READING INTERNATIONAL INC
Form 10-Q
May 12, 2014
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: March 31, 2014

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) 6100 Center Drive, Suite 900	(IRS Employer Identification No.) 90045
Los Angeles, CA	(Zip Code)
(Address of principal executive offices)	

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 May 12, 2014, there were 22,015,738 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 1 - Financial Information

Item 1 - Financial Statements

Reading International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(U.S. dollars in thousands)

	March 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,594	$ 37,696
Receivables	7,979	9,087
Inventory	753	941
Investment in marketable securities	58	55
Restricted cash	783	782
Deferred tax asset	3,526	3,273
Prepaid and other current assets	3,059	3,283
Total current assets	49,752	55,117
Operating property, net	194,490	191,660
Land held for sale	11,479	11,052
Investment and development property, net	77,309	74,230
Investment in unconsolidated joint ventures and entities	7,112	6,735
Investment in Reading International Trust I	838	838
Goodwill	22,869	22,159
Intangible assets, net	12,930	13,440
Deferred tax asset, net	4,717	5,566
Other assets	5,899	6,010
Total assets	$ 387,395	$ 386,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 15,589	$ 18,608
Film rent payable	5,696	6,438
Notes payable – current	99,096	75,538
Taxes payable - current	3,480	8,308
Deferred current revenue	11,104	11,864
Other current liabilities	6,198	6,155
Total current liabilities	141,163	126,911
Notes payable – long-term	41,903	65,009

Subordinated debt	27,913	27,913
Noncurrent tax liabilities	12,890	12,478
Other liabilities	34,287	32,749
Total liabilities	258,156	265,060
Commitments and contingencies (Note 13)		
Stockholders’ equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 32,379,908 issued and 22,015,738 outstanding at March 31, 2014 and 32,254,199 issued and 21,890,029 outstanding at December 31, 2013	225	225
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at March 31, 2014 and at December 31, 2013	15	15
Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at March 31, 2014 and December 31, 2013	--	--
Additional paid-in capital	137,852	137,849
Accumulated deficit	(58,167)	(57,952)
Treasury shares	(4,512)	(4,512)
Accumulated other comprehensive income	49,291	41,515
Total Reading International, Inc. stockholders’ equity	124,704	117,140
Noncontrolling interests	4,535	4,607
Total stockholders’ equity	129,239	121,747
Total liabilities and stockholders’ equity	$ 387,395	$ 386,807

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

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

	Three Months Ended March 31, 2014	2013
Operating revenue		
Cinema	$ 53,424	$ 54,770
Real estate	4,629	4,797
Total operating revenue	58,053	59,567
Operating expense		
Cinema	43,790	46,035
Real estate	2,975	2,669
Depreciation and amortization	3,805	3,990
General and administrative	4,902	4,339
Total operating expense	55,472	57,033
Operating income	2,581	2,534
Interest income	79	49
Interest expense	(2,376)	(2,722)
Loss on sale of assets	--	(7)
Other income	744	16
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	1,028	(130)
Income tax (expense)	(1,592)	(889)
Loss before equity earnings of unconsolidated joint ventures and entities	(564)	(1,019)
Equity earnings of unconsolidated joint ventures and entities	310	347
Net loss	$ (254)	$ (672)
Net loss attributable to noncontrolling interests	39	4
Net loss attributable to Reading International, Inc. common shareholders	$ (215)	$ (668)
Basic loss per common share attributable to Reading International, Inc. shareholders:		
Loss from continuing operations	$ (0.01)	$ (0.03)
Basic loss per share attributable to Reading International, Inc. shareholders	$ (0.01)	$ (0.03)
Diluted loss per common share attributable to Reading International, Inc. shareholders:		
Loss from continuing operations	$ (0.01)	$ (0.03)
Diluted loss per share attributable to Reading International, Inc. shareholders	$ (0.01)	$ (0.03)
Weighted average number of shares outstanding–basic	23,490,563	23,263,010

Weighted average number of shares outstanding–diluted	23,490,563	23,263,010

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(U.S. dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Net loss	$ (254)	$ (672)
Foreign currency translation gain	7,620	1,012
Unrealized gain (loss) on available for sale investments	1	(1)
Amortization of pension prior service costs	236	165
Comprehensive income	7,603	504
Net loss attributable to noncontrolling interests	39	4
Comprehensive loss attributable to noncontrolling interests	(82)	--
Comprehensive income attributable to Reading International, Inc.	$ 7,560	$ 508

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(U.S. dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating Activities		
Net loss	$ (254)	$ (672)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain (loss) recognized on foreign currency transactions	(45)	--
Equity earnings of unconsolidated joint ventures and entities	(310)	(347)
Distributions of earnings from unconsolidated joint ventures and entities	388	229
Loss on sale of assets	--	7
Change in net deferred tax assets	909	206
Depreciation and amortization	3,805	3,990
Amortization of prior service costs	235	165
Amortization of above and below market leases	103	92
Amortization of deferred financing costs	204	283
Amortization of straight-line rent	21	237
Stock based compensation expense	34	57
Changes in assets and liabilities:		
Decrease in receivables	1,333	252
(Increase) decrease in prepaid and other assets	525	(209)
Decrease in accounts payable and accrued expenses	(3,340)	(2,131)
Increase (decrease) in film rent payable	(832)	213
Decrease in taxes payable	(4,380)	(1,305)
Increase (decrease) in deferred revenue and other liabilities	549	(1,517)
Net cash used in operating activities	(1,055)	(450)
Investing Activities		
Purchases of and additions to property and equipment	(633)	(1,485)
Change in restricted cash	9	1,668
Proceeds from notes receivable	--	1,800
Distributions of investment in unconsolidated joint ventures and entities	--	59
Proceeds of time deposits	--	8,000
Net cash provided by (used in) investing activities	(624)	10,042
Financing Activities		
Repayment of long-term borrowings	(936)	(689)
Proceeds from borrowings	--	5,000
Capitalized borrowing costs	--	(150)
Noncontrolling interest distributions	(54)	(1,811)
Net cash provided by (used in) financing activities	(990)	2,350
Effect of exchange rate on cash	(1,434)	305

Increase (decrease) in cash and cash equivalents	(4,102)	12,247
Cash and cash equivalents at the beginning of the period	37,696	38,531
Cash and cash equivalents at the end of the period	$ 33,594	$ 50,778
Supplemental Disclosures		
Cash paid during the period for:		
Interest on borrowings	$ 2,377	$ 2,895
Income taxes	2,451	2,446

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the Three Months Ended March 31, 2014

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 condensed 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 ("SEC") for interim reporting. As such, certain information and disclosures typically required by US GAAP for complete financial statements have been condensed or omitted. The financial information presented in this quarterly report on Form 10-Q for the period ended March 31, 2014 (the "March Report") should be read in conjunction with our Annual Report filed on Form 10-K for the year ended December 31, 2013 (our "2013 Annual Report") which contains the latest audited financial statements and related notes. The periods presented in this document are the three ("2014 Quarter") months ended March 31, 2014 and the three ("2013 Quarter") months ended March 31, 2013.

In the opinion of management, all adjustments of a normal recurring nature considered necessary to present fairly in all material respects our financial position as of March 31, 2014 and the results of our operations and cash flows for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results of operations to be expected for the entire year.

Expiring Debt and Liquidity Requirements

Expiring Long-Term Debt

The term of our Australian NAB Corporate Term Loan matures on June 30, 2014. Accordingly, the outstanding balance of this debt of $56.8 million (AUS$61.2 million) is classified as current on our March 31, 2014 balance sheet. The Australian NAB Corporate Term Loan is secured by the majority of our theater and entertainment-themed retail center ("ETRC") properties in Australia.

The term of our US Cinema 1, 2, 3 Term Loan matures on June 27, 2014. Accordingly, the outstanding balance of this debt of $15.0 million is classified as current on our March 31, 2014 balance sheet.

Additionally, the New Zealand Westpac loan of $24.3 million (NZ $28.0 million) matures on March 31, 2015 therefore as of March 31, 2014 the loan has been reclassified to current.

We are currently in the process of renegotiating these loans with our current lenders while also seeking possible replacement loans with other lenders. While no assurances can be given that we will be successful, we currently anticipate that these loans will either be extended or replaced prior to their maturities.

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Tax Settlement Liability

In accordance with the agreement between the U.S. Internal Revenue Service and our subsidiary, Craig Corporation, it is obligated to pay $290,000 per month, $3.5 million per year, in settlement of its tax liability for the tax year ended June 30, 1997.

For the abovementioned liabilities, we believe that we have the required liquidity to meet the obligations either through the extension or replacement of maturing debt or the generation of cash from our operating activities. Together with our $33.6 million of cash and cash equivalents, we expect to meet our anticipated short-term working capital requirements for the next twelve months.

Marketable Securities

We had investments in marketable securities of $58,000 and $55,000 at March 31, 2014 and December 31, 2013, respectively. We account for these investments as available for sale investments. We assess our investment in marketable securities for other-than-temporary impairments in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320-10 for each applicable reporting period. These investments have a cumulative gain of $9,000 included in accumulated other comprehensive income at March 31, 2014. For the three months ended March 31, 2014, our net unrealized gain (loss) on marketable securities was $1,000. For the three months ended March 31, 2013, our net unrealized gain (loss) on marketable securities was ($1,000). During the three months ended March 31, 2014 and 2013, we did not buy or sell any marketable securities.

Deferred Leasing Costs

We amortize direct costs incurred in connection with obtaining tenants for our properties over the respective term of the lease on a straight-line basis.

Deferred Financing Costs

We amortize direct costs incurred in connection with obtaining financing over the term of the loan using the effective interest method, or the 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 using the effective interest method.

Accounting Pronouncements Adopted During 2014

No new pronouncements were adopted during the three months ended March 31, 2014.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in this update change the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results and when the component or group of components meets the criteria to be classified as held for sale, is disposed by sale or is disposed of by other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). ASU 2014-8 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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Note 2 – Equity and Stock Based Compensation

Stock-Based Compensation

During the three months ended March 31, 2014 and 2013, we issued 125,209 and 217,890, respectively, of Class A Nonvoting shares to an executive employee associated with the vesting of his prior years' stock grants. During the three months ended March 31, 2014, we accrued $187,500 in compensation expense associated with the vesting of executive employee stock grants. During the three months ended March 31, 2013, we accrued $188,000 in compensation expense associated with the vesting of executive employee stock grants.

Employee/Director 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 and Class B Voting Common Stock. Currently we issue options under our 2010 Stock Incentive Plan.

When the Company's tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. FASB ASC 718-20 relating to Stock-Based Compensation ("FASB ASC 718-20"), 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 March 31, 2014 and 2013 there was no impact to the unaudited condensed consolidated statement of cash flows because there were no recognized tax benefits from stock option exercises during these periods.

FASB ASC 718-20 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 FASB ASC 718-20, 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. As we intend to retain all earnings, we exclude the dividend yield from the calculation. We expense the estimated grant date fair values of options issued on a straight-line basis over the vesting period.

For the 20,000 and 20,000 options granted during the three months ended March 31, 2014 and 2013, 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:

	2014	2013
Stock option exercise price	$7.40	$5.55
Risk-free interest rate	2.88%	1.87%
Expected dividend yield	--	--
Expected option life in years	4	5
Expected volatility	30.65%	31.99%
Weighted average fair value	$2.46	$1.74

Based on the above calculation and prior years' assumptions, and, in accordance with the FASB ASC 718-20, we recorded compensation expense for the total estimated grant date fair value of $34,000 for the three months ended March 31, 2014, and $57,000 for the three months ended March 31, 2013. At March 31, 2014, the total unrecognized estimated compensation cost related to non-vested stock options granted was $432,000, which we expect to recognize over a weighted average vesting period of 2.15 years. For the three months ended March 31, 2014, 500 options were exercised. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at March 31, 2014 was $940,000 of which 68.9% are 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 Nonvoting Common Stock and Class B Voting Common Stock authorized for issuance under our 2010 Stock Incentive Plan is 1,250,000. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options is usually between zero and four years.

We had the following stock options outstanding and exercisable as of March 31, 2014 and December 31, 2013:

	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, 2013	672,350	185,100	$ 6.24	$ 9.90	546,350	185,100	$ 6.26	$ 9.90
Granted	175,000	--	$ 6.19	$ --	--	--	--	--
Exercised	(137,500)	--	$ 4.00	$ --	--	--	--	--
Outstanding - December 31, 2013	709,850	185,100	$ 6.24	$ 9.90	490,350	185,100	$ 6.85	$ 9.90
Granted	20,000	--	$ 7.40	$ --	--	--	--	--
Exercised	(500)	--	$ 6.23	$ --	--	--	--	--
Outstanding - March 31, 2014	729,350	185,100	$ 6.68	$ 9.90	510,350	185,100	$ 6.87	$ 9.90

The weighted average remaining contractual life of all options outstanding, vested, and expected to vest at March 31, 2014 and December 31, 2013 was approximately 4.46 and 4.70 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at March 31, 2014 and December 31, 2013 was approximately 3.42 and 3.63 years, respectively.

Note 3 – Business Segments

We organize our operations into two reportable business segments within the meaning of FASB ASC 280-10 - Segment Reporting. Our reportable segments are (1) cinema exhibition and (2) real estate. The cinema exhibition 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. Incident to our real estate operations we have acquired, and continue to hold, raw land in urban and suburban centers in Australia, New Zealand, and the United States.

The tables below summarize the results of operations for each of our principal business segments for the three months ended March 31, 2014 and 2013, 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 (dollars in thousands):

Three Months Ended March 31, 2014	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 53,424	$ 6,579	$ (1,950)	$ 58,053
Operating expense	45,740	2,975	(1,950)	46,765
Depreciation and amortization	2,796	918	--	3,714
General and administrative expense	898	173	--	1,071
Segment operating income	$ 3,990	$ 2,513	$ --	$ 6,503

Three Months Ended March 31, 2013	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 54,770	$ 6,710	$ (1,913)	$ 59,567

Operating expense	47,948	2,669	(1,913)	48,704
Depreciation and amortization	2,759	1,119	--	3,878
General and administrative expense	771	120	--	891
Segment operating income	$ 3,292	$ 2,802	$ --	$ 6,094

Reconciliation to net loss attributable to Reading International, Inc. shareholders:	2014 Quarter	2013 Quarter
Total segment operating income	$ 6,503	$ 6,094
Non-segment:		
Depreciation and amortization expense	91	112
General and administrative expense	3,831	3,448
Operating income	2,581	2,534
Interest expense, net	(2,297)	(2,673)
Other income	744	16
Loss on sale of assets	--	(7)
Income tax expense	(1,592)	(889)
Equity earnings of unconsolidated joint ventures and entities	310	347
Net loss	$ (254)	$ (672)
Net loss attributable to noncontrolling interests	39	4
Net loss attributable to Reading International, Inc. common shareholders	$ (215)	$ (668)

Note 4 – 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 on a self-funding basis. The carrying value of our Australian and New Zealand assets and liabilities fluctuate due to changes in the exchange rates between the U.S. dollar and the functional currency of Australia (Australian dollar) and New Zealand (New Zealand dollar). We have no 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 March 31, 2014, December 31, 2013, and March 31, 2013:

	U.S. Dollar		
	March 31, 2014	December 31, 2013	March 31, 2013
Australian Dollar	0.9275	0.8929	1.0409
New Zealand Dollar	0.8684	0.8229	0.8360

Note 5 – Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to Reading International, Inc. common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to Reading International, Inc. common shareholders by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive common shares that would have been outstanding if the dilutive common shares had been issued. Stock options and non-vested stock awards give rise to potentially dilutive common shares. In accordance with FASB ASC 260-10 - Earnings Per Share, these shares are included in the diluted earnings per share calculation under the treasury stock method. The following is a calculation of earnings (loss) per share (dollars in thousands, except share data):

	Three Months Ended	
	March 31,	
	2014	2013
Net loss from continuing operations	$ (215)	$ (668)
Net loss attributable to Reading International, Inc. common shareholders	(215)	(668)
Basic loss per common share attributable to Reading International, Inc. shareholders:		
Loss from continuing operations	$ (0.01)	$ (0.03)
Basic loss per share attributable to Reading International, Inc. shareholders	$ (0.01)	$ (0.03)
Diluted loss per common share attributable to Reading International, Inc. shareholders:		
Loss from continuing operations	$ (0.01)	$ (0.03)
Diluted loss per share attributable to Reading International, Inc. shareholders	$ (0.01)	$ (0.03)
Weighted average shares of common stock – basic	23,490,563	23,263,010
Weighted average shares of common stock – diluted	23,490,563	23,263,010

For the three months ended March 31, 2014, the weighted average common stock–diluted excluded 240,643 of common stock compensation and in-the-money incremental stock options and for 2013, the weighted average common stock – diluted excluded 243,787 of common stock compensation and in-the-money incremental stock options. In addition, 799,516 of out-of-the-money stock options were excluded from the computation of diluted loss per share for the three months ended March 31, 2014, and 758,872 of out-of-the-money stock options were excluded from the computation of diluted loss per share for the three months ended March 31, 2013.

Note 6 – Property and Equipment

Operating Property, net

As of March 31, 2014 and December 31, 2013, property associated with our operating activities summarized as follows (dollars in thousands):

Operating Property	March 31, 2014	December 31, 2013
Land	$ 67,039	$ 65,578
Building and improvements	127,899	123,061
Leasehold interests	47,603	46,330
Fixtures and equipment	109,546	106,099
Total cost	352,087	341,068
Less: accumulated depreciation	(157,597)	(149,408)

Operating property, net	$ 194,490	$ 191,660

Depreciation expense for operating property was $3.5 million for the three months ended March 31, 2014, and $3.1 million for the three months ended March 31, 2013.

Land Held for Sale

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On October 15, 2013, we entered into a definitive purchase and sale agreement to sell our Moonee Ponds property for a sale price of AUS$23.0 million payable in full upon closing of that transaction on April 16, 2015. The property has a book value of $11.5 million (AUS $12.4 million) and while the transaction was treated as a sale for tax purposes, it does not qualify as a sale under US GAAP until the close of the transaction on April 16, 2015.

Investment and Development Property, net

As of March 31, 2014 and December 31, 2013, our investment and development property is summarized as follows (dollars in thousands):

Investment and Development Property	March 31, 2014	December 31, 2013
Land	$ 60,231	$ 59,550
Construction-in-progress (including capitalized interest)	17,078	14,680
Investment and development property	$ 77,309	$ 74,230

At the beginning of 2010, we curtailed our development activities with respect to our non-operating properties and are not currently capitalizing interest expense. As a result, we did not capitalize any interest during the three months ended March 31, 2014 or 2013. We are currently pursuing the redevelopment of our Union Square and Cinemas 1,2,3 properties. Our non-operating development properties include 50.6 acre Burwood property, our 64 acre Manukau property and our 202 acre Coachella property.

Note 7 – 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, and, as of March 31, 2014 and December 31, 2013, included the following (dollars in thousands):

	Interest	March 31, 2014	December 31, 2013
Rialto Distribution	33.3%	$ --	$ --
Rialto Cinemas	50.0%	1,801	1,571
205-209 East 57th Street Associates, LLC	25.0%	--	--
Mt. Gravatt	33.3%	5,311	5,164
Total investments		$ 7,112	$ 6,735

For the three months ended March 31, 2014 and March 31, 2013, we recorded our share of equity earnings from our investments in unconsolidated joint ventures and entities as follows (dollars in thousands):

	Three Months Ended March 31, 2014	2013
Rialto Distribution	$ --	$ 21
Rialto Cinemas	138	27
205-209 East 57th Street Associates, LLC	--	(1)
Mt. Gravatt	172	300
Total equity earnings	$ 310	$ 347

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Note 8 – Goodwill and Intangible Assets

In accordance with FASB ASC 350-20-35, Goodwill - Subsequent Measurement and Impairment, we perform an annual impairment review in the fourth quarter of each year of our goodwill and other intangible assets on a reporting unit basis, or earlier if changes in circumstances indicate an asset may be impaired. No such circumstances existed during the 2014 Quarter. As of March 31, 2014 and December 31, 2013, we had goodwill consisting of the following (dollars in thousands):

	Cinema	Real Estate	Total
Balance as of December 31, 2013	$ 16,935	$ 5,224	$ 22,159
Foreign currency translation adjustment	710	--	710
Balance at March 31, 2014	$ 17,645	$ 5,224	$ 22,869

We have intangible assets other than goodwill that are subject to amortization, which we amortize over various periods. We amortize our beneficial leases over the lease period, the longest of which is 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our other intangible assets over 10 years. For the three months ended March 31, 2014, the amortization expense of intangibles totaled $571,000 and, for the three months ended March 31, 2013, the amortization expense of intangibles totaled $578,000. The accumulated amortization of intangibles includes $228,000 and $259,000 of the amortization of acquired leases which are recorded in operating expense for the three months ended March 31, 2014 and 2013, respectively.

Intangible assets subject to amortization consist of the following (dollars in thousands):

As of March 31, 2014	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$ 24,282	$ 7,254	$ 458	$ 31,994
Less: Accumulated amortization	14,986	3,620	458	19,064
Total, net	$ 9,296	$ 3,634	$ --	$ 12,930

As of December 31, 2013	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$ 24,223	$ 7,254	$ 455	$ 31,932
Less: Accumulated amortization	14,520	3,517	455	18,492
Total, net	$ 9,703	$ 3,737	$ --	$ 13,440

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Note 9 – Prepaid and Other Assets

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

	March 31, 2014	December 31, 2013
Prepaid and other current assets		
Prepaid expenses	$ 692	$