READING INTERNATIONAL INC
Form 10-Q
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: September 30, 2015

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 number 1-8625

READING INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

NEVADA	95-3885184
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
6100 Center Drive, Suite 900	
Los Angeles, CA	90045
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (213) 235-2240

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

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 November 6, 2015, there were 21,642,365 shares of Class A Nonvoting Common Stock, $0.01 par value per share and 1,680,590 shares of Class B Voting Common Stock, $0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

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PART 1 - Financial Information

Item 1 - Financial Statements

Reading International, Inc.

Condensed Consolidated Balance Sheets

(Unaudited; U.S. dollars in thousands, except share information)

	September 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 62,081	$ 50,248
Receivables	8,017	11,348
Inventory	818	1,010
Investment in marketable securities	43	54
Restricted cash	175	1,433
Deferred tax asset, net	2,760	6,300
Prepaid and other current assets	3,273	3,426
Land held for sale	393	10,112
Total current assets	77,560	83,931
Operating property, net	170,259	186,889
Land held for sale	36,580	42,588
Investment and development property, net	21,793	26,124
Investment in unconsolidated joint ventures and entities	5,241	6,169
Investment in Reading International Trust I	838	838
Goodwill	19,047	21,281
Intangible assets, net	10,347	11,486
Deferred tax asset, net	17,487	15,967
Other assets	5,271	6,313
Total assets	$ 364,423	$ 401,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 19,653	$ 18,107
Film rent payable	5,381	9,328
Notes payable – current	16,404	38,104
Taxes payable - current	5,528	6,003
Deferred current revenue	12,290	14,239
Other current liabilities	8,501	6,969
Total current liabilities	67,757	92,750
Notes payable – long-term	101,401	98,019
Subordinated debt	27,913	27,913

Noncurrent tax liabilities	7,066	10,029
Other liabilities	39,108	40,577
Total liabilities	243,245	269,288
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 32,794,718 issued and 21,617,910 outstanding at September 30, 2015 and 32,254,199 issued and 21,741,586 outstanding at December 31, 2014	229	228
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,680,590 issued and outstanding at September 30, 2015 and 1,495,490 issued and outstanding at December 31, 2014	17	15
Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at September 30, 2015 and December 31, 2014	--	--
Additional paid-in capital	142,476	140,237
Accumulated deficit	(12,755)	(32,251)
Treasury shares	(13,524)	(8,582)
Accumulated other comprehensive income	364	28,039
Total Reading International, Inc. stockholders' equity	116,807	127,686
Noncontrolling interests	4,371	4,612
Total stockholders' equity	121,178	132,298
Total liabilities and stockholders' equity	$ 364,423	$ 401,586

See accompanying Notes to Consolidated Financial Statements.

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Reading International, Inc.

Condensed Consolidated Statements of Operations

(Unaudited; U.S. dollars in thousands, except per share amounts)

	Quarter Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015 (1)	September 30, 2014
Operating revenue				
Cinema	$ 54,368	$ 60,947	$ 180,223	$ 180,225
Real estate	3,420	4,084	10,951	12,781
Total operating revenue	57,788	65,031	191,174	193,006
Operating expense				
Cinema	(44,463)	(48,292)	(140,825)	(142,016)
Real estate	(2,570)	(2,289)	(7,004)	(7,523)
Depreciation and amortization	(3,501)	(3,821)	(10,769)	(11,490)
General and administrative	(4,134)	(4,456)	(13,736)	(14,723)
Total operating expense	(54,668)	(58,858)	(172,334)	(175,752)
Operating income	3,120	6,173	18,840	17,254
Interest income	485	203	1,007	429
Interest expense	(2,379)	(1,614)	(7,077)	(6,966)
Net gain on sale of assets	--	25	11,023	25
Other (expense) income	(577)	242	(667)	1,630
Income before income tax expense and equity earnings of unconsolidated joint ventures and entities	649	5,029	23,126	12,372
Equity earnings of unconsolidated joint ventures and entities	195	222	915	833
Income before income taxes	844	5,251	24,041	13,205
Income tax expense	(517)	(1,312)	(4,605)	(4,747)
Net income	$ 327	$ 3,939	$ 19,436	$ 8,458
Net loss attributable to noncontrolling interests	54	--	60	23
Net income attributable to Reading International, Inc. common stockholders	$ 381	$ 3,939	$ 19,496	$ 8,481
Basic earnings per share attributable to Reading International, Inc. stockholders	$ 0.02	$ 0.17	$ 0.84	$ 0.36
Diluted earnings per share attributable to Reading International, Inc. stockholders	$ 0.02	$ 0.17	$ 0.83	$ 0.36
Weighted average number of shares outstanding–basic	23,287,449	23,380,728	23,283,405	23,457,050
Weighted average number of shares outstanding–diluted	23,482,262	23,678,223	23,478,218	23,754,545

See accompanying Notes to Consolidated Financial Statements.

(1) Certain prior period amounts have been reclassified to conform to the current period presentation.

Reading International, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited; U.S. dollars in thousands)

	Quarter Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	$ 327	$ 3,939	$ 19,436	$ 8,458
Foreign currency translation loss	(13,741)	(14,687)	(27,769)	(4,627)
Unrealized loss on available for sale investments	(4)	(1)	(3)	(2)
Amortization of actuarial loss	51	215	155	686
Comprehensive loss	(13,367)	(10,534)	(8,181)	4,515
Net loss attributable to noncontrolling interests	54	--	60	23
Comprehensive income attributable to noncontrolling interests	(37)	(42)	(59)	(14)
Comprehensive (loss) income attributable to Reading International, Inc.	$ (13,350)	$ (10,576)	$ (8,180)	$ 4,524

See accompanying Notes to Consolidated Financial Statements.

Reading International, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited; U.S. dollars in thousands)

	Nine Months Ended September 30, 2015	September 30, 2014
Operating Activities		
Net income	$ 19,436	$ 8,458
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity earnings of unconsolidated joint ventures and entities	(915)	(833)
Distributions of earnings from unconsolidated joint ventures and entities	901	610
Gain on sale of property	(11,023)	(25)
Change in net deferred tax assets	1,405	2,642
Depreciation and amortization	10,769	11,490
Amortization of actuarial loss	155	686
Amortization of above and below market leases	344	215
Amortization of deferred financing costs	706	578
Amortization of straight-line rent	(370)	360
Stock based compensation expense	222	86
Net change in:		
Receivables	2,492	522
Prepaid and other assets	(85)	(1,408)
Accounts payable and accrued expenses	2,905	(1,597)
Film rent payable	(3,608)	(96)
Taxes payable	(314)	(5,168)
Deferred revenue and other liabilities	(1,653)	(1,706)
Net cash provided by operating activities	21,367	14,814
Investing Activities		
Purchases of and additions to property and equipment	(14,411)	(8,669)
Change in restricted cash	1,256	27
Distributions of investment in unconsolidated joint ventures and entities	--	212
Proceeds from sale of property	21,889	5,390
Net cash provided (used) by investing activities	8,734	(3,040)
Financing Activities		
Repayment of long-term borrowings	(7,347)	(6,627)
Capitalized borrowing costs	(191)	--
Repurchase of Class A Nonvoting Common Stock	(3,109)	(2,342)
Proceeds from the exercise of stock options	183	975
Noncontrolling interest contributions	17	327

Noncontrolling interest distributions	(139)	(101)
Net cash used in financing activities	(10,586)	(7,768)
Impact of exchange rate on cash	(7,682)	(1,066)
Increase in cash and cash equivalents	11,833	2,940
Cash and cash equivalents at the beginning of the period	50,248	37,696
Cash and cash equivalents at the end of the period	$ 62,081	$ 40,636
Supplemental Disclosures		
Interest paid	$ 6,582	$ 7,357
Income taxes paid	6,665	5,178

See accompanying Notes to Consolidated Financial Statements.

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READING INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 – Basis of Presentation

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 founded in 1983 as a Delaware corporation and reincorporated in 1999 in Nevada. 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.

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). As such, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. We believe that we have included all normal recurring adjustments necessary for a fair presentation of the results for the interim period. Operating results for the quarter and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Please note that certain prior period amounts have been reclassified to conform to the current period presentation. These financial statements should be read in conjunction with the Company's 2014 Annual Report on Form 10-K.

Recently Issued and Recently Adopted Accounting Pronouncements

Adopted:

On January 1, 2015, the Company adopted changes issued by the Financial Accounting Standards Board (FASB) to reporting discontinued operations and disclosures of disposals of components of an entity. These changes require a disposal of a component to meet a higher threshold in order to be reported as a discontinued operation in an entity's financial statements. The threshold is defined as a strategic shift that has, or will have, a major effect on an entity's operations and financial results such as a disposal of a major geographical area or a major line of business. In addition, the following two criteria have been removed from consideration of whether a component meets the requirements for discontinued operations presentation: (i) the operations and cash flows of a disposal component have been or will be eliminated from the ongoing operations of an entity as a result of the disposal transaction, and (ii) an entity will not have any significant continuing involvement in the operations of the disposal component after the disposal transaction. Furthermore, equity method investments now may qualify for discontinued operations presentation. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The adoption of these changes had no material impact on the Consolidated Financial Statements.

Issued:

In September 2015, the FASB issued Accounting Standards Update ("ASU") 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, effective for the Company on January 1, 2016. Under the ASU, an acquirer in a business combination transaction must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation or amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. The ASU also requires that the acquirer present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

In April 2015, the FASB issued ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-03) - Simplifying the Presentation of Debt Issuance Costs which requires unamortized debt issuance costs to be presented as a reduction of the corresponding debt liability rather than a separate asset. These changes become effective for the Company on January 1, 2016. The adoption of this standard is not expected to have a material impact on the Company's financial statement disclosures.

In May 2014, the FASB issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. GAAP. Under the new model, recognition of revenues occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard becomes effective for the Company on January 1, 2018. Early adoption is permitted but cannot be earlier than January 1, 2017. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements. While we believe the proposed guidance will not have a material impact on our business because our revenue predominantly comes from movie ticket sales and concession purchases, we plan to complete the analysis to ensure that we are in compliance prior to the effective date.

Note 2 – Business Segments

Reported below are the operating segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer. In addition to the cinema exhibition and real estate activities, we have acquired, and continue to hold, raw land in urban and suburban centers in Australia, New Zealand, and the United States, as part of our real estate activities.

The tables below summarize the results of operations for each of our business segments for the quarter and nine months ended September 30, 2015 and 2014, respectively. Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties, including our live theater assets.

	Quarter Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue:				
Cinema exhibition	$ 54,368	$ 60,947	$ 180,223	$ 180,225
Real estate	4,968	6,035	15,908	18,396
Inter-segment elimination	(1,548)	(1,951)	(4,957)	(5,615)
	$ 57,788	$ 65,031	$ 191,174	$ 193,006
Segment operating income:				
Cinema exhibition	$ 4,838	$ 7,136	$ 23,745	$ 21,313
Real estate	1,443	2,346	5,952	7,164
	$ 6,281	$ 9,482	$ 29,697	$ 28,477

A reconciliation of segment operating income to income before income taxes is as follows:

(Dollars in thousands)	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Segment operating income	$ 6,281	$ 9,482	$ 29,697	$ 28,477
Unallocated corporate expense				
Depreciation and amortization expense	(86)	(92)	(220)	(273)
General and administrative expense	(3,075)	(3,217)	(10,637)	(10,950)
Interest expense, net	(1,894)	(1,411)	(6,070)	(6,537)
Equity earnings of unconsolidated joint ventures and entities	195	222	915	833
Gain on sale of assets	-	25	11,023	25
Other income (expense)	(577)	242	(667)	1,630
Income before income taxes	$ 844	$ 5,251	$ 24,041	$ 13,205

Note 3 – Operations in Foreign Currency

We have significant assets in Australia and New Zealand. To the extent possible, we conduct our Australian and New Zealand operations (collectively "foreign operations") on a self-funding basis where we use cash flows generated by foreign operations to pay for the expense of foreign operations. Our Australian and New Zealand assets and liabilities are translated from their functional currencies of Australian dollar (A$) and New Zealand dollar (NZ$), respectively to U.S. dollar based on the exchange rate as of September 30, 2015. The carrying value of the assets and liabilities of our foreign operations fluctuates as result of changes in the exchange rates between the functional currencies of the foreign operations and the U.S. dollar. The translation adjustments are accumulated in the Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

Because we intend to conduct business on a self-funding basis (except for funds used to pay on appropriate share of our domestic corporate overhead), we do not believe the currency fluctuations present a material risk to the Company. As such, we do not use derivative financial instruments to hedge against the risk of foreign currency exposure.

Presented in the table below are the currency exchange rates for Australia and New Zealand as of September 30, 2015, December 31, 2014 and September 30, 2014

	Foreign Currency / USD		
	September 30, 2015	December 31, 2014	September 30, 2014
Australian Dollar	0.7020	0.8173	0.8737
New Zealand Dollar	0.6390	0.7796	0.7788

Note 4 – Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net income attributable to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by dividing the net income attributable to the Company's common stockholders by the weighted average number of common and common equivalent shares outstanding during the period and are calculated using the treasury stock method for equity-based compensation awards.

The following table sets forth the computation of basic and diluted EPS and a reconciliation of the weighted average number of common and common equivalent shares outstanding.

	Quarter Ended	Nine Months Ended

(Dollars in thousands, except share data)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Numerator:				
Net income attributable to RDI common stockholders	$ 381	$ 3,939	$ 19,496	$ 8,481
Denominator:				
Weighted average number of common stock – basic	23,287,449	23,380,728	23,283,405	23,457,050
Weighted average dilutive impact of stock-based awards	194,813	297,495	194,813	297,495
Weighted average number of common stock – diluted	23,482,262	23,678,223	23,478,218	23,754,545
Basic EPS attributable to RDI common stockholders	$ 0.02	$ 0.17	$ 0.84	$ 0.36
Diluted EPS attributable to RDI common stockholders	$ 0.02	$ 0.17	$ 0.83	$ 0.36
Awards excluded from diluted EPS	100,000	218,750	100,000	248,750

Note 5 – Property and Equipment

Operating Property, net

As of September 30, 2015 and December 31, 2014, property associated with our operating activities is summarized as follows:

(Dollars in thousands)	September 30, 2015		December 31, 2014	
Land	$	57,365	$	62,024
Building and improvements		104,050		120,913
Leasehold interests		45,675		46,813
Fixtures and equipment		98,249		107,286
Construction-in-progress (including capitalized interest)		12,188		4,681
Total cost		317,527		341,717
Less: accumulated depreciation		(147,268)		(154,828)
Operating property, net	$	170,259	$	186,889

Depreciation expense for operating property was $3.3 million and $10.1 million for the quarter and nine months ended September 30, 2015 and $3.7 million and $10.7 million for the quarter and nine months ended September 30, 2014.

Operating Property – Taupo, New Zealand

On April 1, 2015, we entered into two definitive purchase and sale agreements to sell our properties at Taupo, New Zealand for a combined sales price of $2.3 million (NZ$3.4 million). The first agreement relates to a property with a sales price of $1.49 million (NZ$2.2 million) and a book value of $1.3 million (NZ$1.8 million), which closed on April 30, 2015 when we received the sales price in full. The other agreement relates to a property with a sales price of $767,000 (NZ$1.2 million) and a book value of $393,000 (NZ$615,000) with a closing date of March 31, 2016. This property is classified as held for sale as of September 30, 2015. While both transactions were treated as current sales for tax purposes, only the first transaction qualifies as a sale under U.S. GAAP.

Operating Property – Moonee Ponds, Australia

On October 15, 2013, we entered into a definitive purchase and sale agreement to sell this property for a sales price of $17.5 million (A$ 23.0 million) payable in full upon closing of the transaction on April 16, 2015. In accordance with the requirements under U.S. GAAP, we recognized a profit of $8.0 million (A$ 10.3 million) in the second quarter of 2015 upon the receipt of sale proceeds on April 16, 2015.

Operating Property – Burwood, Australia

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6 acre parcel in Burwood, Victoria, Australia, to an affiliate of Australand Holdings Limited (now known as Frasers Property Australia) for a purchase price of $47.0 million (A$65.0 million).

We received $5.9 million (A$6.5 million) on May 23, 2014. The remaining purchase price of $41.1 million (A$58.5 million) is due on December 31, 2017. The agreement provides for mandatory pre-payments in the event that any of the land is sold by the buyer, any such prepayment being in an amount equal to the greater of (a) 90% of the net sales price or (b) the balance of the purchase price multiplied by a fraction the numerator of which is the square footage of property being sold by the buyer and the denominator of which is the original square footage of the property being sold to the buyer. The agreement does not provide for the payment of interest on the balance owed.

Our book value in the property is $36.6 million (A$52.1 million) and while the transaction was treated as a current sale for tax purposes in 2014, it does not qualify as a sale under U.S. GAAP until the receipt of the payment of the balance of the purchase price due on December 31, 2017 (or earlier depending upon whether any prepayment obligation is triggered). The asset is classified as long-term land held for sale on the Consolidated Balance Sheet as of September 30, 2015.

Investment and Development Property

As of September 30, 2015 and December 31, 2014, our investment and development property is summarized below:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Land	$ 20,329	$ 23,833
Construction-in-progress (including capitalized interest)	1,464	2,291
Investment and development property	$ 21,793	$ 26,124

Note 6 – Investments in Unconsolidated Joint Ventures and Entities

Our investments in unconsolidated joint ventures and entities are accounted for under the equity method of accounting, except for Rialto Distribution, which is accounted for as a cost method investment. The table below summarizes our investments in unconsolidated joint ventures and entities as of September 30, 2015 and December 31, 2014:

(Dollars in thousands)	Interest	September 30, 2015	December 31, 2014
Rialto Distribution	33.3%	$ --	$ --
Rialto Cinemas	50.0%	1,183	1,564
Mt. Gravatt	33.3%	4,058	4,605
Total investments		$ 5,241	$ 6,169

For the quarter and nine months ended September 30, 2015 and 2014, we recorded our share of equity earnings from our investments in unconsolidated joint ventures and entities as follows:

	Quarter Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Rialto Distribution	$ 93	$ --	$ 115	$ 13
Rialto Cinemas	(100)	69	35	424
Mt. Gravatt	202	153	765	396
Total equity earnings	$ 195	$ 222	$ 915	$ 833

Note 7 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment as of September 30, 2015 and December 31, 2014.

(Dollars in thousands)	Cinema	Real Estate	Total
Goodwill as of December 31, 2014	$ 16,057	$ 5,224	$ 21,281
Foreign currency translation adjustment	(2,234)	--	(2,234)
Goodwill at September 30, 2015	$ 13,823	$ 5,224	$ 19,047

The Company is required to test goodwill and other intangible assets for impairment on an annual basis and, if current events or circumstances require, on an interim basis. Our next annual evaluation of goodwill and other intangible assets is scheduled for the fourth quarter of 2015. To test the impairment of goodwill, the Company compares the fair value of each reporting unit to its carrying amount, including the goodwill, to determine if there is potential goodwill impairment. A reporting unit is generally one level below the operating segment. As of September 30, 2015, we were not aware of any events that made us believe potential impairment of goodwill had occurred.

The tables below summarize intangible assets other than goodwill as of September 30, 2015 and December 31, 2014, respectively.

	As of September 31, 2015			
(Dollars in thousands)	Beneficial Leases	Trade Name	Other Intangible Assets	Total
Gross intangible assets	$ 26,738	$ 7,254	$ 692	$ 34,684
Less: Accumulated amortization	(19,687)	(4,207)	(443)	(24,337)
Net intangible assets	$ 7,051	$ 3,047	$ 249	$ 10,347

	As of December 31, 2014			
(Dollars in thousands)	Beneficial Leases	Trade Name	Other Intangible Assets	Total
Gross intangible assets	$ 24,150	$ 7,254	$ 423	$ 31,827
Less: Accumulated amortization	(15,989)	(3,929)	(423)	(20,341)
Net intangible assets	$ 8,161	$ 3,325	$ --	$ 11,486

Beneficial leases are amortized over the life of the lease up to 30 years, trade names are amortized based on the accelerated amortization method over its estimated useful life of 45 years, and other intangible assets are amortized over 10 years. The table below summarizes the amortization expense of intangible assets for the quarter and nine months as of September 30, 2014 and September 30, 2015, respectively.

	Quarter Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Beneficial lease amortization	$ 191	$ 187	$ 574	$ 633
Other amortization	207	158	649	767
Total intangible assets amortization	$ 398	$ 345	$ 1,223	$ 1,400

Note 8 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Prepaid and other current assets		
Prepaid expenses	$ 1,311	$ 1,166
Prepaid taxes	688	855
Prepaid rent	905	1,033
Deposits	369	369
Other	--	3
Total prepaid and other current assets	$ 3,273	$ 3,426
Other non-current assets		
Other non-cinema and non-rental real estate assets	$ 1,134	$ 1,134
Long-term deposits	69	97
Deferred financing costs, net	1,967	2,515
Straight-line rent	2,044	2,547
Other	57	20
Total non-current assets	$ 5,271	$ 6,313

Note 9 – Income Tax

The provision for income taxes is different from the amount computed by applying U.S. statutory rates to consolidated income before taxes. The significant reason for these differences is as follows:

(Dollars in thousands)	Quarter Ended September 30, 2015	September 30, 2014	Nine Months Ended September 30, 2015	September 30, 2014
Expected tax provision	$ 315	$ 1,838	$ 8,436	$ 4,630
Increase (decrease) in tax expense resulting from:				
Change in valuation allowance, other	810	(1,611)	38	(4,019)
Foreign tax provision	42	770	117	3,450
Foreign withholding tax provision	156	146	492	435
Reversal of tax expense on undistributed foreign earnings	--	--	(3,394)	--
Tax effect of foreign tax rates on current income	(741)	(227)	(1,035)	(611)
State and local tax provision	(81)	2	265	257
Tax litigation settlement	180	394	540	605
Tax litigation settlement adjustment	(164)	--	(854)	--
Actual tax provision	$ 517	$ 1,312	$ 4,605	$ 4,747

Pursuant to ASC 740-10, Income Taxes, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. During the second quarter of 2015, we adjusted our capital allocation strategy to require that earnings available in Australia be reinvested in Australia. The adjustment was primarily supported by increased investment opportunities in Australia. Accordingly, as of June 30, 2015, our intent is that earnings of our Australian subsidiaries are indefinitely invested outside the United States.

We have accrued $11.5 million in total income tax liabilities as of September 30, 2015, of which $4.4 million has been classified as Taxes Payable – Current and $7.1 million has been classified as Taxes Payable – Long-Term. As part of current tax liabilities, we have accrued $2.7 million in connection with the settlement of the IRS claims against our subsidiary, Craig Corporation, relating to its 1996 tax year. This is an obligation of Craig Corporation, and not of Reading International, Inc. We believe that the $11.5 million represents an adequate provision for our income tax exposures, including income tax contingencies related to foreign withholding taxes.

Note 10 – Debt

The Company's borrowings at September 30, 2015 and December 31, 2014, including the impact of interest rate swaps, are summarized below:

	As of September 30, 2015				
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate (1)
Denominated in USD					
Trust Preferred Securities (USA)	April 30, 2027	$ 27,913	$ 27,913	4.30%	5.20%
		55,000	29,750	2.69%	3.65%

Bank of America Credit Facility (USA)	November 28, 2019				
Bank of America Line of Credit (USA)	October 31, 2017	5,000	--	3.19%	3.19%
Cinema 1, 2, 3 Term Loan (USA)	July 1, 2016	15,000	15,000	3.75%	3.75%
Cinema 1, 2, 3 Line of Credit (USA)	July 1, 2016	6,000	--	3.75%	3.69%
Minetta & Orpheum Theatres Loan (USA)	June 1, 2018	7,500	7,500	3.00%	3.00%
Union Square Line of Credit (USA)	June 2, 2017	8,000	8,000	3.28%	3.28%
Denominated in FC (2)					
NAB Corporate Term Loan (AU)	June 30, 2019	39,663	39,663	4.45%	7.85%
NAB Corporate Credit Facility (AU)	June 30, 2019	7,020	--	4.45%	4.45%
Westpac Corporate Credit Facility (NZ)	March 31, 2018	31,950	17,892	4.65%	4.65%
Total			$ 145,718		

(1) Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities, Bank of America Credit Facility and NAB Corporate Term Loan that were outstanding as of September 30, 2015

(2) The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of September 30, 2015.

	As of December 31, 2014				
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate (1)
Denominated in USD					
Trust Preferred Securities (USA)	April 30, 2027	$ 27,913	$ 27,913	4.23%	5.20%
Bank of America Credit Facility (USA)	November 28, 2019	55,000	29,750	2.67%	3.65%
Bank of America Line of Credit (USA)	October 31, 2017	5,000	--	3.17%	3.17%
Cinema 1, 2, 3 Term Loan (USA)	July 1, 2016	15,000	15,000	3.69%	3.69%
Cinema 1, 2, 3 Line of Credit (USA)	July 1, 2016	6,000	--	3.69%	3.69%
Minetta & Orpheum Theatres Loan (USA)	June 1, 2018	7,500	7,500	2.94%	2.94%
Union Square Theatre Term Loan (USA)	May 1, 2015	7,500	6,468	5.92%	5.92%
Denominated in FC (2)					
NAB Corporate Term Loan (AU)	June 30, 2019	47,403	47,403	5.04%	7.85%
NAB Corporate Credit Facility (AU)	June 30, 2019	8,173	8,173	5.04%	5.04%
Westpac Corporate Credit Facility (NZ)	March 31, 2015	21,829	21,829	5.80%	5.80%
Total			$ 164,036		

(1) Effective interest rate includes the impact of interest rate derivatives hedging interest rate risk associated with Trust Preferred Securities, Bank of America Credit Facility and NAB Corporate Term Loan.

(2) The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollar based on the applicable exchange rates as of December 31, 2014.

New Zealand Corporate Credit Facility

On May 21, 2015, we refinanced our existing New Zealand Corporate Credit Facility with a $32.0 million (NZ$50.0 million) facility with the same bank (Westpac Bank), bearing an interest rate of 1.75% above Bank Bill Bid Rate ("BBBR") and maturing on March 31, 2018. The facility is broken into two tranches, one a $22.4 million (NZ$35.0 million) credit facility and the second tranche for a $9.6 million (NZ$15.0 million) facility to be used for construction funding.

US Union Square Non-Revolving Line of Credit

On June 2, 2015, we replaced our US Union Square Term Loan with an $8.0 million "non-revolving" line of credit with East West Bank, collateralized by our Union Square property. The line of credit bears an interest rate of 2.95% above the 90-day LIBOR and matures on June 2, 2017, with an option to extend for one additional year.

Note 11 – Other Liabilities

Other liabilities are summarized as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014(1)
Current liabilities		
Lease liability	$ 5,900	$ 5,900
Security deposit payable	202	202
Accrued pension	1,368	855
Interest rate swap	962	-
Other	69	12
Other current liabilities	$ 8,501	$ 6,969
Other liabilities		
Straight-line rent liability	10,737	9,246
Foreign withholding taxes	$ 7,217	$ 7,016
Accrued pension	6,362	6,740
Lease make-good provision	4,201	4,977
Deferred revenue - real estate	4,541	5,083
Environmental reserve	1,656	1,656
Interest rate swap	520	2,177
Acquired leases	959	1,265
Other	2,915	2,417
Other liabilities	$ 39,108	$ 40,577

(1) Certain prior period amounts have been reclassified to conform to the current period presentation

On August 29, 2014 the Supplemental Executive Retirement Plan (“SERP”) that was effective since March 1, 2007, was ended and replaced with a new pension annuity. As a result of the termination of the SERP program, the accrued pension liability of $7.6 million was reversed and replaced with a new pension annuity liability of $7.5 million. The valuation of the liability is based on the present value of $10.3 million discounted at a rate of 4.25% over a 15- year term, resulting in a monthly payment of $56,944 payable to the estate of Jim Cotter Sr.. The discounted value of $2.8 million (which is the difference between the estimated payout of $10.3 million and the present value of $7.5 million) will be amortized and expensed based on the 15-year term. In addition, the accumulated actuarial loss of $3.1 million recorded, as part of other comprehensive income will also be amortized based on the 15-year term.

As a result of the above, included in our other current and non-current liabilities are accrued pension costs of $7.7 million at September 30, 2015. The benefits of our pension plans are fully vested and therefore no service costs were recognized for the quarter and nine months ended September 30, 2015 and 2014. Our pension plans are unfunded. During the current quarter and nine month period ended September 30, 2015, interest cost totaled $45,007 and $135,020, respectively and amortized actuarial loss totaled $51,000 and $155,000, respectively. During the prior-year quarter and nine-month ended September 30, 2014, interest cost totaled $52,000 and $209,000, respectively and amortized actuarial loss totaled $215,000 and $686,000, respectively.

Note 12 – Commitments and Contingencies

Total debt of unconsolidated joint ventures and entities was $639,000 (NZ$1.0 million) and $592,000 (NZ$ 760,000) as of September 30, 2015 and December 31, 2014, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $213,000 and $197,000 as of September 30, 2015 and December 31, 2014, respectively. This debt is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Note 13 – Non-controlling Interests

These are composed of the following enterprises:

- Australia Country Cinemas Pty Ltd. -- 25% noncontrolling interest owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- Shadow View Land and Farming, LLC -- 50% noncontrolling membership interest owned by the estate of Mr. James J. Cotter, Sr.; and
- Sutton Hill Properties, LLC -- 25% noncontrolling interest owned by Sutton Hill Capital, LLC.

The components of noncontrolling interests are as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Australian Country Cinemas, Pty Ltd	$ 344	$ 410
Shadow View Land and Farming, LLC	1,952	2,000
Sutton Hill Properties, LLC	2,075	2,202
Noncontrolling interests in consolidated subsidiaries	$ 4,371	$ 4,612

The components of income (loss) attributable to noncontrolling interests are as follows:

	Quarter Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Australian Country Cinemas, Pty Ltd	$ 1	$ 56	$ 131	$ 128
Shadow View Land and Farming, LLC	(9)	(22)	(66)	(49)
Sutton Hill Properties, LLC	(46)	(34)	(125)	(102)
Net income (loss) attributable to noncontrolling interest	$ (54)	$ --	$ (60)	$ (23)

Summary of Controlling and Noncontrolling Stockholders' Equity

A summary of the changes in controlling and noncontrolling stockholders' equity is as follows:

(Dollars in thousands)	Controlling Stockholders' Equity	Noncontrolling Stockholders' Equity	Total Stockholders' Equity
Equity at – January 1, 2015	$ 127,686	$ 4,612	$ 132,298
Net income (loss)	19,496	(60)	19,436
Increase in additional paid in capital	2,242	--	2,242
Treasury stock purchased	(4,942)	--	(4,942)
Contributions from noncontrolling stockholders - SHP	--	17	17
Distributions to noncontrolling stockholders	--	(139)	(139)
Accumulated other comprehensive loss	(27,675)	(59)	(27,734)
Equity at – September 30, 2015	$ 116,807	$ 4,371	$ 121,178

(Dollars in thousands)	Controlling Stockholders' Equity	Noncontrolling Stockholders' Equity	Total Stockholders' Equity
Equity at – January 1, 2014	$ 117,140	$ 4,607	$ 121,747
Net income (loss)	8,481	(23)	8,458
Increase in additional paid in capital	1,062	--	1,062
Treasury stock purchased	(2,342)	--	(2,342)
Contributions from noncontrolling stockholders - SHP	--	327	327
Distributions to noncontrolling stockholders	--	(101)	(101)
Accumulated other comprehensive loss	(3,957)	(14)	(3,971)
Equity at – September 30, 2014	$ 120,385	$ 4,796	$ 125,180

Note 14 – Equity and Stock-Based Compensation

Stock-Based Compensation

During the first quarter of 2015 and 2014, we issued 160,643 and 125,209 shares, respectively, of Class A Nonvoting Common Stock to an executive employee associated with the vesting of his prior years' stock grants. No such grants were made during the second and third quarters of 2015 and 2014.

Employee/Director Stock Option Plan

The Company may grant stock options and other share-based payment awards ("Awards") of our Class A Nonvoting Common Stock to eligible employees, directors, and consultants under the 2010 Stock Incentive Plan. The aggregate total number of shares of the Class A Nonvoting Common Stock authorized for issuance under our 2010 Stock Incentive Plan is 1,250,000.   As of September 30, 2015, we had 663,800 shares remaining for future issuances.

Number of securities remaining available for future issuance under equity compensation plans

Stock options are generally granted at exercise prices equal to the grant-date market prices and expire no later than ten years from the grant date. In recent periods, we have typically limitd the exercise period of granted options to five years. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options ranges from zero to four years.

We estimate the