READING INTERNATIONAL INC
Form 10-Q
August 07, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2008

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 (State or other jurisdiction of incorporation or organization)	95-3885184 (IRS Employer Identification No.)
500 Citadel Drive, Suite 300 Commerce CA (Address of principal executive offices)	90040 (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 þ 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 þ 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 þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 5, 2008, there were 20,987,115 shares of Class A Nonvoting Common Stock, $0.01 par value per share and 1,495,490 shares of Class B Voting Common Stock, $0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I – Financial Information

Item 1 – Financial Statements

Reading International, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(U.S. dollars in thousands)

	June 30, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26,752	$ 20,782
Receivables	7,116	5,671
Inventory	816	654
Investment in marketable securities	4,939	4,533
Restricted cash	59	59
Prepaid and other current assets	2,230	3,800
Total current assets	41,912	35,499
Land held for sale	1,954	1,984
Property held for development	13,844	11,068
Property under development	77,725	66,787
Property & equipment, net	223,435	178,174
Investment in unconsolidated joint ventures and entities	15,369	15,480
Investment in Reading International Trust I	1,547	1,547
Goodwill	25,697	19,100
Intangible assets, net	24,866	8,448
Other assets	10,494	7,984
Total assets	$ 436,843	$ 346,071
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 13,814	$ 12,331
Film rent payable	6,471	3,275
Notes payable – current portion	1,253	395
Note payable to related party – current portion	--	5,000
Taxes payable	5,137	4,770
Deferred current revenue	2,881	3,214
Other current liabilities	200	169
Total current liabilities	29,756	29,154
Notes payable – long-term portion	187,677	111,253
Notes payable to related party – long-term portion	14,000	9,000
Subordinated debt	51,547	51,547
Noncurrent tax liabilities	5,672	5,418
Deferred non-current revenue	619	566
Other liabilities	16,379	14,936
Total liabilities	305,650	221,874
Commitments and contingencies (Note 13)		
Minority interest in consolidated affiliates	2,344	2,835
Stockholders' equity:		

Class A Nonvoting Common Stock, par value $0.01, 100,000,000 shares authorized, 35,564,339 issued and 20,987,115 outstanding at June 30, 2008 and at December 31, 2007		216		216
Class B Voting Common Stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at June 30, 2008 and at December 31, 2007		15		15
Nonvoting Preferred Stock, par value $0.01, 12,000 shares authorized and no outstanding shares		--		--
Additional paid-in capital		132,446		131,930
Accumulated deficit		(52,614)		(52,670)
Treasury shares		(4,306)		(4,306)
Accumulated other comprehensive income		53,092		46,177
Total stockholders' equity		128,849		121,362
Total liabilities and stockholders' equity	$	436,843	$	346,071

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(U.S. dollars in thousands, except per share amounts)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue				
Cinema	$ 49,488	$ 26,034	$ 84,831	$ 50,540
Real estate	4,263	4,105	8,647	7,575
	53,751	30,139	93,478	58,115
Operating expense				
Cinema	41,780	19,931	69,185	38,051
Real estate	2,296	1,864	4,410	3,865
Depreciation and amortization	5,528	3,047	9,411	6,016
General and administrative	4,909	3,879	9,597	7,555
	54,513	28,721	92,603	55,487
Operating income (loss)	(762)	1,418	875	2,628
Non-operating income (expense)				
Interest income	365	84	603	229
Interest expense	(3,404)	(2,034)	(6,479)	(3,930)
Net loss on sale of assets	--	--	--	(185)
Other income (expense)	1,671	465	3,045	(271)
Loss before minority interest expense, discontinued operations, income tax expense, and equity earnings of unconsolidated joint ventures and entities	(2,130)	(67)	(1,956)	(1,529)
Minority interest income (expense)	182	(154)	(161)	(495)
Loss before discontinued operations, income tax expense, and equity earnings of unconsolidated joint ventures and entities	(1,948)	(221)	(2,117)	(2,024)
Gain on sale of a discontinued operation	--	1,912	--	1,912
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	(1,948)	1,691	(2,117)	(112)
Income tax expense	(407)	(443)	(824)	(942)
Income (loss) before equity earnings of unconsolidated joint ventures and entities	(2,355)	1,248	(2,941)	(1,054)
Equity earnings of unconsolidated joint ventures and entities	189	386	547	2,042
Gain on sale of unconsolidated entity	2,450	--	2,450	--
Net income	$ 284	$ 1,634	$ 56	$ 988
Earnings (loss) per common share – basic and diluted:				
Earnings (loss) from continuing operations	$ 0.01	$ (0.01)	$ 0.00	$ (0.04)
Earnings from discontinued operations	0.00	0.08	0.00	0.08
Basic and diluted earnings per share	$ 0.01	$ 0.07	$ 0.00	$ 0.04
Weighted average number of shares outstanding – basic	22,476,355	22,487,943	22,476,355	22,485,480
Weighted average number of shares outstanding – dilutive	22,763,826	22,487,943	22,763,826	22,485,480

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(U.S. dollars in thousands)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Operating Activities		
Net income	$ 56	$ 988
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain recognized on foreign currency transactions	(447)	(132)
Equity earnings of unconsolidated joint ventures and entities	(547)	(2,042)
Distributions of earnings from unconsolidated joint ventures and entities	507	4,318
(Gain) loss on marketable securities	1	(224)
Gain on sale of an unconsolidated joint venture	(2,450)	--
Gain on sale of a discontinued operation	--	(1,912)
Loss on disposal of assets	--	185
Loss on extinguishment of debt	--	97
Gain on insurance settlement	(910)	--
Depreciation and amortization	9,411	6,016
Amortization of prior service costs	143	--
Amortization of above and below market leases	378	--
Stock based compensation expense	516	539
Minority interest	161	495
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(1,177)	1,617
Increase in prepaid and other assets	479	(183)
Increase (decrease) in accounts payable and accrued expenses	1,614	(2,645)
Increase (decrease) in film rent payable	3,032	(1,167)
Increase in deferred revenues and other liabilities	1,514	1,207
Net cash provided by operating activities	12,281	7,157
Investing activities		
Acquisitions	(51,746)	(11,768)
Acquisition deposit returned	2,000	--
Purchases of and additions to property and equipment	(12,067)	(7,944)
Change in restricted cash	--	326
Investment in Reading International Trust I	--	(1,547)
Investment in unconsolidated joint ventures and entities	(460)	--
Distributions of investment in unconsolidated joint ventures	198	1,434
Purchase of marketable securities	--	(11,861)
Net proceeds from the sale of an unconsolidated joint venture	3,340	--
Sale of marketable securities	--	4,010
Proceeds from insurance settlement	910	--
Net cash used in investing activities	(57,825)	(27,350)
Financing activities		
Repayment of long-term borrowings	(5,416)	(43,539)
Proceeds from borrowings	59,659	78,204
Capitalized borrowing costs	(2,498)	(2,254)
Minority interest contributions	75	--
Minority interest distributions	(761)	(838)

Net cash provided by financing activities		51,059		31,573
Effect of exchange rate changes on cash and cash equivalents		455		3
Increase in cash and cash equivalents		5,970		11,383
Cash and cash equivalents at beginning of period		20,782		11,008
Cash and cash equivalents at end of period	$	26,752	$	22,391
Supplemental Disclosures				
Interest paid	$	8,008	$	5,208
Income taxes paid	$	161	$	123
Non-cash transactions				
Note payable due to Seller issued for acquisition	$	14,750	$	--
Decrease in cost basis of Cinema 1, 2 & 3 related to the purchase price adjustment of the call option liability to related party	$	--	$	(2,100)
Adjustment to accumulated deficit related to adoption of FIN 48 (Note 10)	$	--	$	509
Decrease in deposit payable and increase in minority interest liability related to the exercise of the Cinema 1, 2 & 3 call option by a related party	$	--	$	(3,000)
Decrease in call option liability and increase in additional paid in capital related to the exercise of the Cinema 1, 2 & 3 call option by a related party	$	--	$	(2,513)
Accrued construction-in-progress cost	$	--	$	(2,440)

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
For the Six Months Ended June 30, 2008

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 corporati 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, including entertainment-themed retail centers ("ETRC") in Australia and New Zealand, and live theatre assets in Manhattan and Chicago in the United States.

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US 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 for interim reporting. As such, certain information and footnote disclosures typically required by US GAAP for complete financial statements have been condensed or omitted. There have been no material changes in the information disclosed in the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2007 ("2007 Annual Report"). The financial information presented in this quarterly report on Form 10-Q for the period ended June 30, 2008 (the "June Report"), including the information under the heading, Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with our 2007 Annual Report which contains the latest audited financial statements and related footnotes.

In the opinion of management, all adjustments of a normal recurring nature considered necessary to present fairly in all material respects our financial position, results of our operations and cash flows as of and for the three months and six months ended June 30, 2008 and 2007 have been made. The results of operations for the three months and six months ended June 30, 2008 and 2007 are not necessarily indicative of the results of operations to be expected for the entire year.

Marketable Securities

We have investments in marketable securities of $4.9 million at June 30, 2008. These investments are accounted for as available for sale investments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. In accordance with the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, assessments of potential impairment for these investments are performed for each applicable reporting period. We have determined that there was no impairment for these investments at June 30, 2008. These investments have a cumulative unrealized gain of $22,000 included in accumulated other comprehensive income at June 30, 2008. For the three months and six months ended June 30, 2008 our net unrealized gain on marketable securities was $3,000 and $4,000, respectively, and for the three months and six months ended June 30, 2007 our net unrealized gain on marketable securities was $385,000 and $738,000, respectively. During the three months ended June 30, 2007, we sold $5.7 million of our marketable securities resulting in a realized gain on sale of $224,000.

Other Income

Included in our six months ended June 30, 2008 other income is $910,000 of insurance settlement proceeds related to damage caused by Hurricane George in 1998 to one of our previously owned cinemas in

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Puerto Rico, as well as legal settlement proceeds received on our Burstone litigation of $1.1 million and credit card dispute proceeds of $385,000 (See Note 13 – Commitments and Contingencies).

Deferred Leasing Costs

Direct costs incurred in connection with obtaining tenants are amortized over the respective term of the lease on a straight-line basis.

Deferred Financing Costs

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 is also recognized on the effective interest method.

Accounting Pronouncements Adopted January 1, 2008

Statement of Financial Accounting Standards No. 157

Effective January 1, 2008, we adopted, on a prospective basis, SFAS No. 157, Fair Value Measurements ("SFAS 157") as amended by FASB Staff Position SFAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 ("FSP FAS 157-1") and FASB Staff Position SFAS 157-2, Effective Date of FASB Statement No. 157 ("FSP FAS 157-2"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value measurements. SFAS 157 applies prospectively to all other accounting pronouncements that require or permit fair value measurements. FSP FAS 157-1 amends SFAS 157 to exclude from the scope of SFAS 157 certain leasing transactions accounted for under SFAS No. 13, Accounting for Leases. FSP FAS 157-2 amends SFAS 157 to defer the effective date of SFAS 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008.

The adoption of SFAS 157 did not have a material impact on our consolidated financial statements. We are evaluating the impact that SFAS 157 will have on our non-financial assets and non-financial liabilities, since the application of SFAS 157 for such items was deferred, in our case, to January 1, 2009. We believe that the impact of these items will not be material to our consolidated financial statements. Assets and liabilities, typically recorded at fair value on a non-recurring basis, to which we have not yet applied SFAS 157 due to the deferral of SFAS 157 for such items 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 SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets
- Asset retirement obligations initially measured under SFAS No. 143, Accounting for Asset Retirement Obligations

Statement of Financial Accounting Standards No. 159

Effective January 1, 2008, we adopted, on a prospective basis, SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The adoption of SFAS 159 did not have a material impact on our consolidated financial statements since we did not elect to apply the fair value option for any of our eligible financial instruments or other items on the January 1, 2008 effective date.

New Accounting Pronouncements

Statement of Financial Accounting Standards No. 160

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51 ("SFAS 160"). SFAS 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders' equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for annual periods beginning after December 15, 2008, which is the year ending December 31, 2009 for the Company, and should be applied prospectively. However, the presentation and disclosure requirements of the statement shall be applied retrospectively for all periods presented. The adoption of the provisions of SFAS 160 is not anticipated to materially impact the Company's consolidated financial position and results of operations.

Statement of Financial Accounting Standards No. 161

In March 2008, the Financial Accounting Standards Board issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). This new standard enhances disclosure requirements for derivative instruments in order to provide users of financial statements with an enhanced understanding of (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is to be applied prospectively for the first annual reporting period beginning on or after November 15, 2008. We believe that the adoption of SFAS 161 will not have a material impact on our financial statement disclosures since we solely have interest rate swaps as derivative instruments.

Note 2 – Stock-Based Compensation

Stock Based Compensation

As part of his compensation package, Mr. John Hunter, our Chief Operating Officer, was granted $100,000 of restricted Class A Non-Voting Common Stock on February 12, 2008 and 2007. These stock grants have vesting periods of two years and stock grant prices of $9.70 and $8.63, respectively. On February 11, 2008, $50,000 of restricted Class A Non-Voting Common Stock vested related to Mr. Hunter's 2007 grant. The 5,794 shares related to this vesting have yet to be issued to him. During the three months and six months ended June 30, 2008, we recorded compensation expense of $100,000 and $196,000, respectively, and during the three months and six months ended June 30, 2007, we recorded compensation expense of $59,000 and $119,000, respectively, for the vesting of all our restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

	Non-Vested Restricted Stock	Fair Value at Grant Date
Outstanding – December 31, 2007	61,756	$ 524
Granted	10,309	$ 100
Vested	(5,794)	$ (50)
Outstanding – June 30, 2008	66,271	$ 574

In 2006, we formed two new wholly owned subsidiaries, Landplan Property Partners, Pty Ltd and Landplan Property Partners New Zealand, Ltd collectively referred to as Landplan Property Partners ("LPP"), to engage in the real estate development business. We have an agreement with the president of LPP, Mr. Doug Osborne pursuant to which he has a contingent interest in certain property trusts, owned by LPP, ranging between 27.5% and 15%, depending on a number of factors including the amount and duration of the investments of LPP. Mr. Osborne's interest is subordinated to (i) the repayment of all third party indebtedness, (ii) the repayment of all funds invested or advanced by Reading, and (iii) the realization by Reading of an 11% annual compounded preferred return on its capital. Mr. Osborne's interest of $331,000 is included in the minority interest of LPP at June 30, 2008 (see Note 14 – Minority Interest). During the three and six months ended June 30, 2008, we expensed $30,000 and $91,000, respectively, and during the three and six months ended June 30, 2007, we expensed $86,000 and $96,000, respectively associated with Mr. Osborne's interests. At June 30, 2008, the total unrecognized compensation expense related to the LPP equity awards was $181,000, which is expected to be recognized over the remaining weighted average period of approximately 96 months. These amounts will not, however, be payable unless the properties held by LPP, on a consolidated basis, provide returns on capital in excess of 11%, compounded annually.

Employee/Director Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees and non-employee directors of incentive stock options and non-qualified stock options to purchase shares of the Company's Class A Nonvoting Common Stock.

When the Company's tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. SFAS No. 123(R), Accounting for Stock-Based Compensation ("SFAS 123(R)", requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the three months ended June 30, 2008 and 2007, there was no impact to the consolidated statement of cash flows because there were no recognized tax benefits from stock option exercises during these periods.

SFAS 123(R) requires companies to estimate forfeitures. Based on our historical experience and the relative market price to strike price of the options, we do not currently estimate any forfeitures of vested or unvested options.

In accordance with SFAS 123(R), 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 expense the estimated grant date fair values of options issued on a straight-line basis over the vesting period.

We granted 231,250 and 301,250 of options during the three and six months ended June 30, 2007, respectively. Of these options, 70,000 were granted to our directors as fully vested options during the six months

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ended June 30, 2007. There were no options granted to our employees during the three or six months ended June 30, 2008. We estimated the fair value of the 2007 option grants at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2007
Stock option exercise price	$ 8.35 - $10.30
Risk-free interest rate	4.636 - 4.824%
Expected dividend yield	--
Expected option life	9.60 - 9.96 yrs
Expected volatility	33.64 - 33.74%
Weighted average fair value	$4.42 - $ 4.82

Using the above assumptions and in accordance with the SFAS 123(R) modified prospective method, we recorded $160,000 and $320,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the three and six months ended June 30, 2008, respectively. We also recorded $92,000 and $418,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the three and six months ended June 30, 2007, respectively. At June 30, 2008, the total unrecognized estimated compensation cost related to non-vested stock options granted was $556,000, which is expected to be recognized over a weighted average vesting period of 0.93 years. No options were exercised during the three or six months ended June 30, 2008 or during the three or six months ended June 30, 2007; therefore, no cash was received and no value was realized from the exercise of options during those periods. There were 120,625 options vested during the three and six months ended June 30, 2008 having a current intrinsic value of $0 for the period as all the options were "out-of-the-money" at June 30, 2008. Except for the 70,000 fully vested options granted to our directors during the first quarter, only 5,000 options vested during the three and six months ended June 30, 2007; therefore, the grant date fair value of options vesting during the three and six months ended June 30, 2007 was $41,000. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at June 30, 2008 was $1.5 million of which 100.0% are currently exercisable.

All stock options granted have a contractual life of 10 years at the grant date. The aggregate total number of shares of Class A Nonvoting Common Stock and Class B Voting Common Stock authorized for issuance under our 1999 Stock Option Plan is 1,287,150. 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 as of June 30, 2008 and December 31, 2007:

	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, 2007	514,100	185,100	$ 5.21	$ 9.90	488,475	185,100	$ 5.06	$ 9.90
Granted	151,250	150,000	$ 9.37	$ 10.24				
Exercised	(6,250)	--	$ 4.01	$ --				
Expired	(81,250)	(150,000)	$ 10.25	$ 10.24				
Outstanding- December 31, 2007	577,850	185,100	$ 5.60	$ 9.90	477,850	35,100	$ 4.72	$ 8.47
	--	--	$ --	$ --				

No activity during the period								
Outstanding-June 30, 2008	577,850	185,100	$ 5.60	$ 9.90	477,850	35,100	$ 4.72	$ 8.47

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The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at June 30, 2008 and December 31, 2007 was approximately 5.72 and 6.22 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at June 30, 2008 and December 31, 2007 was approximately 5.11 and 4.74 years, respectively.

Note 3 – Business Segments

Our operations are organized into two reportable business segments within the meaning of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. Our reportable segments are (1) cinema exhibition and (2) real estate. The cinema segment is engaged in the development, ownership, and operation of multiplex cinemas. The real estate segment is engaged in the development, ownership, and operation of commercial properties, including ETRC's in Australia and New Zealand and live theatres in the United States. Historically, our development projects have included a cinema component. Incident to our real estate operations we have acquired, and continue to hold, raw land in urban and suburban centers in Australia and New Zealand.

The tables below summarize the results of operations for each of our principal business segments for the three ("2008 Quarter") and six ("2008 Six Months") months ended June 30, 2008 and the three ("2007 Quarter") and six ("2007 Six Months") months ended June 30, 2007, respectively. Operating expense includes costs associated with the day-to-day operations of the cinemas and live theatres and the management of rental properties. All operating results from discontinued operations are included in "Gain on sale of a discontinued operation" (dollars in thousands):

Three months ended June 30, 2008	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	$ 49,488	$ 5,813	$ (1,550)	$ 53,751
Operating expense	43,330	2,296	(1,550)	44,076
Depreciation & amortization	4,060	1,287	--	5,347
General & administrative expense	1,129	432	--	1,561
Segment operating income	$ 969	$ 1,798	$ --	$ 2,767

Three months ended June 30, 2007	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	$ 26,034	$ 5,564	$ (1,459)	$ 30,139
Operating expense	21,390	1,864	(1,459)	21,795
Depreciation & amortization	1,798	1,108	--	2,906
General & administrative expense	761	271	--	1,032
Segment operating income	$ 2,085	$ 2,321	$ --	$ 4,406

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Reconciliation to consolidated net income:	2008 Quarter	2007 Quarter
Total segment operating income	$ 2,767	$ 4,406
Non-segment:		
Depreciation and amortization expense	181	141
General and administrative expense	3,348	2,847
Operating income (loss)	(762)	1,418
Interest expense, net	(3,039)	(1,950)
Other income	1,671	465
Minority interest	182	(154)
Gain on sale of a discontinued operation	--	1,912
Income tax expense	(407)	(443)
Equity earnings of unconsolidated joint ventures and entities	189	386
Gain on sale of unconsolidated entity	2,450	--
Net income	$ 284	$ 1,634

Six months ended June 30, 2008	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	$ 84,831	$ 11,763	$ (3,116)	$ 93,478
Operating expense	72,301	4,410	(3,116)	73,595
Depreciation & amortization	6,669	2,382	--	9,051
General & administrative expense	1,898	598	--	2,496
Segment operating income	$ 3,963	$ 4,373	$ --	$ 8,336

Six months ended June 30, 2007