REGAL ENTERTAINMENT GROUP
Form 10-Q/A
December 04, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended March 27, 2003

Commission file number: 001-31315

Regal Entertainment Group

(Exact name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**02-0556934** (Internal Revenue Service Employer Identification Number)
9110 East Nichols Avenue, Suite 200 Centennial, CO (Address of Principal Executive Offices)	**80112** (Zip Code)

Registrant's Telephone Number, Including Area Code: **303/792-3600**

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 and Exchange Act of 1934 during the preceding 12 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 ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act): Yes o No ý

Class A Common Stock 51,701,375 shares outstanding at May 9, 2003

Class B Common Stock 85,287,957 shares outstanding at May 12, 2003

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PART I FINANCIAL INFORMATION

EXPLANATORY NOTE

On August 26, 2003, Regal Entertainment Group filed a registration statement on Form S-3 (Commission File No. 333-108212) with the Securities and Exchange Commission (the "Commission"), which was amended on November 14, 2003 and incorporates by reference Regal's annual report on Form 10-K for the fiscal year ended December 26, 2002, quarterly reports on Form 10-Q for the fiscal quarters ended March 27, 2003 and June 26, 2003, and other current reports (or portions thereof) filed by Regal during 2003. The Commission determined to review the registration statement and also has undertaken a review of our periodic reports filed with the Commission identified above. We believe the review of the periodic reports was undertaken as a result of the Commission's normal review process.

As a result of the review of the periodic reports, the Commission requested that Regal supplement or clarify certain textual information in its quarterly report on Form 10-Q for the fiscal quarter ended March 27, 2003. Following management's discussions with the Commission's staff, Regal agreed to make the suggested changes to its first quarter 2003 Form 10-Q. This amended quarterly report on Form 10-Q/A contains no changes to the consolidated and combined financial statements previously filed with the Commission by Regal.

The information contained in this amended quarterly report on Form 10-Q/A has not been updated to reflect events and circumstances occurring since its original filing. Such matters have been or will be addressed in reports filed with the Commission (other than this amended report) subsequent to the date of the original filing of Regal's first quarter 2003 Form 10-Q. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Regal has restated in its entirety each item of its originally filed first quarter 2003 Form 10-Q affected by this amendment.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", may constitute forward-looking statements. In some cases you can identify these "forward-looking statements" by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" contained in our Annual Report on Form 10-K filed on March 26, 2003 with the Securities and Exchange Commission (File No. 001-31315) for the Company's fiscal year ended December 26, 2002. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.

Overview

We are the largest domestic motion picture exhibitor with 5,605 screens in 515 theatres in 36 states as of March 27, 2003. We conduct our operations primarily through our wholly owned subsidiaries, Regal Cinemas, United Artists, Edwards and Regal CineMedia.

Regal was created through a series of transactions during 2001 and 2002. Anschutz acquired controlling equity interests in United Artists and Edwards upon the emergence from bankruptcy reorganization on March 2, 2001 of the United Artists Bankrupt Entities (as defined in Note 1 to the accompanying unaudited condensed consolidated financial statements) and on September 29, 2001 of the Edwards Bankrupt Entities (as defined in Note 1 to the accompanying unaudited condensed consolidated financial statements). On January 29, 2002, Anschutz acquired a controlling equity interest in Regal Cinemas, Inc. when the Regal Cinemas, Inc. Bankrupt Entities as defined in Note 1 to the accompanying unaudited condensed consolidated financial statements, emerged from bankruptcy reorganization. Anschutz exchanged its controlling equity interest in Regal Cinemas, Inc. for a controlling equity interest in Regal Cinemas immediately thereafter. Regal Cinemas, Inc. is a wholly owned subsidiary of Regal Cinemas. In addition, Regal CineMedia was formed in February 2002 to focus on the development of ancillary revenues and became our wholly owned subsidiary on April 12, 2002. On April 17, 2002, Regal Cinemas, Inc. acquired all of the outstanding capital stock of Edwards and, as a result, Edwards became a wholly owned subsidiary of Regal Cinemas, Inc.

The Company's financial statements reflect the results of operations from the dates Anschutz acquired its controlling equity interests in United Artists, Edwards and Regal Cinemas. These controlling equity interests have been recorded in the Company's financial statements at Anschutz's combined historical cost basis. Accordingly, the Company's unaudited condensed consolidated financial statements for the quarter ended March 28, 2002 include the results of operations of United Artists (from January 4, 2002), Edwards (from December 28, 2001), and Regal Cinemas (from January 24, 2002).

The Company generates revenues primarily from admissions and concession sales. Additional revenues are generated by vendor marketing programs and on-screen advertisements and rental of theatres for business meetings and other events by Regal CineMedia and electronic video games located adjacent to the lobbies of certain of the Company's theatres. Film rental costs depend on the popularity of a film and the length of time since the film's release and generally decline as a percentage of admission revenues the longer a film is in exhibition. Because the Company purchases certain concession items, such as fountain drinks and popcorn, in bulk and not pre-packaged for individual servings, the Company is able to improve its margins by negotiating volume discounts. Other theatre operating expenses consist primarily of theatre labor and occupancy costs.

Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of our 2002 Annual Report on Form 10-K. Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet as well as the reported amounts of revenues and expenses during the reporting period. We routinely make estimates and judgments about the carrying value of our assets and liabilities that are not readily apparent from other sources. The Company evaluates and modifies on an ongoing basis such estimates and assumptions which includes, but are not limited to, those related to film costs, property and equipment, goodwill, income taxes and reorganization and purchase accounting. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities. Actual results, under conditions and circumstances different from those assumed, may differ from estimates. The impact and any associated risks related to estimates, assumptions, and accounting policies are discussed within Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Unaudited Condensed Consolidated Financial Statements, if applicable, where such estimates, assumptions, and accounting policies affect the Company's reported and expected results.

The Company believes the following accounting policies are critical to its business operations and the understanding of its results of operations and affect the more significant judgments and estimates used in the preparation of its consolidated financial statements:

- The Company estimates its film cost expense and related film cost payable based on management's best estimate of the ultimate settlement of the film costs with the distributors. Film costs and the related film costs payable are adjusted to the final film settlement in the period that the Company settles with the distributors. Actual film costs and film costs payable could differ from those estimates.

- We depreciate and amortize the components of our property and equipment on a straight-line basis over the estimated useful lives of the assets. The estimates of the assets' useful lives require our judgment and our knowledge of the assets being depreciated and amortized. When necessary, the assets' useful lives are revised and the impact on depreciation and amortization is recognized on a prospective basis. Actual economic lives may differ materially from these estimates. In addition, the Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable. When the future undiscounted cash flows of the operations to which the assets relate do not exceed the carrying value of the asset, such assets are written down to fair value.

The Company adopted SFAS 142, "Goodwill and Other Intangible Assets" in 2002. SFAS 142 specifies that goodwill and indefinite-lived intangible assets will no longer be amortized but instead will be subject to an annual impairment test. Based on an impairment test conducted during the fourth quarter of 2002, the Company was not required to record a charge for goodwill impairment. The Company will perform a fourth-quarter goodwill impairment test on an annual basis. In assessing the recoverability of the goodwill, the Company must make various assumptions regarding estimated future cash flows and other factors in determining the fair values of the respective assets. If these estimates or their related assumptions change in the

future, the Company may be required to record impairment charges for these assets in future periods.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. In addition, income tax rules and regulations are subject to interpretation and require judgment by the Company and may be challenged by the tax authorities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance if it is deemed more likely than not that its deferred income tax assets will not be realized. The Company reassesses the need for such allowance on an ongoing basis. Should the Company ultimately realize certain tax assets with a valuation allowance that relate to pre-acquisition periods, goodwill would be reduced.

We applied the principles of purchase and reorganization accounting when recording the acquisitions of controlling equity interests by Anschutz and the exchange of stock for minority interests and the emergence from bankruptcy of the theatre companies. These accounting principles require that we estimate the fair value of the individual assets and liabilities, including estimates of bankruptcy-related claims. The estimation of the fair value of the assets and liabilities involves a number of judgments and estimates that could differ materially from the actual amounts.

Results of Operations for the quarters ended March 27, 2003 and March 28, 2002

The following table sets forth the percentage of revenues, except as otherwise noted, represented by certain items included in the Company's unaudited condensed consolidated statements of operations for the quarters ended March 27, 2003 ("Q1 2003 Period") and March 28, 2002 ("Q1 2002 Period") (dollars and attendance in millions):

	Q1 2003 Period		Q1 2002 Period	
	$	**% of Revenues**	**$**	**% of Revenues**
Revenues:				
Admissions	$ 361.3	68.4%	$ 286.2	69.1%
Concessions	137.5	26.0	113.8	27.5
Other operating revenues	29.3	5.6	14.1	3.4
Total revenues	528.1	100.0	414.1	100.0
Operating expenses:				
Film rental and advertising costs(1)	186.0	51.4	146.8	51.3
Cost of concessions(2)	19.4	14.1	15.8	13.9
Rent expense(3)	63.1	11.9	51.9	12.5
Other theatre operating expenses(3)	136.9	26.0	103.0	24.9
General and administrative expenses(3)	14.6	2.8	15.9	3.8
Depreciation and amortization(3)	35.9	6.8	27.7	6.7

	Q1 2003 Period		Q1 2002 Period	
Merger and restructuring expenses and amortization of deferred stock compensation(3)	2.2	0.4	7.9	1.9
Gain on disposal and impairment of operating assets(3)	(2.6)	(0.5)	(0.1)	
Total operating expenses(3)	455.5	86.3	368.9	89.1
Operating income(3)	72.6	13.7	45.2	10.9
Net income(3)	$ 35.3	6.7%	$ 10.6	2.6%
Attendance	58.3		48.0	
Average ticket price	$ 6.20		$ 5.96	
Average concession per patron	$ 2.36		$ 2.37	

(1) Percentage of revenues calculated as a percentage of admissions revenues.

(2) Percentage of revenues calculated as a percentage of concessions revenues.

(3) Percentage of revenues calculated as a percentage of total revenues.

The Company believes its results for fiscal 2002 are not indicative of its current operations, and, as a result, has provided only the following summary analysis of such results. An in-depth comparison of the quarter ended March 27, 2003 versus those for the quarter ended March 28, 2002 has not been presented because (i) its historical results do not reflect a full three months of operations for Regal Cinemas or United Artists for the quarter ended March 28, 2002 and these results are significant to the Company and (ii) the Company's capital structure has changed significantly subsequent to the quarter ended March 28, 2002.

Total Revenues

Total revenues during the Q1 2003 Period increased $114.0 million, or 27.5%, from the Q1 2002 Period. The increase in total revenues in the Q1 2003 Period was primarily attributable to the inclusion of Regal Cinemas and United Artists in the Company's results of operations for a full quarter during 2003 as compared to the Q1 2002 Period, which included the results of operations of Regal Cinemas from January 24, 2002 (approximately 2 months) and United Artists from January 4, 2003 (approximately 3 months less one week). Total revenues also increased due to increases in average ticket prices of 4.0%, partially offset by a decline in industry box office results during the Q1 2003 Period and the closure of 247 underperforming screens since the end of the Q1 2002 Period.

Operating Expenses

Total operating expenses during the Q1 2003 Period increased $86.6 million, or 23.5%, from the Q1 2002 Period. The increase in operating expenses in the Q1 2003 Period was principally related to the inclusion of Regal Cinemas and United Artists in the Company's results of operations for a full quarter during 2003 as compared to the Q1 2002 Period, which included the results of operations of Regal Cinemas from January 24, 2002 (approximately 2 months) and United Artists from January 4, 2003 (approximately 3 months less one week), coupled with incremental expenses associated with Regal CineMedia, which did not begin substantive operations until the second quarter of 2002. This increase was partially offset by the realization of operating efficiencies associated with the 2002 integration of Regal Cinemas, United Artists and Edwards and the fixed cost nature of certain operating expense items.

Operating Income

Operating income during the Q1 2003 Period increased $27.4 million from the Q1 2002 Period. The increase in operating income during the Q1 2003 Period is primarily attributable to the growth in total revenues as a result of the inclusion of Regal Cinemas and United Artists in the Company's results of operations for a full quarter during 2003 as compared to the Q1 2002 Period, which included the results of operations of Regal Cinemas from January 24, 2002 (approximately 2 months) and United Artists from January 4, 2003 (approximately 3 months less one week), coupled with the realized benefits associated with the 2002 integration of Regal Cinemas, United Artists and Edwards. This increase was partially offset by a general decline in industry box office attendance during the Q1 2003 Period.

Net Income

Net income for the Q1 2003 Period increased $24.7 million from the Q1 2002 Period. The increase in net income during the Q1 2003 Period is primarily attributable to the factors described in previous sections, which increase is partially offset by an increase in the Q1 2003 Period provision of income taxes over the Q1 2002 Period.

Changes in Cash Flows

Cash flows generated from operating activities were approximately $77.5 million for the quarter ended March 27, 2003 compared to approximately $27.7 million for the quarter ended March 28, 2002. The increase was attributable to a full three months of operations of Regal Cinemas and United Artists in 2003 and to increases in net income and non cash items and changes in working capital items. Capital expenditures were $23.9 million for the quarter ended March 27, 2003 compared to $15.1 million for the quarter ended March 28, 2002. The increase is primarily due to the inclusion of a full three months of operations of Regal Cinemas and United Artists in 2003. Cash flows used in financing activities were approximately $37.7 million for the quarter ended March 27, 2003 compared to cash flows provided by financing activities of approximately $123.6 million for the quarter ended March 28, 2002. The decrease in cash flows from financing activities was primarily attributable to cash of Regal Cinemas, Inc. of $166.7 million on the date Anschutz acquired a controlling equity interest therein in 2002.

Liquidity and Capital Resources

The Company conducts its operations through its subsidiaries: Regal Cinemas, United Artists, Edwards and Regal CineMedia. The Company was formed in the first quarter of 2002 and expects its primary uses of cash to be for operating expenses and general corporate purposes related to corporate operations. The Company's principal sources of liquidity are from its operating subsidiaries. In the Company's operating subsidiaries, principal uses of cash will be for operating expenses, capital expenditures, and debt service. The principal sources of liquidity for the Company's subsidiaries are cash generated from their operations, cash on hand and the revolving credit facilities provided for under the Regal Cinemas senior credit facilities.

The Company's revenues are generally collected in cash through admissions and concessions revenues. The Company's operating expenses are primarily related to film and advertising costs, rent

and occupancy, and payroll. Film costs are ordinarily paid to distributors within 30 days following receipt of admissions revenues and the cost of the Company's concessions are generally paid to vendors approximately 30 days from purchase. The Company's current liabilities generally include items that will become due within twelve months and, as a result, at any given time, the Company's balance sheet is likely to reflect a working capital deficit.

The Company funds the cost of its operating subsidiaries' capital expenditures through internally generated cash flow, cash on hand and financing activities. The Company's capital requirements have historically arisen principally in connection with acquisitions of theatres, new theatre openings, adding new screens to existing theatres, upgrading the Company's theatre facilities and replacing equipment. The Company intends to continue to grow its theatre circuit through selective expansion and acquisition opportunities. The Company currently expects capital expenditures for theatre development, replacement, expansion, upgrading and maintenance to be in the range of $90 million to $100 million in 2003. In addition to capital expenditures associated with its theatre operations, the Company expects to incur capital expenditures of approximately $50 million in connection with Regal CineMedia during 2003. The Company anticipates a significant portion of the Regal CineMedia capital expenditures to be made in connection with the development and deployment of the digital content network to provide advertising and promotional services and to distribute various forms of digital programming. During the quarter ended March 27, 2003, the Company invested an aggregate of approximately $23.9 million in capital expenditures.

As of March 27, 2003, Regal Cinemas had $145 million committed under its undrawn senior revolving credit facility, $213.8 million outstanding under its senior secured term loan and $350 million principal amount of $9^3/_8$% senior subordinated notes due 2012. Regal Cinemas also maintains a letter of credit of $15 million as of March 27, 2003, which reduces the availability under its senior revolving credit facility to $130 million.

In May 2002, the Company issued 18.0 million shares of its Class A common stock in an initial public offering at a price of $19.00 per share, for an aggregate offering price of $342.0 million. The Company paid to the underwriters discounts and commissions totaling approximately $23.1 million and other costs totaling approximately $4.1 million in connection with the offering. The net offering proceeds, after deducting underwriting discounts, commissions and other offering expenses, were approximately $314.8 million.

On March 14, 2003, we paid a cash dividend of $0.15 per share of Class A and Class B common stock, or $19.8 million in the aggregate, to our stockholders of record on February 25, 2003. On April 22, 2003, the Company declared a cash dividend of $0.15 per share on each share of the Company's Class A and Class B common stock, payable on June 13, 2003, to stockholders of record on May 27, 2003. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our Class A and Class B common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

On March 28, 2003, the Company announced the acquisition of certain assets of Hoyts for a combination of cash of approximately $100 million (subject to certain post closing balance sheet adjustments), shares of Class A common stock (approximately 4.8 million shares) and the assumption of certain capital leases. The Company acquired a total of 52 theatres representing 554 screens located in 10 states in the Northeastern United States. Regal expects to complete the integration of Hoyts during the second half of fiscal 2003.

Contractual Obligations and Commitments

The Company primarily leases its theatres pursuant to long-term non-cancelable operating leases. As of March 27, 2003, the Company's estimated contractual cash obligations and commercial commitments over the next several years are as follows (in millions):

	Payments Due by Period				
	Total	Current	2-3 Years	4-5 Years	After 5 Years
Contractual Cash Obligations					
Long-term debt	$ 563.8	$ 11.4	$ 22.5	$ 182.8	$ 347.1
Capital lease obligations	2.5		0.3	0.3	1.9
Lease financing arrangements	97.4	1.9	4.7	6.3	84.5
Bankruptcy claims and liabilities	11.1	11.1			
Other long term obligations	6.9	0.9	2.1	3.2	0.7
Operating leases	3,312.6	221.4	432.4	423.7	2,235.1
Total contractual cash obligations	$ 3,994.3	$ 246.7	$ 462.0	$ 616.3	$ 2,669.3

	Amount of Commitment Expiration per Period				
	Total Amounts Committed	Current	2-3 Years	4-5 Years	After 5 Years
Other Commercial Commitments					
Letters of credit	$ 15.0				$ 15.0
Lines of credit	130.0				130.0
Total commercial commitments	$ 145.0				$ 145.0

The Company believes that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under its revolving credit facilities will be adequate for the Company to execute its business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for at least 12 months.

Bankruptcy Claims

Regal Cinemas, Inc. and Edwards have bankruptcy claims that remain unsettled and are subject to ongoing negotiation and possible litigation. At March 27, 2003, Regal Cinemas had accrued approximately $11.1 million for the estimated costs to resolve such bankruptcy claims. In the opinion of management, based on its examination of these matters, its experience to date and discussions with legal counsel, the outcome of these legal matters, after taking into consideration the amounts already accrued, is not expected to have a material effect on the Company's liquidity or results of operations. To the extent these claims are allowed by the bankruptcy court, they will be funded with cash on hand, cash flow from operations or borrowings under Regal Cinemas' revolving credit facility. In addition to these sources of funding, with respect to allowed Edwards claims, they may also be funded from restricted cash that has been set aside, and, if the allowed Edwards claims exceed $55 million, from contributions by Anschutz and Oaktree's Principal Activities Group. The timing of payment on these claims will depend upon the resolution of these claims.

Recent Accounting Pronouncements

Effective December 27, 2002, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes accounting standards for recognition and measurement of the fair value of obligations associated with the retirement of long-lived assets when there is a legal obligation to incur such costs. Under SFAS No. 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises and will be amortized to expense over the life of the asset. The adoption of SFAS No. 143 did not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements including the rescission of Statement 4, which required all gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30 will now be used to classify those gains and losses. As a result of the Company's adoption of SFAS No. 145 on December 27, 2002, the extraordinary gain from debt extinguishment during fiscal 2002 has been reclassified to earnings from continuing operations.

Effective December 27, 2002, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses significant issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities, and nullifies the guidance in EITF Issue No. 94-3 (EITF 94-3), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring.)" Retroactive application of SFAS No. 146 is prohibited and, accordingly, liabilities recognized prior to the initial application of SFAS No. 146 will continue to be accounted for in accordance with EITF 94-3 or other applicable preexisting guidance.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. Guarantees meeting the characteristics described in the interpretation are required to be initially recorded at fair value, which is different from general current practice of recognition of a liability only when loss is probable and reasonably estimable, as prescribed in SFAS No. 5, "Accounting for Contingencies." The interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor's having to make payments under the guarantee is remote. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities an Interpretation of ARB No. 51." This interpretation addresses consolidation by business enterprises of entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses or receives a majority of its expected residual returns. The consolidation requirements of this interpretation apply immediately to variable interest entities created after January 31, 2003 and apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain new disclosure requirements apply to all financial statements issued after January 31, 2003. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In November of 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16"). EITF 02-16 addresses the accounting for cash consideration given to a reseller of a vendor's products from a vendor. EITF 02-16 indicates that cash consideration received by a customer from a vendor is presumed to be a reduction in the price of the vendor's products or services and should, therefore, be characterized as a reduction of cost of sales when recognized in the customer's income statement. The EITF indicated that such presumption is overcome when the consideration is either (a) a reimbursement of costs incurred by the customer to sell the vendor's products, in which case the cash consideration should be characterized as a reduction of that cost when recognized in the customer's income statement, or (b) a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterized as revenue when recognized in the customer's income statement. The EITF also reached a consensus that a rebate or refund of a specified amount of cash consideration that is payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in progress by the customer toward earning the rebate or refund, provided the amounts are reasonably estimable. On December 27, 2002, the Company adopted EITF 02-16, effective with arrangements entered into or after November 21, 2002. Such adoption did not have a material impact on the Company's financial position or results of operations.

Inflation

The Company does not believe that inflation has had a material impact on its financial position or results of operations.

Seasonality

The Company's revenues are usually seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, studios release the most marketable motion pictures during the summer and the holiday seasons. The unexpected emergence of a "hit" film during other periods can alter the traditional pattern. The timing of movie releases can have a significant effect on the Company's results of operations, and the results of one quarter are not necessarily indicative of the results for the next or any other quarter. The seasonality of motion picture exhibition, however, has become less pronounced in recent years as studios have begun to release major motion pictures somewhat more evenly throughout the year.

Item 4.

CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that information is accumulated and communicated to our management, including our principal executive and principal financial officers (whom we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officers, the effectiveness of our disclosure controls and procedures as of March 27, 2003, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of March 27, 2003, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 27, 2003 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 6.

EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
3.1	Amended and Restated Bylaws, as amended, of Registrant (filed as exhibit 3.1 to Registrant's Form 10-Q for the fiscal quarter ended June 26, 2003 (Commission File No. 001-313151, and incorporated herein by reference)
4.1	Fourth Supplemental Indenture, dated as of March 27, 2003, among Regal Cinemas Corporation, Interstate Theatres Corporation, Frederick Plaza Cinema, Inc. and U.S. Bank National Association
10.1	Stock Purchase Agreement, dated February 3, 2003, among Regal Entertainment Group, HUSH Holdings U.S. Inc. and Hoyts Cinemas Corporation
10.2	Stockholder Agreement, dated as of March 27, 2003, between Regal Entertainment Group and HUSH Holdings U.S. Inc.
31.1	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal

Exhibit Number	Description
31.2	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal
31.3	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32*	Section 1350 Certifications

Previously filed

* Previously furnished

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGAL ENTERTAINMENT GROUP

Date: December 3, 2003

By: /s/ AMY E. MILES

Amy E. Miles
Executive Vice President and
Chief Financial Officer

REGAL ENTERTAINMENT GROUP

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Bylaws, as amended, of Registrant (filed as exhibit 3.1 to Registrant's Form 10-Q for the fiscal quarter ended June 26, 2003 (Commission File No. 001-313151, and incorporated herein by reference)
4.1	Fourth Supplemental Indenture, dated as of March 27, 2003, among Regal Cinemas Corporation, Interstate Theatres Corporation, Frederick Plaza Cinema, Inc. and U.S. Bank National Association
10.1	Stock Purchase Agreement, dated February 3, 2003, among Regal Entertainment Group, HUSH Holdings U.S. Inc. and Hoyts Cinemas Corporation
10.2	Stockholder Agreement, dated as of March 27, 2003, between Regal Entertainment Group and HUSH Holdings U.S. Inc.

Exhibit Number	Description
31.1	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Co-Chief Executive Officer of Regal
31.3	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32*	Section 1350 Certifications

Previously filed

* Previously furnished