
| Income tax benefit (expense)  | 12,330      | (14,264)    | (1,952)     |
| Equity earnings (loss) of unconsolidated joint ventures and entities                          | (1,552)     | 1,345       | 117         |
| Income from discontinued operations   | 1,656       | --          | --          |
| Gain on extinguishment of debt  | --          | --          | 10,714      |
| Gain on sale of unconsolidated joint venture  | --          | --          | 268         |
| Net income (loss)   | \$ 10,896   | \$ (12,034) | \$ 6,482    |
| Net income attributable to noncontrolling interests   | (940)       | (616)       | (388)       |
| Net income (loss) attributable to Reading International, Inc. common shareholders             | \$ 9,956    | \$ (12,650) | \$ 6,094    |

| <b>Summary of assets:</b> | <b>2011</b> | <b>2010</b> |
|---------------------------|-------------|-------------|
| Segment assets            | \$ 414,608  | \$ 406,569  |
| Corporate assets          | 16,156      | 23,780      |
| Total Assets              | \$ 430,764  | \$ 430,349  |

| <b>Summary of capital expenditures:</b> | <b>2011</b>     | <b>2010</b>      | <b>2009</b>     |
|---|-----------------|------------------|-----------------|
| Segment capital expenditures            | \$ 8,419        | \$ 18,942        | \$ 5,584        |
| Corporate capital expenditures          | 957             | 429              | 102             |
| <b>Total capital expenditures</b>       | <b>\$ 9,376</b> | <b>\$ 19,371</b> | <b>\$ 5,686</b> |

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 theaters and operating expense directly linked to our property assets.

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

|                                     | <b>December 31,</b> |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | <b>2011</b>         | <b>2010</b>       |
| Australia                           | \$ 117,911          | \$ 121,403        |
| New Zealand                         | 33,322              | 33,809            |
| United States                       | 64,195              | 65,038            |
| <b>Total property and equipment</b> | <b>\$ 215,428</b>   | <b>\$ 220,250</b> |

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

|                      | <b>December 31,</b> |                   |                   |
|----------------------|---------------------|-------------------|-------------------|
|                      | <b>2011</b>         | <b>2010</b>       | <b>2009</b>       |
| Australia            | \$ 111,568          | \$ 94,215         | \$ 80,848         |
| New Zealand          | 22,247              | 25,338            | 22,776            |
| United States        | 111,990             | 110,566           | 113,390           |
| <b>Total revenue</b> | <b>\$ 245,805</b>   | <b>\$ 230,119</b> | <b>\$ 217,014</b> |

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

| <b>2011</b>  | <b>First Quarter</b> | <b>Second Quarter</b> | <b>Third Quarter</b> | <b>Fourth Quarter</b> |
|--|----------------------|-----------------------|----------------------|-----------------------|
| Revenue  | \$ 54,242            | \$ 67,174             | \$ 66,762            | \$ 57,627             |
| 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)             |

| <b>2010</b>  |           |             |           |           |
|--|-----------|-------------|-----------|-----------|
| Revenue  | \$ 58,150 | \$ 57,032   | \$ 60,638 | \$ 54,299 |
| Net income (loss)  | \$ 568    | \$ (13,561) | \$ 1,378  | \$ (419)  |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ 353    | \$ (13,714) | \$ 1,242  | \$ (531)  |
| Basic earnings (loss) per share  | \$ 0.02   | \$ (0.60)   | \$ 0.05   | \$ (0.03) |
| Diluted earnings (loss) per share  | \$ 0.02   | \$ (0.60)   | \$ 0.05   | \$ (0.03) |

**Note 24 - Comprehensive Income (Loss)**

US GAAP requires us to classify unrealized gains and losses on equity securities as well as our foreign currency adjustments as comprehensive income. The following table sets forth our comprehensive income for the periods indicated (in thousands):

|   | Years Ended December 31, |          |           |
|---|--------------------------|----------|-----------|
|   | 2011                     | 2010     | 2009      |
| Net unrealized gains/(losses) on investments  |                          |          |           |
| Reclassification of realized gain on available for sale investments included in net income (loss) | \$ (25)                  | \$ --    | \$ 1,047  |
| Unrealized loss on available for sale investments   | (7)                      | (478)    | (523)     |
| Net unrealized gains/(losses) on investments  | (32)                     | (478)    | 524       |
| Net income (loss)   | 10,896                   | (12,034) | 6,482     |
| Cumulative foreign currency adjustment  | 1,028                    | 16,015   | 34,271    |
| Accrued pension service (benefit) costs   | 832                      | 112      | (418)     |
| Comprehensive income  | \$ 12,724                | \$ 3,615 | \$ 40,859 |
| Net income attributable to noncontrolling interests   | (940)                    | (616)    | (388)     |
| Comprehensive income attributable to noncontrolling interests                                     | (11)                     | (43)     | (141)     |
| Comprehensive income attributable to Reading International, Inc.                                  | \$ 11,773                | \$ 2,956 | \$ 40,330 |

**Note 25 - Future Minimum Rental Income**

Real estate revenue amounted to \$20.0 million, \$19.0 million, and \$15.6 million, for the years ended December 31, 2011, 2010, and 2009, respectively. Future minimum rental income under all contractual operating leases is summarized as follows (dollars in thousands):

| Year Ending December 31,           |           |
|------------------------------------|-----------|
| 2012                               | \$ 13,481 |
| 2013                               | 8,497     |
| 2014                               | 6,129     |
| 2015                               | 5,723     |
| 2016                               | 4,716     |
| Thereafter                         | 28,954    |
| Total future minimum rental income | \$ 67,500 |

**Note 26 - 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 2011, 2010, and 2009, we paid rent to SHC in the amount of \$590,000, \$547,000, and \$487,000, 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 \$5.6 million presented under other liabilities (see Note 15 - *Other Liabilities*). This resulted in a deemed equity distribution of \$877,000.



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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 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 2009, OBI Management earned \$325,000, which was 28.3% 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.

**Note 27 – 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 \$1.0 million (NZ1.3 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 2012. 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 are currently discussing a settlement for the release of obligations under the lease agreement. We do not believe that the settlement will result in a significant reduction to the value of our investment in the Rialto Cinemas joint venture relative to the current carrying value.

## **Note 28 – Subsequent Events**

### *Coachella, California Land Acquisition*

On January 10, 2012, 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 with the intention of using it in the interim for agricultural purposes. 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 on January 18, 2012 into a 50% interest in the limited liability company that acquired the land. The limited liability company is managed by our Company.

### *Renewed New Zealand Credit Facility*

On February 8, 2012, we received an approved amendment from Westpac renewing our existing \$35.1 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 \$3.9 million (\$5.0 million) to \$31.2 million (NZ\$40.0 million) and an increase in the facility margin of 0.55% to 2.0%. No other significant changes to the facility were made.

### *Taringa Sale*

As of December 31, 2011, we were under contract to sell the three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for \$1.8 million (AUSS\$1.8 million). These properties were sold on February 21, 2012 for the agreed upon amount.

### *iDNA Note Receivable*

On February 29, 2012, we acquired for \$1.8 million from the original lender a promissory note which is currently in default and which we believe to be indirectly secured by the 50% membership interest in the Angelika Film Center, LLC not already owned by the Company. The note was acquired in order to protect our interest in the Angelika Film Center, LLC, with the intention of providing for an orderly satisfaction of the debt evidenced by that promissory note.

**Schedule II - Valuation and Qualifying Accounts**

| <b>Description</b>   | <b>Balance at beginning of year</b> | <b>Additions charged to costs and expenses</b> | <b>Deductions</b> | <b>Balance at end of year</b> |
|--|-------------------------------------|--|-------------------|-------------------------------|
| Allowance for doubtful accounts                                |                                     |  |                   |                               |
| 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                         |
| Year-ended December 31, 2009 – Allowance for doubtful accounts | \$ 397                              | \$ 142   | \$ 332            | \$ 207                        |
| Tax valuation allowance  |                                     |  |                   |                               |
| 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                     |
| Year-ended December 31, 2009 – Tax valuation allowance         | \$ 59,938                           | \$ --  | \$ 335            | \$ 59,603                     |

**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, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 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, 2011, 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 Reading International, Inc. and subsidiaries' (collectively, the "Company") internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2011, 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 Company's consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2011, of the Company and our report dated March 15, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Grant Thornton LLP

Los Angeles, California  
March 15, 2012

**PART III**

**Items 10, 11, 12, 13 and 14**

Information required by Part II (Items 10, 11, 12, 13 and 14) of this Form 10-K is hereby incorporated by reference from the Reading International, Inc.'s definitive Proxy Statement for its 2012 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*.

| <b><u>Description</u></b>   | <b><u>Page</u></b>  |
|---|---------------------|
| <a href="#">Reports of Independent Registered Accounting Firm</a>   | <a href="#">55</a>  |
| <a href="#">Consolidated Balance Sheets as of December 31, 2011 and 2010</a>                                | <a href="#">57</a>  |
| <a href="#">Consolidated Statements of Operations for the Three Years Ended December 31, 2011</a>           | <a href="#">59</a>  |
| <a href="#">Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2011</a> | <a href="#">60</a>  |
| <a href="#">Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2011</a>           | <a href="#">61</a>  |
| <a href="#">Notes to Consolidated Financial Statements</a>  | <a href="#">62</a>  |
| 2. <i>Financial Statements and Schedules for the three years ended December 31, 2011, 2010 and 2009</i>     |                     |
| <a href="#">Schedule II – Valuation and Qualifying Accounts</a>   | <a href="#">109</a> |
| <a href="#">Financial Statements of Mt. Gravatt Cinemas Joint Venture</a>                                   | <a href="#">113</a> |
| 3. <i>Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K)</i>                          | <a href="#">131</a> |

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

See Item (a) 3. above.

(c) *Financial Statement Schedule*

See Item (a) 2. above.



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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, 2011 and 2010 and unaudited financial statements for the year ended December 31, 2009.

**Mt. Gravatt Cinemas Joint Venture  
Statements of Comprehensive Income  
For the Year Ended December 31, 2011**

| <i>In AU\$</i>                                   | <b>Note</b> | <b>2011</b>          | <b>2010</b>          | <b>2009<br/>(unaudited)</b> |
|--|-------------|----------------------|----------------------|-----------------------------|
| Revenue from rendering services                  | 5           | \$ 10,022,854        | \$ 10,378,232        | \$ 10,459,016               |
| Revenue from sale of concession                  |             | 3,625,410            | 3,646,982            | 3,732,980                   |
| <b>Total revenue</b>                             |             | <b>\$ 13,648,264</b> | <b>\$ 14,025,214</b> | <b>\$ 14,191,996</b>        |
| Film expenses                                    |             | (3,974,267)          | (4,200,089)          | (4,181,253)                 |
| Personnel expenses                               | 6           | (1,925,190)          | (2,084,251)          | (1,963,946)                 |
| Occupancy expenses                               |             | (1,521,307)          | (1,413,895)          | (1,399,618)                 |
| House expenses                                   |             | (1,159,484)          | (1,182,071)          | (1,108,031)                 |
| Cost of concession                               |             | (851,575)            | (913,716)            | (963,084)                   |
| Depreciation and amortization expenses           | 11          | (555,594)            | (573,224)            | (613,175)                   |
| Advertising and marketing costs                  |             | (334,325)            | (325,214)            | (244,086)                   |
| Management fees                                  |             | (253,914)            | (243,290)            | (241,009)                   |
| Repairs and maintenance expense                  |             | (182,566)            | (163,994)            | (175,338)                   |
| <b>Results for operating activities</b>          |             | <b>\$ 2,890,042</b>  | <b>\$ 2,925,470</b>  | <b>\$ 3,302,456</b>         |
| Finance income                                   |             | 58,301               | 19,522               | 16,047                      |
| <b>Net finance income</b>                        | 7           | <b>\$ 58,301</b>     | <b>\$ 19,522</b>     | <b>\$ 16,047</b>            |
| <b>Profit for the period</b>                     |             | <b>\$ 2,948,343</b>  | <b>\$ 2,944,992</b>  | <b>\$ 3,318,503</b>         |
| <b>Other comprehensive income</b>                |             |                      |                      |                             |
| Other comprehensive income for the period        |             | --                   | --                   | --                          |
| <b>Total comprehensive income for the period</b> |             | <b>\$ 2,948,343</b>  | <b>\$ 2,944,992</b>  | <b>\$ 3,318,503</b>         |

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

**Mt. Gravatt Cinemas Joint Venture  
Statements of Changes in Equity  
For the Year Ended December 31, 2011**

| <i>In AU\$</i>  | <b>Birch Carroll<br/>&amp; Coyle<br/>Limited</b> | <b>Reading<br/>Exhibition Pty<br/>Ltd</b> | <b>Village<br/>Roadshow<br/>Exhibition Pty<br/>Ltd</b> | <b>Total</b> |
|---|--|---|--|--------------|
| <b>Members' Equity at January 1, 2009 (Unaudited)</b>   | \$ 1,240,094                                     | \$ 1,240,092                              | \$ 1,240,092   | \$ 3,720,278 |
| Member distributions                                    | (1,180,000)                                      | (1,180,000)                               | (1,180,000)  | (3,540,000)  |
| Total other comprehensive income                        | --   | --  | --   | --           |
| Profit for the period                                   | 1,106,167  | 1,106,168                                 | 1,106,168  | 3,318,503    |
| Total comprehensive income for the period               | 1,106,167  | 1,106,168                                 | 1,106,168  | 3,318,503    |
| <b>Members' Equity at December 31, 2009 (Unaudited)</b> | \$ 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    |
| <b>Members' Equity at December 31, 2010</b>             | \$ 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  | 2,948,343    |
| Total comprehensive income for the period               | 982,781  | 982,781                                   | 982,781  | 2,948,343    |
| <b>Members' Equity at December 31, 2011</b>             | \$ 1,580,705                                     | \$ 1,580,705                              | \$ 1,580,705   | \$ 4,742,116 |

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

**Mt. Gravatt Cinemas Joint Venture**  
**Statements of Financial Position**  
**As at December 31, 2011**

| <i>In AU\$</i>                       | <b>Note</b> | <b>2011</b>         | <b>2010</b>         |
|--------------------------------------|-------------|---------------------|---------------------|
| <b>ASSETS</b>                        |             |                     |                     |
| Cash and cash equivalents            | 8           | \$ 1,590,333        | \$ 1,502,309        |
| Trade receivables                    | 9           | 143,488             | 89,596              |
| Inventories                          | 10          | 153,899             | 235,519             |
| <b>Total current assets</b>          |             | <b>\$ 1,887,720</b> | <b>\$ 1,827,424</b> |
| Property, plant and equipment        | 11          | 3,737,955           | 2,984,116           |
| <b>Total non-current assets</b>      |             | <b>\$ 3,737,955</b> | <b>\$ 2,984,116</b> |
| <b>Total assets</b>                  |             | <b>\$ 5,625,675</b> | <b>\$ 4,811,540</b> |
| <b>LIABILITIES</b>                   |             |                     |                     |
| Trade and other payables             | 12          | 657,891             | 650,503             |
| Employee benefits                    | 13          | 128,377             | 104,614             |
| Deferred revenue                     | 14          | 39,068              | 89,858              |
| <b>Total current liabilities</b>     |             | <b>\$ 825,336</b>   | <b>\$ 844,975</b>   |
| Employee benefits                    | 13          | 58,223              | 72,792              |
| <b>Total non-current liabilities</b> |             | <b>\$ 58,223</b>    | <b>\$ 72,792</b>    |
| <b>Total liabilities</b>             |             | <b>\$ 883,559</b>   | <b>\$ 917,767</b>   |
| <b>Net assets</b>                    |             | <b>\$ 4,742,116</b> | <b>\$ 3,893,773</b> |
| <b>Equity</b>                        |             |                     |                     |
| Contributed equity                   |             | \$ 202,593          | \$ 202,593          |
| Retained earnings                    |             | 4,539,523           | 3,691,180           |
| <b>Total equity</b>                  |             | <b>\$ 4,742,116</b> | <b>\$ 3,893,773</b> |

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, 2011**

| <i>In AU\$</i>  | <b>Note</b> | <b>2011</b>         | <b>2010</b>         | <b>2009</b><br><b>(unaudited)</b> |
|---|-------------|---------------------|---------------------|-----------------------------------|
| <b>Cash flows from operating activities</b>           |             |                     |                     |                                   |
| Cash receipts from customers                          |             | \$ 14,889,678       | \$ 15,424,727       | \$ 15,605,549                     |
| Cash paid to suppliers and employees                  |             | (11,450,521)        | (11,905,889)        | (11,768,067)                      |
| Cash generated from operations                        |             | \$ 3,439,157        | \$ 3,518,838        | \$ 3,837,482                      |
| Net cash provided from operating activities           | 18          | \$ 3,439,157        | \$ 3,518,838        | \$ 3,837,482                      |
| <b>Cash flows from investing activities</b>           |             |                     |                     |                                   |
| Acquisition of property, plant and equipment          | 11          | (1,309,432)         | (265,351)           | (469,852)                         |
| Interest received                                     | 7           | 58,301              | 19,522              | 16,047                            |
| Net cash used in investing activities                 |             | \$ (1,251,131)      | \$ (245,829)        | \$ (453,805)                      |
| <b>Cash flows from financing activities</b>           |             |                     |                     |                                   |
| Distributions to Joint Venturers                      |             | (2,100,000)         | (2,550,000)         | (3,540,000)                       |
| Net cash used in financing activities                 |             | \$ (2,100,000)      | \$ (2,550,000)      | \$ (3,540,000)                    |
| Net increase/ (decrease) in cash and cash equivalents |             | 88,024              | 723,009             | (156,323)                         |
| Cash and cash equivalents at 1 January                |             | 1,502,309           | 779,300             | 935,623                           |
| <b>Cash and cash equivalents at 31 December</b>       | 8           | <b>\$ 1,590,333</b> | <b>\$ 1,502,309</b> | <b>\$ 779,300</b>                 |

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

**Mt. Gravatt Cinemas Joint Venture  
Notes to Financial Statements  
December 31, 2011**

**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 on 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 1 March, 2012.

**(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 improvements | Shorter of estimated useful life and term of lease |
| Plant and equipment    | 3 to 20 years                                      |

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 recognized as income in the period earned. The Joint Venture recognizes 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 2011, but have not been applied in preparing this financial report:

- IFRS 9 Financial Instruments includes requirements for the classification and measurement of the financial assets resulting from the first part of Phase 1 of the project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 will become mandatory for the Company's 31 December 2014 financial statements. The Company has not yet determined the potential effect of the standard.
- IAS 24 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments will become mandatory for the Company's 31 December 2012 financial statements.

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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.

| <i>In AU\$</i> | <b>2011</b> | <b>2010</b> |
|----------------|-------------|-------------|
| Audit fees     | \$ 57,500   | \$ 55,000   |

**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.

**(a) 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.

**(b) 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**

| <i>In AU\$</i>        | <b>2011</b>          | <b>2010</b>          | <b>2009<br/>(unaudited)</b> |
|-----------------------|----------------------|----------------------|-----------------------------|
| Box office revenue    | \$ 9,019,423         | \$ 9,659,151         | \$ 9,724,095                |
| Screen advertising    | 249,524              | 251,325              | 264,406                     |
| Booking fees          | 200,017              | 187,206              | 197,248                     |
| Other cinema services | 553,890              | 280,550              | 273,267                     |
|                       | <b>\$ 10,022,854</b> | <b>\$ 10,378,232</b> | <b>\$ 10,459,016</b>        |

**6. Personnel expenses**

| <i>In AUSS</i>                             | <b>2011</b>         | <b>2010</b>         | <b>2009<br/>(unaudited)</b> |
|--|---------------------|---------------------|-----------------------------|
| Wages and salaries                         | \$ 1,846,267        | \$ 1,987,041        | \$ 1,904,805                |
| Change in liability for annual leave       | 57,628              | 67,604              | 49,927                      |
| Change in liability for long-service leave | 21,295              | 29,606              | 9,214                       |
|  | <u>\$ 1,925,190</u> | <u>\$ 2,084,251</u> | <u>\$ 1,963,946</u>         |

**7. Finance income**

| <i>In AUSS</i>                   | <b>2011</b>      | <b>2010</b>      | <b>2009<br/>(unaudited)</b> |
|----------------------------------|------------------|------------------|-----------------------------|
| Interest income on cash at bank: | 58,301           | 19,522           | 16,047                      |
|                                  | <u>\$ 58,301</u> | <u>\$ 19,522</u> | <u>\$ 16,047</u>            |

**8. Cash and cash equivalents**

| <i>In AUSS</i>   | <b>Note</b> | <b>2011</b>         | <b>2010</b>         |
|--|-------------|---------------------|---------------------|
| Cash at bank and on hand                                 | 15          | 1,590,333           | 1,502,309           |
| Cash and cash equivalents in the statement of cash flows |             | <u>\$ 1,590,333</u> | <u>\$ 1,502,309</u> |

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

**9. Trade and other receivables**

| <i>In AUSS</i>    | <b>Note</b> | <b>2011</b>       | <b>2010</b>      |
|-------------------|-------------|-------------------|------------------|
| Trade receivables | 15          | 143,488           | 89,596           |
|                   |             | <u>\$ 143,488</u> | <u>\$ 89,596</u> |

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.

**10. Inventories**

| <i>In AUSS</i>            | <b>2011</b>       | <b>2010</b>       |
|---------------------------|-------------------|-------------------|
| Concession stores at cost | 153,899           | 235,519           |
|                           | <u>\$ 153,899</u> | <u>\$ 235,519</u> |

## 11. Property, Plant, and Equipment

| <i>In AUSS</i>               | <u>Plant and Equipment</u> | <u>Leasehold Improvements</u> | <u>Capital WIP</u> | <u>Total</u>  |
|------------------------------|----------------------------|-------------------------------|--------------------|---------------|
| <b>Cost</b>                  |                            |                               |                    |               |
| Balance at January 1, 2010   | 9,371,582                  | 2,566,704                     | --                 | 11,938,286    |
| Additions                    | --                         | --                            | 265,351            | 265,351       |
| Disposals                    | (24,576)                   | --                            | --                 | (24,576)      |
| Balance at December 31, 2010 | \$ 9,347,006               | \$ 2,566,704                  | \$ 265,351         | \$ 12,179,061 |
| Balance at January 1, 2011   | 9,347,006                  | 2,566,704                     | 265,351            | 12,179,061    |
| Additions                    | --                         | --                            | 1,309,432          | 1,309,432     |
| Transfers                    | 1,111,257                  | 221,080                       | (1,332,337)        | --            |
| Balance at December 31, 2011 | \$ 10,458,263              | \$ 2,787,784                  | \$ 242,446         | \$ 13,488,493 |

| <i>In AUSS</i>                  | <u>Plant and Equipment</u> | <u>Leasehold Improvements</u> | <u>Capital WIP</u> | <u>Total</u>   |
|---------------------------------|----------------------------|-------------------------------|--------------------|----------------|
| <b>Accumulated depreciation</b> |                            |                               |                    |                |
| Balance at January 1, 2010      | (7,756,703)                | (878,823)                     | --                 | (8,635,526)    |
| Depreciation and amortisation   | (481,988)                  | (91,236)                      | --                 | (573,224)      |
| Disposals                       | 13,805                     | --                            | --                 | 13,805         |
| Balance at December 31, 2010    | \$ (8,224,886)             | \$ (970,059)                  | \$ --              | \$ (9,194,945) |
| Balance at January 1, 2011      | (8,224,886)                | (970,059)                     | --                 | (9,194,945)    |
| Depreciation and amortisation   | (463,815)                  | (91,779)                      | --                 | (555,594)      |
| Balance at December 31, 2011    | \$ (8,688,701)             | \$ (1,061,838)                | \$ --              | \$ (9,750,539) |

| <i>In AUSS</i>          | <u>Plant and Equipment</u> | <u>Leasehold Improvements</u> | <u>Capital WIP</u> | <u>Total</u> |
|-------------------------|----------------------------|-------------------------------|--------------------|--------------|
| <b>Carrying amounts</b> |                            |                               |                    |              |
| At January 1, 2010      | 1,614,879                  | 1,687,881                     | --                 | 3,302,760    |
| At December 31, 2010    | 1,122,120                  | 1,596,645                     | 265,351            | 2,984,116    |
| 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    |

## 12. Trade and other payables

| <i>In AUSS</i>                  | <u>Note</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|-------------|
| Trade payables                  |             | \$ 365,188  | \$ 357,155  |
| Non-trade payables and accruals |             | 292,703     | 293,348     |
|                                 | 15          | \$ 657,891  | \$ 650,503  |

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

| <i>In AUSS</i>                   | 2011              | 2010              |
|----------------------------------|-------------------|-------------------|
| Liability for annual leave       | \$ 82,698         | \$ 73,016         |
| Liability for long-service leave | 45,679            | 31,598            |
|                                  | <u>\$ 128,377</u> | <u>\$ 104,614</u> |

#### Non-current

| <i>In AUSS</i>                   | 2011             | 2010             |
|----------------------------------|------------------|------------------|
| Liability for long-service leave | 58,223           | 72,792           |
|                                  | <u>\$ 58,223</u> | <u>\$ 72,792</u> |

### 14. Deferred revenue

| <i>In AUSS</i>   | 2011             | 2010             |
|------------------|------------------|------------------|
| Deferred revenue | 39,068           | 89,858           |
|                  | <u>\$ 39,068</u> | <u>\$ 89,858</u> |

Deferred revenue mainly consists of advance funds received from vendors for the exclusive rights to supply certain concession items. Revenue is recognized 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:

| <i>In AUSS</i>            | Note | Carrying Amount |           |
|---------------------------|------|-----------------|-----------|
|                           |      | 2011            | 2010      |
| Trade receivables         | 9    | \$ 143,488      | \$ 89,596 |
| Cash and cash equivalents | 8    | 1,590,333       | 1,502,309 |

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

| <i>In AUSS</i>                             | Carrying amount |           |
|--|-----------------|-----------|
|  | 2011            | 2010      |
| Screen advertisers                         | \$ 63,696       | \$ 74,250 |
| Credit card companies                      | 71,242          | 8,066     |
| Games, machine and merchandising companies | 8,550           | 7,280     |
|  | \$ 143,488      | \$ 89,596 |

**Impairment losses**

None of the Company's trade receivables are past due (2010: \$nil). There were no allowances for impairment at 31 December 2011 or 2010.

**(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.

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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 2011 is \$657,891 (2010: \$650,503).

**(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 |              |
|---------------------------|-----------------|--------------|
|                           | 2011            | 2010         |
| <i>In AU\$</i>            |                 |              |
| Cash at bank              | \$ 1,461,138    | \$ 1,450,849 |

The Joint Venture held no fixed rate instruments during financial years 2011 or 2010.

**(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:

| <i>In AU\$</i>            | December 31, 2011 |            | December 31, 2010 |            |
|---------------------------|-------------------|------------|-------------------|------------|
|                           | Carrying amount   | Fair value | Carrying amount   | Fair value |
| Trade receivables         | \$ 143,488        | \$ 143,488 | \$ 89,596         | \$ 89,596  |
| Cash and cash equivalents | 1,590,333         | 1,590,333  | 1,502,309         | 1,502,309  |
| Trade and other payables  | 657,891           | 657,891    | 650,503           | 650,503    |

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 2011 or 2010.

## 16. Operating Leases

### Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

| <i>In AUSS</i>             | December 31,<br>2011 | December 31,<br>2010 |
|----------------------------|----------------------|----------------------|
| Less than one year         | \$ 1,277,754         | \$ 1,123,654         |
| Between one and five years | 5,111,016            | 4,494,614            |
| More than five years       | 2,506,498            | 4,494,614            |
| <b>Total</b>               | <b>\$ 8,895,268</b>  | <b>\$ 10,112,882</b> |

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 prior 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 2011 (2010: \$nil).

## 18. Reconciliation of Cash Flows from Operating Activities

| <i>In AUSS</i>  | Note | 2011                | 2010                | 2009<br>(unaudited) |
|---|------|---------------------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>               |      |                     |                     |                     |
| Profit for the period                                     |      | \$ 2,948,343        | \$ 2,944,992        | \$ 3,318,503        |
| Adjustments for:  |      |                     |                     |                     |
| Depreciation and amortization                             | 11   | 555,594             | 573,224             | 613,175             |
| Interest received   | 7    | (58,301)            | (19,522)            | (16,047)            |
| Loss on disposal of property, plant, and equipment        |      | -                   | 10,771              | -                   |
| <b>Operating profit before changes in working capital</b> |      | <b>\$ 3,445,636</b> | <b>\$ 3,509,465</b> | <b>\$ 3,915,631</b> |
| Change in trade receivables                               | 9    | (53,892)            | 7,763               | (5,647)             |
| Change in inventories                                     | 10   | 81,620              | (96,837)            | (23,052)            |
| Change in prepayments and other receivables               |      | -                   | 109,099             | (108,185)           |
| Change in trade and other payables                        | 12   | 7,388               | (40,721)            | 10,754              |
| Change in employee benefits                               | 13   | 9,195               | 47,027              | 4,694               |
| Change in deferred revenue                                | 14   | (50,790)            | (16,958)            | 43,287              |
| <b>Net cash from operating activities</b>                 |      | <b>\$ 3,439,157</b> | <b>\$ 3,518,838</b> | <b>\$ 3,837,482</b> |

## 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 2011 the management fee payable was \$24,116 (2010: \$23,576).

## **20. Subsequent Events**

Subsequent to 31 December 2011, there were no events which would have a material effect on the financial report.

## Independent Auditors' Report

The Management Committee and Joint Venturers

Mt. Gravatt Cinemas Joint Venture:

We have audited the accompanying statements of financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2011 and 2010 and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Joint Venture's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG

Sydney, Australia

March 1, 2012

**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).  |

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| 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).  |

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| 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).  |
| 10.13  | 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 herewith).  |
| 10.25  | Property Finance Wholesale Term Loan Facility dated June 20, 2007, among Reading Courtenay Central Limited and Westpac New Zealand Limited (filed herewith).   |
| 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 herewith).  |
| 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 herewith).   |

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| 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 15, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 31.2    | Certification of Principal Financial Officer dated March 15, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 32.1    | Certification of Principal Executive Officer dated March 15, 2011 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 15, 2011 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.

**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 15, 2012

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.

| <b>Signature</b>  | <b>Title(s)</b>  | <b>Date</b>    |
|---|--|----------------|
| <u>/s/ James J. Cotter</u><br>James J. Cotter           | Chairman of the Board and Director and Chief Executive Officer | March 15, 2012 |
| <u>/s/ Andrzej Matyczynski</u><br>Andrzej Matyczynski   | Principal Financial and Accounting Officer                     | March 15, 2012 |
| <u>/s/ Eric Barr</u><br>Eric Barr                       | Director   | March 15, 2012 |
| <u>/s/ James J. Cotter, Jr.</u><br>James J. Cotter, Jr. | Director   | March 15, 2012 |
| <u>/s/ Margaret Cotter</u><br>Margaret Cotter           | Director   | March 15, 2012 |
| <u>/s/ William D. Gould</u><br>William D. Gould         | Director   | March 15, 2012 |
| <u>/s/ Edward L. Kane</u><br>Edward L Kane              | Director   | March 15, 2012 |
| <u>/s/ Gerard P. Laheney</u><br>Gerard P. Laheney       | Director   | March 15, 2012 |
| <u>/s/ Alfred Villaseñor</u><br>Alfred Villaseñor       | Director   | March 15, 2012 |

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National Australia Bank Limited

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Reading Entertainment Australia Group

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# Bill Acceptance and Discount & Bank Guarantee Facility Agreement

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Date 24 June 2011

## Parties

**National Australia Bank Limited** ABN 12 004 044 937 of Pier 3 Level 4, 800 Bourke Street, Docklands, Victoria 3008 ( **Bank** )

**Reading Entertainment Australia Pty Ltd** ACN 070 893 908 of 98 York Street, South Melbourne, Victoria 3205 ( **Borrower** )

Each person listed in schedule 1 (each an **Original Guarantor** )

## Agreed terms

### 1 Interpretation

#### 1.1 Definitions

In this document:

**Accounting Standards** means accounting principles and practices consistently applied which are generally accepted in Australia and are consistent with any applicable legislation in each case as in effect on the date of this document, including instruments in force under section 334 of the Corporations Act and provisions of such instruments.

**Adjusted EBITDA** means, for any period, EBITDA adjusted to exclude:

- (a) any impairment for non-current assets included in the consolidated financial statements of the Reading Entertainment Australia Group for the Financial Year ending 31 December 2010, as applicable to the relevant period;
- (b) any amounts from litigation settlements included in the consolidated financial statements of the Reading Entertainment Australia Group, for the Financial Year ending 31 December 2010, as applicable to the relevant period; and
- (c) any net foreign exchange amounts (whether realised or unrealised) included in the consolidated financial statements of the Reading Entertainment Australia Group during the relevant period.

**Aggregate Amount** means, in relation to a Drawing, the aggregate of

- (a) the Face Values of all Bills; or
- (b) the Face Values of all Bank Guarantees;

comprising that Drawing.

**Annual Compliance Certificate** means, in relation to a Financial Year, a certificate substantially in the form of **schedule 9**.

**Approved Valuer** means a company or firm of duly qualified and licensed real estate valuers acceptable to the Bank in all respects and instructed by (or with the approval of) the Bank.

**Attorney** means any attorney appointed under this document and any sub-attorney appointed by an Attorney.

**Authorisation** includes any authorisation, consent, licence, permission, approval or exemption from any Government Body. If a Government Body could prohibit anything being done in connection with any matter or otherwise intervene within a specified time after notice has been given to it or any document lodged or filed with it in connection with the matter, the relevant matter will not be taken to have been Authorised until the specified time limit has expired without the Government Body taking any relevant action.

**Authorised Representative** means, in relation to any party to this document, a person with the right to act as the agent of that party for the purposes of this document. It includes a director or company secretary of that party (if it is a corporation) and, in the case of the Bank, an employee of the Bank whose title contains the word “manager”, “director”, “associate” or a similar term and a lawyer for the Bank. It also includes a person appointed by a party as an Authorised Representative of that party whose appointment is notified by the appointor to the other party in a notice which contains the specimen signature of the appointee.

**Availability Period** means in respect of each Bill Facility, the period beginning on the date on which the conditions precedent are satisfied or waived by the Bank in accordance with the Transaction Documents and ending on the Termination Date.

**Available Commitment** means in respect of a Facility, the Facility Limit less the Outstanding Accommodation relating to that Facility.

**Bank Bill Discount Facility** means the Facility described as such in **schedule 2** and granted pursuant to **clause 4.1(a)(i)**.

**Bank Facility Fee** means the amounts payable in accordance with **clause 9.1(b)**.

**Bank Guarantee** means each bank guarantee issued (or deemed to have been issued) in accordance with this document.

**Bank Guarantee Facility** means the Facility described as such in **schedule 2** and granted pursuant to **clause 4.1(a)(iii)**.

**Bank Guarantee Margin** means in respect of each Bank Guarantee:

- (a) from the date this document is signed until adjusted in accordance with **paragraph (b)**, 2.90% per annum;
- (b) a margin adjusted on the last day of each six month period following the Funding Date for that Bank Guarantee by reference to the table below, and based on the most recently determined Leverage Ratio (being a Leverage Ratio that has been calculated by reference to the Financial Statements and information set out in the most recently received Annual Compliance Certificate or Interim Compliance Certificate):

Funding Date for that Bank Guarantee by reference to the table below, and based on the most recently determined Leverage Ratio (being a Leverage Ratio that has been calculated by reference to the financial Statements and information set out in the most recently received Annual Compliance Certificate or Interim Compliance Certificate):

| <b>Leverage Ratio</b>  | <b>Bank Guarantee Margin</b> |
|--|------------------------------|
| Greater than 3.50 times                                      | 2.90% per annum              |
| Greater than 3.00 times and equal to or less than 3.50 times | 2.65% per annum              |
| Greater than 2.50 times and equal to or less than 3.00 times | 2.40% per annum              |
| Less than or equal to 2.50 times                             | 2.15% per annum              |

**Bank Guarantee Reserve Account** means the account established pursuant to **clause 9.5(n)**.

**Beneficiary** means in relation to a Bank Guarantee, the person who from time to time is entitled to make a claim for payment under that Bank Guarantee against the Bank.

**Bill** means a bill of exchange as defined in the *Bills of Exchange Act 1909* (but does not include a cheque). It includes a document which, when signed by the persons named as drawer and acceptor in the relevant document, will become such a bill of exchange.

**Bill Facility** means each of:

- (a) the Bank Bill Discount Facility; and
- (b) the Revolving Bank Bill Discount Facility.

**Break Costs** means, in relation to any financial accommodation provided or to be provided by the Bank under a Facility, any liability or costs incurred by the Bank by reason of:

- (a) liquidating or re-deploying deposits or other funds acquired or contracted for by or on account of the Borrower or the Bank;
- (b) terminating or reversing any agreement or arrangement (including by entering into new agreements or arrangements to close out or net off existing agreements or arrangements) entered into by or on account of the Borrower or the Bank with a counterparty or an internal department of the Bank responsible for such agreements or arrangements to hedge, fix, swap or limit its effective cost of funding; or
- (c) any loss of any margins in relation to future lending or loss of any fees.

**Burwood Property** means:

- (a) the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood, Victoria; and



- (b) all present or future agreements, documents or rights relating to the ownership, occupation, use, sale, transfer or disposal of all or any part of the land and improvements described in paragraph (a).

**Business Day** means a day which is not a Saturday, Sunday or bank or public holiday in Melbourne.

**Cash Cover Rate** means the rate (expressed as a rate per centum per annum) determined by the Bank (in good faith) to be the interest rate which it would pay on deposits at call for an amount similar to the amount at which the relevant deposit is made.

**Calculation Date** means 31 March, 30 June, 30 September and 31 December in each year.

**Calculation Period** means each period of twelve months ending on a Calculation Date.

**Change of Control** means there is a change (from that prevailing at the date of this document) in the persons who control any of the following in respect of a Transaction Party:

- (a) more than 50% of the votes eligible to be cast in the election of directors or any similar matter; or
- (b) the right to appoint or remove directors (or members of a governing body having functions similar to a board of directors) representing more than 50% of the votes exercisable by the directors (or persons have similar functions); or
- (c) an interest of more than 50% in any category of the profits, distributions or net liquidation proceeds.

**Collateral Security** means:

- (a) any Guarantee by which any person Guarantees the Borrower's compliance with its obligations under any of the Transaction Documents;
- (b) any Security which secures the payment of money owing (actually or contingently) from time to time by:
  - (i) any Transaction Party in relation to any of the Transaction Documents; or
  - (ii) any person in relation to a Guarantee of any Transaction Party's compliance with its obligations under any of the Transaction Documents; and
- (c) without limiting the generality of paragraphs (a) and (b) each thing listed in **schedule 3**.

**Contaminant** means a noxious, harmful or hazardous condition (including an odour, temperature, sound, vibration or radiation) or substance the presence or use of which (having regard, without limitation, to the nature and quantity of the substance and other substances with which it is stored or used) does or may result in the breach of an Environmental Law or the issuing of an order or direction under an Environmental Law.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Current Bank Guarantee** means a Bank Guarantee which has not Matured or Expired.

**Current Bill** means a Bill accepted and discounted in accordance with this document which has not matured.

**Debt Service Cover Ratio** means, at any date, the ratio of:

- (a) Adjusted EBITDA; to
- (b) the aggregate amount of:
  - (i) Gross Interest Expense paid or payable by the Transaction Parties (whether payable in respect of the Facilities or otherwise) in respect of the 12 month period ending on that date; and
  - (ii) all scheduled payments of principal in respect of the 12 month period ending on that date (including any payment required in order for the Borrower to comply with **clause 5.5(a)** in respect of the Bank Bill Discount Facility) paid or payable by the Transaction Parties in respect of any Financial Indebtedness (other than Excluded Financial Indebtedness).

**Discount Rate** means in relation to a Funding Period:

- (a) the rate (expressed as a percentage yield per annum to maturity) being the arithmetic average (rounded up to the nearest four decimal places) of the buying rates published at or about 10.15 am on the first Business Day of the Funding Period on the Reuters Screen under the heading "BBSY" for Bills with a tenor as nearly as possible equal to that Funding Period; or
- (b) if:
  - (i) the rate is not displayed for a term equivalent to that period; or
  - (ii) the basis of the calculation of the rate is changed after the date of this document so that in the opinion of the Bank it ceases to reflect the cost of providing the Facility,

the Base Rate will be the rate per centum per annum determined by the Bank to be the average of the buying rates quoted to the Bank by at least three Reference Banks at or about that time on that date. The buying rates must be for bills of exchange accepted by a leading Australian bank and which have a term equivalent to the period. If there are no buying rates, the rate will be determined by the Bank having regard to indexes or other bases which the Bank determines to be as near as practicable to the indexes and bases used to determine the rate referred to in paragraph (a).

**Disposal** means a sale, lease, transfer or other disposal by any Transaction Party of any interest in:

- (a) any share or stock (whether or not ordinary or preference and whether or not redeemable) or any other instrument convertible or exchangeable into or entitling a person to acquire or subscribe for any share or stock;

- (b) the whole or any part of a business, business unit or line of business; or
- (c) any other asset under a particular transaction or related transactions not in the ordinary course of business of the Reading Entertainment Australia Group taken as a whole.

**Distribution** means:

- (a) in relation to any share capital of a Transaction Party, any dividend, charge, interest, fee, payment or other distribution (whether in cash or in kind) or redemption, repurchase, defeasance, retirement or redemption;
- (b) any interest, any redemption or early redemption of any amount of principal or any other payment in respect of any shareholder loan or other subordinated loans made to any Transaction Party; or
- (c) any loan or other financial accommodation made available by a Transaction Party to a person other than another Transaction Party.

**Drawing** means:

- (a) each Bill accepted and discounted or to be accepted and discounted;
- (b) each Bank Guarantees issued or to be issued;

in accordance with this document and, in the case of Bills and Bank Guarantees, under the same Funding Notice.

**EBIT** means, in relation to any period and without double counting, operating profit (loss) of the Reading Entertainment Australia Group (on a consolidated basis) from ordinary operations before interest, income tax and minority interests, but after deduction of depreciation and amortisation for that period, as determined in accordance with Accounting Standards.

**EBITDA** means, in relation to any period, EBIT for the Reading Entertainment Australia Group for that period, plus depreciation and amortisation as determined in accordance with Accounting Standards.

**Encumbrance** means any interest in or right over property and anything which would at any time prevent, restrict or delay the registration of any interest in or dealing with property. It includes a Security Interest.

**Environmental Assessment Report** means a report in relation to compliance with Environmental Law of the Land and any activities carried out on the Land.

**Environmental Law** means any legislation, regulations or related codes, standards or policies which relate to environmental and planning matters, including matters concerning land use, development, building works, pollution, contamination, waste, toxic and hazardous substances, disposal of waste or other substances, human health, conservation of natural or cultural resources, heritage and resource allocation.

**Environmental Liability** means any liability, obligation, expense, penalty or fine arising out of a breach of Environmental Law which could be imposed on any Transaction Party or the Bank in respect of the Land as a result of activities carried on during the ownership, occupation or control of the Land by that Transaction Party, the Bank, any predecessor in title or any previous occupier or controller of the Land.

**Event of Default** means any event or circumstance described in **clause 10.1**.

**Excluded Financial Indebtedness** means Financial Indebtedness of the kind referred to in paragraph (a), (c) or (d) of the definition of Permitted Financial Indebtedness.

**Excluded Property** means:

- (a) the Burwood Property;
- (b) the present or future interest of Reading Cinemas Pty Ltd in the joint venture with Champion Pictures Pty Ltd relating to the Elsternwick cinema business or the assets the subject of the joint venture or the relevant joint venture agreement;
- (c) the present or future interest of Reading Exhibition Pty Ltd in the Garden City Cinema joint venture with Village Roadshow Exhibition and Birch Carroll & Coyle or the assets the subject of the joint venture or the relevant joint venture agreement; and
- (d) the present or future interest of Epping Cinemas Pty Ltd in the lease granted by Bevendale Pty Ltd or the property the subject of the lease to the extent that the existence of a charge over that interest or property would cause a breach of the that lease.

**Expired** means, in relation to a Bank Guarantee, that its Expiry Date has passed whether or not a claim has been made under it by the Beneficiary.

**Expiry Date** means, in relation to a Bank Guarantee, the date specified in that Bank Guarantee as the latest date by which the Beneficiary may make a claim under it.

**Face Value** means,

- (a) in relation to a Bank Guarantee:
  - (i) subject to paragraph (ii), the amount specified in that Bank Guarantee as the aggregate maximum amount which the Beneficiary may claim under it; or
  - (ii) if the Beneficiary makes a claim, then between when the Beneficiary makes the first of those claims and the first to occur of the Bank Guarantee Maturing or Expiring, the Face Value of the Bank Guarantee will be the difference between its original face value and the aggregate of all valid claims made under it; and
- (b) in relation to a Bill, the sum payable on that Bill.

**Facility** means each of the facilities listed in **schedule 2** (and each Facility may be referred to by the Facility Name listed in **schedule 2**).

**Facility Limit** means,

- (a) initially, in respect of each Facility, the relevant Facility Limit set out in **schedule 2**,

- (b) in respect of the Bank Bill Discount Facility, from each Payment Date listed in **schedule 4**, the Facility Limit listed next to that Payment Date, less the aggregate of all mandatory prepayments pursuant to **clause 5.4** up to the Payment Date.

as reduced under this document.

**Financial Close** means the initial Funding Date.

**Financial Indebtedness** means any indebtedness or other liability (present or future, actual or contingent) relating to any financial accommodation including indebtedness or other liability:

- (a) for money borrowed or raised;
- (b) relating to the sale or negotiation of any negotiable instrument;
- (c) as lessee under any finance lease, as hirer under any hire purchase agreement or as purchaser under any title retention agreement;
- (d) relating to any preference share or unit categorised as debt under Accounting Standards;
- (e) under any commodity, currency or interest rate swap agreement, forward exchange rate agreement or futures contract (as defined in any statute);
- (f) under any Guarantee relating to any financial accommodation; or
- (g) for any deferred purchase price (other than in the nature of warranty retention amounts) for any asset or service.

**Financial Statements** means a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, notes comprising a summary of significant accounting policies and other explanatory note; and any directors' declarations, directors' reports and auditor's reports attached to, intended to be read with or required by the Corporations Act to accompany, all or any of those documents.

**Financial Year** means a period of 12 months ending on 31 December.

**Fixed Charges Cover Ratio** means, at any date, the ratio of:

- (a) the aggregate amount of:
  - (i) Adjusted EBITDA in respect of the 12 month period ending on that date; and
  - (ii) Total Lease Payments in respect of the 12 month period ending on that date,

to

(b) the aggregate amount of:

- (i) Gross Interest Expense paid or payable by the Transaction Parties (whether payable in respect of the Facilities or otherwise) in respect of the 12 month period ending on that date; and
- (ii) Total Lease Payments in respect of the 12 month period ending on that date.

**Freehold Property** means each freehold property owned by a Transaction Party that is the subject of a real property mortgage referred to in paragraph 3 of **Schedule 3**.

**Funding Date** means a date on which:

- (a) Bills are, or are proposed to be, accepted and discounted;
- (b) a Bank Guarantee is, or is proposed to be, issued; or
- (c) any other Drawing is, or is proposed to be, made,

under this document.

**Funding Notice** means a notice in accordance with **clause 4.4**.

**Funding Period** means, in relation to a Bill, the period having the duration selected in accordance with **clause 4.5** and beginning on the Funding Date in relation to the Bill.

**Government Body** means any person or body exercising an executive, legislative, judicial or other governmental function. It includes any public authority constituted under a law of any country or political sub-division of any country. It also includes any person deriving a power directly or indirectly from any other person or body referred to in this definition.

**Gross Interest Expense** means, in relation to any period, the aggregate of all interest and amounts in the nature of interest (including commissions, discount fees, acceptance fees, facility fees, the interest element of a finance lease and fees or charges) payable in connection with any Financial Indebtedness of the Reading Entertainment Australia Group (other than Excluded Financial Indebtedness) for that period on a consolidated basis, whether accrued, paid, payable or expensed (including interest expense under each of the Facilities).

**Guarantee** means:

- (a) a guarantee, indemnity, undertaking, letter of credit, Security, acceptance or endorsement of a negotiable instrument or other obligation (actual or contingent) given by any person to secure compliance with an obligation by another person;
- (b) an obligation (actual or contingent) of a person to ensure the solvency of another person or the ability of another person to comply with an obligation, including by the advance of money or the acquisition for valuable consideration of property or services; and
- (c) an option under which a person is obliged on the exercise of the option to buy:
  - (i) any debt or liability owed by another person; or
  - (ii) any property which is subject to a Security Interest.

**Guaranteed Money** means all money:

- (a) which now or in the future is owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents;
- (b) which having now or in the future become owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents, ceases to be owing by reason of any law relating to insolvency and remains unpaid by the Transaction Party and unreleased by the Bank; or
- (c) that now or in the future may become owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents,

for any reason, whether such money is payable:

- (d) by a Transaction Party alone or jointly or severally with any other person;
- (e) by a Transaction Party in its own right or in any capacity;
- (f) to the Bank in its own right or in any capacity; and
- (g) by a Transaction Party as liquidated or unliquidated damages caused or contributed to by any breach by the Transaction Party of any obligation owed by the Transaction Party (or any other Transaction Party) to the Bank under or in relation to any of the Transaction Documents,

and if any Transaction Document or any obligation of a Transaction Party to the Bank under or in relation to any of the Transaction Documents is void, voidable or otherwise unenforceable by the Bank in accordance with its terms, it includes all money which would have been within this definition if that Transaction Document or obligation was not void, voidable or otherwise unenforceable.

**Guarantor** means the Original Guarantors and each person that becomes a guarantor under **clause 16**. If there are more than one, Guarantor means each of them individually and every two or more of them jointly.

**Guarantor Accession Deed** means a deed substantially in the form of **schedule 8**.

**Half** means each six month period ending on 30 June and 31 December in each year.

**Hedging Transaction** means a contract, agreement or arrangement (other than in respect of the price of electricity, gas, oil, foreign exchange or any other non-interest rate derivative contract) which is a futures contract or an interest rate hedge, swap, option, swaption, forward rate agreement or any other contract, agreement or arrangement similar to or having in respect of its subject matter a similar effect to any of the preceding.

**Indemnity Amount** means:

- (a) in relation to a Bank Guarantee, the amount or, as the case may be, the aggregate of the amounts payable by the Borrower in relation to a Bank Guarantee in accordance with **clause 5.3**; and

- (b) in relation to a Matured Bill, the amount payable by the Borrower in relation to that Matured Bill on its Maturity Date in accordance with this document.

**Insolvency** means:

- (a) in relation to a corporation, its winding up or dissolution or its administration, provisional liquidation or any administration having a similar effect;
- (b) in relation to an individual, his or her bankruptcy; and
- (c) in relation to a person, any arrangement (including a scheme of arrangement or deed of company arrangement), composition or compromise with, or assignment for the benefit of, all or any class of that person's creditors or members or a moratorium involving any of them

**Insolvency Event** means any of the following:

- (a) a person is or states that the person is unable to pay from the person's own money all the person's debts as and when they become due and payable;
- (b) a person is taken or must be presumed to be insolvent or unable to pay the person's debts under any applicable legislation;
- (c) an order is made for the winding up or dissolution or an effective resolution is passed for the winding up or dissolution of a corporation;
- (d) an administrator, provisional liquidator, liquidator or person having a similar or analogous function under the laws of any relevant jurisdiction is appointed in relation to a corporation or an effective resolution is passed to appoint any such person and the action is not stayed, withdrawn or dismissed within 10 Business Days;
- (e) a controller is appointed in relation to any property of a corporation;
- (f) a corporation is deregistered under the Corporations Act or notice of its proposed deregistration is given to the corporation;
- (g) a distress, attachment or execution is levied or becomes enforceable against any property of a person;
- (h) a person enters into or takes any action to enter into an arrangement (including a scheme of arrangement or deed of Borrower arrangement), composition or compromise with, or assignment for the benefit of, all or any class of the person's creditors or members or a moratorium involving any of them;
- (i) a petition for the making of a sequestration order against the estate of a person is presented and the petition is not stayed, withdrawn or dismissed within seven days or a person presents a petition against himself or herself;
- (j) a person presents a declaration of intention under section 54A of the *Bankruptcy Act 1966*; or



- (k) anything analogous to or of a similar effect to anything described above under the law of any relevant jurisdiction occurs in relation to a person.

**Insurance** means insurance which a Transaction Party is obliged to take out or maintain under a Transaction Document.

**Interim Compliance Certificate** means a certificate in substantially the form set out in **schedule 10**.

**Land** means any land owned or occupied by a Transaction Party that forms part of the Secured Property.

**Leverage Ratio** means, as at any date, the ratio of:

- (a) Total Gross Debt outstanding on that date; to
- (b) Adjusted EBITDA in respect of the 12 month period ending on that date.

For the purposes of calculating Leverage Ratio on any date occurring before the first anniversary of Financial Close, Leverage Ratio will be based on a pro forma EBITDA for the 12 month period to that date.

**Loan to Value Ratio** at any date means the ratio (expressed as a percentage) of:

- (a) the aggregate of the Total Gross Debt outstanding on that date and any Outstanding Accommodation in relation a Current Bank Guarantee as at that date; to
- (b) the market value of the Freehold Properties included in the Secured Property as noted in the most recent Valuation provided to the Bank pursuant to this document and accepted by the Bank.

**Management Fees** means management and consulting fees payable to Reading International Inc each Financial Year.

**Material Adverse Effect** means a material adverse effect on:

- (a) the business, operation, property, condition (financial or otherwise) of a Transaction Party or the Reading Entertainment Australia Group taken as a whole;
- (b) the ability of a Transaction Party to perform its obligations under the Transaction Documents; or
- (c) the validity or enforceability of the whole or any material part of any Transaction Document or any rights or remedies of the Bank under the Transaction Documents.

**Matured** means

- (a) in relation to a Bank Guarantee, that the Beneficiary has made a claim and is not entitled to claim any more under the relevant Bank Guarantee; and
- (b) in relation to a Bill accepted and discounted in accordance with this document, the Bill has matured.

**Maturing Bill** has the meaning given in the definition of Replacement Bills.

**Maturity Date** means, in relation to a Bill, the day on which that Bill is expressed to be payable.

**Month** means a calendar month.

**Net Proceeds** means, in relation to a Bill discounted by the Bank under this document, the Proceeds of Discount in relation to that Bill less any other sums (including stamp duty) payable in relation to that Bill or the drawing, acceptance or discounting of it.

When used in relation to a Drawing the expression means the aggregate of the Net Proceeds of all Bills comprising that Drawing.

**Outstanding Accommodation** means at any time, the aggregate of:

- (a) the Face Value of each of the Current Bills and all Indemnity Amounts in relation to each of the Matured Bills which have not been paid; and
- (b) the Face Values of all Current Bank Guarantees and all Indemnity Amounts in relation to each Bank Guarantee which are due and payable.

When used in relation to any Facility, it means the Outstanding Accommodation in relation to Drawings under that Facility.

**Overdue Money** means money due and payable from time to time under each Transaction Document.

**Overdue Rate** means at any time, the aggregate of the Bank's published Base Indicator Rate at that time, a customer margin of 2.90% per annum and a default margin of 4.50% per annum.

**Parent Subordination Agreement** means the document entitled 'subordination deed' dated on or about the date of this document between the Borrower, Reading International Cinemas, LLC and the Bank.

**Payment Date** means each date set out in **schedule 4**.

**Permitted Disposal** means a disposal:

- (a) of assets between the Transaction Parties;
- (b) of the land and improvements known as 70 Station Road, Indooroopilly Queensland and described in certificate of title 11485156, subject to Reading Properties Indooroopilly Pty Ltd seeking a release of the Bank's Security over that property and compliance with **clause 5.4(b)**;
- (c) of the Burwood Property;
- (d) of Reading Cinemas Pty Ltd's interest as lessee in the Elsternwick cinema business, to Champion Pictures Pty Ltd;
- (e) of trading stock or cash made in the ordinary course of business;
- (f) of plant and equipment in exchange for other assets comparable or superior as to type, value and quality;
- (g) of obsolete or redundant assets;

- (h) arising as a result of a Permitted Encumbrance or a Distribution or payment permitted by **clause 9.5(f), clause 9.5(k) or clause 5.4(b)(ii)**;
- (i) of assets that are the subject of a floating charge (or its equivalent) under a Collateral Security, provided the disposal is made in the ordinary course of business; or
- (j) where the aggregate value of the assets disposed of in the 12 month period ending on the date of the relevant disposal (and including the value of the relevant disposal) does not exceed \$500,000.

**Permitted Encumbrance** means:

- (a) an Encumbrance which has been approved by the Bank (including the Security Interests created by any Transaction Document);
- (b) any right of set off or combination arising by operation of law or practice over money deposited with a bank or financial institution in the ordinary course of the business of a Transaction Party; or
- (c) an Encumbrance which arises by operation of law in the ordinary course of the business of a Transaction Party provided the debt secured by that Encumbrance is paid when due or contested in good faith by appropriate proceedings;
- (d) every easement, restrictive covenant, caveat or similar restriction over property, right of way, exception, encroachment, reservation, restriction, condition or limitation which arises in the ordinary course of the ordinary business of the relevant Transaction Party and does not either by itself or in the aggregate materially interfere with or impair the operation or use of a property affected thereby, have a Material Adverse Effect or otherwise restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security;
- (e) every right reserved to, or vested in, any municipality or governmental or other public authority by the terms of any right, power, franchise, grant, licence or permit to control or regulate any part of the property of a Transaction Party, or to use that property in any manner which does not either by itself or in the aggregate materially interfere with or impair the operation or the use thereof, have a Material Adverse Effect or otherwise restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security;
- (f) every Encumbrance incurred or deposits made in the ordinary course of ordinary business to secure the performance of tenders, statutory obligations, surety bonds, bids, leases, government contracts, performance and return of money bonds (provided that such Encumbrances do not restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security) or in connection with workers' compensation, unemployment insurance and other types of social security;

- (g) every Encumbrance incurred or deposit made in the ordinary course of the business of a Transaction Party in respect of a leasehold property, the purchase of assets or the use of utilities, provided that:
  - (i) in relation to an Encumbrance incurred or deposit made in respect of the purchase of assets which secures an aggregate amount greater than \$250,000 the Bank has given prior written consent to the Borrower; and
  - (ii) the recourse of the holder of that Encumbrance is limited to the leasehold interest, the assets purchased or use of utilities and the proceeds of enforcement of the Encumbrance.
- (h) every retention of title arrangement in respect of trading stock acquired or to be acquired by a Transaction Party in the ordinary course of business;
- (i) any easement, caveat or other restriction in relation to a Freehold Property that would be apparent from a title search conducted before the date of this document; and
- (j) an Encumbrance over the Burwood Property granted by a Transaction Party in connection with the sale of the Burwood Property and the development of the Burwood Property by the purchaser (or an affiliate of the purchaser), provided that the recourse of the holder of that Encumbrance is limited to the Burwood Property and the proceeds of enforcement of the Encumbrance.

**Permitted Financial Accommodation** means:

- (a) financial accommodation granted by a Transaction Party to another Transaction Party;
- (b) any trade credit extended by a Transaction Party to its customers on normal commercial terms and in the ordinary course of business; or
- (c) any other financial accommodation granted with the prior consent of the Bank.

**Permitted Financial Indebtedness** means:

- (a) trade debt incurred in the ordinary course of business of the Transaction Parties;
- (b) Financial Indebtedness incurred under the Transaction Documents;
- (c) Financial Indebtedness owing from one Transaction Party to another Transaction Party;
- (d) any Subordinated Debt;
- (e) a \$225,000 loan from the landlord of the Westlakes Cinema property;
- (f) a \$400,000 loan from the landlord of the Rhodes Cinema property;
- (g) Financial Indebtedness arising under any performance or similar bond guaranteeing performance by a Transaction Party under any contract entered into in the ordinary course of business;
- (h) Financial Indebtedness arising under a guarantee given to a landlord in respect of a lease entered into by a Transaction Party;

- (i) Financial Indebtedness under finance or capital leases of vehicles, plant, equipment or computers existing at the date of this document; and
- (j) Financial Indebtedness not permitted by the preceding paragraphs and the outstanding principal amount of which does not exceed \$500,000 in aggregate for the Transaction Parties at any time.

**PPS Act** means the *Personal Property Securities Act 2009 (Cth)*.

**PPS property** means all property (other than Excluded Property) over which the Borrower or a Security Provider is legally capable under the PPS Act of granting a security interest.

**Potential Event of Default** means any thing which, with the giving of notice, lapse of time or determination of materiality, will constitute an Event of Default.

**Proceeds of Discount** means, in relation to a Bill discounted or to be discounted by the Bank under this document, the amount derived by using the following formula:

$$PD = \frac{FV \times 36,500}{(DR \times IP) + 36,500}$$

where:

**PD** is the Proceeds of Discount of the Bill;

**FV** is the Face Value of the Bill;

**DR** is the Discount Rate in relation to the Funding Period for the Bill; and

**IP** is the number of days in the Funding Period for that Bill including its Funding Date but excluding its Maturity Date.

**Quarter** means each three month period ending on 31 March, 30 June, 30 September and 31 December in each year.

**Reading Entertainment Australia Group** means, at any time, the Borrower, any subsidiary of the Borrower and A.C.N. 143 633 096 Pty Ltd and **Reading Entertainment Australia Group Member** means any one of them.

**Release Date** means the Business Day following the later of:

- (a) the latest of the Expiry Dates of all Current Bank Guarantees; and
- (b) the date on which the Bank is satisfied in its reasonable opinion that it has been paid all amounts which are then or may in the future become due and payable to the Bank under any of the Transaction Documents and that there is no prospect that any amounts which the Bank has received in relation to any of the Transaction Documents will subsequently be made void or be required to be repaid in whole or in part.

**Relevant Jurisdiction** means Victoria.

**Receiver** means a receiver or receiver and manager appointed by the Bank under any Transaction Document and any person who derives a right directly or indirectly from a Receiver.

**Reference Banks** means each of Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia and Westpac Banking Corporation, or any other banks or financial institutions determined by the Bank from time to time following consultation with the Borrower.

**Regulatory Event** means any:

- (a) change in, or introduction of a new, law or other form of regulation;
- (b) change in, or introduction of a new, practice or policy of an Government Body;
- (c) investigation into a Transaction Party or any related entity of a Transaction Party by a Government Body;
- (d) application for or grant of an injunction or order in respect of any Encumbrance, Facility or account held with the Bank made by a Government Body, or
- (e) change in, or introduction of a new, code of practice or custom relating to the provision of the Services which a reasonable and prudent banker would comply with,

whether in Australia or elsewhere, that, in the Bank's good faith opinion, applies in any way to a Transaction Party, or the Service.

**Replacement Bills** means Bills the Net Proceeds of which are applied towards satisfying the Borrower's obligations to pay the Indemnity Amount in relation to other Bills (**Maturing Bills**) which will mature on the Funding Date for the Replacement Bills.

**Representative** of a person means an officer, employee, contractor or agent of that person.

**Review Event** means any event or circumstance described in **clause 10.4**.

**Revolving Bank Bill Discount Facility** means the Facility described as such in **schedule 2** and granted pursuant to **clause 4.1(a)(ii)**.

**Secured Property** means all property which, from time to time, is subject to a Security which forms part of the Collateral Security.

**Security** means any document or transaction which reserves or creates a Security Interest.

**Security Interest** means any interest or right which secures the payment of a debt or other monetary obligation or the compliance with any other obligation. It includes any retention of title to any property and any right to set off or withhold payment of any deposit or other money.

**Security Provider** means each person who gives a Collateral Security (other than a related body corporate of the Bank).

**Service** means any service the Bank provides to the Borrower under or in relation to a Facility including making or processing any payment or issuing any document.

**Subordinated Debt means:**

- (a) Financial Indebtedness that is or may become owing by the Borrower to Reading International Cinemas, LLC, that is fully subordinated on the terms set out in the Parent Subordination Agreement; and
- (b) Financial Indebtedness that is or may become owing by a Transaction Party to Reading International Inc (or any subsidiary or affiliate of Reading International Inc) that is fully subordinated on substantially the same terms (except for the name and other details of the subordinated lender) as those set out in the Parent Subordination Agreement.

**Tax** means a tax (including any tax in the nature of a goods and services tax), rate, levy, impost or duty (other than a tax on the net overall income of the Bank) and any interest, penalty, fine or expense relating to any of them.

**Termination Date** means, in respect of each Facility, the Termination Date set out in **schedule 2**, or such other date agreed in writing by the parties.

**Total Gross Debt** means, on any date, all Financial Indebtedness of the Reading Entertainment Australia Group, but excluding any Excluded Financial Indebtedness.

**Total Lease Payments** means the aggregate amount of all rental expenditure of the Reading Entertainment Australia Group, other than rental expenditure payable to any Transaction Party, calculated in accordance with Accounting Standards, for that period.

**Transaction Documents** means:

- (a) this document;
- (b) all Current Bills and Matured Bills;
- (c) each Guarantor Accession Deed;
- (d) the Collateral Security;
- (e) the Parent Subordination Agreement;
- (f) the ISDA Master Agreement dated on or about the date of this document between the Bank and the Borrower;
- (g) each deed of consent listed in paragraph 6 of **Schedule 5** upon it being executed by the relevant parties;
- (h) any agreement relating to the priority of any Security which is a Collateral Security;
- (i) any document which the Borrower and the Bank agree is a Transaction Document for the purposes of this document; and
- (j) each document entered into for the purpose of amending, novating, restating or replacing any of them.

**Transaction Parties** means the Borrower and each Guarantor.

**Trust** means, in relation to any Transaction Party that enters into a Transaction Document in the capacity as trustee of a trust, the relevant trust.

**Trust Deed** means, in relation to a Trust, the trust deed or other document which establishes or evidences that Trust.

**Trustee** means a Transaction Party that enters into a Transaction Document acting as the trustee of a Trust.

**Valuation** means a valuation of the Freehold Properties or leasehold properties included in the Secured Property addressed to the Bank, by an Approved Valuer in form and substance satisfactory to the Bank in all respects.

**Verification Certificate** means a certificate in substantially the form set out in **schedule 6**.

## 1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) “includes” means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it; and
- (f) a reference to:
  - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes the person’s legal personal representatives, successors, assigns and persons substituted by novation;
  - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (iv) an obligation includes a representation or warranty and a reference to a failure to comply with an obligation includes a breach of representation or warranty;
  - (v) a right includes a benefit, remedy, discretion or power;
  - (vi) time is to local time in Melbourne;
  - (vii) “\$” or “dollars” is a reference to Australian currency;
  - (viii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;



- (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
- (x) any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them;
- (xi) this document includes all schedules and annexures to it; and
- (xii) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document.

### 1.3 Headings

Headings do not affect the interpretation of this document.

### 1.4 Corporations Act, GST and Accounting Standards

Unless expressed to the contrary:

- (a) “control”, “controller”, “corporation”, “disclosing entity”, “holding company”, “marketable security”, “prospective liability”, “public company”, “related body corporate” and “subsidiary” each has the meaning which it is defined to have in the Corporations Act;
- (b) “adjustment event”, “consideration”, “GST”, “input tax credit”, “supply”, “taxable supply” and “tax invoice” each has the meaning which it is defined to have in the *A New Tax System (Goods and Services Tax) Act 1999*; and
- (c) “economic entity”, “entity” and “finance lease” each has the meaning which it has in the Accounting Standards.
- (d) terms have the meanings given to them in the PPS Act.

### 1.5 Subsisting Events of Default and Potential Events of Default

- (a) An Event of Default subsists if it has occurred and has not been waived by the Bank in accordance with this document or remedied.
- (b) A Potential Event of Default subsists if it exists and has not been waived by the Bank in accordance with this document or remedied.

### 1.6 Terms relating to Bills

Unless expressed to the contrary:

- (a) a Bill matures when the sum payable by the Bill becomes due for payment; and
- (b) any reference to the drawing, acceptance, indorsement or other dealing of or with a Bill is a reference to a drawing, acceptance, indorsement or other dealing (as the case may be) within the meaning of the *Bills of Exchange Act 1909*.

### 1.7 Inconsistency

If there is any inconsistency between this document and any other Transaction Document, then this document prevails to the extent of that inconsistency.

## 2 Consideration

The Borrower enters into this document in consideration of the Bank agreeing to make the Facility available in accordance with this document.

## 3 Conditions precedent

### 3.1 Initial conditions precedent

The obligations of the Bank to make available the Facility are subject to the conditions precedent that:

- (a) at least two clear Business Days before the first Funding Date, the Bank has received the every item listed in **schedule 5** in form and substance satisfactory to the Bank;
- (b) all fees and charges payable on or before the first Funding Date in connection with the Facility have been paid (or the Bank is satisfied that they will be paid on the first Funding Date);
- (c) the Bank has received by the time reasonably requested by the Bank anything which it has reasonably requested that any Transaction Party provide to it in relation to any Transaction Document; and
- (d) the initial Funding Date occurs no later than 30 June 2011.

### 3.2 Conditions precedent to Drawings

The obligation of the Bank to accept and discount any Bill is subject to the further conditions precedent that the Bank is satisfied in its absolute discretion that:

- (a) the representations and warranties set out in **clause 8.1** are correct and in all material respects not misleading in any material respect when the Funding Notice is given and on the Funding Date;
- (b) all fees and charges then due and payable in connection with the Facility have been paid; and
- (c) no Event of Default or Potential Event of Default subsists when the Funding Notice is given and on the Funding Date.

### 3.3 Satisfaction of conditions precedent

- (a) Any certificates or copies of documents referred to in **clause 3.1** must be certified by the relevant Transaction Party (or, if the relevant Transaction Party is a corporation, by a company secretary or director of the relevant Transaction Party) as being true, complete and current.
- (b) The conditions precedent are for the benefit of the Bank. The Bank may waive the satisfaction of any of them at any time before or after the time by which they must be satisfied.

### 3.4 Conditions subsequent

The Transaction Parties must ensure that with respect to all transactional banking services utilised by the Reading Entertainment Australia Group that migration of these services to the Bank has commenced by the end of the Quarter beginning 31 December 2011.

## 4 Facility

### 4.1 Nature

- (a) Subject to **clauses 3** and **10.2**, the Bank will make available:
- (i) the Bank Bill Discount Facility under which the Bank will accept and discount Bills drawn by the Borrower on the Bank;
  - (ii) the Revolving Bank Bill Discount Facility under which the Bank will accept and discount Bills drawn by the Borrower on the Bank; and
  - (iii) the Bank Guarantee Facility under which it will issue Bank Guarantees at the request of the Borrower,
- in accordance with this document.
- (b) The Borrower may request one or more Drawings in accordance with this **clause 4**, but so that the Outstanding Accommodation under each Facility does not at any time exceed the relevant Facility Limit.

### 4.2 Purpose

The Borrower must only use Drawings under each Facility for the relevant purposes set out in **schedule 2**, and the Borrower must promptly repay to the Bank all Drawings not used for these purposes.

### 4.3 Drawings

- (a) The Borrower may request a Drawing of Bills or Bank Guarantees by giving a Funding Notice to the Bank by 11.00 am at least one clear Business Day before the date the proposed Drawing is required.
- (b) The Aggregate Amount of a Drawing under a Facility must not, when added to the Outstanding Accommodation (if any) under that Facility, cause the Facility Limit for that Facility to be exceeded at any time during the Funding Period. In determining whether the Aggregate Amount of a Drawing will cause the Facility Limit to be exceeded:
- (i) the Face Value of all Bills under a Facility which will mature on the Funding Date for the relevant Drawing are excluded from the calculation of the Outstanding Accommodation; and
  - (ii) the Aggregate Amount of all other Drawings which the Borrower has requested to be made under the same Facility and on the same Funding Date as that for the relevant Drawing are included in that calculation.
- (c) Except in the case of Replacement Bills, the Bank is only obliged to accept and discount Bills during the Availability Period.

- (d) The Borrower must not request a Drawing under a Facility if, after that Drawing and all other Drawings under the same Facility (if any) requested for the same Funding Date are made, there would be Current Bills under that Facility maturing on more than 2 different Maturity Dates.

#### 4.4 Funding Notices

- (a) A Funding Notice must:
- (i) be substantially in the form of **schedule 7**;
  - (ii) be signed by an Authorised Representative of the Borrower;
  - (iii) specify the proposed Funding Date which, if the Bills comprising the Drawing are to be Replacement Bills, must be a Business Day not later than 30 days before the Termination Date and, in all other cases, must be a Business Day during the Availability Period;
  - (iv) specify the Aggregate Amount of the proposed Drawing which, if the Bills comprising that Drawing are to be Replacement Bills, must not be greater than the aggregate Face Value of the related Maturing Bills;
  - (v) if the Drawing comprises Bills:
    - (A) if the Bills are to be Replacement Bills, specify that fact and the details of the related Maturing Bills;
    - (B) unless the Bills are to be Replacement Bills, specify the person to whom the Net Proceeds of the proposed Drawing are to be paid; and
    - (C) specify the duration of the Funding Period for the Bills (which must be the same for all those Bills); and
  - (vi) if the Drawing comprises Bank Guarantees, specify whether the Drawing is:
    - (A) to comprise the issue of a new Bank Guarantee, and if so, also specify the date to be shown as the Expiry Date, the person to be named as the Beneficiary and the Face Value of each requested Bank Guarantees; or
    - (B) deemed to comprise an existing bank guarantee that prior to the date of this document has been issued by the Bank at the request of the Borrower and, if so, specify the date shown as the Expiry Date, the person named as the Beneficiary and the Face Value of that bank guarantee.
- (b) The requirement of a Funding Notice is for the benefit of the Bank. The Bank may waive the requirement at any time and in any manner.
- (c) A Funding Notice is irrevocable from the time of its actual receipt in legible form by the Bank.

#### 4.5 Funding Periods

- (a) Subject to **clause 4.5(c)**, the Funding Period for each Bill must be a period of at least 7 days and no more than 180 days, or another period agreed by the Bank.
- (b) Subject to **clause 4.5(c)**, the Funding Period for a Bill begins on its Funding Date and has the duration specified in the Funding Notice.
- (c) A Funding Period which would otherwise end on a day which is not a Business Day ends on the next Business Day and a Funding Period which would otherwise end after the Termination Date ends on the Termination Date.

#### 4.6 Drawing and acceptance of Bills

- (a) Not later than 11.00 am on the Business Day before each Funding Date (or at such later time as the Bank agrees) for a Drawing, the Borrower must deliver to the Bank (or instruct the Bank to prepare) Bills which have an aggregate Face Value equal to the Aggregate Amount specified in the relevant Funding Notice, and each Bill must:
  - (i) name and be signed by the Borrower as the drawer;
  - (ii) leave the name of the payee blank;
  - (iii) name the Bank as acceptor;
  - (iv) have a minimum Face Value of \$500,000 or such other amount as the Bank agrees; and
  - (v) have as its Maturity Date the last day of the Funding Period specified in the relevant Funding Notice.
- (b) On receiving (or preparing) Bills pursuant to **clause 4.6(a)**, the Bank must insert the address of the office of the Bank at which those Bills are payable and must accept the Bills on the relevant Funding Date.

#### 4.7 Discounting of Bills

- (a) Subject to the Borrower complying with its obligations under **clause 4.6** in relation to the relevant Drawing, the Bank must, on the Funding Date for each Drawing, discount those Bills.
- (b) Unless the Borrower has specified in the relevant Funding Notice that the Bills are Replacement Bills, the Bank must, on the Funding Date for the relevant Drawing, pay the Net Proceeds in relation to the Drawing to the person specified in the Funding Notice as the person to whom those Net Proceeds are to be paid.
- (c) If the relevant Funding Notice specifies that the Bills comprising the relevant Drawing are to be Replacement Bills, the Bank must apply the Net Proceeds towards satisfaction of the Borrower's obligations to pay the Indemnity Amount in relation to the related Maturing Bills.
- (d) If the Borrower is required by this **clause 4** to prepare, draw and sign any Bills, the Bank may prepare, draw and sign those Bills as the attorney of the Borrower.

#### 4.8 Bank Guarantee Facilities

In the case of the Bank Guarantee Facility on the Funding Date specified in the Funding Notice:

- (a) the Bank must for the purposes of a Drawing contemplated under **clause 4.4(a)(vi)(A)**, issue each Bank Guarantee requested in the Funding Notice in accordance with that Funding Notice; or
- (b) the parties agree that for the purposes of a Drawing contemplated under **clause 4.4(a)(vi)(B)**, the existing bank guarantee referred to in the Funding Notice is deemed to be a Bank Guarantee issued in accordance with the Bank Guarantee Facility and that Funding Notice.

#### 4.9 Cancellation

The Borrower may cancel the Available Commitment or any part of it (being \$100,000 or an integral multiple of that amount) by giving 30 Business Days' notice to the Bank specifying the amount to be cancelled and the date on which the cancellation takes effect. The cancellation takes effect on the date specified in the notice (which must be a date not earlier than five Business Days after the date the Bank receives the notice).

#### 4.10 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Bill for any Funding Period for which the Discount Rate was to have been calculated using a Screen Rate, then the Discount Rate will be the rate notified to the Borrower by the Bank as soon as practicable and in any event before the Bill is due to be discounted, to be that which expresses as a percentage rate per annum the cost to the Bank of funding that Bill from whatever source it may reasonably select. Such notice must be signed by an Authorised Representative of the Bank and must certify the Bank's cost of funding the relevant Bill, but need not specify the basis upon which such cost of funding has been calculated or the source of funding.
- (b) For the purposes of **clause 4.10(a)**:
  - (i) **Market Disruption Event** means:
    - (A) at or about 10.10 am on the first day of the relevant Funding Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Bank to determine the Discount Rate for the relevant currency and period; or
    - (B) before close of business on the first day of the relevant Funding Period, the Bank notifies the Borrower that the applicable Discount Rate does not reflect the Bank's cost of funding; and
  - (ii) **Screen Rate** means the rate specified in paragraph (a) of the definition of "Discount Rate".

#### 4.11 Alternative basis of interest or funding

If a Market Disruption Event occurs and the Bank or the Borrower so requires, the Bank and the Borrower will enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest or discount.

#### 4.12 Pricing Review Events

- (a) The Bank has the right to review the pricing applicable to a Facility ( **Review**):
  - (i) on or about the third anniversary of the date of this document;
  - (ii) at any time if the Bank reasonably believes that an Event of Default subsists;
  - (iii) at any time:
    - (A) a change occurs in the financial markets which affects financial institutions generally; and/or
    - (B) a general change occurs in the cost of funds in the financial markets in which the Bank raises funds (not being a change resulting from a change in the Bank's credit rating or any other matter relating specifically to the Bank).
- (b) The Bank may request the Borrower to provide information in connection with a Review and the Borrower must provide such information as soon as possible following receipt of the request.

#### 4.13 Consequences of a Pricing Review

- (a) Following a Review, the Bank may, by giving written notice to the Borrower and/or by way of advertisement in the local or national press:
  - (i) introduce a new fee, charge or premium or change an existing fee, charge or premium (including its amount, the way in which it is calculated and when it is charged); and
  - (ii) change the acceptance margin, line fee, interest rate or yield rate applicable to a Facility including by changing or introducing a margin (including by making the margin positive or negative), or substituting a different indicator rate for the relevant indicator rate (except where the rate is a fixed rate).
- (b) Where the Bank gives the Borrower notice under **clause 4.10(a)** by way of advertisement in the local or national press, the Bank will also endeavour to directly notify the Borrower of the change although the Bank will not be precluded from charging the new or adjusted pricing if it does not directly notify the Borrower.
- (c) An introduction or change of a matter specified in **clause 4.10(a)** takes effect on the date specified in the relevant notice to the Borrower (which must be at least 30 days after the date on which the notice is given to the Borrower).

## 5 Payments

### 5.1 Bills

- (a) The Borrower must pay an amount equal to the Face Value of each Bill to the Bank on its Maturity Date.
- (b) Without limiting **clause 5.1(a)**, the Borrower indemnifies the Bank against all liabilities of the Bank as acceptor of any Bill accepted by the Bank under this document.
- (c) As between the Borrower and the Bank, the Borrower is primarily liable in relation to Bills accepted by the Bank under this document and accordingly, as between the Borrower and the Bank, the liability of the Borrower with respect to those Bills is not taken to have been discharged by reason of the Bank becoming the holder of any Bill before, on or after its Maturity Date.

### 5.2 Voluntary prepayments

- (a) The Borrower may not voluntarily prepay any Current Bill prior to its Maturity Date.
- (b) The Borrower may reimburse or repay the Face Value in respect of any Current Bank Guarantee by:
  - (i) providing to the Bank, cash collateral (on terms satisfactory to the Bank and subject to **clause (10.3)** in an amount not less than the Face Value of the Bank Guarantee; or
  - (ii) cancelling that Bank Guarantee by returning the original to the Bank together with written confirmation from the Beneficiary that the Bank has no further liability under that Bank Guarantee.

### 5.3 Indemnity in respect of Bank Guarantees

- (a) Without limiting **clause 12.1**, the Borrower indemnifies the Bank against any liability, loss, cost or expense sustained or incurred in relation to any Bank Guarantee or as a direct or indirect consequence of any claim made or purported to be made under any Bank Guarantee, or anything done by any person who is or claims to be entitled to the benefit of a Bank Guarantee.
- (b) Without limiting **clause 5.3(a)**, the Borrower must pay to the Bank all amounts claimed by or paid to any Beneficiary in relation to any Bank Guarantee (whether or not the Beneficiary was entitled to make that claim or the Bank was required to make that payment), including any payment made by the Bank under **clause 10.2(a)(iv)(B)**.
- (c) The Borrower's obligations under **clause 5.4(a)** and **(b)** are absolute and unconditional. They are not affected by any reduction, termination or other impairment by set-off, deduction, abatement, counterclaim, agreement, defence, suspension, deferment or otherwise.
- (d) The Borrower is not released, relieved or discharged from any obligation under this document, nor will such obligation be prejudiced or affected for any reason, including:



- (i) any falsity, inaccuracy, insufficiency or forgery of or in any demand, certificate or declaration or other document which on its face purports to be signed or authorised under a Bank Guarantee;
  - (ii) any failure by the Bank to enquire whether a cable, telex or other notification was inaccurately transmitted, received or given by an unauthorised person (other than where such failure occurs due to the wilful default or fraud of the Bank);
  - (iii) the impossibility or illegality of performance of, or any invalidity of or affecting, any Transaction Document or Bank Guarantee or any other document;
  - (iv) any act of any Government Body or arbitrator including any law, judgment, decree or order at any time in effect in any jurisdiction affecting any Transaction Document or Bank Guarantee or any document delivered under a Transaction Document;
  - (v) any failure to obtain any consent, license or other authorisation necessary or desirable in connection with any Transaction Document or any Bank Guarantee; or
  - (vi) any other cause or circumstance, foreseen or unforeseen, whether or not similar to any of the above, affecting any Transaction Document or Bank Guarantee or any transaction under a Transaction Document or Bank Guarantee,
  - (vii) and the Bank need not inquire into any of these matters.
- (e) The Bank is irrevocably authorised and directed by the Borrower to pay immediately against a demand appearing or purporting to be made by or on behalf of a Beneficiary, any sums up to the Face Value of a Bank Guarantee which may be demanded from the Bank from time to time without any reference to or any necessity for confirmation or verification on the part of the Borrower, and notwithstanding any instructions from the Borrower to the contrary.
- (f) The obligations of the Borrower will not be affected or in any way limited by any falsity, inaccuracy, insufficiency or forgery of or in any notice or demand pursuant to any liability or the failure of the Bank to enquire (other than where such failure arises due to the wilful default or fraud of the Bank) whether any notice or demand has been inaccurately transmitted or received from any cause whatsoever or has been given or sent by an unauthorised person.

#### 5.4 Mandatory prepayments

- (a) Unless the Bank otherwise agrees, if any of the assets, business or undertaking of any Transaction Party is the subject of any Disposal (other than a Permitted Disposal) the Borrower must apply or ensure is applied an amount equal to the cash or equivalent proceeds received by the Transaction Party from the Disposal net of reasonable transaction costs and Taxes in prepayment of Outstanding Accommodation or (other than in respect of a disposal contemplated by **clause 5.4(b)**), at the Borrower's election, in permanent reduction of the unused portion of one or more of the Facility Limits.

- (b) If the land and improvements known as 70 Station Road, Indooroopilly Queensland and described in certificate of title 11485156 are sold:
- (i) unless the Bank otherwise agrees in writing, the Borrower must apply or ensure is applied an amount equal to 50% of the proceeds arising from that sale net of reasonable transaction costs and Taxes in prepayment of the Outstanding Accommodation and/or in permanent reduction of the unused portion of the Facility Limit for the Bank Bill Discount Facility; and
  - (ii) subject to the prior written consent of the Bank (such consent not to be unreasonably withheld), a Transaction Party may make a Distribution or other payment to Reading International Inc (or any subsidiary or affiliate of Reading International Inc that is outside of the Reading Entertainment Australia Group) of an amount equal to 50% of the proceeds arising from that sale net of reasonable transaction costs and Taxes.
- (c) For the avoidance of doubt the requirements to prepay under **clause 5.4(b)**:
- (i) are in addition to any requirement to reduce the Outstanding Accommodation as a consequence of the Facility Limit for the Bank Bill Discount Facility reducing on each Payment Date in accordance with **schedule 4**; and
  - (ii) will to the extent of the prepayment permanently reduce the Facility Limit of the relevant Facility or Facilities.

## 5.5 Repayment

Subject to **clause 10.2** or **clause 10.3**, each Borrower must:

- (a) make sufficient repayments of the Outstanding Accommodation in respect of the Bank Bill Discount Facility to ensure that at all times the Outstanding Accommodation in respect of the Bank Bill Discount Facility is no greater than the prevailing Facility Limit of the Bank Bill Discount Facility;
- (b) repay the Outstanding Accommodation in respect of each Facility on the Termination Date in respect of that Facility; and
- (c) subject to **clause 6**, and any other provision in a Transaction Document that provides otherwise, pay any other amounts payable in connection with the Transaction Documents, to the Bank on demand.

## 5.6 Bills Repayment Account

- (a) The Bank must credit so much of the money paid by the Borrower under **clauses 5.4, 5.5(a)** and **10.2(a)(iv)** which the Bank appropriates towards the Face Values of Bills to an account maintained by the Bank for this purpose (**Bill Repayment Account**).

(b) The following provisions apply to the Bill Repayment Account:

- (i) the account will be in the name of the Borrower;
- (ii) despite the Bill Repayment Account being in the name of the Borrower, until the Maturity Date of the relevant Bill or Bills the money held in the account is not owed by the Bank to the Borrower and the Borrower is not entitled to withdraw or be paid any of that money (including interest credited to the account);
- (iii) the Bank must credit to the account interest at the Cash Cover Rate from time to time and that interest will be credited to the account monthly and on the next Maturity Date;
- (iv) the Bank must apply amounts from time to time held in the account towards repayment of the Current Bills referred to in paragraph (a) on their Maturity Date; and
- (v) without limiting this **clause 5.6**, the Bank may apply any amounts from time to time held in the account towards payment of any amounts due and payable from time to time to the Bank under any Transaction Document.

## 6 Interest and fees

### 6.1 Payment and rate

- (a) The Borrower must pay interest on Overdue Money, and such interest must be paid on demand by the Bank.
- (b) The interest rate on Overdue Money will be the Overdue Rate.

### 6.2 Computation of interest

Interest will:

- (a) accrue from day to day;
- (b) be computed from and including the day when the money on which interest is payable becomes owing to the Bank by the Borrower until but excluding the day of payment of that money; and
- (c) be calculated on the actual number of days elapsed on the basis of a 365 day year.

### 6.3 Capitalisation of interest

The Bank may:

- (a) capitalise, on a monthly or other periodical basis as the Bank determines, any part of any interest which becomes due and payable and interest is payable in accordance with this document on capitalised interest; and

(b) continue to capitalise interest despite:

- (i) that as between the Bank and the Borrower the relationship of Bank and customer has ceased;
- (ii) any composition agreed to by the Bank;
- (iii) any judgment or order against the Borrower; or
- (iv) any other thing.

#### **6.4 Merger**

If the liability of the Borrower to pay to the Bank any money payable under a Transaction Document becomes merged in any deed, judgment, order or other thing, the Borrower must pay interest on the amount owing from time to time under that deed, judgment, order or other thing at the higher of the rate payable under the Transaction Documents and that fixed by or payable under that deed, judgment, order or other thing.

### **7 Payments**

#### **7.1 Place, manner and time of payment**

Each Transaction Party must make payments to the Bank under the Transaction Documents:

- (a) at the address specified in **clause 19.3** or at such other place reasonably required by the Bank;
- (b) in a manner reasonably required by the Bank;
- (c) by 11.00 am local time in the place where payment is required to be made; and
- (d) in immediately available funds and without set-off, counter claim, condition or, unless required by law, deduction or withholding.

#### **7.2 Gross-up**

If a Transaction Party is required by law to deduct or withhold Taxes from any payment it must:

- (a) make the required deduction and withholding;
- (b) pay the full amount deducted or withheld in accordance with the relevant law;
- (c) deliver to the Bank an original receipt for each payment; and
- (d) pay an additional amount with such payment so that, after all applicable deductions or withholdings, the Bank actually receives for its own benefit the full amount which would have been payable to the Bank if no deduction or withholding had been required.

### 7.3 Appropriation

Subject to any express provision to the contrary in any Transaction Document, the Bank may appropriate any payment towards the satisfaction of any money due for payment by the Borrower in relation to a Transaction Document in any way that the Bank thinks fit and despite any purported appropriation by the Borrower.

## 8 Representations and warranties

### 8.1 Nature

Each Transaction Party represents and warrants that:

- (a) **duly incorporated:** if it purports to be a corporation, it is duly incorporated in accordance with the laws of its place of incorporation, validly exists under those laws and has the capacity to sue or be sued in its own name and to own its property and conduct its business as it is being conducted;
- (b) **capacity:** it has capacity unconditionally to draw and sign Bills in accordance with this document and it has capacity unconditionally to execute and deliver and comply with its obligations under the Transaction Documents;
- (c) **action taken:** it has taken all necessary action to authorise the unconditional execution and delivery of, and the compliance with its obligations under, the Transaction Documents to which it is a party;
- (d) **binding obligations:** each Transaction Document constitutes the valid and legally binding obligations of, and is enforceable against it by the Bank in accordance with its terms (subject to any necessary stamping or registration and to equitable principles and insolvency laws);
- (e) **priority:** each Security Interest which each Transaction Document purports to create exists and has the priority which the Bank has agreed to (subject to any necessary stamping and registration);
- (f) **authorisations:** each authorisation from, and filing and registration with, a Government Body necessary to enable it to unconditionally execute and deliver and comply with its obligations under the Transaction Documents to which it is a party has been obtained, effected and complied with;
- (g) **no contravention:** the unconditional execution and delivery of, and compliance with its obligations by it under, the Transaction Documents to which it is a party do not:
  - (i) contravene any law to which it or any of its property is subject or any order or directive from a Government Body binding on it or any of its property;
  - (ii) contravene its constituent documents;
  - (iii) contravene any agreement or instrument to which it is a party;

- (iv) contravene any obligation it has to any other person; or
- (v) require it to make any payment or delivery in relation to any Financial Indebtedness (other than Excluded Financial Indebtedness) before the scheduled date for that payment or delivery;
- (h) **correct information:** all information given and each statement made to any Bank by it or at its direction in relation to the Transaction Documents, is correct, complete and not misleading;
- (i) **full disclosure:** it has disclosed to the Bank all information which the Borrower has or has access to and which is relevant to the assessment by the Bank of the nature and amount of the risks undertaken by the Bank becoming a creditor of or taking a Security from it;
- (j) **Financial Statements:** the Financial Statements of each of Transaction Party given to the Bank under **clause 9.3:**
  - (i) are a true, fair and accurate statement of their respective financial performance and position and their respective consolidated financial performance and position at the date to which they are prepared; and
  - (ii) have been prepared in accordance with **clause 9.2 and 9.3**, except for such departures expressly disclosed in those Financial Statements;
- (k) **no change in financial position:** there has been no change in the financial performance or position of a Transaction Party since the date to which the last Financial Statements given to the Bank under **clause 9.3** were prepared, which has a Material Adverse Effect;
- (l) **no related party transaction:** no person has contravened or will contravene sections 208 or 209 of the Corporations Act due to a Transaction Party entering into or performing its obligations under a Transaction Document;
- (m) **no proceeding:** except as notified to the Bank in writing before the date of this document, no litigation, arbitration or administrative proceeding is current, pending or, to the knowledge of the Borrower, threatened, which has, or the adverse determination of which would be likely to have, a Material Adverse Effect;
- (n) **no trust:** except as notified to the Bank in writing before the date of this document, no Transaction Party enters into a Transaction Document as trustee of any trust;
- (o) **sole owner and no Encumbrances:** except as notified to the Bank in writing before the date of this document:
  - (i) each Transaction Party is the sole legal and beneficial owner of the property it purports to own; and
  - (ii) there are no Encumbrances over the property of any Transaction Party other than Permitted Encumbrances;

- (p) **no existing default:** no Event of Default, Review Event or Potential Event of Default subsists;
- (q) **ranking of obligations:** each obligation of the Borrower under this document ranks at least pari passu with all unsecured and unsubordinated obligations of the Borrower except obligations mandatorily preferred by law;
- (r) **warranties correct:** the representations and warranties given by any Transaction Party in any Transaction Document are correct in all material respects and not misleading in any material respect and will be when given or repeated;
- (s) **no immunity:** each Transaction Party and its property are free of any right of immunity from set-off, proceedings or execution in relation to its obligations under any Transaction Document;
- (t) **insurance:** the Insurances are enforceable against the relevant insurer in accordance with their terms and are not void or voidable;
- (u) **trust provisions:** in relation to each Transaction Party which enters into any Transaction Document as trustee of a Trust:
  - (i) the Trustee has power as trustee of the Trust to execute and perform its obligations under the Transaction Documents;
  - (ii) the Trustee, in executing the Transaction Documents and entering into those transactions, have properly performed their obligations to the beneficiaries of the Trust;
  - (iii) all necessary action required by the Trust Deed to authorise the unconditional execution and delivery of, and compliance with its obligations under, the Transaction Documents has been taken;
  - (iv) the Trustee is the only trustee of the Trust;
  - (v) no effective action has been taken to remove the Trustee as trustee of the Trust or to appoint an additional trustee of the Trust;
    - (vi) (A) the Trustee has a right to be fully indemnified out of the property of the Trust in relation to all of its obligations under the Transaction Documents;
    - (B) the Trustee has not released or disposed of its equitable lien over the property of the Trust which secures that indemnity; and
    - (C) the property of the Trust is sufficient to satisfy that indemnity;
  - (vii) the Trustee has complied with all of its obligations as trustee of the Trust in relation to execution of the Transaction Documents;
  - (viii) no effective action has been taken or, so far as the Trustee is aware, is contemplated by the beneficiaries of the Trust to terminate the Trust;

- (ix) the Trustee has disclosed to the Bank full details of:
  - (A) the Trust and any other trust or fiduciary relationship affecting the property of the Trust and, without limitation, has given to the Bank copies of any instruments creating or evidencing the Trust; and
  - (B) the Trustee's other trusteeships (if any);
- (x) the Trust is properly constituted and the Trust Deed is not void, voidable or otherwise unenforceable;
- (xi) the rights of the beneficiaries of the Trust in relation to, and their interest in, the property of the Trust are subject to:
  - (A) the rights of the Bank in relation to, and their respective interests in, the property of the Trust; and
  - (B) any rights or interests in the property of the Trust to which the Bank may from time to time be subrogated; and
- (xii) the Trustee:
  - (A) if it is a corporation, is duly incorporated in accordance with the laws of its place of incorporation, validly exists under those laws and has the capacity to sue and be sued in its own name, to own property and to act as trustee of the Trust;
  - (B) if it is natural person, has the capacity to be trustee of the Trust;
- (v) **solvency:** each Transaction party is not insolvent;
- (w) **corporate benefit:** each of the Transaction Parties will receive corporate benefit by entering into the Transaction Documents to which they are a party.

## 8.2 General

- (a) The interpretation of any statement contained in any representation or warranty will not be restricted by reference to or inference from any other statement contained in any other representation or warranty.
- (b) The Borrower acknowledges that the Bank enters into the Transaction Documents in reliance on each representation and warranty.
- (c) Each representation and warranty survives the execution of the Transaction Documents and is deemed to be repeated with reference to the facts and circumstances then existing on the date each Funding Notice is issued, on each Funding Date, on the last day of each Funding Period and on each day that an Annual Compliance Certificate or Interim Compliance Certificate is given.



## 9 General obligations

### 9.1 Fees

The Borrower must pay to the Bank:

- (a) **establishment fee:** on or before Financial Close a non-refundable Establishment Fee of \$525,000 (of which \$100,000 was paid prior to the date of this document);
- (b) **Bill Facility Fee:**
  - (i) a non-refundable facility fee on the daily amount of the Facility Limit in respect of each Bill Facility calculated at 2.90% per annum from the date of this document, and adjusted on 31 December 2011 and for each Quarter thereafter by reference to the table below, based on the most recently determined Leverage Ratio as at the first day of each Quarter and calculated by reference to the Financial Statements and information set out in the relevant Compliance Certificate provided in accordance with **clause 9.4(b)** or **9.4(c)**:

| <b>Leverage Ratio</b>  | <b>Bill Facility Fee</b> |
|--|--------------------------|
| Greater than 3.50 times                                      | 2.90% per annum          |
| Greater than 3.00 times and equal to or less than 3.50 times | 2.65% per annum          |
| Greater than 2.50 times and equal to or less than 3.00 times | 2.40% per annum          |
| Less than or equal to 2.50 times                             | 2.15% per annum          |

- (ii) the Bill Facility Fee will:
  - (A) accrue from day to day from the date of this document up to and including the Termination Date;
  - (B) be payable monthly in advance, with the first payment due on the first Funding Date, and subsequent payments due on the first Business Day of each Month;
  - (C) be adjusted on the month following the receipt of the relevant Annual Compliance Certificate or Interim Compliance Certificate if those certificates reflect a change to the Leverage Ratio for the preceding Half that requires an adjustment of the Bill Facility Fee; and
  - (D) be calculated on the actual number of days elapsed and on the basis of a 365 day year.
- (c) **Bill rollover fee:** on each Funding Date in respect of a Drawing of Bills a non-refundable rollover fee of \$150.00;

- (d) **Bank Guarantee service fee:** a non-refundable fee in respect of each Bank Guarantee of 50% of the applicable Bank Guarantee Margin calculated on the Face Value of the Bank Guarantee, payable on a pro-rata basis half yearly in arrears, with the first payment due six months after the relevant Funding Date of the Bank Guarantee, and subsequent payments due every six months thereafter until the Bank Guarantee Matures or Expires or is cancelled. This fee will be calculated on the actual number of days elapsed and on the basis of a 365 day year; and
- (e) **Bank Guarantee issuance fee:** a non-refundable fee in respect of each Bank Guarantee of 50% of the applicable Bank Guarantee Margin calculated on the Face Value of the Bank Guarantee (or \$125 whichever is greater), payable on the relevant Funding Date of the Bank Guarantee.

## 9.2 Records

The Borrower must ensure that each Transaction Party:

- (a) prepares and keeps books, accounts and other records in accordance with the law and Accounting Standards; and
- (b) on demand, makes the same available for inspection and copying by the Bank.

## 9.3 Financial Statements and other financial information

The Borrower must give to the Bank:

- (a) **annual Financial Statements:** as soon as practicable, and in any event within 120 days after the end of each Financial Year the consolidated audited Financial Statements of the Reading Entertainment Australia Group for that Financial Year;
- (b) **Quarterly Financial Statements:** as soon as practicable, and in any event within 45 days after the end of each Quarter the consolidated unaudited Financial Statements of the Reading Entertainment Australia Group for that Quarter (showing both actual and budget figures);
- (c) **group structure diagram:** within 120 days after the end of each Financial Year, a group structure diagram in relation to Reading International Inc. and the Reading Entertainment Australia Group which lists all the then Group Members and which contains such other information in relation to the legal relationship between Reading International Inc. and the Reading Entertainment Australia Group Members as the Bank reasonably requires;
- (d) **budget:** as soon as practicable, and in any event before 31 March for each Financial Year, a consolidated budget for the Reading Entertainment Australia Group for the current Financial Year showing the budgeted profit and loss, balance sheet and cash flow for the Reading Entertainment Australia Group and such other matters customarily dealt with in such budgets; and

- (e) **other financial information:** promptly on reasonable notice from the Bank, such additional information in relation to the financial condition and the operations of the Borrower and each other Transaction Party as the Bank reasonably requests from time to time.

The Borrower must ensure that all Financial Statements given to the Bank under the Transaction Documents are prepared in accordance with the Corporations Act and the Accounting Standards.

If after the date of this document there is a change in the accounting principles or practices referred to in the definition of 'Accounting Standards' and the Bank or the Borrower reasonably considers that, if the change were to apply for the purposes of this document, the change would have a material effect on the Financial Statements or the calculation of the financial ratios in **clause 9.7**, the Bank and the Borrower shall endeavour to agree mutually acceptable changes to this document so that the accounting change can be adopted for the purposes of this document.

#### 9.4 Other information

The Borrower must give to the Bank:

- (a) **other information:** on reasonable notice from the Bank, any other information in the possession or under the control of a Transaction Party which in the Bank's reasonable opinion is necessary to verify the Borrower's compliance with any Transaction Document;
- (b) **Annual Compliance Certificate:** as soon as practicable, and in any event within 120 days after the end of each Financial Year, an Annual Compliance Certificate for that Financial Year signed by at least one director of the Borrower;
- (c) **Interim Compliance Certificate:** as soon as practicable, and in any event within 45 days after the end of each Quarter, an Interim Compliance Certificate for the previous 12 months signed by at least one director of the Borrower;
- (d) **tenancy schedule:** as soon as practicable, and in any event within 120 days of the end of each Financial Year an updated tenancy schedule for each Freehold Property, including (without limitation) the following details:
- (i) the name of each tenant;
  - (ii) area let by each tenant;
  - (iii) current passing rent paid by each tenant;
  - (iv) the lease start date;
  - (v) the lease term;
  - (vi) the lease maturity date;
  - (vii) the option term (if any);
  - (viii) rent review details; and
  - (ix) any other material or special clauses or conditions;

- (e) **Valuations:** on demand (provided that no more than one demand is made in a Financial Year and the Bank reasonably considers that there has been a material devaluation of the freehold and leasehold interests subject to the Collateral Security), and in any event within 30 days of the end of every 36 month period from the date of this document, a Valuation in respect of each Freehold Property and leasehold interest that is subject to the Collateral Security;
- (f) **Leasehold value report:** if requested by the Bank, within the six month period prior to 30 June 2014 (provided the Bank has agreed at the request of the Borrower to extend the Termination Date or to continue providing financial accommodation), a valuation report prepared in respect of the Reading Entertainment Australia Group cinema businesses;
- (g) **details of any proceeding:** full details of any litigation, arbitration, administrative proceeding or native title claim which affects a Transaction Party and which has or the adverse determination of which would be likely to have a Material Adverse Effect, as soon as it is commenced or to the knowledge of the Borrower is threatened; and
- (h) **claims:** on being notified of it, full details of any event which entitles the Borrower or the Bank to claim more than \$1,000,000 under the Insurances.

## 9.5 Other financial undertakings

Each Transaction Party must ensure that:

- (a) **negative pledge:** no Encumbrances exist on its property (including the Secured Property and the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria), except Permitted Encumbrances;
- (b) **permitted financial transactions:** it does not, without the prior written consent of the Bank:
  - (i) incur any Financial Indebtedness except Permitted Financial Indebtedness;
  - (ii) provide any financial accommodation (excluding trade credit in the ordinary course of business) except Permitted Financial Accommodation;
- (c) **disposals:** must not dispose of any of its assets, either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary, except Permitted Disposals;
- (d) **mergers:** a Transaction Party does not:
  - (i) enter into any merger, reconstruction or amalgamation; or
  - (ii) acquire any property or business or make any investment if the property, business or investment is substantial in relation to the relevant Transaction Party,if it would have or be likely to have a Material Adverse Effect;

- (e) **maintain status:** it does everything necessary to maintain its corporate existence in good standing and:
- (i) ensures that it has the right and is properly qualified to conduct its business in all relevant jurisdictions; and
  - (ii) obtains and maintains all Authorisations necessary for the conduct of its business;
  - (iii) comply with all laws affecting it or its business in all relevant jurisdictions
- (f) **Distributions:** it must not make any Distribution except:
- (i) to another Transaction Party; or
  - (ii) with the Bank's prior written consent (such consent not to be unreasonably withheld),
- and provided that:
- (iii) no Event of Default subsists; and
  - (iv) such Distribution will not cause an Event of Default;
- (g) **Taxes:** must
- (i) promptly pay when they become due for payment (or reimburse the Bank on demand for) all Taxes payable by it from time to time other than Taxes being contested in good faith where it has made adequate provisioning;
  - (ii) not transfer any Tax losses to any person other than to the Borrower in connection with the preparation of consolidated annual Financial Statements or in connection with the Reading Entertainment Australia Group's tax consolidation arrangements; and
  - (iii) not become a member of a consolidated group for the purposes of Part 3-90 of the *Income Tax Assessment Act 1936* and the *Income Tax Act 1997* including any amendments thereto (including any amendments made by the *New Business Tax (Consolidation Act (No. 1)) 2002* and the *New Business Tax System (Consolidation, Value Shifting, Damages and other Measures) Act 2002*) other than in accordance with a Tax Sharing Agreement or otherwise on terms approved by the Bank;
- (h) **Guarantor accession:** if at any time:
- (i) there is a new wholly-owned member of the Reading Entertainment Australia Group that earns any revenue, holds an asset or is otherwise not dormant; or
  - (ii) a wholly-owned member of the Reading Entertainment Australia Group (as at the date of this document that is not a Guarantor) generates any revenue, acquires an asset or ceases to be dormant,

promptly, and in any event within 45 days, it procures the execution of:

(iii) a Guarantor Accession Deed; and

(iv) an all assets fixed and floating charge in favour of the Bank, in such form as the Bank requires,

by such of those wholly-owned subsidiaries as are required to rectify that situation and provides to the Bank any documents or evidence in relation to any such acceding entity as the Bank may reasonably consider necessary in respect to the entering into, validity and enforceability of the accession documents;

- (i) **Capital expenditure:** the Transaction Parties do not incur expenditure on equipment, machinery, fixed assets, real property and improvements or on any other capital asset (including any costs incurred in connection with them) which is regarded under Accounting Standards as capital expenditure which, in aggregate, exceeds \$5,000,000 in any Financial Year, except where an expenditure is approved by the Bank in writing (such approval to be withheld at the Bank's absolute discretion, and subject to the provision of development budgets and such other information as the Bank may reasonably require);
- (j) **Major developments:** in respect of any major development projects to be undertaken by the Transaction Parties (that are outside of the budgeted capital expenditure that has been disclosed to the Bank):
- (i) the Bank is provided with development budgets and other information reasonably requested by the Bank; and
- (ii) the Bank is given the first right of refusal in relation to the funding of the project;
- (k) **Management Fees:** the aggregate Management Fees paid by the Transaction Parties in a Financial Year does not exceed A\$4,000,000 (without the Bank's prior written consent);
- (l) **Burwood property:**
- (i) no Encumbrances exist on the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria (except Permitted Encumbrances); and
- (ii) it does not, without the prior written consent of the Bank, incur any Financial Indebtedness in respect of (or secured by) the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria (except Permitted Financial Indebtedness);
- (m) **Preservation and protection of Security:** it does everything necessary or reasonably required by the Bank to:
- (i) keep the Secured Property in good repair and in good working order;
- (ii) promptly pay when they become due for payment (or reimburse the Bank on demand for) all Taxes payable in respect of the Secured Property;

- (iii) preserve and protect the value of the Secured Property as a whole; and
- (iv) protect and enforce its title and the Bank's title as mortgagee to the Secured Property; and

## 9.6 Insurance

- (a) Subject to the provisions of the Transaction Documents, the Borrower must effect and maintain insurance over and in relation to the Secured Property, the business operations of the Group (including business interruption) and for public liability with insurers, for amounts, against risks and on terms and conditions:
  - (i) that the Bank reasonably requires; or
  - (ii) if the Bank does not notify the Borrower of its requirements, that a prudent and reasonable owner of the Secured Property would effect and maintain, including insurance for full replacement value on a reinstatement basis.
- (b) Subject to the provisions of the Transaction Documents, the Borrower must give to the Bank on demand a certificate in form and substance satisfactory to the Bank from the insurer to the effect that the required Insurances are current and no premium is overdue.

## 9.7 Financial ratios

- (a) The Borrower must ensure that:
  - (i) **Fixed Charges Cover Ratio:** at each Calculation Date, the Fixed Charges Cover Ratio for the Calculation Period ending on that date is not less than the relevant ratio for that Calculation Date set out in the table below:

| Calculation Date occurring                                    | Minimum Fixed Charges Cover Ratio |
|---|-----------------------------------|
| 30 June 2011  | 1.50 times                        |
| 30 September 2011   | 1.50 times                        |
| 31 December 2011  | 1.50 times                        |
| 31 March 2012   | 1.60 times                        |
| 30 June 2012  | 1.60 times                        |
| 30 September 2012   | 1.60 times                        |
| 31 December 2012  | 1.60 times                        |
| 31 March 2013   | 1.60 times                        |
| 30 June 2013  | 1.60 times                        |
| 30 September 2013   | 1.60 times                        |
| 31 December 2013  | 1.60 times                        |
| 31 March 2014, and each Calculation Date occurring thereafter | 1.70 times                        |

- (ii) **Debt Service Cover Ratio:** at each Calculation Date, the Debt Service Cover Ratio for the Calculation Period ending on that date is greater than 1.35 times.
- (iii) **Leverage Ratio:** at each Calculation Date, the Leverage Ratio for the Calculation Period ending on that date is not more than the relevant ratio for that Calculation Date set out in the table below:

| <b>Calculation Date</b>                                       | <b>Maximum Leverage Ratio</b> |
|---|-------------------------------|
| 30 June 2011  | 4.50 times                    |
| 30 September 2011   | 4.50 times                    |
| 31 December 2011  | 4.50 times                    |
| 31 March 2012   | 4.00 times                    |
| 30 June 2012  | 4.00 times                    |
| 30 September 2012   | 4.00 times                    |
| 31 December 2012  | 4.00 times                    |
| 31 March 2013   | 3.75 times                    |
| 30 June 2013  | 3.75 times                    |
| 30 September 2013   | 3.75 times                    |
| 31 December 2013  | 3.75 times                    |
| 31 March 2014, and each Calculation Date occurring thereafter | 3.25 times                    |

- (iv) **Loan to Value Ratio:** at each Calculation Date, the Loan to Value Ratio for the Calculation Period ending on that date is less than or equal to the relevant ratio for that Calculation Date set out in the table below:



| Calculation Date   | Loan to Value Ratio |
|--|---------------------|
| 30 June 2011   | 75%                 |
| 30 September 2011  | 75%                 |
| 31 December 2011   | 75%                 |
| 31 March 2012  | 75%                 |
| 30 June 2012   | 75%                 |
| 30 September 2012  | 75%                 |
| 31 December 2012   | 75%                 |
| 31 March 2013  | 70%                 |
| 30 June 2013   | 70%                 |
| 30 September 2013  | 70%                 |
| 31 December 2013   | 70%                 |
| 31 March 2014  | 70%                 |
| 30 June 2014, and each Calculation Date occurring thereafter | 60%                 |

- (b) A financial ratio or amount to be determined under **clause 9.7(a)** must be tested or determined by reference to the most recently prepared Financial Statements. The calculation of any amounts on a consolidated basis must be made in accordance with the requirements of the Accounting Standards relating to the consolidation of entities.

### 9.8 Environment

- (a) Each Transaction Party must ensure that at all times all practical and reasonable steps that can be taken and measures and precautions that can be adopted are taken or adopted by each Transaction Party to ensure that:
- (i) all persons, things and activities of any kind on or using the Land comply with all Environmental Laws and any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law;
  - (ii) if there is any non-compliance with any Environmental Law or any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law:
    - (A) the impact on the Land and the environment is minimised; and
    - (B) steps are taken as quickly as possible to rectify the non-compliance, eliminate or reduce any liability arising from the non-compliance and to ensure the non-compliance does not recur;

- (iii) it or any person on the Land does not:
  - (A) allow onto or permit to exist on the Land any Contaminant; or
  - (B) allow a Contaminant to escape or be released into the environment,
    - if to do so would be in breach of any Environmental Law or any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law or could give rise to an order or direction being issued under any Environmental Law; and
- (iv) if any Contaminant is discovered on or affecting the Land (other than a Contaminant which is safely stored in accordance with lawful authority) or, without lawful authority, escapes or is released from the Land into the environment:
  - (A) the impact on the Land and the environment is minimised; and
  - (B) steps are taken as quickly as possible to safely contain the Contaminant and to remove the Contaminant from the environment or the Land or reduce the levels of the Contaminant to a level required or recommended by the relevant Government Body as safe and in either case to eliminate or reduce any liability arising from the Contaminant and do all things necessary to restore the Land and the environment.
- (b) If there is any non-compliance under **clauses 9.8(a)(i), (ii) or (iii)** or any Contaminant is discovered or the Borrower has reason to believe that there is some Contaminant on the Land requiring action to be taken under **clause 9.8(a)(iv)**, the Borrower must immediately notify the Bank.
- (c) If there is or the Bank has reason to believe that there may be any non-compliance under **clauses 9.8(a)(i), (ii) or (iii)** or any Contaminant is discovered or the Bank has reason to believe that there is some Contaminant on the Land requiring action to be taken under **clause 9.8(a)(iv)**, the Borrower, at the request of the Bank, must procure and furnish to the Bank, in a form acceptable to the Bank, an Environmental Assessment Report in relation to the Land and any operations conducted on it.
- (d) The Borrower indemnifies the Bank from and against all:
  - (i) Environmental Liability; and
  - (ii) damages, losses, outgoing, costs, charges or expenses suffered or incurred by the Bank in respect of any action, claim or demand made or brought in respect of or otherwise arising from or in connection with any breach of any Environmental Law in relation to the Land.

- (e) The Borrower must immediately notify the Bank of:
  - (i) the existence of any Contaminant on or adjacent to or affecting the Land; and
  - (ii) the receipt by any Transaction Party of any notice, order or direction:
    - (A) to clean up any Contaminant on the Land; or
    - (B) alleging any breach of Environmental Law.
- (f) If requested by the Bank, the Borrower must provide the Bank with a copy of each environmental consent, permit, approval, licence, authorisation, certification, order and direction relating to the Land together with confirmation that:
  - (i) it is complying with the terms and conditions of each consent, permit, approval, licence, authorisation, certification, order and direction; and
  - (ii) it has renewed each consent, permit, approval, licence, authorisation, certification, order and direction as appropriate.
- (g) The Borrower must:
  - (i) when reasonably required by the Bank, obtain or permit the Bank to obtain an Environmental Assessment Report from a person approved by the Bank in relation to the Land; and
  - (ii) promptly comply with any reasonable recommendation contained in any Environmental Assessment Report relating to compliance with Environmental Law in relation to the Land and obtain any consent, permit, approval, licence, authorisation, certification, order and direction required in order to comply with that recommendation.

## 9.9 No default

The Borrower must ensure that an Event of Default does not occur.

## 9.10 Obligations of Trustees

If a Transaction Party is a Trustee the Borrower must ensure that it:

- (a) ensures that the property of the Trust is not mixed with any other property;
- (b) complies with its obligations as trustee of the Trust;
- (c) does not release, dispose of or otherwise prejudice its right of indemnity against, and equitable lien over, the property of the Trust and its right of indemnity (if any) against the beneficiaries of the Trust in relation to any money owing to the Bank;
- (d) at the Bank's request:
  - (i) exercises its right of indemnity against, and equitable lien over, the property of the Trust and its right of indemnity (if any) against the beneficiaries of the Trust in relation to any money owing to the Bank; and

- (ii) assigns to the Bank those indemnities and that equitable lien and otherwise facilitates the subrogation of the Bank to those indemnities and that equitable lien;
- (e) does not, if the Trust is a unit trust, consent to or register the transfer of units in the Trust or cancel, repurchase, redeem or issue any units in the Trust;
- (f) ensures that:
  - (i) another person is not appointed as trustee of the Trust;
  - (ii) the Trust is not terminated or its terms varied;
  - (iii) the Trustee does not resign and is not removed or replaced as trustee of the Trust;
  - (iv) the property of the Trust is not resettled;
  - (v) the capital of the property of the Trust is not distributed at any time; and
  - (vi) income of the Trust is not distributed to anyone other than a Transaction Party while an Event of Default or Potential Event of Default subsists;
- (g) prepares and keeps full and true records and books of accounts of the Trust and makes them available for inspection and copying by the Bank on demand; and
- (h) does not default in performing or observing its obligations under the Transaction Documents.

#### 9.11 Release for Permitted Disposals

The Bank must on request from (and at the cost of) a Transaction Party release from the Collateral Security that part of the Secured Property that is the subject of a Permitted Disposal (other than a Permitted Disposal of the kind referred to in paragraph (a) of that term's definition).

### 10 Events of Default

#### 10.1 Nature

Each of the following is an Event of Default (whether or not caused by anything outside the control of any Transaction Party):

- (a) **non-payment:** a Transaction Party does not pay on the due date any principal, interest and fees due for payment by it under a Transaction Document in accordance with the relevant Transaction Document;
- (b) **other non-compliance:** a Transaction Party does not comply with any other obligation under a Transaction Document (other than the obligation set out in **clause 3.4** of this document) and if that default is capable of rectification:

- (i) it is not rectified within five Business Days (or any other longer period agreed by the Bank) after its occurrence; or
  - (ii) the Transaction Party does not during that period take all action which in the Bank's reasonable opinion is necessary to rectify that default;
- (c) **untrue warranty:** a representation, warranty or statement made or deemed to be made by a Transaction Party in a Transaction Document is untrue or misleading in any material respect or a reply by a Transaction Party to a requisition made by, or on behalf of, the Bank is untrue or misleading in any material respect;
- (d) **void document:** a Transaction Document is void, voidable or otherwise unenforceable by the Bank or is claimed to be so by a Transaction Party;
- (e) **compliance unlawful:** it is unlawful for a Transaction Party to comply with any of its obligations under a Transaction Document or it is claimed to be so by a Transaction Party;
- (f) **loss of priority:** a Security Interest created by or purportedly created by a Collateral Security does not have or ceases to have the priority which it purports to have under the relevant Transaction Document or becomes ineffective to secure the payment of the money or compliance with the obligations which it purports to secure, otherwise than by any act of the Bank;
- (g) **Insolvency Event:** an Insolvency Event occurs in relation to a Transaction Party;
- (h) **authorisation ceasing:** an Authorisation from a Government Body necessary to enable:
- (i) a Transaction Party to comply with its obligations under a Transaction Document or carry on its principal business or activity;
  - (ii) a Transaction Party to carry on its principal business or activity; or
  - (iii) the Bank to exercise its rights under a Transaction Document,
- is withheld or ceases to be in full force and effect and, in the case of **clause 10.1(h)(i)**, would have a Material Adverse Effect;
- (i) **Material Adverse Effect:** an event or series of events whether related or not, including any material adverse change in the property or financial condition of a Transaction Party, occurs which has a Material Adverse Effect;
- (j) **cross default:**
- (i) Financial Indebtedness (other than Excluded Financial Indebtedness) of a Transaction Party in excess of \$500,000 becomes due for payment before its stated maturity other than by the exercise of an option of the Transaction Party to pay it before its maturity;

- (ii) a Transaction Party fails to pay when due for payment (or within any applicable grace period) any Financial Indebtedness (other than Excluded Financial Indebtedness) in excess of \$500,000;
  - (iii) an obligation by a person to a Transaction Party to provide financial accommodation or to acquire or underwrite Financial Indebtedness (other than Excluded Financial Indebtedness) in excess of \$500,000 ceases before its stated maturity other than by the exercise of an option of the Transaction Party to cancel that obligation; or
  - (iv) a marketable security issued by a Transaction Party and having a face value over \$500,000 is required to be redeemed or repurchased before its stated maturity other than by the exercise of an option of the issuer to redeem or repurchase;
- (k) **cessation of business:** a Transaction Party ceases or threatens to cease to carry on its business or a substantial part of its business;
- (l) **enforcement of other Security:** a person who holds a Security over property of a Transaction Party exercises a right under that Security against the property to recover any money the payment of which is secured by that Security or enforce any other obligation the compliance with which is secured by it;
- (m) **undertaking:** an undertaking given to the Bank (or its lawyers) by or on behalf of a Transaction Party (or its lawyers) is not honoured in accordance with its terms and if capable of rectification, is not rectified within three Business Days (or any other longer period agreed by the Bank) after its occurrence;
- (n) **reduction of capital:** if a Transaction Party is a corporation:
- (i) it reduces or takes any action to reduce its capital other than by the redemption of redeemable preference shares;
  - (ii) it passes or takes any action to pass a resolution of the type referred to in section 254N of the Corporations Act;
  - (iii) it:
    - (A) buys or takes any action to buy, or
    - (B) financially assists (within the meaning of section 260A of the Corporations Act) or takes any action to financially assist any person to acquire,shares in itself or in a holding company of it,
- (o) **investigation:** if a Transaction Party is a corporation, an investigation is instituted under the Corporations Act or other legislation into, or an inspector is appointed to investigate, its affairs, which would have a Material Adverse Effect;

- (p) **environmental claim:** a Government Body takes any action, there is a legally valid claim or there is a legally enforceable requirement for expenditure or for cessation or alteration of activity under an Environmental Law, which, in the reasonable opinion of the Bank, would have a Material Adverse Effect;
- (q) **Management Fees:** the aggregate Management Fees paid by the Transaction Parties in a Financial Year exceed A\$4,000,000 (without the Bank's prior written consent); or
- (r) **Trust:** if a Transaction Party is a Trustee:
  - (i) the Trustee ceases to be the trustee or the only trustee of the Trust or any action is taken for the removal of the Trustee as trustee of the Trust, or for the appointment of another person as trustee in addition to the Trustee;
  - (ii) an application or order is sought or made in any court, which is not withdrawn or dismissed within ten Business Days, for:
    - (A) the property of the Trust to be administered by the court; or
    - (B) an account to be taken in relation to the Trust; or
  - (iii) non-compliance by the Trustee with its obligations as trustee under the Trust Deed which has a Material Adverse Effect.

## 10.2 Effect of Event of Default

- (a) If an Event of Default subsists the Bank may at any time by notice to the Borrower do any or all of the following:
  - (i) **cancel Facility:** cancel any or all of the Facilities or any part of a Facility, specified in the notice;
  - (ii) **accelerate:** make so much of the Outstanding Accommodation which is not then immediately due and payable, any unpaid accrued interest or fees and any other money owing by the Borrower to the Bank in relation to the Transaction Documents either:
    - (A) payable on demand; or
    - (B) immediately due for payment;
  - (iii) **Bills:** require the Borrower to pay immediately to the Bank the Face Value of all Bills which are Current Bills as at the date of the notice, together with any unpaid accrued interest or fees and any other money (including all Indemnity Amounts) owing by the Borrower to the Bank in relation to the Transaction Documents;
  - (iv) **Bank Guarantees:**
    - (A) by notice to the Borrower require the Borrower to pay immediately to the Bank the aggregate of the Face Values for all Current Bank Guarantees as at the date of the notice, together with any unpaid accrued interest or fees and any other money (including all Indemnity Amounts) owing by the Borrower to the Bank in relation to the Transaction Documents;

- (B) pay the Beneficiaries of any one or more of the Current Bank Guarantees the amount agreed between the Bank and the relevant Beneficiary sufficient to obtain from the Beneficiary an unconditional release of the Bank's obligations under the relevant Bank Guarantee on terms satisfactory to the Bank (acting reasonably).
- (v) **engage consultants:** at the cost of the Borrower, appoint (or require the Borrower to appoint) such accountancy, financial management and other consultants as the Bank may nominate to investigate the business affairs and financial condition of any Transaction Party and whether each Transaction Party has complied with each Transaction Document to which it is a party and to make recommendations relating to the manner in which the Transaction Party carries on its business. Each Transaction Party agrees to provide all assistance and information required by the consultants (including making all financial records available and giving access to all premises and records) to enable the consultants to conduct their examination promptly, completely and accurately. No Transaction Party is obliged to accept the recommendations of any consultant, and the Bank will assume no liability with respect to any actions a Transaction Party takes, or does not take, as a result of those recommendations; or
- (vi) **treasury related transactions:** if there are any Hedging Transactions or treasury related transactions in existence between the Bank and the Borrower (**Open Positions**) then:
  - (A) the Bank may close out the Open Positions, by entering into opposite positions for the balance of the unexpired term, or by such other means as may be usual in the relevant market. Any such close out must be at market rates prevailing at the time;
  - (B) any costs incurred by the Bank in closing out Open Positions must be paid by the Borrower to the Bank immediately upon demand by the Bank;
  - (C) any gain derived from the closing out of the Open Positions will be credited to the Borrower and set off against the Amount Owed; and
  - (D) the Bank will give the Borrower reasonable particulars of the manner of close out of the Open Positions and the basis of calculation of any amounts payable by or to the relevant Borrower arising from that close out.
- (b) On receipt of a notice under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**, the Borrower must immediately pay in full the amounts referred to in that notice.



### 10.3 Cash Cover Account regarding Bank Guarantees

- (a) The Bank must credit so much of the money paid by the Borrower under **clause 10.2(a)(iv)(A)** which the Bank appropriates towards the Face Values of Current Bank Guarantees to an account maintained by the Bank for this purpose ( **Cash Cover Account**).
- (b) The following provisions apply to the Cash Cover Account:
  - (i) the account will be in the name of the Borrower;
  - (ii) despite the Cash Cover Account being in the name of the Borrower, until the Release Date the money held in the account is not owed by the Bank to the Borrower and the Borrower is not entitled to withdraw or be paid any of that money (including interest credited to the account);
  - (iii) the Bank must credit to the account interest at the Cash Cover Rate from time to time and that interest will be credited to the account monthly and on the Release Date; and
  - (iv) without limiting this **clause 10.3**, the Bank may apply any amounts from time to time held in the account towards payment of any amounts due and payable from time to time to the Bank under any Transaction Document.
- (c) On the Release Date, the Bank must pay to the Borrower the credit balance of the Cash Cover Account.

### 10.4 Review Events

Each of the following is a Review Event (whether or not caused by anything outside the control of any Transaction Party):

- (a) there is an Insolvency Event in respect of Reading International Inc;
- (b) a Change of Control occurs in relation to any Transaction Party;
- (c) the migration of all transactional banking services utilised by the Reading Entertainment Australia Group has not commenced within the time period specified in **clause 3.4**; or
- (d) the migration of all transactional banking services utilised by the Reading Entertainment Australia Group has not been completed by 30 June 2012.

### 10.5 Reviews

- (a) In addition to any other review rights the Bank has under this document, the Bank may conduct a review of any Facility following a Review Event.
- (b) If a Review Event has occurred, then, at any time or from time to time:
  - (i) the Bank may change any of the conditions applying to the Facility including, but not limited to, increasing or otherwise varying the fees payable in connection with the Facility; and/or
  - (ii) the Bank may terminate the Facility. If the Bank terminates the Facility, the Termination Date occurs on the date 30 days after the date the Bank notifies the Borrower that it wishes to terminate the Facility.

- (c) The Bank may not change any of the conditions applying to the Facility unless it has first given 30 days prior notice to the Borrower of the intended change.
- (d) If the Bank gives notice of any change to the conditions of any Facility and the Borrower refuses to accept the changes before the end of the period of notice, then at the end of that period, the Facility will become repayable within 30 days of any demand by the Bank.
- (e) Nothing in this clause affects the Bank's rights if any Event of Default occurs.

## 11 Costs and expenses

### 11.1 Interpretation

A reference to "costs and expenses" in a Transaction Document includes legal costs and expenses on a full indemnity basis.

### 11.2 Nature

The Borrower must on demand pay and if paid by the Bank reimburse to the Bank:

- (a) the Bank's costs and expenses relating to:
  - (i) any Valuation obtained for the purposes of any Transaction Document;
  - (ii) the negotiation, preparation, execution, stamping and registration of the Transaction Documents or any document contemplated by them;
  - (iii) any consent, request for consent (whether or not given), communication or waiver of any right, or the variation, replacement or discharge of any Transaction Document or any document contemplated by it;
  - (iv) the enforcement or attempted enforcement or the preservation of any rights of the Bank under the Transaction Documents;
  - (v) the occurrence of any Event of Default or Potential Event of Default; and
  - (vi) the lodgment or removal of any Encumbrance on the Secured Property by any person; and
- (b) subject to **clause 18.14(d)**, any Taxes and registration or other fees (including fines and penalties relating to the Taxes and fees) which are payable or are assessed by a relevant Government Body or other person to be payable in relation to the Transaction Documents or any document or transaction contemplated by them.

### 11.3 Remuneration

The Bank, any Receiver and any Attorney must be remunerated by the Borrower for any services rendered by them in relation to the enforcement of any right under the Transaction Documents. The rate of the remuneration and the manner of payment will be that determined by the Bank, acting reasonably.

## 12 Indemnities

### 12.1 Nature

The Borrower indemnifies the Bank on demand against any liability, loss, cost or expense (including Break Costs) caused or contributed to by:

- (a) any failure by any Transaction Party to comply with any obligation under any Transaction Document;
- (b) any Event of Default or Potential Event of Default;
- (c) the enforcement or attempted enforcement of any right by the Bank, any Receiver or any Attorney under the Transaction Documents;
- (d) any Drawing requested by the Borrower not being granted by the Bank for any reason other than a default by the Bank;
- (e) any payment not being made by the Borrower in accordance with any Transaction Document; or
- (f) any act by the Bank in reliance on any communication purporting to be from the Borrower or to be given on behalf of the Borrower.

### 12.2 Representatives

The Borrower indemnifies each Receiver and Attorney and their respective Representatives and the Representatives of the Bank against any liability, loss, cost and expense caused by anything the Bank is indemnified against under **clause 12.1** and the Bank holds the benefit of this **clause 12.2** on trust for those persons.

### 12.3 Currency deficiency

If there is any deficiency between:

- (a) an amount payable by a Transaction Party under a Transaction Document which is received by the Bank in a currency other than the currency payable under the Transaction Document because of a judgment, order or otherwise; and
- (b) the amount produced by converting the payment received from the currency in which it was paid into the currency in which it was agreed to be paid either directly or through a currency other than that in which it was agreed to be paid,

the Borrower must pay to the Bank the deficiency and any loss, costs or expenses resulting from it.

## 12.4 Independence and survival

Each indemnity in a Transaction Document is a continuing obligation, separate and independent from the other obligations of the Borrower and survives the termination of that Transaction Document.

## 12.5 Accounting for transactions

- (a) The Borrower irrevocably authorises the Bank to open such accounts as the Bank requires in connection with a Facility.
- (b) The Borrower irrevocably authorises the Bank to debit from any account in the name of the Borrower (including an account the Bank opens in the Borrower's name) any amounts payable by the Borrower in relation to that Facility or account, including interest, costs, Taxes, enforcement expenses and any amount payable under an indemnity.
- (c) If the Borrower authorises the Bank to debit any amount from an account, the Bank can debit that amount from that account even if it causes the account to become overdrawn. Alternatively, if there are insufficient cleared funds in that account, the Borrower authorises the Bank to debit that amount from any account of the Borrower the Bank decides, including an account the Bank opens in the Borrower's name.
- (d) Where the Bank debits an account in the name of the Borrower, opened by:
  - (i) the Borrower, the Borrower must pay the Bank interest (including default interest if applicable) on any debit balance in accordance with the terms of that account;
  - (ii) the Bank, the Borrower must pay the Bank interest on the overdrawn balance of that account at the Default Interest Rate applying to the relevant Facility or, if there is none, in accordance with the terms normally applied by the Bank to accounts of that type; or
  - (iii) either the Borrower or the Bank, the overdrawn balance of the account in excess of the applicable Facility Limit is immediately payable without further notice.
- (e) Unless otherwise provided, the Bank may apply any payment under or in connection with this document towards satisfying obligations under this document as the Bank sees fit.
- (f) Where the Bank is authorised to debit an amount from an account under this document, it can do so without prior notice.

## 12.6 Liability for Regulatory Events

- (a) The Borrower acknowledges that the Services may be interrupted, prevented, delayed or otherwise adversely affected by a Regulatory Event.
- (b) To the extent permitted by Law:

- (i) the Bank is not liable for any loss incurred by a Borrower or any other person if an event described in **clause 12.6(a)** occurs, irrespective of the nature or cause of that loss, and the Bank has no obligation to contest any Regulatory Event or to mitigate its impact on the Borrower or the Bank; and
  - (ii) the Borrower releases the Bank from all liability in connection with any loss incurred by a Borrower or any other person if an event described in **clause 12.6(a)** occurs.
- (c) To the extent that the Bank's liability cannot be excluded, the Bank's liability is limited to the cost of having the Service supplied again.
- (d) The Bank may use and disclose to any other financial institution or agency, any information about any Borrower, the Services or any person connected with it or the Services, for any purpose which the Bank, or any other financial institution, considers appropriate or necessary in connection with any Regulatory Event or the Services and this may result in information being transmitted overseas.
- (e) The Borrower agrees to provide information to the Bank about it, the Services or any person connected with it or the Services on request, and to promptly procure any consents the Bank requires to give effect to **clause 12.6(d)**.

## 13 Goods and Services Tax

### 13.1 Taxable supply

- (a) If GST is payable by the Bank on any supply made under a Transaction Document, the Borrower must pay to the Bank an amount equal to the GST payable on the supply.
- (b) That amount must be paid at the same time that the consideration for the supply is to be provided under the Transaction Document and must be paid in addition to the consideration expressed elsewhere in the Transaction Document.
- (c) On receiving that amount from the Borrower, the Bank must provide the Borrower with a tax invoice for the supply.

### 13.2 Adjustment events

If an adjustment event arises in relation to a supply made by the Bank to the Borrower under a Transaction Document, a corresponding adjustment must be made between the Bank and the Borrower in relation to any amount paid to the Bank by the Borrower under **clause 13.1** and payments to give effect to the adjustment must be made.

### 13.3 Payments

If the Borrower is required under a Transaction Document to pay for or reimburse an expense or outgoing of the Bank or is required to make a payment under an indemnity in relation to an expense or outgoing of the Bank, the amount to be paid by the Borrower is the sum of:

- (a) the amount of the expense or outgoing less any input tax credit in relation to that expense or outgoing that the Bank is entitled to; and
- (b) if the Bank's recovery from the Borrower is in relation to a taxable supply, an amount equal to the GST payable by the Bank in relation to that recovery.

#### 14 Increased costs

If the Bank determines that:

- (a) the cost to it of providing, funding or maintaining the Facility is increased;
- (b) an amount payable to the Bank or the effective return to the Bank under a Transaction Document is reduced;
- (c) the effective return to the Bank under any Transaction Document as a proportion of the capital of the Bank is reduced; or
- (d) the Bank must make a payment or forego any interest or other return calculated by reference to any amount received or receivable by it from any Transaction Party under a Transaction Document,

because of:

- (e) any law, regulation or Government Body directive or request (whether or not having the force of law) introduced or made after the date of this document, including those relating to taxation, capital adequacy or reserve requirements or banking or monetary controls; or
- (f) any change in the interpretation or application of any of them,

the Borrower must, within two Business Days after a demand by the Bank, pay to the Bank the amount which, in the Bank's reasonable opinion, will compensate the Bank for the increased cost, reduction, payment or foregone interest or other return.

#### 15 Illegality

##### 15.1 Prepayment

If because of any change after the date of this document in:

- (a) a law, regulation or a Government Body directive or request which is legally enforceable or compliance with which is in accordance with the practice of responsible Banks in the relevant jurisdiction; or
- (b) the interpretation or application of any of them,

the Bank determines that it is or it will become impossible or illegal or contrary to that Government Body directive or request for:

- (c) the Bank to fund, provide or maintain the Facility or otherwise comply with its obligations under the Transaction Documents; or
- (d) a person from whom the Bank has raised or proposes to raise money in relation to the Facility to fund, provide or maintain that money,

the Borrower must, within five Business Days after receipt of a notice from the Bank to do so, pay the amount referred to in **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)** as if that notice were a notice under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**.

## 15.2 Facility terminated

The Bank's obligation to accept and discount Bills under this document terminates on the giving of a notice under **clause 15.1**.

## 16 Guarantee and indemnity

### 16.1 Guarantee

- (a) Each Guarantor unconditionally and irrevocably guarantees the payment to the Bank of the Guaranteed Money.
- (b) If the Borrower does not pay the Guaranteed Money on time and in accordance with the Transaction Documents, then the Guarantors agree to pay the Guaranteed Money on demand from the Bank.
- (c) A demand may be made at any time and from time to time and whether or not the Bank or the Bank has made demand on the Borrower or any other Transaction Party.

### 16.2 Nature of guarantee

- (a) The guarantee in **clause 16.1** is a continuing obligation despite any intervening payment, settlement or other thing and extends to all of the Guaranteed Money.
- (b) As between each Guarantor and the Bank (but without affecting the obligations of any other Transaction Party) each Guarantor is liable under this document in relation to the Guaranteed Money as a sole and principal debtor and not as surety.

### 16.3 Indemnity

- (a) Each Guarantor indemnifies the Bank against any liability or loss arising and any costs it suffers or incurs:
  - (i) if a Transaction Party does not, is not obliged to or is unable to pay the Guaranteed Money in accordance with the Transaction Documents;
  - (ii) if a Guarantor is not obliged to pay the Bank an amount under **clause 16**;
  - (iii) if the Bank is obliged, or agrees, to pay an amount to a trustee in bankruptcy or liquidator (of an insolvent person) in connection with a payment by a Transaction Party under or in connection with a Transaction Document;
  - (iv) if a Guarantor defaults under the Guarantee in **clause 16.1**; or

(v) in connection with any person exercising, or not exercising, rights under the Guarantee in **clause 16.1**.

(b) Each Guarantor agrees to pay amounts due under this indemnity immediately on demand from the Bank.

#### **16.4 Reinstatement of rights**

(a) Following an Insolvency Event in respect of a Transaction Party, a person may claim that a transaction (including a payment) in connection with this Guarantee or the Guaranteed Money is void or voidable.

(b) If a claim is made and upheld, conceded or comprised:

(i) the Bank is immediately entitled as against the Guarantors to the rights in respect of the Guaranteed Money to which it was entitled immediately before the transaction; and

(ii) on request from the Bank, each Guarantor agrees to do anything (including signing any document) to restore to the Bank any Security Interest (including this Guarantee) held by it from the Guarantors immediately before the transaction.

#### **16.5 Rights of the Bank are protected**

Rights given to the Bank under this Guarantee (and each Guarantor's liabilities under it) are not affected by any act or omission by the Bank or by anything else that might otherwise affect them under law or otherwise, including:

(a) the fact that it varies or novates any agreement under which the Guaranteed Money is expressed to be owing, such as by increasing the Facility Limit or extending the term;

(b) the fact that it releases any Transaction Party or gives it a concession, such as more time to pay;

(c) the fact that a Transaction Party opens an account with it;

(d) the fact that it releases, loses the benefit of or does not obtain any Security Interest;

(e) the fact that it does not register any Security Interest which could be registered;

(f) the fact that it releases any person who gives a guarantee or indemnity in connection with any Transaction Party's obligations (including under **clause 16.13**);

(g) the fact that a person becomes a Guarantor after the date of this document (including under **clause 16.14**);

(h) the fact the obligations of any person who guarantees any Transaction Party's obligations (including under this Guarantee) may not be enforceable;

(i) the fact that any person who was intended to guarantee any Transaction Party's obligations does not do so or does not do so effectively;



- (j) changes in the membership, name or business of any person; or
- (k) the fact that a person who is a co-surety or co-indemnifier for payment of the Guaranteed Money is discharged under an agreement or by operation of law.

#### **16.6 No merger**

- (a) This Guarantee does not merge with or adversely affect, and is not adversely affected by, any of the following:
  - (i) any other guarantee, indemnity, or Security Interest, or other right or remedy to which the Bank is entitled; or
  - (ii) a judgment which the Bank obtains against the Guarantors in connection with the Guaranteed Money or any other amount payable under this Guarantee.
- (b) The Bank may still exercise rights under this Guarantee as well as under the judgment, other guarantee, indemnity, Security Interest, or other right or remedy.

#### **16.7 Extent of Guarantor's obligations**

If more than one person is named as "Guarantor", each of them is liable for all the obligations under this Guarantee both individually and jointly with any one or more other persons named as "Guarantor".

#### **16.8 Guarantor's rights are suspended**

As long as any of the Guaranteed Money remains unpaid, the Guarantor may not, without the Bank's consent:

- (a) reduce its liability under this Guarantee by claiming that it or any other Transaction Party or any other person has a right of set-off or counterclaim against the Bank;
- (b) exercise any legal right to claim to be entitled to the benefit of another guarantee, indemnity, or Security Interest given in connection with the Guaranteed Money or any other amount payable under this Guarantee;
- (c) claim an amount from another Transaction Party, or another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor"), under a right of indemnity in respect of this guarantee; or
- (d) claim an amount in the insolvency of a Transaction Party or of another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor").

#### **16.9 Guarantor's right of proof limited**

Each Guarantor agrees not to exercise a right of proof after an event occurs relating to the insolvency of a Transaction Party or another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor") independently of an attorney appointed under **clause 16.12**.

#### 16.10 No set-off against assignees

If the Bank assigns or otherwise deals with its rights under this Guarantee, the Guarantors may not claim against any assignee (or any other person who has an interest in this Guarantee) any right of set-off or other right the Guarantors have against the Bank.

#### 16.11 Suspense account

The Bank may place in a suspense account any payment it receives from the Guarantors if there is currently an Insolvency Event, or an Insolvency Event is likely to occur, in relation to any Transaction Party, but must apply it towards satisfying the Guaranteed Money within six months unless the winding up of the relevant Guarantor has commenced.

#### 16.12 Right to prove

- (a) The Guarantor irrevocably appoints the Bank and each of its Authorised Representatives individually as its attorney and agrees to formally approve all action taken by an attorney under this **clause 16**.
- (b) Each attorney may, at any time while any Guaranteed Money is outstanding:
  - (i) do anything which a Guarantor may lawfully do to exercise their right of proof in respect of a Transaction Party after an Insolvency Event occurs in respect of such Transaction Party. These things may be done in the Guarantor's name or the attorney's name and they include signing and delivering documents, taking part in legal proceedings and receiving any dividends arising out of the right of proof;
  - (ii) delegates its powers (including this power) and may revoke a delegation; and
  - (iii) exercise its powers even if this involves a conflict of duty and even if it has a personal interest in doing so.
- (c) The attorney need not account to a Guarantor for any dividend received on exercising the right of proof under **clause 16.12(i)** except to the extent that any dividend remains after the Bank has received all of the Guaranteed Money and all other amounts payable under the Guarantee.

#### 16.13 Release of Guarantors

- (a) The Bank must, at the Borrower's cost, execute any release documentation in respect of the Bank's rights under **clause 16**.
- (b) As between the Transaction Parties and the Bank, the Bank is not obliged to consent to a release unless required to do by the terms of another Transaction Document.
- (c) The rights and obligations of the remaining Guarantors under the Guarantee in **clause 16.1** will continue in full force and effect despite the release of a Guarantor under this **clause 16.13**.

#### 16.14 New Guarantors

If a Subsidiary of any Transaction Party is required by the terms of a Transaction Document to become a Guarantor, the Borrower must ensure that such subsidiary executes a Guarantor Accession Deed as a new Transaction Party.

#### 16.15 Consideration

Each Guarantor acknowledges having executed this document in return for the Bank entering into the Transaction Documents at the request of the Guarantor and other valuable consideration.

#### 16.16 New Guarantors

- (a) A person automatically becomes a party to this document as a Guarantor and Transaction Party (after the date of this document) by signing and delivering to the Bank a Guarantor Accession Deed and doing anything else which the Bank reasonably requests to ensure the enforceability of that person's obligations as a Guarantor.
- (b) Each of the other parties to his document irrevocably appoints the Bank as its agent to sign on its behalf any Guarantor Accession Deed.
- (c) The execution of a Guarantor Accession Deed will not operate to release any party from its obligations under any Transaction Document.

### 17 Attorney

#### 17.1 Appointment

If and for so long as an Event of Default occurred and is continuing, the Borrower irrevocably appoints the Bank its attorney with the power:

- (a) at any time to:
  - (i) do everything which in the Attorney's reasonable opinion is necessary or expedient to enable the exercise of any right of the Bank in relation to the Transaction Documents;
  - (ii) draw and sign Bills which the Borrower is required to draw and sign under **clause 4**;
  - (iii) complete the Transaction Documents to which it is a party; and
  - (iv) appoint its directors, officers, employees and solicitors as substitutes and otherwise delegate its powers to any of them (except this power of delegation); and
- (b) at any time after a notice is given under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**, to do all acts and things which the Borrower is obliged to do under the Transaction Documents or which in the Attorney's opinion are necessary or expedient to enable the exercise of any right of the Bank in relation to the Transaction Documents.

## 17.2 Bills

The Borrower irrevocably appoints the Bank its attorney with the power at any time to draw and sign Bills which the Borrower is required to draw and sign under **clause 4**.

## 17.3 General

- (a) Any Attorney may exercise any right solely for the benefit of the Bank, even if the exercise of the right constitutes a conflict of interest or duty.
- (b) The Borrower by this document ratifies anything done or not done by the Attorney pursuant to the power of attorney.
- (c) The power of attorney is granted:
  - (i) to secure the compliance by the Borrower with its obligations to the Bank under the Transaction Documents and any proprietary interests of the Bank under the Transaction Documents; and
  - (ii) for valuable consideration (receipt of which is acknowledged) which includes entry into of this document by the Bank at the Borrower's request.

## 18 General

### 18.1 Set-off

The Bank may set off any money due for payment by the Bank to the Borrower, whatsoever, including any money in any currency held by the Bank for the account of the Borrower in any place, against any money due for payment by the Borrower to the Bank under a Transaction Document.

### 18.2 Bank's certificate

- (a) A certificate by the Bank relating to any amount owing under a Transaction Document or as to its opinion in relation to any matter under any Transaction Document is prima facie evidence against the Borrower of the matters certified unless proven incorrect or there is a manifest error.
- (b) The Bank is not obliged to give the reasons for its determination or opinion in relation to any matter under any Transaction Document. Any certification, determination or opinion relating to an amount must contain reasonable detail as to how the amount was calculated.
- (c) A determination or an opinion of an Authorised Representative of the Bank which is given to the Borrower or otherwise expressed or acted on by the Bank as being a determination or an opinion of the Bank will be deemed to be a determination or opinion of the Bank.

### 18.3 Supervening legislation

Any present or future legislation which operates:

- (a) to lessen or vary in favour of the Borrower any of its obligations in connection with the Transaction Documents; or

(b) to postpone, stay, suspend or curtail any rights of the Bank under the Transaction Documents,

is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

#### **18.4 Time of the essence**

Time is of the essence as regards any obligations of the Borrower or any date or period determined under the Transaction Documents, and if any date or period is altered by agreement between the parties, time is of the essence as regards such altered date or period.

#### **18.5 Business Days**

- (a) If the day on or by which anything, other than making a payment, must be done by the Borrower under a Transaction Document is not a Business Day, that thing must be done on or by the preceding Business Day.
- (b) If a payment would otherwise be due on a day which is not a Business Day it will be due on the immediately following Business Day. However, if this would result in the payment being due in the month after the original due day or after the Termination Date it will be due on the immediately preceding Business Day.
- (c) If anything, including making a payment, is to be done by the Borrower on or by a particular day and it is done:
  - (i) after the time by which a Transaction Document states it must be done or, if the Transaction Document does not state a time, after 4.00 pm in the place where it is to be done; or
  - (ii) on a day which is not a Business Day,

it will be deemed to have been done at 9.00 am on the next Business Day.

#### **18.6 Confidentiality**

- (a) The Bank must keep any information or document relating to a Transaction Party confidential. However, the Bank may disclose to any person any information or document relating to a Transaction Party:
  - (i) where permitted in a Transaction Document;
  - (ii) to another party to a Transaction Document;
  - (iii) to a potential transferee, assignee, participant or sub-participant of the Bank's interests under a Transaction Document or to any other person who is considering entering into contractual relations with it in connection with a Transaction Document;
  - (iv) to the Bank's related bodies corporate and shareholders, or to any employee, banker, lawyer, auditor or other consultant of the Bank, its related bodies corporate or its shareholders;

- (v) to the professional advisers or consultants of any party involved in connection with any Facility who are bound by a duty or obligation of confidence;
  - (vi) if required by law or by any Government Body or stock exchange;
  - (vii) in connection with any legal proceedings relating to a Transaction Document or a document delivered under or in relation to a Transaction Document;
  - (viii) if the information or document is in the public domain; or
  - (ix) with the consent of the Borrower (which must not be unreasonably withheld or delayed).
- (b) Subject to **paragraph (c)**, the Transaction Parties shall keep confidential and not disclose to any other person the terms of the Transaction Documents.
- (c) However, the Transaction Parties and any officers or employees of each Transaction Party may disclose such information:
- (i) with the prior written consent of the Bank;
  - (ii) to the extent required by any applicable law or regulation;
  - (iii) to the extent it reasonably deems necessary in connection with any actual or contemplated proceedings or a claim with respect to this **clause 18.6**; or
  - (iv) to the extent permitted by clause 18.6(a) (other than paragraph (iii)) as if each reference in that clause to the 'Bank' were to a 'Transaction Party' and each reference to the 'Borrower' were to the 'Bank'.
- (d) The Bank and the Transaction Parties agree that:
- (i) neither of them will disclose information of the kind mentioned in section 275(1) of the PPS Act; and
  - (ii) this document does not create a Security Interest.
- (e) This **clause 18.6** survives the termination of this document.
- (f) The Bank acknowledges that:
- (i) information provided from time to time by the Transaction Parties to the Bank may constitute confidential non-public information; and
  - (ii) trading in marketable securities of Reading International Inc while in possession of the information referred to **clause 18.6(f)(i)** will violate United States' federal securities laws.
- (g) The Bank agrees to:
- (i) take reasonable precautions to maintain the confidentiality of the information referred to in **clause 18.6(f)(i)**; and

(ii) advise any party to whom the information referred to in **clause 18.6(f)(i)** is disclosed that it may not trade in the marketable securities of Reading International Inc while in the possession of such information.

(h) This **clause 18.6** will not be deemed to restrict the provision of information by any party to the Internal Revenue Service of the United States of America.

### **18.7 Exchange rate**

Subject to any express provision to the contrary, if for the purposes of a Transaction Document it is necessary to convert one currency into another currency, the conversion must be effected using an exchange rate selected by the Bank acting reasonably and in accordance with its usual practices.

### **18.8 Records as evidence**

The Bank may maintain records specifying:

- (a) payments made by the Bank for the account of a Transaction Party under a Transaction Document;
- (b) payments by a Transaction Party for the account of the Bank under a Transaction Document; and
- (c) interest, fees, charges, costs and expenses payable in relation to the Transaction Documents,

and those records will against the Borrower constitute prima facie evidence of the matters set out in them.

### **18.9 Further assurances**

The Borrower must promptly execute all documents and do all things that the Bank from time to time reasonably requires to:

- (a) effect, perfect or complete the provisions of each Transaction Document or any transaction contemplated by it;
- (b) establish the priority of or reserve or create any Security Interest contemplated by or purported to be reserved or created by a Transaction Document; and
- (c) stamp and register each Transaction Document in any relevant jurisdiction and by any person that the Bank thinks fit.

### **18.10 Amendment**

This document may only be varied or replaced by a document executed by the parties.

### **18.11 Waiver and exercise of rights**

- (a) A right in favour of the Bank under a Transaction Document, a breach of an obligation of the Borrower under a Transaction Document or an Event of Default can only be waived by an instrument signed by the Bank. No other act, omission or delay of the Bank constitutes a waiver binding, or estoppel against, the Bank.

- (b) A single or partial exercise or waiver by the Bank of a right relating to a Transaction Document does not prevent any other exercise of that right or the exercise of any other right.
- (c) The Bank and its Representatives are not liable for any loss, cost or expense of the Borrower caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right and the Bank holds the benefit of this **clause 18.11** on trust for itself and its Representatives.

#### **18.12 Rights cumulative**

The rights of the Bank under the Transaction Documents are cumulative and in addition to its other rights.

#### **18.13 Approval and consent**

Except where a Transaction Document expressly provides otherwise, the Bank may conditionally or unconditionally give or withhold any consent under a Transaction Document and is not obliged to give its reasons for doing so.

#### **18.14 Assignment**

- (a) The Borrower must not dispose of or Encumber any right under the Transaction Documents without the consent of the Bank.
- (b) The Bank may assign any of its rights or novate, sub-participate, sell-down or transfer by whatever form or otherwise deal with any or all of its rights and obligations under any Transaction Document without the consent of, or notice to, the Borrower.
- (c) If an Event of Default subsists then, in order to facilitate the Bank to deal with its rights and obligations, the Bank may (but is not obliged to), from time to time, separate and sever any of its rights (or any part of any of its rights) described in a notice given by the Bank to the Borrower from its other rights and obligations under any Transaction Document. Any such notice is effective on the time of delivery to separate and sever the rights described in the notice so that:
  - (i) those rights and obligations are independent from, and may be assigned (including at law), novated, sub-participated, sold-down, transferred or otherwise dealt with separately from, any other of the rights and obligations of the Bank under that Transaction Document;
  - (ii) those rights and obligations may be exercised differently from any other rights and obligations of the Bank under that Transaction Document; and
  - (iii) the Outstanding Accommodation in respect of those rights may be calculated separately from the other Outstanding Accommodation.
- (d) If the Bank assigns its rights or transfers its rights and obligations under this document or any other Transaction Document, no Transaction Party will be required to pay any net increase in the aggregate amount of costs, Taxes, fees or charges which is a direct consequence of the assignment or transfer.



### **18.15 Counterparts**

This document may consist of a number of counterparts and, if so, the counterparts taken together constitute one document.

### **18.16 Sovereign immunity**

The Borrower irrevocably waives any immunity that it or its property has from:

- (a) set-off;
- (b) legal, arbitral or administrative proceedings;
- (c) any process or order of any court, administrative tribunal or arbitrator for the satisfaction or enforcement of a judgment, order or arbitral award or for the arrest, detention or sale of any property; or
- (d) service on it of any process, judgment, order or arbitral award,

on the grounds of sovereignty or otherwise under any law of any jurisdiction where any proceedings may be brought or enforced in relation to any Event of Default under a Transaction Document.

### **18.17 Governing law and jurisdiction**

- (a) This document is governed by and is to be construed in accordance with the laws applicable in the Relevant Jurisdiction.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the Relevant Jurisdiction and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

### **18.18 Telephone recording**

The Borrower consents to the Bank recording any telephone conversations between it and the Bank in relation to any Facility that are customarily recorded in the finance industry or where the Borrower is notified prior to the commencement of the telephone conversation and such recordings being used in any arbitral or legal proceedings and any telephone recording remains the Bank's sole property at all times.

### **18.19 Legal advice**

The Borrower acknowledges that, except as expressly set out in a Transaction Document:

- (a) none of the Bank or any of its advisers have given any representation or warranty or other assurance to it in relation to any Transaction Document or the transactions contemplated by any Transaction Document, including as to Tax or other effects;
- (b) it has not relied on the Bank or any of its advisers or on any conduct (including any recommendation) by the Bank or any of its advisers; and

- (c) it has obtained its own independent financial, Tax and legal advice.

## 18.20 Giving effect to the Transaction Documents

- (a) The Borrower must do anything, and must ensure that its employees and agents do anything, that the Bank may reasonably require to:
  - (i) give full effect to the Transaction Documents;
  - (ii) better secure each security interest contemplated by or purported to be reserved or created by a Transaction Document; or
  - (iii) assist in the execution or exercise of any power,including execute any transfer (including any transfer in blank) or other document.
- (b) Without limiting **clause 18.20(a)**, the Borrowers agree to make such amendments to the Transaction Documents, and to do such other things, as the Bank may reasonably require from time to time (whether before or after the registration commencement time) to:
  - (i) ensure that each Collateral Security is a first-ranking, perfected security interest over all PPS property;
  - (ii) ensure that each Collateral Security is perfected by control to the extent possible under the PPS Act; and
  - (iii) otherwise protect the Bank's position as Bank under the Collateral Security in the context of the PPS Act,from the point in time immediately before the registration commencement time or any later time as the Bank may decide.
- (c) The Bank may, at the Borrower's cost, do anything which a Borrower should have done under this document if the Borrower does not do so promptly or, if in the Bank's opinion, the Borrower does not do so properly.

## 19 Notices

### 19.1 General

A notice, demand, certification, process or other communication relating to a Transaction Document must be in writing in English and may be given by an Authorised Representative of the sender.

### 19.2 How to give a communication

In addition to any other lawful means, a communication may be given by being:

- (a) personally delivered;
- (b) left at the party's current address for notices;
- (c) sent to the party's current address for notices by pre-paid ordinary mail or, if the address is outside Australia, by pre-paid airmail; or

(d) sent by fax to the party's current fax number for notices.

### 19.3 Particulars for delivery of notices

(a) The particulars for delivery of notices are initially:

**Transaction Parties:**

As set out in **schedule 1**.

**Bank:**

Address: Level 28, 500 Bourke Street, Melbourne, Victoria 300

Fax: 1300 889 390

Attention: Andrew Tham

(b) Each party may change its particulars for delivery of notices by notice to each other party.

### 19.4 Communications by post

Subject to **clause 19.6**, a communication is given if posted:

- (a) within Australia to an Australian address, three Business Days after posting; or
- (b) in any other case, ten Business Days after posting.

### 19.5 Communications by fax

Subject to **clause 19.6**, a communication is given if sent by fax when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that the addressee received the fax in full at the time indicated on that report.

### 19.6 After hours communications

If a communication is given:

- (a) after 5.00 pm in the place of receipt; or
- (b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

### 19.7 Process service

Any process or other document relating to litigation, administrative or arbitral proceedings relating to a Transaction Document may be served on a party to this document by any method contemplated by this **clause 19.7** or in accordance with any applicable law.

# Schedule 1

## Original Guarantors

| <b>Name</b>                             | <b>ACN</b>  | <b>Particulars for delivery of notices</b>  |
|---|-------------|---|
| Reading Entertainment Australia Pty Ltd | 070 893 908 | Address: 98 York Street, South Melbourne VIC 3205 Australia<br>Fax: 03 9685 0999<br>Attention: Managing Director, Wayne Smith<br>AND TO:<br>Reading International Inc.<br>Address: 500 Citadel Drive, Suite 300<br>Commerce California 90040<br>United States of America<br>Fax: +1 213 235 2229<br>Attention: Chief Financial Officer, Andrzej Matyczynski |
| A.C.N. 143 633 096 Pty Ltd              | 143 633 096 | Same as for Borrower  |
| Australia Country Cinemas Pty Ltd       | 076 276 349 | Same as for Borrower  |
| Australian Equipment Supply Pty Ltd     | 122 571 420 | Same as for Borrower  |
| Burwood Developments Pty Ltd            | 105 384 905 | Same as for Borrower  |
| Epping Cinemas Pty Ltd                  | 073 997 172 | Same as for Borrower  |
| Newmarket Properties Pty Ltd            | 105 386 409 | Same as for Borrower  |
| Newmarket Properties No. 2 Pty Ltd      | 109 038 806 | Same as for Borrower  |
| Newmarket Properties #3 Pty Ltd         | 126 697 505 | Same as for Borrower  |
| Reading Auburn Pty Ltd                  | 126 697 470 | Same as for Borrower  |
| Reading Belmont Pty Ltd                 | 126 697 498 | Same as for Borrower  |
| Reading Charlestown Pty Ltd             | 123 938 483 | Same as for Borrower  |

|  |             |                      |
|--|-------------|----------------------|
| Reading Cinemas Pty Ltd  | 073 808 643 | Same as for Borrower |
| Reading Cinemas Management Pty Ltd   | 122 406 311 | Same as for Borrower |
| Reading Colac Pty Ltd  | 108 861 061 | Same as for Borrower |
| Reading Dandenong Pty Ltd  | 129 018 739 | Same as for Borrower |
| Reading Elizabeth Pty Ltd  | 114 582 099 | Same as for Borrower |
| Reading Exhibition Pty Ltd   | 103 529 782 | Same as for Borrower |
| Reading Licences Pty Ltd   | 089 544 605 | Same as for Borrower |
| Reading Maitland Pty Ltd   | 126 697 461 | Same as for Borrower |
| Reading Melton Pty Ltd   | 109 074 517 | Same as for Borrower |
| Reading Moonee Ponds Pty Ltd   | 122 406 320 | Same as for Borrower |
| Reading Properties Pty Ltd   | 071 195 429 | Same as for Borrower |
| Reading Properties Indooroopilly Pty Ltd as trustee for The Landplan Property Partners Discretionary Trust | 121 284 884 | Same as for Borrower |
| Reading Properties Taringa Pty Ltd as trustee for the Property Partners No. 1 Discretionary Trust          | 128 819 483 | Same as for Borrower |
| Reading Property Holdings Pty Ltd  | 126 289 772 | Same as for Borrower |
| Reading Rouse Hill Pty Ltd   | 123 245 885 | Same as for Borrower |
| Reading Sunbury Pty Ltd  | 109 074 571 | Same as for Borrower |
| Rhodes Peninsula Cinema Pty Ltd  | 120 827 812 | Same as for Borrower |
| Westlakes Cinema Pty Ltd   | 108 531 308 | Same as for Borrower |

## Schedule 2

### Facilities

| <b>Facility Name</b>                  | <b>Granted pursuant to</b> | <b>Facility Limit</b> | <b>Purpose</b>  | <b>Termination Date</b> |
|---------------------------------------|----------------------------|-----------------------|---|-------------------------|
| Bank Bill Discount Facility           | <b>Clause 4.1(a)(i)</b>    | \$ 90,000,000         | To refinance current facilities from BOS International (Australia) Ltd  | 30 June 2014            |
| Revolving Bank Bill Discount Facility | <b>Clause 4.1(a)(ii)</b>   | \$ 10,000,000         | To refinance current facilities from BOS International (Australia) Ltd  | 30 June 2014            |
| Bank Guarantee Facility               | <b>Clause 4.1(a)(iii)</b>  | \$ 5,000,000          | To refinance current facilities from BOS International (Australia) Ltd (including bank guarantees issued by BOS International (Australia) Ltd and/or Bank of Western Australia Ltd) and to support other cinema operations now or in the future operating from third party leased premises. | 30 June 2014            |

# Schedule 3

## Collateral Security

- 1 First ranking registered fixed and floating charge given by each of the Transaction Parties, over the whole of their respective assets and undertakings but excluding the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria and the other Excluded Property.
- 2 Limited cross guarantee and indemnity given by each of the Transaction Parties pursuant to **clause 16**.
- 3 First ranking registered real property mortgages over:
  - (a) the land and improvements known as 98 York Street, South Melbourne, Victoria and described in certificate of title volume 9944 folio 571 granted by the Borrower;
  - (b) the land and improvements known as 40 Hall Street, Moonee Ponds, Victoria and described in certificate of title 10371 folio 828 granted by Burwood Developments Pty Ltd;
  - (c) the land and improvements known as 34 – 36 and 56 -62 Margaret Street, Moonee Ponds, Victoria and described in certificates of title volume 5938 folio 501, volume 5996 folio 035, volume 6337 folio 340 and volume 9400 folio 126 granted by Reading Properties Pty Ltd;
  - (d) the land and improvements known as Red Yard Entertainment Centre, 100 Parramatta Road, Auburn New South Wales and described in certificate of title 202/1039922 granted by Reading Properties Pty Ltd;
  - (e) the land and improvements known as Reading Maitland Cinema, Ken Tubman Drive, Maitland New South Wales and described in certificate of title 1/SP41681 granted by Reading Properties Pty Ltd;
  - (f) the land and improvements known as Reading Cloverdale Cinema 237 Knutsford Avenue, Cloverdale Western Australia and described in certificate of title volume 2189 folio 801 granted by Reading Properties Pty Ltd;
  - (g) the land and improvements known as 20 Morrow Street and 1-3 Harrys Road, Taringa Queensland and described in certificates of title 12030128, 13608188 and 13999001 granted by Reading Properties Taringa Pty Ltd as trustee for the Reading Property Partners No. 1 Discretionary Trust;
  - (h) the land and improvements known as Reading Bundaberg Cinema 1 Johanna Boulevard, Kensington, Queensland and described in certificate of title 50013631 granted by Reading Properties Pty Ltd;

- (i) the land and improvements known as 70 Station Road, Indooroopilly Queensland and described in certificate of title 11485156 granted by Reading Properties Indooroopilly Pty Ltd as trustee for the Landplan Property Partners Discretionary Trust;
- (j) the land and improvements known as Reading Newmarket Shopping Centre, 400 Newmarket Road, Newmarket Queensland and described in certificate of title 50617438 granted by Newmarket Properties Pty Ltd;
- (k) the land and improvements known as Corner Enoggera Road and Edmondstone Street, Newmarket Queensland and described in certificate of title 16548229 granted by Newmarket Properties No. 2 Pty Ltd; and
- (l) the land and improvements known as 14 Edmondstone Street, Newmarket Queensland and described in certificate of title 12106104 granted by A.C.N. 143 633 096 Pty Ltd,

in favour of the Bank.

- 4 Mortgage of lease over Reading Cinemas Pty Ltd's interest as lessee in the land and improvements known as Reading Cinema Waurm Ponds, Corner Pioneer Road and Princes Highway, Waurm Ponds Victoria and described in certificate of title volume 10530 folio 739 granted in favour of the Bank.



## Schedule 4

### Bank Bill Discount Facility Limit

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| <b>Payment Date</b> | <b>Facility Limit<br/>at Payment<br/>Date</b> |
|---------------------|---|
| 30 September 2011   | \$ 88,250,000                                 |
| 31 December 2011    | \$ 86,500,000                                 |
| 31 March 2012       | \$ 84,750,000                                 |
| 30 June 2012        | \$ 83,000,000                                 |
| 30 September 2012   | \$ 80,750,000                                 |
| 31 December 2012    | \$ 78,500,000                                 |
| 31 March 2013       | \$ 76,250,000                                 |
| 30 June 2013        | \$ 74,000,000                                 |
| 30 September 2013   | \$ 71,750,000                                 |
| 31 December 2013    | \$ 69,500,000                                 |
| 31 March 2014       | \$ 67,250,000                                 |
| 30 June 2014        | \$ 65,000,000                                 |

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# Schedule 5

## Conditions Precedent

Each item must be in form and substance satisfactory to the Bank, and must be certified by a director or secretary of the relevant Transaction Party (or other party specified where relevant) as true and complete as at a date no earlier than the date of this document.

| <b>Item</b>  | <b>Form</b>                          | <b>Required for/ Provided by</b> |
|--|--------------------------------------|----------------------------------|
| 1 Verification Certificate   | Original                             | Transaction Parties              |
| 2 Any relevant trust deeds   | Attached to verification certificate | Transaction Parties              |
| 3 Certificate of incorporation/registration and any certificate of change of name  | Attached to verification certificate | Transaction Parties              |
| 4 Extract of minutes of a meeting of the entity's board of directors which evidence the resolutions:<br><br>(a) authorising the signing and delivery of the Transaction Documents to which the entity is a party and the observance of obligations under those documents; and<br><br>(b) appointing Authorised Representatives of the entity; and<br><br>(c) which acknowledge that the Transaction Documents (to which the entity is a party) will benefit that entity. | Attached to verification certificate | Transaction Parties              |
| 5 Each power of attorney under which a Transaction Party signs the Transaction Documents in registrable form.  | Certified copy                       | Transaction Parties              |

| Item   | Form     | Required for/ Provided by |
|--|----------|---------------------------|
| 6 Executed originals of each Transaction Document including the following:   | Original | Transaction Parties       |
| <p>(a) deed of consent to security over lease (WestLakes) between the Bank, Westlakes Cinema Pty Ltd, Perpetual Trustee Company Limited, Westfield Management Limited, RE1 Limited and Dexu Wholesale Property Limited;</p> <p>(b) deed of consent to security over lease (Charlestown) between the Bank, Reading Charlestown Pty Ltd and GPT RE Limited;</p> <p>(c) deed of consent to security over lease (Chirside Park) between the Bank, Reading Cinemas Pty Ltd and GPT Funds Management Limited;</p> <p>(d) deed of consent to security over lease (Dandenong) between the Bank, Reading Dandenong Pty Ltd and GPT RE Limited;</p> <p>(e) deed of consent to security over lease (Elizabeth) between the Bank, Reading Elizabeth Pty Ltd and Elizabeth City Centre Pty Ltd;</p> <p>(f) deed of consent to security over lease (Harbour Town) between the Bank, Reading Properties Pty Ltd and Lend Lease Funds Management Ltd &amp; Lewiac Pty Ltd;</p> <p>(g) deed of consent to security over lease (Mandurah) between the Bank, Reading Cinemas Pty Ltd and the City of Mandurah;</p> <p>(h) deed of consent to security over lease (Melton) between the Bank, Reading Melton Pty Ltd and Pacific Echo Pty Ltd;</p> <p>(i) deed of consent to security over lease (Redbank) between the Bank, Reading Cinemas Pty Ltd, Yu Feng Pty Ltd and Trondage Enterprises Pty Ltd;</p> <p>(j) deed of consent to security over lease (Rhodes) between the Bank, Westlakes Cinema Pty Ltd, Perron Investments Pty Ltd and Mirvac Retail Sub SPV Pty Ltd;</p> <p>(k) deed of consent to security over lease (Rouse Hill) between the Bank, Reading Rouse Hill Pty Ltd and GPT Funds Management 2 Pty Ltd;</p> <p>(l) deed of consent to security over lease (Sunbury) between the Bank, Reading Sunbury Pty Ltd and Sunbury Central Pty Ltd; and</p> <p>(m) deed of consent to security over lease (Waurm Ponds) between the Bank, Reading Cinemas Pty Ltd and Trust Company of Australia Ltd.</p> |          |                           |

| Item  | Form           | Required for/ Provided by  |
|---|----------------|----------------------------|
| 7 Evidence that the amount of money which, in the Bank's opinion, is required for payment of any Taxes payable in connection with the entry into the Transaction Documents, together with all documents that the Bank requires to enable it to properly stamp the Transaction Documents in all relevant jurisdictions.  | Original       | Transaction Parties        |
| 8 Any document or other information that the Bank requires to complete any client identification or similar checks or procedures required in connection with any Law (including, the <i>Anti-Money Laundering and Counter- Terrorism Financing Act 2006 (Cth)</i> )   | Copy           | Transaction Parties        |
| 9 A Valuation dated not more than 90 days from Financial Close that is assigned to the Bank.  | Original       | Transaction Parties        |
| 10 Completion of an environmental questionnaire in respect of the land and improvements known as 34 – 36 Margaret and 56 -62 Aspen Street, Moonee Ponds, Victoria and described in certificates of title volume 5938 folio 501, volume 5996 folio 035, volume 6337 folio 340 and volume 9400 folio 126 confirming that the land is suitable for its intended use.                     | Original       | Reading Properties Pty Ltd |
| 11 Evidence that:<br><br>(a) each Insurance policy and written confirmation (in the form of a Certificate of Currency) from the relevant insurer that the Insurance is current and no premium is overdue in relation to the Insurance;<br><br>(b) the Bank's interest as mortgagee is noted on the relevant policies or Certificates of Currency relating to the Freehold Properties. | Certified Copy | Transaction Parties        |

| <b>Item</b>  | <b>Form</b> | <b>Required for/ Provided by</b> |
|--|-------------|----------------------------------|
| 12 Evidence that all Authorisations required in relation to the business of the Transaction Party have been granted.   | Copy        | Transaction Parties              |
| 13 Evidence that all Encumbrances (other than Permitted Encumbrances) in respect of the Secured Property have been unconditionally released, and any requisite deregistration forms have been provided to the Bank               | Original    | Transaction Parties              |
| 14 Evidence that appropriate interest rate hedging arrangements have been entered into with the Bank in respect of not less than 75% of the Facility Limit of the Bank Bill Discount Facility for the term of the that Facility. | Copies      | Borrower                         |

# Schedule 6

## Verification Certificate

To: National Australia Bank Limited  
Level 28, 500 Bourke Street  
Melbourne VIC 3000

[date]

## Reading Entertainment Australia Pty Ltd

### Facility Agreement

I, [ ] being the person whose name and signature appear at the bottom of this document, am a Director of the company named at the bottom of this document (**Transaction Party**) refer to the Bill Acceptance and Discount & Bank Guarantee Facility Agreement dated on or about the date of this document between, amongst others, Reading Entertainment Australia Pty Ltd as Borrower and National Australia Bank Limited as Bank (**Facility Agreement**) and certify as follows:

#### 1 Certificate of incorporation

A copy of the certificate of incorporation/registration and any certificate of change of name of the Transaction Party is attached and marked A. The copy is true, complete and up-to-date and there have been no amendments or variations since the date of the copy.

#### 2 Extract of minutes of meeting of directors

A true and correct extract of minutes of meeting of directors of the Transaction Party duly convened and held on the date mentioned in the extract is attached and marked B. The resolutions set out in the extract were duly approved, remain in full force and effect and have not been rescinded, amended, modified or revoked. The resolutions confirm that the Transaction Party derives a corporate benefit from the Transaction Documents.

#### 3 Power of attorney

[Exhibit: An original power of attorney of the Transaction Party dated [ ] appointing attorneys in respect of the Transaction Documents is attached and marked C. This power of attorney remains in full force and has not been revoked.]

#### 4 Specimen signatures

- [In the case of the Borrower, insert: The following are the signatures of the persons appointed as Authorised Representatives of the Transaction Party for the purposes of the Transaction Documents.]

- *[In the case of any other Transaction Party insert: The signatures of the persons appointed as Authorised Representatives of the Transaction Party for the purposes of the Transaction Documents are set out in the Verification Certificate provided by the Borrower.]*
- *[In the case of the Borrower, insert:*

### Authorised Representatives

Signature  
Name:  
Title:

Signature  
Name:  
Title:

Signature  
Name:  
Title:

### 5 Solvency declaration

- As at the date of execution of each Transaction Document the Transaction Party is solvent (as defined in section 95A(1) of the Corporations Act) and will not become insolvent (as defined in section 95A(2) of the Corporations Act) by entering into and complying with its obligations under each Transaction Document to which it is expressed to be a party.
- To the best of my knowledge, no application or order has been made, no proceedings have been commenced, no resolutions have been passed or proposed in a notice of meeting and no other steps have been taken for:
  - the winding up, dissolution or administration of the Transaction Party; or
  - the Transaction Party entering into an arrangement, compromise or composition with or assignment of the benefit of its creditors or a class of them.

### 6 Trust deed

*[If applicable: A copy of the Trust Deed of the Trust of which the Transaction Party is sole trustee is attached and marked D. The copy is true, complete and up-to-date and there have been no amendments or variations since the date of the copy.]*

### 7 Definitions

Terms given a defined or specific meaning in the Facility Agreement and not separately defined in this certificate have the same meaning in this document unless the context requires otherwise.

\_\_\_\_\_  
 [Name of person] who is a  
 Director of [name of Transaction Party]

Date:

## Schedule 7

### Funding Notice

To: National Australia Bank Limited  
Level 28, 500 Bourke Street  
Melbourne VIC 3000

[date]

### Reading Entertainment Australia Pty Ltd

#### Facility Agreement

I refer to the Bill Acceptance and Discount & Bank Guarantee Facility Agreement dated [ *insert date* ] between, amongst others, Reading Entertainment Australia Pty Ltd as Borrower and National Australia Bank Limited as Bank ( **Facility Agreement** ). A term which has a defined meaning in the Facility Agreement has the same meaning in this Funding Notice.

The Borrower requires a Drawing details of which are as follows:

- (a) the Funding Date is [     ];
- (b) the Aggregate Amount of the Drawing is \$[     ];

[either]

- (c) the duration of the Funding Period for Bills comprising the Drawing is [     ];
- (d) the Net Proceeds of the Drawing are to be paid to [     ].

[or]

- (e) the Bills comprising the Drawing are to be Replacement Bills and details of the related Maturing Bills are as follows:

| Aggregate Face Value | Funding Date |
|----------------------|--------------|
|----------------------|--------------|

[or]

- (f) the Beneficiary, Face Value and Expiry Date of each Bank Guarantee is:

| Beneficiary | Face value | Expiry date |
|-------------|------------|-------------|
|-------------|------------|-------------|

\_\_\_\_\_  
[Name of person] who is an  
Authorised Representative of Reading Entertainment Australia Pty Ltd



# Schedule 8

## Guarantor Accession Deed

**Date**

## Parties

**[New Guarantor] (Guarantor)**

**National Australia Bank Limited** ABN 12 004 044 937 of Pier 3 Level 4, 800 Bourke Street, Docklands, Victoria 3008 (**Bank**)

## Agreed terms

### 1 Interpretation

**Facility Agreement** means the Bill Acceptance and Discount & Bank Guarantee Facility Agreement dated [ *date*] between, amongst others, Reading Entertainment Australia Pty Ltd as Borrower and National Australia Bank Limited as Bank together with all supplements to it.

Terms defined or given a meaning in the Facility Agreement have the same meaning in this document.

### 2 Transaction Document

This document is a Transaction Document for the purposes of the Facility Agreement.

### 3 Accession

(a) The Guarantor:

- (i) agrees with each person who is or becomes a party to the Facility Agreement that with effect on and from the date of this document, it will be bound by the Facility Agreement as a Guarantor and a Transaction Party; and
- (ii) makes in relation to itself in favour of the Bank the representations and warranties set out in **clause 8.1** of the Facility Agreement.

(b) Each party agrees with the Guarantor that, with effect from the date of this document, the Guarantor will have the benefit of the Facility Agreement as a Transaction Party and Guarantor.

#### 4 Notice

The address for notice of the Guarantor for the purposes of **clause 19.3** of the Facility Agreement is:

Address:

Fax:

Attention:

#### 5 Governing law

This document is governed by the laws of Victoria.

**Executed** as a deed.

# Schedule 9

## Annual Compliance Certificate

To: National Australia Bank Limited  
Level 28, 500 Collins Street  
Melbourne VIC 3000

[date]

## Reading Entertainment Australia Pty Ltd

### Facility Agreement

1 We refer to the Facility Agreement (**Facility Agreement**) dated [insert date] between, amongst others, Reading Entertainment Australia Pty Ltd as Borrower and National Australia Bank Limited as Bank. A term which has a defined meaning in the Facility Agreement has the same meaning in this Compliance Certificate.

This is an Annual Compliance Certificate given for the purpose of **clause 9.4(b)** of the Facility Agreement.

2 We confirm that:

(a) the Fixed Charges Cover Ratio for the Financial Year ending [date] was [ ].

(b) the Debt Service Cover Ratio for the Financial Year ending [date] was [ ].

(c) the Leverage Ratio for the Financial Year ending [date] was [ ].

(d) the Loan to Value Ratio for the Financial Year ending [date] was [ ].

3 We confirm that, as at the date of this Compliance Certificate:

- (a) no Event of Default, Review Event or Potential Event of Default has occurred and is continuing [ or provide details of any Event of Default, Review Event or Potential Event of Default];
- (b) there are no Taxes or other statutory payments which are due and payable by a Transaction Party but unpaid [ or provide details of any Taxes and other statutory payments which are being contested]; and
- (c) the representations and warranties in **clause 8.1** of the Facility Agreement which are to be repeated as at the date of this Compliance Certificate are correct.

[Name of person] who is a  
Director of Reading Entertainment Australia Pty Ltd  
For and on behalf of Reading Entertainment Australia Pty Ltd

# Schedule 10

## Interim Compliance Certificate

To: National Australia Bank Limited  
Level 28, 500 Collins Street  
Melbourne VIC 3000

[date]

## Reading Entertainment Australia Pty Ltd

### Facility Agreement

1 We refer to the Facility Agreement (**Facility Agreement**) dated [insert date] between, amongst others, Reading Entertainment Australia Pty Ltd as Borrower and National Australia Bank Limited as Bank. A term which has a defined meaning in the Facility Agreement has the same meaning in this Compliance Certificate.

This is an Interim Compliance Certificate given for the purpose of **clause 9.4(c)** of the Facility Agreement.

2 We confirm that:

(a) the Fixed Charges Cover Ratio for the 12 month period ending [Calculation Date] was [ ].

(b) the Debt Service Cover Ratio for the 12 month period ending [Calculation Date] was [ ].

(c) the Leverage Ratio for the 12 month period ending [Calculation Date] was [ ].

(d) the Loan to Value Ratio for the 12 month period ending [Calculation Date] was [ ].

3 We confirm that, as at the date of this Compliance Certificate:

(a) no Event of Default, Review Event or Potential Event of Default has occurred and is continuing [ or provide details of any Event of Default, Review Event or Potential Event of Default]; and

(b) the representations and warranties in **clause 8.1** of the Facility Agreement which are to be repeated as at the date of this Compliance Certificate are correct.

4 I confirm that the position of the Reading Entertainment Australia Group with respect to the following liabilities is as follows:

| Liability Description                    | Lodgement Cycle<br>Ann/Qtr/Mth<br><br>(Please Circle) | Current<br>(Yes/No) | If Current                                     |                     | If Not Current      |  | Comments<br>(e.g. – Repayment<br>Arrangement entered<br>with ATO) |
|--|---|---------------------|--|---------------------|---------------------|--|---|
|  |   |                     | Last Payment Details                           | Outstanding Details | Outstanding Details |  |   |
|  |   |                     | (Use brackets where<br>(Please Circle) refund) |                     |                     |  |   |
| GST                                      | A Q M   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| PAYG-Withholding                         | A Q M   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| PAYG-Instalments<br>(Income Tax)         | A Q M   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| Employer Superannuation<br>Contributions | Q M<br><br>%  | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| Payroll Tax                              | A M   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| Workcover                                |   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |
| Other Taxes?                             |   | Yes                 | Amt:   |                     | Amt:                |  |   |
|  |   | No                  | Date:  |                     | Date:               |  |   |

\* Where amounts are outstanding please provide the following information to support the advised position:

- Copy of the latest ATO Running Balance Account Statement (RBA);
- Have all BAS's/IAS's have been lodged? **Yes / No** (please circle);

If No - What statements are outstanding with associated liability amount?

Is any Group Member required to provide superannuation coverage under an industrial award?

**Yes / No** (please circle)

**If Yes** – With reference to Industrial Awards, in accordance with any Award(s) that may have application to my/our industry and employees, I/We confirm that the prescribed amounts provided for in the Award(s) are being contributed to an eligible fund(s).

[Name of person] who is a  
Director of Reading Entertainment Australia Pty Ltd  
For and on behalf of Reading Entertainment Australia Pty Ltd

Executed by the parties as an agreement

Executed by **Reading Entertainment Australia Pty Ltd** ACN 070) 893 908 )

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

)  
/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Executed by **Australian Country Cinemas Pty Ltd** ACN 076 276 ) 349 )

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

)  
/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Signed for and on behalf of by **A.C.N 143 633 096 Pty Ltd** ACN 143 ) 633 096 by its Attorney under Power of Attorney dated 7 June ) 2011, and the Attorney declares that the Attorney has not received ) any notice of the revocation of such Power of Attorney in the presence of: ) ) ) ) )

/s/ Susan Villeda  
Witness  
Susan Villeda  
Name of Witness (print)

)  
/s/ Andrzej Matyczynski

**Executed by Australian Equipment Supply Pty Ltd ACN 122 571)**  
420 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Burwood Developments Pty Ltd ACN 105 384 905 )**  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Epping Cinemas Pty Ltd )**  
ACN 073 997 172 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Newmarket Properties Pty Ltd ACN 105 386 409 )**  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski



**Executed by Newmarket Properties No. 2 Pty Ltd ACN 109 038)**  
806 )  
/s/ Simone Helena Pappas \_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski \_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Newmarket Properties #3 Pty Ltd ACN 126 697 505 )**  
)  
/s/ Simone Helena Pappas \_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski \_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Auburn Pty Ltd ACN 126 697 470 )**  
)  
/s/ Simone Helena Pappas \_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski \_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Belmont Pty Ltd ACN 126 697 498 )**  
)  
/s/ Simone Helena Pappas \_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski \_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Charlestown Pty Ltd** ACN 123 938 483 )  
)  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Cinemas Pty Ltd** ACN 073 808 643 )  
)  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Cinemas Management Pty Ltd** )  
ACN 122 406 311 )  
)  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Colac Pty Ltd** ACN 108 861 061 )  
)  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Dandenong Pty Ltd ACN 129 018 739** )  
 )  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Elizabeth Pty Ltd ACN 114 582 099** )  
 )  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Exhibition Pty Ltd ACN 103 529 782** )  
 )  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Licences Pty Ltd ACN 089 544 605** )  
 )  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Maitland Pty Ltd ACN 126 697 461** )  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Melton Pty Ltd ACN 109 074 517** )  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Moonee Ponds Pty Ltd ACN 122 406 320** )  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Wayne Smith  
\_\_\_\_\_  
Director  
Wayne Smith

**Executed by Reading Properties Pty Ltd ACN 071 195 429** )  
 )  
/s/ Simone Helena Pappas  
\_\_\_\_\_  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
\_\_\_\_\_  
Director  
Andrzej Matyczynski

**Executed by Reading Properties Indooroopilly Pty Ltd** )  
ACN 121 284 884 )  
)

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Properties Taringa Pty Ltd** ACN 128 819 483 )  
)

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Property Holdings Pty Ltd** ACN 126 289 772 )  
)

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

**Executed by Reading Rouse Hill Pty Ltd** ACN 123 245 885 )  
)

/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Executed by **Reading Sunbury Pty Ltd** ACN 109 074 571 )

\_\_\_\_\_  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

\_\_\_\_\_  
/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Executed by **Rhodes Peninsula Cinema Pty Ltd** ACN 120 827 812 )

\_\_\_\_\_  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

\_\_\_\_\_  
/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Executed by **Westlakes Cinema Pty Ltd** ACN 108 531 308 )

\_\_\_\_\_  
/s/ Simone Helena Pappas  
Company Secretary  
Simone Helena Pappas

\_\_\_\_\_  
/s/ Andrzej Matyczynski  
Director  
Andrzej Matyczynski

Executed by **National Australia Bank Limited** ABN 12 004 044 937)  
by its Attorney who holds the position of Level 2 Attorney under Power )  
of Attorney dated 1/3/2007 in the presence of: )  
)  
)

\_\_\_\_\_  
/s/ Alexandra Clare Neal  
Witness

\_\_\_\_\_  
Alexandra Clare Neal  
Name of Witness (print)

\_\_\_\_\_  
/s/ Andrew Tham  
Attorney

\_\_\_\_\_  
Andrew Tham  
Name of Attorney (print)



Westpac New Zealand Limited

Property Finance Wholesale Term Loan Facility

---



Westpac NZ Property Finance Wholesale Term Loan Facility

**Borrower**

Reading Courtenay Central Limited (the "Borrower")

**Westpac NZ**

Westpac New Zealand Limited (1763882) incorporated in New Zealand and having its principal place of business in New Zealand at 188 Quay Street, Auckland ("Westpac NZ")

This Agreement is dated the 20<sup>th</sup> day of June 2007

signature section

This Agreement is signed on behalf of the Borrower by its Attorney:

/s/ Timothy Ian Mackenzie Storey  
Director Attorney Timothy Ian Mackenzie Storey

\_\_\_\_\_  
Director/Authorized Person

This Agreement is signed on behalf of Westpac NZ by its attorney:  
/s/ Miriam Ariane Hanepen  
Attorney  
Miriam Ariane Hanepen

Signed in my presence by the Borrower:  
/s/ Robert Hollyman  
Signature of Witness

Robert Hollyman  
Print Name  
Barrister  
Occupation  
Auckland  
Address

Signed in my presence:  
/s/ Kirston Jane Cox  
Signature of Witness  
Kirston Jane Cox  
Print Name  
Bank Officer  
Occupation  
Westpac New Zealand Limited  
Legal Services Unit  
Auckland  
Address

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, MIRIAM ARIANE HANEPEN, of Auckland in New Zealand, Bank Officer

HEREBY CERTIFY -

1. THAT by Deed dated 6 September 2006, a copy of which is deposited with Land Information New Zealand and numbered 7032934.1, WESTPAC NEW ZEALAND LIMITED, incorporated in New Zealand and having its principal place of business at 188 Quay Street, Auckland appointed me its attorney on the terms and subject to the conditions set out in that Deed.
2. THAT at the date of this certificate I am a Tier Two Attorney for Westpac New Zealand Limited.
3. THAT at the date of this certificate I have not received any notice or Information of the revocation of that appointment by the winding up or dissolution of Westpac New Zealand Limited or otherwise

SIGNED at Auckland

On this 16<sup>th</sup> day of July 2007

/s/ Miriam Ariane Hanepen

Miriam Ariane Hanepen

---

## Introduction

Westpac NZ has agreed to provide the Borrower with a wholesale term loan facility of \$60,000,000 on the terms and conditions of this Agreement.

## Agreement

### 1. condition precedent

#### 1.1 Pre-Condition

The obligations of Westpac NZ under this Agreement are subject to the condition precedent that it must have received all of the following in form and substance satisfactory to it:

- a) the original of this Agreement duly executed by the Borrower;
- b) a certificate from a director of the Borrower in the form set out in the first schedule;
- c) the Security (where necessary duly registered), the other Bank Documents and any ancillary documentation in each case as may have been notified to the Borrower by Westpac NZ or its solicitors as being related to this Agreement, the Facility, the Security and/or the other Bank Documents;
- d) evidence of registration of any financing statement in respect of the Security;
- e) any other documents or evidence required to satisfy the conditions in the Letter of Offer or as Westpac NZ and/or its solicitors may require (as to whether or not such conditions have been satisfied being in Westpac NZ's or its solicitors' absolute discretion); and
- f) such other documents or evidence as Westpac NZ and/or its solicitors may in their absolute discretion require (including legal opinions).

#### 1.2 Failure to Satisfy Pre-Condition

If the condition contained in clause 1.1 is not satisfied or waived and the first drawing of the Loan not made before 30 September 2007 then Westpac NZ may terminate this Agreement whereupon it shall have no further liability or obligation to the Borrower.

## 2. availability of facility

### 2.1 Facility

Westpac NZ will make the first drawdown of the Facility available to the Borrower during the Availability Period and will then make the rest of the Facility available to the Borrower, provided that:

- a) the Borrower has complied with the drawdown procedure specified in clause 3 and Westpac NZ is satisfied in its absolute discretion that all matters which are required to be attended to prior to the particular Advance being made available have been attended to; and
- b) no Event of Default or Potential Event of Default has occurred and is continuing or will occur as a result of the making of the Facility available or the making of an Advance.

### 2.2 Termination of Facility

On:

- a) termination of the Facility; or
- b) repayment of an Outstanding Moneys:
  - i) Westpac NZ's obligations to make the Facility available will terminate: and
  - ii) in the case of the termination of the Facility, the Borrower must immediately pay or repay to Westpac NZ all Outstanding Moneys (notwithstanding that the due date for repayment has not otherwise occurred); and
  - iii) Westpac NZ will have no further obligations to the Borrower.

### 2.3 Effect of termination

Termination of the Facility will not affect any of the Borrowers obligations to Westpac NZ under this Agreement Including obligations under the Indemnities in clause 12 or the Borrower's obligations under the Security, which will remain binding upon it until all Outstanding Moneys have been repaid in full.

### 2.4 Existing Loan

The parties acknowledge that the Borrower's indebtedness to Westpac NZ under the Existing Loan has been repaid in full and that from the Commencement Date the obligations of the Borrower and Westpac NZ under the Existing Loan will be at an end.

### 3. procedure for drawdown

Not later than 2 Banking Days prior to the Banking Day which the Borrower requires to drawdown all or part of the Facility the Borrower must deliver to Westpac NZ an unconditional and irrevocable drawdown notice in the form set out in the second schedule signed by an authorised signatory of the Borrower.

### 4. interest

#### 4.1 Payment

a) Interest will be calculated on the Loan from time to time at the Floating Rate or at the Fixed Rate or it applies) on the basis of the actual number of days elapsed and a 365 day year, and will accrue from day to day from the Commencement Date until the Loan is repaid in full, and must be paid by consecutive payments on each Interest Payment Date.

b) The first Interest payment on the Loan will be due and payable on the Interest Payment Date which immediately follows the Commencement Date. Each payment will be for the period beginning on the Commencement Date or the previous Interest Payment Date (as the case may be) and ending on (but excluding) the next interest Payment Date,

#### 4.2 Fixed Rate Option

##### a) request

The Borrower may request Westpac NZ to set a fixed interest rate for all or part of the Loan for the period requested by the Borrower. The Fixed Rate Period may begin on any Banking Day which is not already part of a relevant Fixed Rate Period, including:

- i) on the Commencement Date; and
- ii) Immediately after the end of a Floating Rate Period or a Fixed Rate Period.

Provided no Event of Default or potential Event of Default has occurred, a request may be made by the Borrower giving Westpac NZ not less than 5 Banking Days written notice.

Any Fixed Rate Period which would otherwise end on a day which is not a Banking Day will be extended to the next Banking Day.

##### b) notification

Subject to Westpac NZ being able to enter into suitable arrangements to provide the fixed rate funding requested by the Borrower, Westpac NZ will, following the receipt of a request under clause 4.2(a), notify the Borrower by telephone of a fixed interest rate for the Fixed Rate Period (as Westpac NZ in its discretion determines). If Westpac NZ does not notify the Borrower under this clause 4.2(b), it will be deemed not to have agreed to the Borrower's request

##### c) acceptance

The Borrower must, during the same telephone conversation, notify Westpac NZ whether or not it accepts the fixed interest rate offered by Westpac NZ. In the event that the Borrower does not notify Westpac NZ of its acceptance during such telephone conversation Westpac NZ will not be bound to provide the interest rate offered at a later time of day. If the Borrower accepts the rate offered, interest at the relevant Fixed Rate will be payable on the Loan or that part of the Loan agreed by Westpac NZ for the relevant Fixed Rate Period. The Borrower acknowledges that, in accepting any Fixed Rate under this clause, it is fully aware of the consequences of potential movements (Whether adverse or otherwise) in interest rates.

##### d) switching

i) The Borrower may (subject to the terms of this Agreement) switch from the Floating Rate to the Fixed Rate, and vice versa for all or part of the Loan at the end of a relevant Floating Rate Period or Fixed Rate Period.

ii) If at the end of a Fixed Rate Period, no request is made to Westpac NZ under clause 4.2(a) or no notice is given under clause 4.2(b) then, from the end of the relevant Fixed Rate Period, the Floating Rate will apply.

#### 4.3 Telephone Communications

##### a) validity of instructions

Westpac NZ will be under no obligation to enquire as to the validity of any telephone instructions or acceptance which it receives. It is not required to require any evidence as to the authenticity, validity or legality of any telephone advice received or as to the authority of the person giving the telephone advice to act on behalf of the Borrower.

##### b) authority to tape calls



The Borrower acknowledges that Westpac NZ may from time to time keep tape recordings of telephone conversations between Westpac NZ and the Borrower and consents to the recording of those telephone conversations.

## 5. repayment and prepayment of Loan

### 5.1 Repayment

The Borrower must pay all Outstanding Moneys on the Termination Date.

### 5.2 Prepayment

- a) notice and prepayment multiples

The Borrower may prepay all or part of the Loan:

i) after giving Westpac NZ not less than 5 Banking Days irrevocable notice in writing of its intention to do so and then making payment on the specified date; and

ii) in multiples of \$10,000.

- b) losses

On any prepayment made other than at the end of a Floating Rate Period or Fixed Rate Period applying to the amount prepaid, the Borrower must at the time of prepayment pay to Westpac NZ any losses, costs, penalties and expenses certified by Westpac NZ to have been sustained or incurred as a consequence of the prepayment

- c) interest ceases

Interest on any amount prepaid In accordance with this clause will cease to accrue from the date of the prepayment.

### 5.3 Payment

The Borrower must not later than 3.00 p.m. on the due date for payment of interest or any other Outstanding Moneys, pay to Westpac NZ an amount equal to the amount due in cleared funds in Dollars to the account and/or in the manner Westpac NZ may from time to time advise.

Amounts due and payable by the Borrower will be debited from the Westpac NZ account nominated by the Borrower.

If the Borrower does not nominate an account, Westpac NZ may, at any time, debit from any account of the Borrower with Westpac NZ any amounts due and payable by the Borrower.

### 5.4 Banking Days

If any payment by the Borrower falls due on a day which is not a Banking Day it must be made on the following Banking Day.

### 5.5 Redrawings

Amounts prepaid in accordance with clause 5.2(a) will be available for redrawing in multiples of \$10,000 provided that:

- a) the provisions of clause 3 have been complied with; and
- b) the aggregate of all Advances, once the redrawing has been made, does not exceed the Facility Amount.

## 6. fees, charges, expenses and review entitlement

### 6.1 Fees, charges and expenses payable

The Borrower must pay to Westpac NZ the following:

- a) establishment fee

A non-refundable establishment fee of \$35,000 payable In one sum on acceptance of the Variation Letter of Offer.

- b) line of credit charge

A line of credit charge payable in arrears with the first charge being in respect of the period from the date of this Agreement to the last Banking Day of the month in which that date occurs and thereafter monthly on the last Banking Day of each month through the term of this Agreement and calculated at the rate of

0.20% per annum on the greater of the Facility Amount and the highest daily balance of the Loan outstanding during that month, such charge to be debited to the Borrower's current account with Westpac NZ. Westpac NZ may, at its option, review the line of credit charge on a six monthly basis. Following such review, Westpac NZ may, by three Banking Days notice to the Borrower increase the line of credit charge.

c) expenses

The expenses of Westpac NZ and each Officer in relation to:

- i) the Outstanding Moneys;
- ii) the preparation, execution and completion of each Bank Document, and any subsequent consent, approval, waiver, amendment or release;
- iii) any contemplated, attempted or actual enforcement at any Bank Document or the actual or contemplated, attempted or actual exercise or defence of any Power; and



iv) any enquiry by a Governmental Agency concerning the Borrower or related to a Bank Document. This includes expenses incurred in retaining consultants to evaluate matters of concern to Westpac NZ. It also includes administrative time and costs including the time of Officers and other employees of Westpac NZ (whose time and costs are to be charged at reasonable rates).

It will include, in each case, legal fees and expenses on a full indemnity basis plus goods and services tax on those amounts.

All these expenses are payable on demand and may be debited by Westpac NZ to any account of the Borrower with Westpac NZ.

d) government charges

Any government duties, taxes and charges on the Bank Documents and payments and receipts under them.

## 6.2 Review of margin

Westpac NZ may, by 3 Banking Days notice to the Borrower, increase or decrease the Margin, provided no increase will take effect:

a) within 12 months of the Commencement Date; or

b) during a Fixed Rate Period.

## 7. interest on arrears

### 7.1 Default interest payable

If the Borrower does not pay any sum payable on the due date, it must pay interest on that overdue sum at the Default Rate from the due date until the Borrower remedies the default and pays all default interest.

### 7.2 Default In payment of Interest

If the Borrower does not pay any sum on or before 14 days after the date on which payment was due, then the following rules apply:

a) Interest on all amounts on which interest is payable will be calculated at the Default Rate;

b) Interest at the Default Rate:

i) will accrue during the period beginning on the date the last payment was due and paid by the Borrower and ending on the date the Borrower remedies the default and pays all default interest. Where no payments have been made by the Borrower, the period begins on the date of the initial Advance;

ii) will be calculated on a daily basis by reference to successive periods of durations selected by Westpac NZ from time to time. Each period will begin on the last day of the previous period except for the first period which will begin on the due date;

iii) will be payable on the last day of each period and on the date of receipt of the overdue sum by Westpac NZ. Any Interest which is not paid when due will be added to the overdue sum and will itself bear interest under this clause.

## 8. undertakings

### 8.1 Term of obligation

Subject to clauses 11.2 and 12.4, each obligation of the Borrower in this Agreement continues from the date of this Agreement until the Outstanding Moneys are fully and finally repaid and whether or not Westpac NZ has exercised any Power.

### 8.2 General Undertakings

The Borrower undertakes to Westpac NZ as follows, except to the extent that Westpac NZ agrees otherwise:

a) disposal of assets

It must not dispose of any of its assets, other than:

i) inventory in the ordinary course of business of the Borrower; or

ii) by collecting accounts receivable that are the proceeds of a disposal referred to in subparagraph (i); or

iii) disposals to another member of the Charging Group; or

iv) disposals of money borrowed or raised for the purpose for which that money was borrowed or raised;

or

v) disposals of property in exchange for property comparable in type and value; or

vi) disposals on reasonable commercial terms of obsolete property or property no longer required for the purposes of the Borrower's business; or

vii) in the case of real property, by way of granting a lease, tenancy or licence to occupy that real property for proper value on reasonable commercial terms; or

viii) as otherwise permitted by a Bank Document

b) reporting and information

It must provide to Westpac NZ:

i) prior to commencement of each financial year a financial budget for the Charging Group for the following financial year. In addition to forecast trading and the assumptions the budget is based on, the budget will show forecast expenditure on capital items and repairs and maintenance for each asset secured to Westpac NZ together with a brief commentary on such expenditure;

ii) within 28 calendar days of the end of each quarter, quarterly management accounts for the Charging Group showing performance against budget for each asset owned by the Charging Group and secured to Westpac NZ;

iii) within 90 calendar days of the end of the Charging Group's financial year, copies of the balance sheet and profit and loss account For that financial year for:

- each member of the Charging Group individually;
- the Charging Group on a consolidated basis; and
- Reading New Zealand Limited;

The accounts will be audited unless specifically agreed otherwise by Westpac NZ;

iv) within 90 days of the end of the financial year of the Charging Group, a commentary on capital expenditure and repairs and maintenance undertaken in that financial year for each asset owned by the Charging Group and secured to Westpac NZ;

v) within 45 days of written request for such being made by Westpac NZ, valuations of all assets owned by the Charging Group and secured to Westpac NZ (including the leasehold interests in the cinemas). The valuations will:

- be by valuers acceptable to Westpac NZ;
- be in a form satisfactory to Westpac NZ in all material respects; and
- be addressed to Westpac NZ;

Westpac NZ will not request such valuations more often than once in any calendar year unless it is Westpac NZ's reasonable opinion that there has been a material adverse change in tile value of the assets of the Charging Group; and

vi) promptly (and in any event within 7 days after request by Westpac NZ) any other information in relation to the Land or the Borrower's financial condition or business which Westpac NZ reasonably requests and which are available to the Borrower. Including monthly or quarterly details of actual cashflows and future budgets and projections.

c) accounting standards

It must ensure that the financial statements of the Borrower, and the Charging Group, at any time delivered to Westpac NZ:

i) are prepared in accordance with NZGAAP;

ii) give a true and fair view of its financial position and operations (and those of the Charging Group) as at the date, and for the period to which the financial statements relate;

iii) together with the notes to them, disclose all liabilities (actual or contingent) of the Borrower and the Charging Group which are reasonably required to be disclosed under NZGAAP; and

iv) are prepared and delivered to all relevant persons within the period for which they are required by law or under any agreement to be delivered.

d) top up

It must ensure that the Outstanding Moneys do not exceed 50% of the value of the Land and all other assets of the Borrower and the Charging Group mortgaged or charged to Westpac NZ (as determined by Westpac NZ acting reasonably and having regard to the actual value of the property based on independent appraisal by a valuer agreed to by Westpac NZ). If that limit is exceeded, Westpac NZ may require the Borrower to either:

- i) prepay part of the loan (in accordance with clause 5.2); or
- ii) provide further security;
- iii) so that limit is complied with.

e) compliance

It must provide Westpac NZ on request with current copies of any leases or tenancy agreements affecting the Land, valuations, any certificate from Governmental Agencies required in relation to the Land or any business activity conducted by it or any Guarantor on the land and any other documents or certificates which Westpac NZ reasonably requests.

(f) Interest cover ratio

It must ensure that the Charging Group's Earnings for each 12 month period are not less than 2.0 times the Charging Group's Funding Costs for that 12 month period.

Earnings are the Charging Group's net profit before Funding Costs, tax, depreciation and amortisation of goodwill for the relevant financial quarter but after payment of management fees (whether to related parties or external) and excluding Extraordinaries. Funding Costs comprise all interest, charges and fees related to funding of the Charging Group. Extraordinaries are items that are not expected to occur frequently and are distinct from the Charging Group's ordinary operations.

This ratio will be tested quarterly for compliance on a rolling 12 month basis and will be determined at Westpac NZ's discretion.

g) bank debt ratio

It must ensure that the Charging Group's Bank Debt Is not more than five times the Charging Group's Earnings for the 12 month period prior to the end of the immediately previous financial quarter of the Charging Group.

Bank Debt is the aggregate indebtedness of the Charging Group to Westpac NZ and Earnings is as defined in clause 8.2(f) above.

h) asset purchases

If the Borrower utilises any part of the Facility to finance the acquisition of an asset In New Zealand in excess of \$5,000,000, It must provide Westpac NZ with details of such asset and any other documents or information in respect of such asset which Westpac NZ reasonably requests.

i) bank accounts

It must ensure that each member of the Charging Group will carry out its day to day banking through accounts with Westpac NZ.

j) Personal property Securities Act 1999

Whenever Westpac NZ asks it to do anything to better secure any property which secures or is Intended to secure financial accommodation from Westpac NZ (including, without limitation, the Facility), the Borrower must do It (or procure that It Is done) Immediately at Its own cost This may include signing and delivering documents and anything else that Westpac NZ requires to ensure that Westpac NZ has perfected security interest(s) under the Personal Property Securities Act 1999 ("PPSA").

The Borrower waives any rights to receive a copy of a verification statement under the PPSA and agrees, to the extent permitted by law, that in respect of any arrangement between the Borrower and Westpac NZ:

i) sections 114(1)(0), 133 and 134 of the PPSA shall not apply;

ii) the Borrower shall have none of the rights referred to in paragraphs (c) to (e) and (h) to (j) of section 107(2) of the PPSA; and

iii) where Westpac NZ has rights in addition to those in Part 9 Of the PPSA, those rights shall continue to apply and, in particular, shall not be limited by section 109 of the PPSA.

The Borrower must, immediately upon request by Westpac NZ, procure from any person considered by Westpac NZ to be relevant to its security position such agreements end waivers (including as equivalent to those above) as Westpac NZ may at any time require.

## 9. deductions from payments

### 9.1 Gross up of Borrower's Withholding Tax

The Borrower must not make any payment subject to any condition, restriction or claim it may have against Westpac NZ NZ. The Borrower may only make a withholding or deduction from money It pays to Westpac NZ under this Agreement if that withholding or deduction is required by law. If the law requires the Borrower to make a withholding or deduction then the following rules apply:

a) the Borrower must make sure that the withholding or deduction is for not more than the minimum amount required by that law,

b) the Borrower must make sure that the withholding or deduction is paid to the relevant revenue or Governmental Agency by the due date for payment;

c) the Borrower must send Westpac NZ, within 30 days of the withholding or deduction, a receipt showing that the withholding or deduction has been paid to the relevant revenue or Governmental Agency:

d) the Borrower must Increase the amount it pays to Westpac NZ so that Westpac NZ receives the amount it would have received had there been no withholding or deduction.

### 9.2 Gross Up for Westpac NZ's Withholding Tax

If the law requires Westpac NZ to make a deduction or withholding from any amount received or receivable by it under this Agreement or any other Bank Document (including any sum received or receivable under this clause 9.2. and excluding any Tax on its overall net income) then the Borrower must increase the amount it pays to Westpac NZ so that Westpac NZ receives the amount it would have received had there been no withholding or deduction.

### 9.3 Indemnity for Tax on funding

If:

a) Westpac NZ (or any person on its behalf is required by law to make a deduction or withholding for, or on account of, Tax or on any other account

from an amount paid or payable to a person from whom it has borrowed or obtained moneys to enable it to fund the Facility or any other payment by it under this Agreement or any other Bank Document; and

b) as a result Westpac NZ is required to increase its payment, or makes an additional payment, to that person or to a taxation authority, then the Borrower will indemnify and hold Westpac NZ harmless against that increased or additional payment and must, on demand by Westpac NZ, pay to Westpac NZ the amount which, after receiving that amount and making that increased or additional payment will place Westpac NZ in the same position in which it would have been had no increased or additional payment been made.

#### 9.4 Tax credit

If Westpac NZ receives the benefit or a Tax credit, refund or allowance resulting from an increased amount paid by the Borrower under this clause then the following rules apply:

- a) Westpac NZ will provide the Borrower with that part of the Tax credit, refund or allowance that Westpac NZ determines was obtained as a result of the increased amount the Borrower paid;
- b) the amount determined by Westpac NZ will be calculated so Westpac NZ is in no better or worse position than it would have been had no amount been paid by the Borrower under this clause;
- c) Westpac NZ is under no obligation to disclose any information relating to the calculation of its Tax liability or benefits;
- d) this clause does not interfere with Westpac NZ's right to arrange its Tax affairs as it wishes and, in particular, Westpac NZ may apply Tax credits, refunds and allowances available to it as it likes.

#### 10. events of default

At any time after an Event of Default and without prejudice to any other remedies, Westpac NZ may immediately by notice to the Borrower terminate the Facility with the consequences set out in clause 2.2.

#### 11. change in circumstances

##### 11.1 Increased Costs

If as a result at

- a) Westpac NZ complying with any law; or
- b) any change in or introduction of any law or change in the interpretation or application of any law by any Governmental Agency or court which:
  - i) imposes, modifies or deems applicable any reserve, capital adequacy, prudential deposit, liquidity or similar requirement against assets of, or deposits with, any branch of Westpac NZ;
  - ii) imposes on Westpac NZ any other requirement with respect to this Agreement or any other Bank Document; or
  - iii) changes the risk weighting for capital adequacy purposes of the Loan;

any of the following occur:

- c) the cost to Westpac NZ of making, funding or maintaining the Facility is increased; or
- d) the moneys payable to Westpac NZ or the effective return to Westpac NZ under or in connection with this Agreement is reduced; or
- e) Westpac NZ makes any payment or foregoes any Interest or other return on, or calculated by reference to, any sum received or receivable by it under any Bank Document; or
- f) Westpac NZ is unable to obtain the rate of return on capital (including any notional return on capital calculated on a risk adjusted basis) which it would have received at the date of this Agreement

then:

- g) Westpac NZ will use its best efforts promptly to notify the Borrower in writing of those events, provided that failure to do so will not affect Westpac NZ's rights under this clause; and
- h) the Borrower must pay on demand, from time to time, for the account of Westpac NZ, the amount certified by an Officer which will compensate Westpac NZ for its increased cost, reduction, payment or foregone interest or other return.

##### 11.2 Survival of obligations

The obligations of the Borrower under clause 11.1 will survive termination of the Facility and payment or repayment of all Outstanding Moneys.

##### 11.3 Renegotiation of Facility

If an additional amount is required to be paid under clause 11.1 then, without limiting the Borrowers obligations under this Agreement, Westpac NZ will, at the request of the Borrower given within 30 days of notice from Westpac NZ, consult with the Borrower with a view to renegotiating the terms of the Facility in

order to mitigate or avoid any additional amounts payable under clause 11.1 provided that nothing In this clause will require Westpac NZ to act to its detriment.



#### 11.4 Illegality

If as a result at

- a) the introduction or amendment of any law; or
- b) any other circumstance affecting any interbank market or any relevant foreign exchange market generally;

it is unlawful, impracticable or impossible for Westpac NZ to make, fund or allow to remain outstanding the Facility or to comply with its obligations or exercise its rights under this Agreement, then Westpac NZ will as soon as practicable give written notice to the Borrower and Westpac NZ will be entitled, to terminate the Facility, with effect from the date Westpac NZ specifies and with the consequences set out in clause 2.2.

#### 12. indemnity

##### 12.1 General Indemnity

The Borrower agrees to indemnify Westpac NZ, every Officer and every employee of Westpac NZ upon demand against any loss, cost, expense, charge, damage, claim or liability which Westpac NZ, an Officer or an employee of Westpac NZ may suffer or incur as a direct or indirect consequence of:

- a) an Event of Default or Potential Event of Default;
- b) the exercise, contemplated exercise or attempted exercise of any Power or the failure to exercise any Power;
- c) the receipt of any amount to be paid under any Bank Document on a date other than the due date; or
- d) an Advance requested under clause 3 not being made for any reason (excluding default by Westpac NZ) on the date notified by the Borrower to Westpac NZ as the date for the Advance to be made.

##### 12.2 Examples

Without limitation, the indemnity in clause 12.1 will extend to:

- a) any losses, costs, penalties and expenses incurred by reason of the liquidation or re-employment of deposits or other funds acquired or contracted for by Westpac NZ (including loss of margin); and
- b) any losses, costs, penalties and expenses which may be Incurred by Westpac NZ In:
  - i) terminating any options or forward rate agreements or interest or currency swap contracts entered into in connection with the Facility; or
  - ii) in entering into any new contracts which It deems appropriate to protect the return it would otherwise have expected under this Agreement.

##### 12.3 Currency Indemnity

If for any reason:

- a) Westpac NZ receives or recovers an amount under a Bank Document in a currency other than the currency in which it should have been paid and, after Westpac NZ has converted that other currency to the correct currency there is not enough to pay off the full amount then due under the Bank Document; or
- b) Westpac NZ obtains any judgment or court order against the Borrower in a currency other than the currency in which the Outstanding Moneys are due, and Westpac NZ incurs any loss from the conversion of any amount actually received by it from that other currency to the correct currency,

then, as a separate and independent indemnity obligation, the Borrower must pay Westpac NZ the full amount of any shortfall or of any such loss incurred by Westpac NZ.

##### 12.4 Unconditional Indemnities

The indemnities in this clause 12 are unconditional and irrevocable and will survive termination of the Facility and payment of all Outstanding Moneys and the release of any Security and will not be discharged or impaired by any act, omission, matter or thing which might discharge them but for this provision.

#### 13. set off and combination

##### 13.1 Set Off

If the Borrower has any money in any account with Westpac NZ, then Westpac NZ can use it to pay amounts the Borrower owes under this Agreement but need not do so. If the Borrower is in default, Westpac NZ can use money which has not yet matured due and convert money in the account of the Borrower in

foreign currencies. To the maximum extent allowed by law, the Borrower gives up any right to set off any amounts Westpac NZ owes it against the Outstanding Moneys.

### 13.2 Contingent Amounts

If at any time an amount is contingently due from the Borrower or an amount due is not quantified, Westpac NZ may retain and withhold repayment of any money in any account of the Borrower and the payment of interest of other moneys pending that amount becoming due and/or being quantified and may set off the maximum liability which may at any time be or become owing to Westpac NZ by the Borrower and in each case without prior notice of demand.

### 13.3 Combination

Subject to any applicable Bank Document, where the Borrower has two or more accounts with Westpac NZ:

a) Westpac NZ may at any time combine any two or more of those accounts. It may do so without notice and whether or not it has allowed a set-off for a calculation of interest between any of those accounts:

b) Westpac NZ may at any time combine any one or more of those accounts even where one or more of the combined accounts are in different currencies and may effect currency exchanges appropriate to implement that combination; and

c) if Westpac NZ combines two or more accounts, it may decline to pay cheques and it may otherwise act as if the combined accounts had always been one account.

### 13.4 Contractual Rights

Westpac NZ's rights under this clause are contractual rights affecting the terms upon which a credit balance is held and the creation of those rights does not constitute the creation of a security interest in respect of that credit balance.

### 13.5 Deposits with Westpac NZ

Any moneys which, pursuant to a Bank Document, are deposited at any time by the Borrower with Westpac NZ (or withheld by Westpac NZ from a payment to the Borrower and retained on deposit with it) must, unless otherwise provided, be held on the following basis:

a) each deposit and all rights of the Borrower relating to it must be incapable of assignment by the Borrower or of being the subject as a security Interest except:

i) In favour of Westpac NZ; or

ii) with the prior written consent of Westpac NZ; end

b) the Borrower must have no right to withdraw any moneys from a deposit until all obligations of the Borrower under the Bank Documents (present and future, direct and contingent) have been performed and complied with, except

i) as expressly permitted by the terms of any Bank Documents under which that deposit was made;

ii) for the purpose of complying with its obligations under the Bank Documents: or

iii) with the prior written consent of Westpac NZ,

### 13.6 Interest

Each amount deposited with Westpac NZ under clause 13.5 will (unless otherwise agreed) bear interest calculated by reference to successive deposit periods of a duration agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ may nominate). The rate of interest applicable to a deposit period will be as agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ certifies as applicable to deposits of similar size and maturity placed with it by customers). As long as no Event of Default or Potential Event of Default has occurred (in which case Interest Is to be added to the deposit) and subject to clause 13.1, that interest is to be paid to the Borrower as it may direct.

### 14. no merger

No Power and nothing in this Agreement or any other Bank Document, is adversely affected merely because of the existence of any other Bank Document or by any judgment right or remedy against any person which Westpac NZ, or someone claiming through Westpac NZ, may have at any time.

### 15. Westpac NZ not liable

To the extent permitted by law, neither Westpac NZ nor any Officer or other employee of Westpac NZ, Attorney, expert, consultant to or professional advisor of Westpac NZ (each an "Exempt Party") will be liable:

a) in respect of any conduct, (including but not limited to the agreement to provide the Facility), omission, delay, negligence or breach of duty in the exercise or failure to exercise a Power or for any loss (including consequential loss) which results however an Exempt Party will be liable where liability arises from its own fraud or willful misconduct; or

b) to the Borrower, the Guarantor or any other person for any loss liability, cost or expense that is caused (directly or indirectly):

i) by anything that another Exempt Party does or omits to do in connection with this Agreement or any Security;

ii) as a consequence of the Borrower having entered into this Agreement or the Securities following Westpac NZ's approval of the Loan it

being acknowledged by the Borrower that in approving the Loan, confirming the satisfaction of any condition (including, but not by way of limitation any condition contained in the Letter of Offer), or approving any document or person, neither Westpac NZ, nor any Officer or other employee of Westpac NZ, Attorney, expert, consultant to or professional advisor of Westpac NZ is making, has made and is to be taken to have made, any representation or warranty in respect of the efficacy of that document or the qualifications of that person or otherwise.

## 16. no reliance on Westpac NZ and conflict

### 16.1 The Borrower confirms that:

a) it has not entered into any Bank Document in reliance on, or as a result of any conduct of any kind of or on behalf of Westpac NZ or any Related Company of Westpac NZ (Including any advice, warranty, representation or undertaking);

b) neither Westpac NZ nor any Related Company of Westpac NZ is obliged to do anything (including disclose anything or give advice): and

c) to enter into this Agreement and the Securities is the decision of the Borrower alone relying on its own judgment, except as expressly set out in the Bank Documents or in writing signed by or on behalf of Westpac NZ or any Related Company of Westpac NZ.

### 16.2 Conflict

If there is any conflict between the terms of the Letter of Offer, this Agreement or any Security Westpac NZ may in its absolute discretion determine which shall prevail.

## 17. assignment

### 17.1 Westpac NZ may assign

Westpac NZ can transfer this Agreement and all or part of the Outstanding Moneys to someone else. If it does, this Agreement and any transferred Bank Document will apply to the transferee as if it was Westpac NZ. To the maximum extent allowed by law, any transfer will be free of any set off, equity or cross claim which the Borrower would have had against Westpac NZ or the transferee of any Bank Document but for this clause.

### 17.2 Borrower may not assign

The Borrower may not assign or otherwise transfer or grant any security interest over any of its rights and obligations under this Agreement or any other Bank Document

### 17.3 Disclosure of information

Westpac NZ may disclose to a Related Company, potential assignee or transferee of its rights and obligations under any Bank Document or any other relevant party any information about the Borrower as Westpac NZ considers appropriate. However, before disclosing to any potential assignee or transferee Westpac NZ will, in relation to information which is not publicly available:

a) advise the Borrower of its intention; and;

b) require an undertaking protecting the confidentiality of that information from any potential assignee or transferee or other relevant party.

## 18. counterpart execution

This Agreement may be executed in two or more counterparts, all of which will be deemed to constitute the same instrument. Westpac NZ may accept as an original a facsimile copy of this Agreement executed by the Borrower and a facsimile copy, when taken with a counterpart executed by Westpac NZ, will be deemed to be one original copy of this Agreement

## 19. Interpretation

### 19.1 Definitions

The following definitions apply, unless the context requires otherwise:

Advance means each principal amount lent (or to be lent) to the Borrower under the Facility;

Agreement means this agreement and any variations or additions to it agreed in writing between the parties;

Attorney means a person appointed as attorney under any Bank Document;

Availability Period means the period beginning on the date that Westpac NZ confirms to the Borrower that the condition precedent in this Agreement has been satisfied and expiring on 30 September 2007;

Bank Document means a document or agreement

a) to which Westpac NZ and any one or more of the Borrower and/or any Guarantor are or become parties or purport to be or become parties; or

b) under which obligations arise or are intended to arise from anyone or more of the Borrower and/or any Guarantor to, or for the benefit of, Westpac NZ;

(in each case whether or not the parties are Involved or it arises as a result of an assignment or transfer). It includes this Agreement, the Letter of Offer and any Security;

Banking Day means any day (other than a Saturday or Sunday) on which registered banks are open for business of the nature required by this Agreement in Auckland and, if on that day a transfer of funds is to be made under this Agreement, the city to which the funds are to be transferred;

Charging Group means the Borrower, Reading Cinemas Courtenay Central Limited, Courtenay Car Park Limited, Copenhagen Courtenay Central Limited, Movieland Cinemas (NZ) Limited, Queenstown Land Holdings Limited, Darnelle Enterprises Limited, Reading Queenstown Limited and any other company or entity which becomes a party to the cross-guarantee and indemnity between the aforementioned companies and Westpac NZ dated on or about the date of this Agreement or any other company which provides Westpac NZ with Security for the loan;

Commencement Date means the date of the first Advance;

Default Rate means Westpac NZ's Indicator Lending Rate from time to time plus a margin of 7% per annum;

Dollar and \$ the lawful currency of New Zealand;

Event of Default means any of the events described as such in the Mortgage and the General Security Agreement, notwithstanding that the Mortgage and/or the General Security Agreement may be wholly or partially discharged, released, satisfied, avoided, replaced, lost or destroyed from time to time;

Existing Loan means the \$50,000,000 loan facility provided by Westpac NZ to the Borrower under account no. XX;

Facility means the loan facility referred to in clause 2 under which the Facility Amount is to be made available to the Borrower;

Facility Amount means the maximum amount of \$60,000,000;

Fixed Rate means a rate of interest determined under clause 4.2(b) and accepted under clause 4.2(c);

Fixed Rate Period means a fixed rate period requested under clause 4.2(a);

Floating Rate means, for each Floating Rate Period, the aggregate of the Margin and Westpac NZ's 90 day bank bill bid rate (rounded upwards to the nearest first one decimal place) for bills of a comparable amount to the amount of the loan at the relevant time of that Floating Rate Period;

Floating Rate Period means a period of 90 days provided that:

- a) the first Floating Rate Period will begin on the Commencement Date;
- b) subject to paragraph (e), each Subsequent Floating Rate Period will begin at the end of the previous one;
- c) any Floating Rate Period which would otherwise end on a day which is not a Banking Day will be extended to the next Banking Day;
- d) if any Floating Rate Period would otherwise extend beyond the Termination Date it will end on the Termination Date;
- e) where the Borrower has elected to pay a Fixed Rate under clause 4.2(c) for any period (or series of periods),

the next Floating Rate Period will begin at the end of the relevant (or, in the case of a series of Fixed Rate Periods, the last) Fixed Rate Period;

General Security Agreement means any general security agreement granted by the Borrower or any Guarantor in favour of Westpac NZ and/or Westpac Banking Corporation, including, without limitation the composite general security agreement dated 17 November 2004;

Governmental Agency means any government or any governmental, semi-governmental or judicial entity or authority including any local government, statutory or self-regulatory organisation established, approved or authorised under law, and any stock exchange, in any case having jurisdiction in relation to the affairs of any party to a Bank Document or to whose control or jurisdiction any party to a Bank Document has consented;

Guarantee means any guarantee, indemnity, letter of credit, legally binding letter of comfort or suretyship. It includes any obligation or irrevocable offer to be responsible for a debt (as defined below) or for the insolvency or financial condition of another person. It also includes any other obligation or irrevocable offer to pay a debt or to purchase a debt, to provide funds for the payment or discharge of a debt (whether by the advance of money, the purchase of or subscription for shares, stock or other interests issued by another person, the purchase of assets or services, or otherwise), or to indemnify against the consequences of default in the payment of a debt. For the purposes of this definition debt includes any obligation or indebtedness of another person, present or future, actual,

prospective or contingent and any capital or premium on shares, stock or other interests issued by another person;

Guarantor means any person who creates or enters Into a Guarantee of any Outstanding Moneys;

Interest Calculation Date means the date falling on the day in each calendar month which numerically corresponds to the Commencement Date or, at the option of Westpac NZ, the date following on the day in each calendar month which numerically corresponds with the Commencement Date under the Existing Loan provided that where there is no numerically corresponding day In any calendar month then it will be the first day In the next calendar month;

Interest Payment Date means, unless Westpac NZ shall determine otherwise, the date falling on the day after each Interest Calculation Date provided that

a) where the Interest Calculation Date would otherwise fall on a non-Banking Day then the Interest Payment Date shall be the Banking Day after the next Banking Day; and

b) where the Interest Calculation Date would otherwise fall on a Banking Day which immediately precedes a non-Banking Day then the Interest Payment Date shall be the next Banking Day;

Land means the land at

a) Courtenay Place, Wellington as comprised in certificate of title 38963;

b) 24 Tory Street, Wellington as comprised in certificate of title 38962;

c) 1, 281 Eruera Street, Rotorua as comprised in certificate of title SA 540/892;

d) 154 Station Street, Napier as comprised in certificates of title HB V3f382 and HB P11296 together with ground lease/licence to occupy of part of certificate HB V3/862 comprising a lease of 546 square metres and a licence to occupy 4467 square metres;

e) 29 Dee Street, Invercargill as comprised in certificates of title SL 11 B1732, SL 1161733, SL A31653, SL 1861104. SL 601432 and SL 1951229;

together with all buildings and improvements on the land;

Letter of Offer means the letter of offer dated 24 April 2007 from Westpac NZ to the Borrower In relation to the Facility;

Loan means at any time, the aggregate amount of all Advances outstanding at that time;

Margin means, subject to clause 6.2, 1.0% per annum;

Mortgage means any mortgage granted to, or for the benefit of, Westpac NZ over the Land by the Borrower or any of the Guarantors;

NZGAAP means generally accepted accounting practice as defined in section 3 of the Financial Reporting Act 1993;

Officer includes each employee of Westpac NZ whose title includes the word Manager or occupying an office whose title includes the word Manager and any person (who need not be an employee) authorised by Westpac NZ;

Outstanding Moneys means, at any time, the Loan outstanding and all other moneys payable, including contingently payable, by the Borrower under this Agreement including accrued interest (including default interest), fees, costs and other expenses whether or not those sums are then due and owing;

Potential Event of Default means any event which, with the giving of notice, lapse of time or satisfaction of any condition or happening of any event would constitute an Event of Default;

Power means a power, right, authority, discretion or remedy which Is conferred on Westpac NZ, an Officer or an Attorney by a Bank Document or by law in relation to a Bank Document;

Related Company has the meaning given to that term in the Companies Act 1993 but on the basis that Subsidiary has the meaning given to it in this Agreement, and that body corporate includes any entity;

Security means the Mortgage and any other security or undertaking provided by the Borrower or any of the Guarantors or procured by the Borrower to be provided to, or for the benefit of, Westpac NZ from time to time in respect of the Borrower's obligations under this Agreement;

Subsidiary has the meaning given to it in the Financial Reporting Act 1993;

Tax includes any tax, levy, impost, deduction, charge, rate, duty or withholding which Is levied or imposed by a Governmental Agency and is required by law to be paid and any related interest penalty, charge, fee or other amount;

Termination Date means 23 November 2010;

Variation Letter of Offer means the variation letter of offer dated 15 December 2006 from Westpac NZ to the Borrower in respect of the Existing Loan and the



Facility.

## 19.2 General

Headings are for convenience only. They do not affect interpretation. The following rules apply unless the context requires otherwise:

- a) Singular includes the plural and the converse;
- b) A gender includes all genders;
- c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- d) Reference to a clause or schedule is a reference to a clause of, or a schedule to, this Agreement;
- e) An example does not limit what else might be included;
- f) Reference to a party to this Agreement or another agreement or document includes the party's successors and permitted substitutes or assigns;
- g) Reference to an agreement or document is to the agreement or document as amended, novated, supplemented or replaced from time to time, except to the extent prohibited by this Agreement,
- h) Reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;
- i) Reference to an asset includes any real or personal, present or future, tangible or intangible property, right or asset and any right, interest, revenue or benefit in, under or derived from any property right or asset;
- j) An Event of Default is continuing until it has been waived in writing by Westpac NZ;
- k) Reference to cleared funds means funds which are freely transferable and immediately available for disbursement;
- l) Reference to a law includes present or future common or customary law and any statute, statutory instrument, subordinate legislation, regulation, by-law, order or other legislative measure or any judgment or judicial or administrative order or determination or decision, in any jurisdiction;
- m) Reference to a person includes a natural person, company, corporation, trust, partnership, firm, joint venture or Governmental Agency, in each case whether or not having separate legal personality, and any association of entities;
- n) Reference to a security Interest includes a mortgage, general security agreement debenture, charge (fixed or floating or otherwise), encumbrance, lien, pledge, trust, financial lease, sale and lease back, sale and repurchase, title retention (other than in respect of goods purchased in the ordinary course of trading), charge or similar Interest imposed by law, and a preferential arrangement of any kind, the practical effect of which is to secure a creditor;
- o) Reference to tax on overall net income of Westpac NZ means tax imposed by the jurisdiction in which Westpac NZ's lending branch is located on all or part of its net income, profits or gains (whether worldwide, or only insofar as such net income, profits or gains are considered to arise in or relate to a particular jurisdiction, or otherwise);
- p) Reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form;
- q) References to the Guarantor are references to each of them severally as well as to two or more of them jointly, and the obligations and agreements on their part in this Agreement will bind every two or more of them jointly and each of them severally.

First Schedule

director's certificate

TO: Westpac New Zealand Limited and Westpac Banking Corporation  
Legal Services  
AUCKLAND  
(together the "Banks")

I, \_\_\_\_\_, a director of Reading Courtenay Central Limited (the "Borrower" on behalf of the board of directors of the Borrower certify that:

*(Please ensure that the appropriate boxes below are ticked and initialled)*

1. Board Resolutions

1.1 The board of directors of the Borrower (the "Board" has passed resolutions:

1.1.1 approving the transaction (the "Transaction") contemplated by the documents listed in the schedule below (the "Documents") and the Documents themselves;

1.1.2 authorising execution of the Documents by the Borrower in the manner in which they have actually been executed, and

1.1.3 authorising the persons specified In paragraph 9 to give any notices and other communications and take any other action required under or in connection with the Documents on behalf of the Borrower.

EITHER

1.2 The resolutions were duly passed in writing signed by all of the directors of the Borrower entitled to receive notice of a meeting of the Board.

OR

1.2 The resolutions were duly passed at a meeting of the Board:

1.2.1 which has properly convened; and

1.2.2 In respect of which all quorum requirements were duly observed.

1.3 The Board resolutions remain in full force and effect.

2. Directors Self Interested Transactions

EITHER

2.1 To the best of my knowledge and belief after making due enquiry of all other of the Borrower's directors (as defined In section 126 of the Companies Act 1993 ("Act")), none of the directors of the Borrower has an interest (as that term is defined in section 139 of the Act) in the Transaction.

OR

2.1 After making due enquiry, it has been determined that one or more of the Borrower's directors (as defined in section 126 of the Companies Act 1993 ("Act")) is, or may be, interested (as that term is defined in section 139 of the Act) In the Transaction. The interest of such directors has been entered In the Interest register and disclosure relating to the nature, monetary value and extent of that interest has been made to the Board. The Transaction has been disclosed to an shareholders of the Borrower.

2.2 In approving the Documents and the Transaction, the Board, after taking into account all relevant factors, considers that the Borrower is receiving or will receive fair value under them.

### 3. Corporate Benefit

EITHER

In approving the Documents and the Transaction, the Board, after taking into account all relevant factors, has resolved that the Borrower's entry into and performance of the Documents and the Transaction is in the best interests of the Borrower,

OR

In approving the Documents and the Transaction, the Board, after taking into account all relevant factors, has resolved (pursuant to an express provision in the constitution of the Borrower) that the Borrower's entry into and performance of the Documents and the Transaction is in the best interests to the Borrower's holding company.

### 4. Shareholder Action

EITHER

4.1 It has been determined that the Transaction is a Major Transaction for the purposes of section 129 of the Act. Accordingly all of the shareholders of the Borrower have by special resolution:

4.1.1 approved the Documents and the Transaction; and

4.1.2 confirmed, approved and ratified the resolutions of the Board.

OR

4.1 It has been determined that the Transaction is not a Major Transaction for the purposes of section 129 of the Act.

4.2 The shareholders of the Borrower have unanimously ratified and approved the resolutions of the Board after full disclosure by the directors of the Borrower of all relevant interests.

### 5. Due Execution

5.1 The Documents have been properly executed by the Borrower.

5.2 The Documents have been executed on behalf of the Borrower by \_\_\_\_\_ and as directors of the Borrower.

### 6. Solvency

6.1 I am not aware of any liquidation proceedings which have been commenced or are intended to be commenced by any person against the Borrower, or which are intended or anticipated by the Borrower.

6.2 Having taken into account all relevant factors (including in the case of a guarantee all rights of contribution and subrogation to which the Borrower would be entitled if called upon to perform its obligations and the solvency of the guaranteed and guaranteeing parties) the Board is of the view that the value of the consideration or benefit received by the Borrower under the Documents and the Transaction is not less than the value of the consideration provided (or to be provided) by the Borrower.

6.3 After making due enquiry, the Board is of the view that the Borrower.

6.3.1 is able to pay its due debts;

6.3.2 is not engaged or about to engage in business for which its financial resources are unreasonably small;

6.3.3 will be able to perform its obligations under the Documents and the Transaction when required to do so;

and

6.3.4 will not become unable to pay its due debts as a result of the Documents and the Transaction.

### 7. Financial Assistance

The Transaction does not include or involve any provision by the Borrower (directly or indirectly) of financial assistance in connection with the acquisition or a share issued or to be issued by the Borrower or its holding company.

8. Consents

No consents are required by the Borrower for entry into, execution or performance of the Transaction or the Documents and the execution and delivery of the Documents and performance of the Transaction will not cause the Borrower to be in breach of any obligation or law affecting it.

9. Authorised Signatures

The following are the true signatures of the persons who have been authorised to give any notices and other communications, and to take any other action required, under or in connection with the Documents on behalf of the Borrower.

| Name  | Position | Signature |
|-------|----------|-----------|
| _____ | _____    | _____     |
| _____ | _____    | _____     |

Schedule

1. Property Finance Wholesale Term Loan Agreement between the Borrower and Westpac NZ by which Westpac NZ agrees to make a term loan of \$60,000,000 available to the Borrower dated \_\_\_\_\_ 2007.

2. Cross Guarantee and Indemnity from the Borrower and others in favour of Westpac NZ for the benefit of the Banks.

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Signature: \_\_\_\_\_

Full Name: \_\_\_\_\_

Account from which the Borrower requests interest to be debited: \_\_\_\_\_

Second Schedule

drawdown notice

TO: Westpac New Zealand Limited  
Property Finance  
AUCKLAND

FOR: Alan Long, Property Finance

Property Finance Wholesale Term Loan Agreement Dated \_\_\_\_\_ 2007 (the "Agreement").

Reading Courtenay Central Limited (the "Borrower").

1. We refer to the Agreement between Westpac NZ and the Borrower, Terms defined in the Agreement have the same meaning in this drawdown notice.

2. We irrevocably and unconditionally:

2.1 request that an Advance in the amount of \$ \_\_\_\_\_ of the Facility be drawn down on  
2007;

2.2 authorise and instruct you to pay the total amount of the Advance to our solicitors or otherwise as you shall determine;

2.3 confirm that no Event of Default or Potential Event of Default has occurred;

2.4 acknowledge interest will be payable from the date nominated in paragraph 2.1 above, irrespective of whether or not the Advance is made on that  
date,

DATED \_\_\_\_\_ 2007

\_\_\_\_\_  
Authorised Signatory of the Borrower

Certificate of Non-Revocation Of Power of Attorney

Date: 20 June 2007

I, TIMOTHY IAN MACKENZIE STOREY, of Auckland, Solicitor, hereby certify:

1. That by deed dated 14 November 2000, a copy of which was deposited at Land Information New Zealand, Wellington Registry under number B0818487.1, I was appointed the lawful attorney of READING COURTENAY CENTRAL LIMITED on the terms and subject to the conditions set out in the deed.
2. That at the date of this certificate I have not received any notice or information of the revocation of that appointment by READING COURTENAY CENTRAL LIMITED or otherwise.

Signed by TIMOTHY IAN MACKENZIE STOREY

/s/ Timothy Ian Mackenzie Storey





Westpac  
PricewaterhouseCoopers Tower  
Level 13, 188 Quay Street  
PO Box 934, Auckland,  
New Zealand  
Telephone: +64-9-367 3999  
Facsimile: +64-9-367 3674

06 May 2009

Reading Courtenay Central Limited  
C/ - Reading International Inc.  
500 Citadel Drive  
Suite 300  
Commerce  
California 90040  
USA

Attn : Andrzej Matyczynski

Dear Andrzej

RE: WHOLESALE TERM LOAN FACILITY \$60,000,000 ("Facility")

ACCOUNT NO. 030104/786183-91

We are pleased to confirm that we have approved the following changes to your banking arrangements.

#### THE CHANGES

1. The Facility Amount of your Facility will be reduced by \$15,000,000 (Fifteen Million Dollars) to \$45,000,000 (Forty Five Million Dollars).
2. The line of credit charge, as defined in clause 6.1 (b) of the facility agreement dated 20 June 2007 ("Agreement") will increase to 0.30% (+0.1 0%) per annum. The line of credit charge will continue to be reviewed by Westpac NZ on a 6 monthly basis.
3. The Margin of the Facility will be increased to 1.45% (+0.45%).
4. The Termination Date of the Facility will be extended to 31 March 2012 with the facility remaining interest only for this extended period.
5. The top up percentage requirement, as defined in clause 8.2 (d) of the Agreement will be varied to 45%.

Capitalised terms in this letter have the meaning attributed to them in the Agreement.

#### THE CONDITIONS OF APPROVAL

1. An extension fee of \$45,000 is payable on acceptance of this letter of variation. The fee will be debited to the current account of Reading New Zealand Limited (030252/506091-00).

In all other respects, your banking arrangements remain unchanged.

Please confirm your acceptance of this change by signing this letter. The changes will take effect from the date we receive the signed copy from you , once all conditions of approval have been satisfied.

WESTPAC NEW ZEALAND LIMITED

/s/ AW Long

AW Long

PROPERTY FINANCE MANAGER

## ACCEPTANCE

We accept the changes described in this letter.

Signed on behalf of the Borrower Reading Courtenay Central Limited by:

/s/ Andrzej Matyczynski Director  
Date of acceptance 08 May 2009 Andrzej Matyczynski

/s/ Tim Storey Director  
Date of acceptance 08 May 2009 Tim Storey

## Guarantors' Consent

We confirm that our guarantee is not affected by the changes referred to in this letter.

Signed on behalf of Reading New Zealand Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Courtenay Car Park Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Reading Cinemas Courtenay Central Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Copenhagen Courtenay Central Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Movieland Cinemas NZ Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Queenstown Land Holdings Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Darnelle Enterprises Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009

Signed on behalf of Reading Queenstown Limited by:

/s/ Andrzej Matyczynski Director 08 May 2009



Westpac  
Level 6  
Westpac on Takutai Square  
16 Takutai Square  
Auckland  
PO Box 934, Auckland  
New Zealand  
Telephone: +64 9 367 3999

08 February 2012

Reading Courtenay Central Limited  
C/- Reading International Inc.  
6100 Center Drive  
Suite 900  
Los Angeles 90045  
USA

Attn: Andrzej Matczynski

Dear Andrzej

RE: WHOLESALE TERM LOAN FACILITY \$45,000,000 ("Facility")

ACCOUNT NO. 030104/786183-91

We are pleased to confirm that we have approved the following changes to your banking arrangements.

#### THE CHANGES

1. The amount of your Facility will be reduced by \$5,000,000 (Five Million Dollars) to \$40,000,000 (Forty Million Dollars).
2. The line of credit charge, as defined in clause 6.1 (b) of the facility agreement dated 20 June 2007 ("Agreement") will increase to 0.40% (+0.10%) per annum.
3. The Margin of the Facility will be increased to 2.0% (+0.55%). No additional Global Liquidity Cost will apply.
4. The Termination Date of the Facility will be extended to 31 March 2015 with the facility remaining interest only for this extended period.

#### THE CONDITIONS OF APPROVAL

1. An extension fee of \$40,000 is payable on acceptance of this letter of variation. The fee will be debited to the current account of Reading New Zealand Limited (03025 2/506091 -00).
2. You will provide to Westpac NZ prior to 31 December 2012, updated valuations of all assets owned by the Charging Group and secured to Westpac NZ. The valuations will be by valuers acceptable to Westpac NZ in all respects, in a form satisfactory to Westpac NZ in all respects, and be addressed to Westpac NZ. The Borrower will ensure that the valuations for the freehold and going concern assets utilise matching occupancy costs for the owner occupied properties.
3. You will provide written confirmation of ongoing insurance cover following expiration of current cover on or about 31 January 2012 provided by Gallagher Broking Services for the secured properties. Such written confirmation to be acceptable to Westpac NZ in all respects.

Capitalised terms in this letter have the meaning attributed to them in the Agreement.

In all other respects, your banking arrangements remain unchanged.

Please confirm your acceptance of this change by signing this letter. The changes will take effect from the date we receive the signed copy from you, once all conditions of approval have been satisfied.

WESTPAC NEW ZEALAND LIMITED

/s/ AW Long

A W Long

PROPERTY FINANCE MANAGER

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ACCEPTANCE

We accept the changes described in this letter.

Signed on behalf of the Borrower Reading Courtenay Central Limited by:

/s/ James J. Cotter Director  
Date of acceptance 9 February 2012

/s/ Andrzej Matyczynski Director  
Date of acceptance 9 February 2012

Guarantors' Consent

We confirm that our guarantee is not affected by the changes referred to in this letter.

Signed on behalf of Reading New Zealand Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Courtenay Car Park Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Reading Cinemas Courtenay Central Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Copenhagen Courtenay Central Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Movieland Cinemas NZ Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Queenstown Land Holdings Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Darnelle Enterprises Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

Signed on behalf of Reading Queenstown Limited by:

/s/ Andrzej Matyczynski Director 9 February 2012

## READING INTERNATIONAL, INC. – LIST OF SUBSIDIARIES

| <b>Subsidiary</b>                            | <b>Jurisdiction of Incorporation</b> |
|--|--------------------------------------|
| A.C.N. 143 633 096 Pty Ltd                   | Australia                            |
| AHGP, Inc.                                   | Delaware                             |
| AHLP, Inc.                                   | Delaware                             |
| Angelika Film Center Mosaic, LLC             | Nevada                               |
| Angelika Film Centers (Dallas), Inc.         | Texas                                |
| Angelika Film Centers (Plano) LP             | Nevada                               |
| Angelika Film Centers LLC                    | Delaware                             |
| Australia Country Cinemas Pty Ltd            | Australia                            |
| Australian Equipment Supply Pty Ltd          | Australia                            |
| Bayou Cinemas LP                             | Delaware                             |
| Bogart Holdings Ltd                          | New Zealand                          |
| Burwood Developments Pty Ltd                 | Australia                            |
| Carmel Theatres, LLC                         | Nevada                               |
| Citadel Agriculture, Inc.                    | California                           |
| Citadel Cinemas, Inc.                        | Nevada                               |
| Citadel Realty, Inc.                         | Nevada                               |
| City Cinemas, LLC                            | Nevada                               |
| Consolidated Amusement Holdings, Inc.        | Nevada                               |
| Consolidated Entertainment, Inc.             | Nevada                               |
| Copenhagen Courtenay Central Ltd             | New Zealand                          |
| Courtenay Car Park Ltd                       | New Zealand                          |
| Craig Corporation                            | Nevada                               |
| Darnelle Enterprises Ltd                     | New Zealand                          |
| Dimension Specialty, Inc.                    | Delaware                             |
| Epping Cinemas Pty Ltd                       | Australia                            |
| Gaslamp Theatres, LLC                        | Nevada                               |
| Hope Street Hospitality, LLC                 | Delaware                             |
| Hotel Newmarket Pty Ltd                      | Australia                            |
| Kahala Cinema Company LLC                    | Nevada                               |
| Liberty Live, LLC                            | Nevada                               |
| Liberty Theaters, LLC                        | Nevada                               |
| Liberty Theatricals, LLC                     | Nevada                               |
| Minetta Live, LLC                            | Nevada                               |
| Movieland Cinemas (NZ) Ltd                   | New Zealand                          |
| Newmarket Properties #3 Pty Ltd              | Australia                            |
| Newmarket Properties No. 2 Pty Ltd           | Australia                            |
| Newmarket Properties Pty Ltd                 | Australia                            |
| Orpheum Live, LLC                            | Nevada                               |
| Queenstown Land Holdings Ltd                 | New Zealand                          |
| Reading Arthouse Distribution Ltd            | New Zealand                          |
| Reading Arthouse Ltd                         | New Zealand                          |
| Reading Associated Payroll Services, LLC     | Nevada                               |
| Reading Auburn Pty Ltd                       | Australia                            |
| Reading Australia Leasing (E&R) Pty Ltd      | Australia                            |
| Reading Belmont Pty Ltd                      | Australia                            |
| Reading Capital Corporation                  | Delaware                             |
| Reading Center Development Corporation       | Pennsylvania                         |
| Reading Charlestown Pty Ltd                  | Australia                            |
| Reading Cinemas Courtenay Central Ltd        | New Zealand                          |
| Reading Cinemas Management Pty Ltd           | Australia                            |
| Reading Cinemas NJ, Inc.                     | Delaware                             |
| Reading Cinemas of Puerto Rico, Inc.         | Puerto Rico                          |
| Reading Cinemas Pty Ltd                      | Australia                            |
| Reading Cinemas Puerto Rico LLC              | Nevada                               |
| Reading Cinemas USA LLC                      | Nevada                               |
| Reading Colac Pty Ltd                        | Australia                            |
| Reading Company                              | Pennsylvania                         |
| Reading Consolidated Holdings, Inc.          | Nevada                               |
| Reading Consolidated Holdings (Hawaii), Inc. | Hawaii                               |
| Reading Dandenong Pty Ltd                    | Australia                            |
| Reading Elizabeth Pty Ltd                    | Australia                            |
| Reading Entertainment Australia Pty Ltd      | Australia                            |
| Reading Exhibition Pty Ltd                   | Australia                            |

|   |              |
|---|--------------|
| Reading Holdings, Inc.                    | Nevada       |
| Reading International Cinemas LLC         | Delaware     |
| Reading International Services Company    | California   |
| Reading Licenses Pty Ltd                  | Australia    |
| Reading Maitland Pty Ltd                  | Australia    |
| Reading Malulani, LLC                     | Nevada       |
| Reading Melton Pty Ltd                    | Australia    |
| Reading Moonee Ponds Pty Ltd              | Australia    |
| Reading Murrieta Theater, LLC             | Nevada       |
| Reading New Zealand Holdings Ltd          | New Zealand  |
| Reading New Zealand Ltd                   | New Zealand  |
| Reading Pacific LLC                       | Nevada       |
| Reading Properties Indooroopilly Pty Ltd  | Australia    |
| Reading Properties Lake Taupo Ltd         | New Zealand  |
| Reading Properties Manukau Ltd            | New Zealand  |
| Reading Properties New Zealand Ltd        | New Zealand  |
| Reading Properties Pty Ltd                | Australia    |
| Reading Properties Taringa Pty Ltd        | Australia    |
| Reading Property Holdings Pty Ltd         | Australia    |
| Reading Queenstown Ltd                    | New Zealand  |
| Reading Real Estate Company               | Pennsylvania |
| Reading Rouse Hill Pty Ltd                | Australia    |
| Reading Royal George, LLC                 | Delaware     |
| Reading Sunbury Pty Ltd                   | Australia    |
| Reading Theaters, Inc.                    | Delaware     |
| Reading Wellington Properties Ltd         | New Zealand  |
| Rhodes Peninsula Cinema Pty Ltd           | Australia    |
| Rialto Brands Ltd                         | New Zealand  |
| Rialto Cinemas Ltd                        | New Zealand  |
| Rialto Distribution Ltd                   | New Zealand  |
| Rialto Entertainment Ltd                  | New Zealand  |
| Ronwood Investments Ltd                   | New Zealand  |
| Rydal Equipment Co.                       | Pennsylvania |
| S Note Liquidation Company, LLC           | Nevada       |
| Sails Apartments Management Ltd           | New Zealand  |
| Sutton Hill Properties, LLC               | Nevada       |
| Tobrooke Holdings Ltd                     | New Zealand  |
| Trans-Pacific Finance Fund I, LLC         | Delaware     |
| Trenton-Princeton Traction Company        | New Jersey   |
| Twin Cities Cinemas, Inc.                 | Delaware     |
| US Agricultural Investors, LLC            | Delaware     |
| US Development, LLC                       | Nevada       |
| US International Property Finance Pty Ltd | Australia    |
| Washington and Franklin Railway Company   | Pennsylvania |
| Westlakes Cinema Pty Ltd                  | Australia    |



**Consent of Independent Registered Public Accounting Firm**

We have issued our reports dated March 15, 2012, with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of Reading International, Inc. on Form 10-K for the year ended December 31, 2011. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Reading International, Inc. on Form S-8 (File No. 333-36277) and on Form S-3 (File No. 333-162581).

/s/ GRANT THORNTON LLP

Los Angeles, California  
March 15, 2012

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-36277 on Form S-8 and in Registration Statement No. 333-162581 on Form S-3 of our report dated March 15, 2011 (March 15, 2012 as to the effects of the retrospective adjustments for the reversal of discontinued operations discussed in Note 9), relating to the financial statements and financial statement schedule of Reading International, Inc. and subsidiaries (the "Company"), which report includes an explanatory paragraph regarding the current maturity of the Company's Australian Credit Facility and an explanatory paragraph regarding the retrospective adjustment to reflect the reversal of discontinued operations, appearing in this Annual Report on Form 10-K of Reading International, Inc. and subsidiaries for the year ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California

March 15, 2012

Consent of Independent Auditor

The Management Committee and Joint Venturers

Mt. Gravatt Cinemas Joint Venture:

We consent to the incorporation by reference in the registration statements No. 333-162581 on Form S-3 and No. 333-167101 on Form S-8 of Reading International, Inc., of our report dated March 1, 2012 with respect to the statement of financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2011 and 2010, and the related income statements, statements of changes in members' equity, and statements of cash flows for the year ended December 31, 2011 and 2010, which report appears in the December 31, 2011, annual report on Form 10-K of Reading International, Inc.

KPMG

Sydney, Australia

March 15, 2012

## CERTIFICATIONS

**EXHIBIT 31.1**

### **CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Cotter, certify that:

- 1) I have reviewed this Form 10-K of Reading International, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James J. Cotter

James J. Cotter

Chief Executive Officer

March 15, 2012

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrzej Matyczynski, certify that:

- 1) I have reviewed this Form 10-K of Reading International, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrzej Matyczynski

Andrzej Matyczynski

Chief Financial Officer

March 15, 2012

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 (the "Report"), I, James J. Cotter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James J. Cotter  
James J. Cotter  
Chief Executive Officer  
March 15, 2012

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 (the "Report"), I, Andrzej Matyczynski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrzej Matyczynski  
Andrzej Matyczynski  
Chief Financial Officer  
March 15, 2012

