ISLE OF CAPRI CASINOS INC
Form 10-Q/A
July 25, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended January 28, 2007

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 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware	**41-1659606**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
600 Emerson Road, Suite 300, Saint Louis,	**63141**

Missouri
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (314) 813-9200

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 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 ¨ No x

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.

Large accelerated filer ¨ Accelerated filer x 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 x

As of July 24, 2007, the Company had a total of 34,719,723 shares of Common Stock outstanding (which includes 4,323,555 shares held by us in treasury).

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ISLE OF CAPRI CASINOS, INC.

FORM 10-Q/A

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RESTATEMENT OVERVIEW

During the course of the Company s third quarterly review of fiscal year 2007, management and the Company s independent registered public accounting firm identified issues that, when corrected, had a material effect upon the Company s previously issued financial statements.

On April 18, 2007, the Company filed quarterly results for the three and nine months ended January 28, 2007 (First Restatement). That interim filing, which was not reviewed by the Company s independent registered public accounting firm, contained all of the restatement items that the Company was aware of at the time of filing of the document, however the Company subsequently discovered additional errors which required restatement. As a result, the Company announced on June 19, 2007, that it would restate its third quarter ended January 28, 2007, and further restate prior periods (Second Restatement).

The financial statements presented herein reflect all restatement items, including those items which were presented in the Company s quarterly filing for the three and nine months ended January 28, 2007, filed on April 18, 2007, and the additional restatement findings found subsequent to the filing of that document as noted above.

The cumulative effect of all adjustments through April 30, 2006, October 29, 2006 and January 28, 2007 on the Company s consolidated balance sheets was a $5.4 million decrease, $0.9 million increase and $1.9 million decrease to retained earnings, respectively; a $3.0 million increase, $3.6 million increase and $2.0 million increase to additional paid-in-capital, respectively; and a $2.4 million decrease, $4.5 million increase and $0.1 million increase to stockholders equity, respectively. It should be noted that the $1.9 million decrease in retained earnings as of January 28, 2007 for the change between the originally filed third quarter financial statements for the period ended January 28, 2007 and this restated third quarter only reflects the impact of the Second Restatement, as the originally filed third quarter financial statements included the impact of the First Restatement. The cumulative impact of the First Restatement was a $3.4 million increase to retained earnings as of January 28, 2007 thus the total cumulative effect of the First and Second Restatements combined was a $1.5 million increase in retained earnings as of January 28, 2007.

For the three months ended January 22, 2006 and January 28, 2007, these adjustments decreased net income by $23 thousand and increased net income by $0.6 million, respectively. For the nine months ended January 22, 2006 and January 28, 2007, these adjustments decreased net income by $1.5 million and increased net income by $2.5 million, respectively.

The restatement adjustments primarily relate to the following items (the cumulative effect of each adjustment item is presented for the periods through April 30, 2006, October 29, 2006 and January 28, 2007):

- Accounting for the lease of the Company s new casino space in Coventry, England in accordance with Emerging Issue Task Force (EITF) 97-10, The Effect of Lessee Involvement in Asset Construction (EITF 97-10), which cumulatively decreased retained earnings by $2.4 million, $2.4 million and zero, respectively;

- Accounting for leases with rent escalation and rent holiday clauses on a straight-line basis at several properties, which resulted in a decrease to retained earnings of $2.5 million, $2.2 million and $2.2 million, respectively;

- Correction of accounting errors at the Company s 66-2/3% owned Blue Chip Casinos plc subsidiary in England which cumulatively reduced retained earnings by $1.7 million, $2.3 million and zero, respectively;

- Adjustments to the calculation of the gain on the sale of the Isle-Bossier City related to the proper allocation of certain intangible assets, which cumulatively increased retained earnings by zero, $6.1 million and zero, respectively;

- Amortization of certain intangible assets (primarily related to Lady Luck customer lists, Biloxi berthing rights and the Waterloo gaming license) which cumulatively reduced retained earnings by $5.4 million, $5.7 million and zero, respectively;

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Correction of various tax accounting issues which cumulatively increased retained earnings by $8.2 million, $8.9 million and $0.3 million, respectively; and increased additional paid in capital by $3.0 million, $3.0 million and $2.0 million, respectively.
Additionally, as part of the restatement process, the Company has made correcting adjustments for other miscellaneous items. Refer to Note 2 to the Consolidated Financial Statements for a detailed discussion of all significant restatement adjustments.

This Form 10-Q/A amends the following:

Part I. Item 1 (Financial Statements and Supplementary Data) to reflect changes to the Company s financial statements and notes thereto, including changes to the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Stockholders Equity, Consolidated Statements of Cash Flows, the addition of Note 2 to the Consolidated Financial Statements Restatement , as well as other Notes which present restated financial information.

Part I. Item 2 (Management s Discussion and Analysis of Financial Condition and Results of Operations) to reflect the changes to Executive Overview, Results of Operations, Liquidity and Capital Resources, and Contractual Obligations and Commercial Commitments.

Part I. Item 4 (Controls and Procedures) to reflect changes to the disclosure of the internal control impact.

Part II. Item 3 (Defaults on Senior Securities)

No other changes have been made to the Company s quarterly report except those items previously listed and this amendment is not intended to update other information presented in the quarterly report as originally filed, except as disclosed in Note 13 to the financial statements, Subsequent Events. As a result of this amendment, the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Form 10-Q/A and the certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 has been executed and filed as of the date of this Form 10-Q/A. Included in this Form 10-Q/A is quarterly information within Note 2 to the Consolidated Financial Statements which amends previously filed Quarterly Reports on Form 10-Q.

The Company has not amended its Annual Reports on Form 10-K for the fiscal years ended April 30, 2006, April 24, 2005 and April 25, 2004 or the Quarterly Reports on Form 10-Q for the periods affected by the restatement. The information that has been previously filed or otherwise reported for the periods prior to October 29, 2006 is superseded by the information in this Quarterly Report on Form 10-Q/A and the financial statements and related financial information contained in such reports should no longer be relied upon.

Furthermore, all notes to the consolidated financial statements should be read in their entirety when reading these financial statements because they materially impact the ability to understand the historical financial information presented regarding the Company.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical or current facts included in this report on Form 10-Q/A or incorporated by reference herein, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may , will , expect , intend , estimate , anticipate , believe or continue or the negative there variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- the effect of significant competition from other gaming operations in the markets in which we operate;
- the effects of changes in gaming authority regulations;
- the effects of changes in gaming taxes;
- the effects of changes in non-gaming regulations;
- loss of key personnel;
- the impact of inclement weather on our patronage;
- the timing and amount of collection of insurance receivables;
- the effects of construction and related disruptions associated with expansion projects at existing facilities;
- the effects of increases in energy and fuel prices;
- the effects of increases in construction costs;
- general and regional economic conditions;
- the effects of limitations imposed by our substantial indebtedness
- the outcome of pending litigation;

political conditions and regulatory uncertainties in the U.S. and international venues in which we operate or are pursuing development opportunities; and

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Our Internet website is http://www.islecorp.com. We make our filings available free of charge on our Internet website as soon as reasonably practical after we electronically file such reports with, or furnish them to, the SEC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(In thousands, except per share data)

	January 28, 2007 (Restated)	April 30, 2006 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 130,176	$ 121,049
Marketable securities	17,081	17,727
Accounts receivable, net	25,408	17,017
Insurance receivable, net	57,106	79,362
Deferred income taxes	13,973	14,004
Prepaid expenses and other assets	25,817	14,943
Assets held for sale		212,281
Total current assets	269,561	476,383
Property and equipment, net	1,195,851	979,627
Other assets:		
Goodwill	305,365	305,365
Other intangible assets	74,154	74,154
Deferred financing costs, net	14,290	16,162
Restricted cash	2,610	2,210
Prepaid deposits and other	28,109	23,825
Total assets	$ 1,889,940	$ 1,877,726
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 8,522	$ 8,515
Accounts payable	48,141	59,432
Accrued liabilities:		
Interest	25,285	10,864
Payroll and related	46,702	57,351
Property and other taxes	33,744	29,593
Income taxes	6,606	9,136
Progressive jackpots and slot club awards	12,508	16,119
Other	47,850	38,881
Total current liabilities	229,358	229,891
Long-term debt, less current maturities	1,202,862	1,210,542
Deferred income taxes	53,892	55,408
Other accrued liabilities	32,861	32,781
Other long term obligations	46,500	42,366

Minority interest	26,952	26,491
Stockholders equity:		
Preferred stock, $.01 par value; 2,000 shares authorized; none issued		
Common stock, $.01 par value; 45,000 shares authorized; 34,536 shares issued at January 28, 2007 and 34,293 shares issued at April 30, 2006	345	343
Class B common stock, $.01 par value; 3,000 shares authorized; none issued		
Additional paid-in capital	171,451	163,548
Unearned compensation		(1,383)
Retained earnings	169,748	159,764
Accumulated other comprehensive income	3,255	131
	344,799	322,403
Treasury stock, 4,132 shares at January 28, 2007 and 3,902 shares at April 30, 2006	(47,284)	(42,156)
Total stockholders equity	297,515	280,247
Total liabilities and stockholders equity	$ 1,889,940	$ 1,877,726

See notes to the unaudited restated consolidated financial statements.

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ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	January 28, 2007 (Restated)	January 22, 2006 (Restated)	January 28, 2007 (Restated)	January 22, 2006 (Restated)
Revenues:				
Casino	$ 233,158	$ 234,954	$ 760,015	$ 695,020
Rooms	9,995	6,203	37,965	25,372
Pari-mutuel commissions and fees	5,057	4,350	13,850	13,301
Food, beverage and other	32,309	27,337	99,274	87,351
Gross revenues	280,519	272,844	911,104	821,044
Less promotional allowances	49,680	43,821	163,073	138,717
Net revenues	230,839	229,023	748,031	682,327
Operating expenses:				
Casino	38,573	35,000	122,570	108,883
Gaming taxes	49,739	52,642	161,158	154,549
Rooms	2,173	1,231	7,053	5,723
Pari-mutuel commissions and fees	3,897	3,432	10,793	10,548
Food, beverage and other	6,928	6,827	23,520	21,039
Marine and facilities	15,049	13,146	46,817	41,813
Marketing and administrative	77,666	66,189	244,414	210,314
Valuation and other charges			665	
Hurricane related charges, net		3,576		4,776
Preopening	2,499	40	3,137	224
Depreciation and amortization	24,608	22,018	72,898	65,819
Total operating expenses	221,132	204,101	693,025	623,688
Operating income	9,707	24,922	55,006	58,639
Interest expense	(22,241)	(19,210)	(65,691)	(55,642)
Interest income	1,814	590	5,846	2,136
Loss on extinguishment of debt		(2,110)		(2,110)
Income (loss) from continuing operations before income taxes and minority interest	(10,720)	4,192	(4,839)	3,023
Income tax (provision) benefit	1,940	(2,105)	(1,247)	(549)
Minority interest	(566)	(418)	(2,119)	(4,323)
Income (loss) from continuing operations	(9,346)	1,669	(8,205)	(1,849)
Income from discontinued operations including gain on sale, net of income taxes	416	2,441	18,189	4,254
Net income (loss)	$ (8,930)	$ 4,110	$ 9,984	$ 2,405
Earnings (loss) per common share-basic:				
Income (loss) from continuing operations	$ (0.31)	$ 0.06	$ (0.27)	$ (0.06)
Income from discontinued operations including gain on sale, net of income taxes	0.02	0.08	0.60	0.14

Net income (loss)	$	(0.29)	$	0.14	$	0.33	$	0.08
Earnings (loss) per common share-diluted:								
Income (loss) from continuing operations	$	(0.31)	$	0.05	$	(0.27)	$	(0.06)
Income from discontinued operations including gain on sale, net of income taxes		0.02		0.08		0.60		0.14
Net income (loss)	$	(0.29)	$	0.13	$	0.33	$	0.08
Weighted average basic shares		30,371		29,951		30,379		30,054
Weighted average diluted shares		30,371		31,042		30,379		30,054

See notes to the unaudited restated consolidated financial statements.

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ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

(UNAUDITED)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Unearned Compen-sation	Retained Earnings	Accum. Other Compre-hensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 30, 2006 (Restated)	34,293	$ 343	$ 163,548	$ (1,383)	$ 159,764	$ 131	$ (42,156)	$ 280,247
Net income					9,984			9,984
Unrealized loss on interest rate swap contracts net of income tax benefit of $9						(13)		(13)
Foreign currency translation adjustments						3,137		3,137
Comprehensive income								13,108
Exercise of stock options, including income tax benefit of $1,122	243	2	3,837					3,839
Issuance of deferred bonus shares from treasury stock			(429)				429	
Deferred bonus expense			249					249
Stock compensation expense			5,629					5,629
Reclassification of unearned compensation due to the adoption of SFAS 123(R)			(1,383)	1,383				
Purchase of treasury stock							(5,557)	(5,557)
Balance, January 28, 2007 (Restated)	34,536	$ 345	$ 171,451	$	$ 169,748	$ 3,255	$ (47,284)	$ 297,515

See notes to the unaudited restated consolidated financial statements

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ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(UNAUDITED)

	Nine Months Ended January 28, 2007 (Restated)	Nine Months Ended January 22, 2006 (Restated)
Operating activities:		
Net income	$ 9,984	$ 2,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,898	77,068
Amortization of deferred financing costs	1,942	2,320
Amortization of unearned compensation		335
Loss/(Gain) on derivative instruments		(527)
Valuation and other charges	665	
Early extinguishment of debt		2,110
Deferred income taxes	(1,517)	(2,212)
Stock compensation expense	5,629	
Deferred compensation expense	249	
Loss/(Gain) on disposal of assets	(25,334)	451
Minority interest	2,119	4,323
Impairment charges, related to hurricane	656	62,439
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable	(9,582)	(3,066)
Insurance receivable	(1,019)	(114,965)
Income taxes, net	(2,530)	6,274
Prepaid expenses and other assets	(10,730)	(2,362)
Accounts payable and accrued liabilities	7,154	9,494
Net cash provided by operating activities	50,584	44,087
Investing activities:		
Purchase of property and equipment	(289,291)	(157,458)
Acquisition of gaming license	(4,000)	(5,775)
Purchase of short-term investments, net of sales	647	(2,901)
Proceeds from sale of assets	242,382	
Insurance proceeds for hurricane damages	22,619	26,088
Restricted cash	(398)	(173)
Prepaid deposits and other	(3,446)	(11,973)
Change in notes receivable		21
Net cash used in investing activities	(31,487)	(152,171)
Financing activities:		
Proceeds from debt		122,475
Borrowing from line of credit	203,570	2,524
Payments on line of credit	(206,953)	
Principal payments on debt	(4,776)	(49,609)
Payment of deferred financing costs	(69)	(1,792)
Tax benefit of stock option exercises	1,122	
Purchase of treasury stock	(5,557)	(8,493)

Proceeds from exercise of stock options	2,717	5,044
Net cash (used in) provided by financing activities	(9,946)	70,149
Effect of foreign currency exchange rates on cash and cash equivalents	(24)	(733)
Net increase (decrease) in cash and cash equivalents	9,127	(38,668)
Cash and cash equivalents at the beginning of period	121,049	146,472
Cash and cash equivalents at the end of the period	$ 130,176	$ 107,804

See notes to the unaudited restated consolidated financial statements

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ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

(UNAUDITED)

	Nine Months Ended	
	January 28, 2007 (restated)	**January 22, 2006 (restated)**
Supplemental disclosure of cash flow information:		
Net cash payments for:		
Interest (net of capitalized interest)	$ 54,677	$ 50,731
Income taxes, net of refunds	15,900	(545)

See notes to the unaudited restated consolidated financial statement

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Nature of Operations

Isle of Capri Casinos, Inc. and its subsidiaries (together with its subsidiaries the Company or Isle of Capri) was incorporated in Delaware in February 1990. The Company is a leading developer, owner, and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States and internationally. The Company wholly owns and operates nine casino gaming facilities in the United States located in Lake Charles, Louisiana; Lula, Biloxi and Natchez, Mississippi; Kansas City and Boonville, Missouri; Bettendorf, Davenport and Marquette, Iowa; and Pompano Beach, Florida. The Company also owns a 57% interest in, and receives management fees for operating, two gaming facilities in Black Hawk, Colorado. One of these facilities in Black Hawk, Colorado operates under the name Isle of Capri and features the Company s distinctive tropical island theme. The Company s international gaming interests include a wholly owned casino in Freeport, Grand Bahama, a two-thirds ownership interest in casinos in Dudley and Wolverhampton, England and a wholly owned casino to be opened in the summer of 2007 in Coventry, England. The Company also wholly owns and operates a pari-mutuel harness racing facility in Pompano Beach, Florida at the site of its Pompano Beach casino facility.

Discontinued operations relate to those of the Colorado Grande casino, located in Cripple Creek, Colorado (Colorado Grande-Cripple Creek), the Riverboat Gaming Corporation of Mississippi-Vicksburg (Isle-Vicksburg) located in Vicksburg, Mississippi and the Louisiana Riverboat Gaming Partnership (Isle-Bossier City) located in Bossier City, Louisiana. The sale of Colorado Grande Cripple Creek was closed on April 25, 2005. On July 31, 2006, the Company closed the sale of Isle-Bossier City and Isle-Vicksburg. The financial position and results of the discontinued operations are presented as assets held for sale in the consolidated balance sheets and discontinued operations in the consolidated statements of operations, respectively, for all periods presented in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 144 (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. For further discussion see Note 4.

On June 1, 2006, the Company notified its landlord of its decision to terminate its lease at Isle-Our Lucaya in Freeport, Grand Bahama. In the first fiscal quarter, the Company recorded approximately $2.2 million in lease termination costs in accordance with FASB Statement of Financial Accounting Standards No. 146 (SFAS No. 146), Accounting for Costs Associated with Exit or Disposal Activities. This charge, included in marketing and administrative expenses, relates to the Company s planned closure of the Isle-Our Lucaya operation by June 2007. Recently, the Company has entered into discussions with the Bahamian government that may result in the Company continuing its operations at the Isle-Our Lucaya. See further discussion in Note 13.

On May 11, 2005, the Company announced that the Iowa Racing and Gaming Commission awarded it a gaming license in Waterloo, Iowa. Construction is underway on a 35,000 square foot single level casino with 1,300 gaming positions, three restaurants, a 200-room hotel and 1,000 parking spaces. The project scope has recently been expanded and will also include a nightclub, a full service spa and a resort pool. The Company expects the property to open in July 2007 at a total cost of approximately $175 million.

On January 4, 2006, a Florida statute became effective allowing Pompano Park and three other pari-mutuel facilities in Broward County to offer slot machine gaming to patrons at these facilities. Although there are pari-mutuel facilities in numerous other counties in the State of Florida, slot machine gaming is only authorized in Broward County where Pompano Park is located.

On April 14, 2007, the Company opened a gaming facility consisting of 1,500 slot machines, four restaurants and a feature bar at Pompano Park adjacent to the existing grandstand, which cost approximately $176 million to construct. The statute also requires Pompano Park to pay an annual license fee of $3 million and gaming taxes equal to 50% of Pompano Park s net slot machine revenue plus combined county and city taxes approximating an additional 3.5% on the first $250 million of net slot machine revenue and 5% on net slot machine revenue over $250 million.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

1. Background and Nature of Operations (continued)

Litigation is presently ongoing, which if ultimately determined adversely could invalidate the statewide vote amending the Florida constitution to permit slot machines at pari-mutuels could eliminate the Company s right to operate slot machines at Pompano Park. The Company can provide no assurance as to the outcome of this litigation.

On August 18, 2006, the Harrison County Planning Commission approved the Company s master plan for its previously announced 50-acre development in west Harrison County, Mississippi, which is approximately 20 miles from the Mississippi/Louisiana state border near Interstate 10. Preliminary plans call for the estimated $320 million project to include a single-level gaming facility with over 2,000 gaming positions, a hotel, restaurants and a complement of additional resort amenities. The project remains in the preliminary planning stages, and is subject to certain conditions, including but not limited to the receipt of all necessary licenses, approvals and permits.

Interim Financial Information

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q/A and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended January 28, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ended April 29, 2007.

Fiscal Year-End

The Company s fiscal year ends on the last Sunday in April. This fiscal year creates more comparability of the Company s quarterly operations, by generally having an equal number of weeks (13) and weekend days (26) in each fiscal quarter. Periodically, this system necessitates a 53-week year, as occurred in the fiscal year ended April 30, 2006. Fiscal 2007 is a 52 week year which commenced on May 1, 2006 and ends on April 29, 2007.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial position and results of operations of Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek are presented as assets held for sale in the consolidated balance sheet as of April 30, 2006 and as discontinued operations in the consolidated statements of operations for all periods presented in accordance with SFAS No. 144.

In April 2006, the Company s Board of Directors approved a plan to close the Isle-Our Lucaya facility in Freeport, Grand Bahama. Effective June 1, 2006, the Company notified its landlord of its decision to terminate the lease and the Company intended to cease operations by June 1, 2007 as required by its lease. The Company will continue to report the results of the Isle-Our Lucaya property as continuing operations until a probable sale of this facility is reached or operations are ceased, at which time, these results will be

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

1. Background and Nature of Operations (continued)

Basis of Presentation (continued)

reported as discontinued operations in accordance with SFAS No. 144. The Company has recently entered into discussions with the Bahamian government that may result in the Company continuing its operations at the Isle-Our Lucaya. See further discussion in Note 13.

New Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that a company recognize the impact of a tax position in its financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 become effective in the first quarter of fiscal 2008, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact, if any, of adopting FIN 48 on its financial statements, and such impact cannot be reasonably estimated at this time.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), to define fair value and establish a framework for measuring fair value in GAAP and to expand disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements. Prior to this Statement, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. A single definition of fair value, together with a framework for measuring fair value, should result in increased consistency and comparability in fair value measurements. The expanded disclosures about the use of fair value to measure assets and liabilities should provide users of financial statements with better information about the extent to which fair value is used to measure recognized assets and liabilities, the inputs used to develop the measurements and the effect of certain measurements on earnings (or changes in net assets) for the period. SFAS No. 157 becomes effective in the first quarter of fiscal 2008. Early adoption is permitted. The Company is currently evaluating the impact, if any, of adopting SFAS No. 157 on its financial statements, and such impact cannot be reasonably estimated at this time.

2. Restatement

During the course of the Company s third quarter review of fiscal 2007, management and the Company s independent registered public accounting firm identified issues that, when corrected, had a material effect upon the Company s previously issued financial statements. Therefore, the Company announced it would restate its financial statements for the fiscal year ended April 30, 2006 and prior years, the quarterly results for fiscal 2006, and the first two quarters of fiscal 2007.

On April 18, 2007, the Company filed quarterly results for the three and nine months ended January 28, 2007 (First Restatement). That interim filing, which was not reviewed by the Company s independent registered public accounting firm, contained all of the restatement items that the Company was aware of at the time of filing of the document. However, the Company subsequently discovered additional errors which required restatement. As a result, the Company announced on June 19, 2007, that it would restate its financial statements for the third quarter ended January 28, 2007, and further restate prior periods (Second Restatement).

The financial statements presented herein reflect all restatement items, including those items which were presented in the Company s quarterly filing for the three and nine months ended January 28, 2007, filed on April 18, 2007, and the additional restatement findings identified subsequent to the filing of that document as noted above. As such, in the restatement discussion below, the Company presents the cumulative effect of all restatement items compared to the originally filed financial statements for the fiscal year ended April 30, 2006, the originally filed six month period ended October 29, 2006 and the originally filed three month period ended January 28, 2007. Additionally, the Company presents the effect of all restatement items on net income, as originally filed, for the three and nine month periods ended January 22, 2006 and January 28, 2007.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

The cumulative effect of all adjustments through April 30, 2006, October 29, 2006 and January 28, 2007 was a $5.4 million decrease, $0.9 million increase and $1.9 million decrease to retained earnings, respectively; a $3.0 million increase, $3.6 million increase and $2.0 million increase to additional paid-in capital, respectively; and a $2.4 million decrease, $4.5 million increase and $0.1 million increase to stockholders equity, respectively. It should be noted that the $1.9 million decrease in retained earnings as of January 28, 2007 for the change between the originally filed third quarter ended January 28, 2007 and this restated report for the third quarter only reflects the impact of the Second Restatement, as the originally filed third quarter report included the impact of the First Restatement. The cumulative impact of the First Restatement was a $3.4 million increase to retained earnings as of January 28, 2007 thus the total cumulative effect of the First and Second Restatements combined was a $1.5 million increase in retained earnings as of January 28, 2007.

For the three months ended January 22, 2006 and January 28, 2007, these adjustments decreased net income and earnings per common share by $23 thousand and $0.00 and increased net income and earnings per common share by $0.6 million and $0.02, respectively. For the nine months ended January 22, 2006 and January 28, 2007, these adjustments decreased net income and earnings per common share by $1.5 million and $0.05 and increased net income and earnings per common share by $2.5 million and $0.08, respectively.

For the nine months ended January 22, 2006 and January 28, 2007 cash from operating activities increased $1.5 million and decreased $0.3 million, respectively. Cash from investing activities for the nine months ended January 22, 2006 and January 28, 2007 decreased $1.2 million and $0.3 million, respectively. Additionally, cash from financing activities for the nine months ended January 22, 2006 and January 28, 2007 increased $0.0 million and $0.8 million, respectively. Overall, cash and cash equivalents increased $0.3 million and $0.1 million for the nine months ended January 22, 2006 and January 28, 2007, respectively.

Background

Accounting for Leases

Coventry

The Company entered into an agreement during fiscal 2004 to lease space for the Isle-Coventry casino in Coventry, England (which was still under construction at the end of fiscal year 2006 and is expected to open in fiscal year 2008) in the sub-level of the Coventry Convention Center. The Coventry Convention Center was developed, owned and operated by a non-affiliated entity and began operations in August 2005. The Company determined that due to certain structural elements installed by the Company during the construction of the space being leased and certain prepaid lease payments made by the Company, the Company is required to be treated, for accounting purposes only, as the owner of the Coventry Convention Center, in accordance with Emerging Issues Task Force 97-10, The Effect of Lessee Involvement in Asset Construction (EITF 97-10).

As a result, the Company has recorded a cumulative adjustment to property and equipment, net of accumulated depreciation and after considering the effects of translation, of $50.3 million, $51.5 million and $52.7 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. Additionally, the Company has cumulatively recorded a long-term obligation for $42.4 million, $44.8 million and $46.5 million as of April 30, 2006, October 29, 2006 and, January 28, 2007, respectively. However, the Company does not own these assets, is not the obligor on the corresponding long-term obligation and does not participate in or control the operations of the convention center. The Coventry Convention Center was placed in service by the non-affiliated

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Accounting for Leases (continued)

entity during the Company s fiscal year 2006, and as a result, the Company has recorded depreciation expense which has cumulatively decreased retained earnings by $1.4 million, $2.3 million and $2.8 million through April 30, 2006, October 29, 2006 and January 28, 2007, respectively.

The Company has also recorded interest expense on the other long-term obligation which has cumulatively decreased retained earnings by $1.4 million, $2.3 million and $2.7 million through April 30, 2006, October 29, 2006 and January 28, 2007, respectively.

Additionally, the Company has also reversed previously recorded interest income which has cumulatively increased retained earnings by $1.2 million, $1.6 million and $1.8 million through April 30, 2006, October 29, 2006 and January 28, 2007, respectively. The previously recorded interest income was being earned on prepaid rent as contractually agreed to with the lender.

The cumulative effect of these restatement items reduced retained earnings by $2.4 million as of April 30, 2006 and October 29, 2006 and has no effect as of January 28, 2007. For the three and nine months ended January 22, 2006, these adjustments decreased net income by $0.7 million and $1.4 million, respectively. The adjustments had no effect on net income for the three and nine months ended January 28, 2007.

The related asset and financing obligation will be reflected on the Company s accompanying consolidated balance sheet until completion of the lease term, when they will be removed from the Company s financial statements. At such time, the net of the remaining obligation and carrying value of the asset will be recognized as a gain on disposal of the facility. Future payments due under the financing obligation utilizing the exchange rate as of April 30, 2006 were $0.6 million in 2007, $1.0 million in 2008, $1.1 million in 2009, $1.1 million in 2010, $1.1 million in 2011 and $35.2 million thereafter.

Other Lease Issues:

The Company identified prior period errors related to the lease accounting at its Biloxi, Kansas City, Lake Charles, Our Lucaya and Colorado properties. The Company previously failed to account for these leases, which contain rent escalation and rent holiday clauses on a straight-line basis. The effect of these adjustments on retained earnings was a cumulative reduction of $2.5 million, $2.2 million and $2.2 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. For the three and nine months ended January 22, 2006, these adjustments had no effect on net income. For the three and nine months ended January 28, 2007, these adjustments had no effect on net income and increased net income by $0.3 million, respectively.

United Kingdom Accounting

During the third fiscal quarter ended January 28, 2007, the statutory audits of the financial statements of Blue Chip Casinos, plc (Blue Chip) for the fiscal years ended April 24, 2005 and April 30, 2006 were completed. Blue Chip Casinos plc is a 66-2/3% owned subsidiary of the Company, which operates pub-style casinos in the United Kingdom (UK). In accordance with the original agreement governing Blue Chip s operations, Blue Chip was managed by the Company s UK-based minority shareholders during the impacted periods. The Company assumed management responsibilities of Blue Chip during fiscal 2007. These adjustments related primarily to the identification and recording of fixed assets which were not properly recorded and the associated depreciation related to those assets, as well as corrections for previously un-reconciled expense and balance sheet accounts related primarily to payroll liabilities, professional service accruals, interest accruals and other operating expenses. The completion of these audits resulted in adjustments that reduced retained earnings cumulatively by approximately $1.7 million and $2.3

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

United Kingdom Accounting (continued)

million as of April 30, 2006 and October 29, 2006, respectively and no effect as of January 28, 2007. For the three and nine months ended January 22, 2006, these adjustments decreased net income by $0.1 million and $0.2 million, respectively. The adjustments had no effect on net income for the three and nine months ended January 28, 2007.

Goodwill and Other Intangible Assets

Isle-Bossier City and Isle-Lake Charles Other Intangible Assets Reclassification

An error occurred in the allocation of intangible assets related primarily to gaming licensing costs at two of the Company s Louisiana properties. Specifically, in fiscal 2001, net intangible assets of $10.4 million related to one of the Company s Lake Charles riverboat licenses were recorded to the Company s Bossier City property in error. The Lake Charles property was partially owned by the Bossier City property at the time. The effect of this adjustment increased other intangible assets and decreased assets held for sale by $10.4 million as of April 30, 2006.

The error also caused an understatement of the gain on sale recorded by the Company in the second quarter ended October 29, 2006. The effect of the adjustment to correct the understatement of the gain of $10.4 million has resulted in an increase in retained earnings of $6.1 million as of October 29, 2006 and no effect to retained earnings as of January 28, 2007. There was no effect on net income as a result of this item for the three and nine months ended January 22, 2006 and January 28, 2007.

Lady Luck Customer Lists

When the Company acquired Lady Luck Gaming Corporation in March 2000, it capitalized Lady Luck s customer lists as an intangible asset. This asset should have been amortized over a useful life of three years. In addition, amortization was incorrectly discontinued when the Company implemented SFAS 142 at the beginning of fiscal 2002. The Company has determined that the remaining balance of $4.0 million should have been fully amortized over a three-year useful life, and therefore adjustments have been made to fully amortize this asset by fiscal year ended April 27, 2003. The cumulative effect of these adjustments reduced retained earnings $2.6 million as of April 30, 2006 and October 29, 2006. There was no effect on retained earnings as of January 28, 2007. Additionally, the Company has reclassified a net amount of $1.3 million from other intangibles to goodwill, which had been improperly classified since the date of the acquisition. There was no effect on retained earnings for this reclassification. There was no effect on net income as a result of these two items for the three and nine months ended January 22, 2006 and January 28, 2007.

Biloxi Berthing Rights

The Company recorded payments made for berthing rights related to Isle-Biloxi pursuant to a 1992 agreement and was amortizing the asset over a twenty-year period prior to the adoption of SFAS 142. The Company should have been amortizing this asset over a ten-year period based on the terms of the agreement. During the adoption of SFAS 142, the Company incorrectly reclassified the unamortized balance of these berthing rights to goodwill and ceased amortization. The Company has determined that the remaining balance of $3.5 million should have been fully amortized by the fiscal year ended April 28, 2002. The cumulative effect of this adjustment reduced retained earnings $2.2 million as of April 30, 2006 and October 29, 2006. There was no effect on retained earnings as of January 28, 2007. There was no effect on net income as a result of this item for the three and nine months ended January 22, 2006 and January 28, 2007.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Goodwill and Other Intangible Assets **(continued)**

Waterloo License Adjustment

In connection with the acquisition of its gaming license for the privilege to operate a casino in Waterloo, Iowa, the Company incurred an obligation to pay various Iowa state entities approximately $21.1 million in gaming license costs ratably over a five-year period beginning in fiscal 2006. The Company had not originally considered the present value impact on the asset and the corresponding asset and liability. As part of its restatement, the Company has recorded a $2.6 million reduction to the liability and the asset to record the present value of the payments for the gaming license.

The cumulative effect of this adjustment reduced retained earnings $0.6 million and $0.9 million as of April 30, 2006 and October 29, 2006; and no effect on retained earnings as of January 28, 2007. For the three and nine months ended January 22, 2006, these adjustments decreased net income by $0.2 million and $0.5 million, respectively. The adjustments had no effect on net income for the three and nine months ended January 28, 2007.

Accounting for Taxes:

The Company identified the following prior period errors related to tax accounting:

United Kingdom and Bahamas   The Company had not properly accounted for the tax treatment of various start-up, license and expansion costs incurred during the fiscal years 2004 through 2006 related to new business opportunities in the United Kingdom and the Bahamas. The correction resulted in a cumulative increase in retained earnings of $2.0 million, $2.0 million and $0.1 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. This adjustment had no effect on net income for the three and nine months ended January 22, 2006 and January 28, 2007

Iowa   During fiscal year 2007, the Company filed a protest with the State of Iowa regarding the proper membership of its Iowa consolidated group on tax returns filed for the tax years 2000 through 2006. In evaluating its position, the Company determined that the amount of reserve it had previously recorded for the potential liability was inaccurately computed. The correction of the calculation resulted in a cumulative decrease to retained earnings of $2.0 million as of April 30, 2006 and October 29, 2006 and an increase to retained earnings of $0.5 million as of January 28, 2007. This adjustment had no effect on net income for the three and nine months ended January 22, 2006 and January 28, 2007.

Louisiana Franchise Tax   The State of Louisiana has asserted that the Company has nexus in the state for franchise tax purposes. The Company s contingent tax reserve calculation included errors and thus did not reflect the correct estimate of the contingent liability in accordance with SFAS 5   Accounting for Contingencies.   The correction of our contingent tax reserve resulted in a cumulative decrease to retained earnings of $2.1 million, $2.6 million and $2.3 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. For the three months and nine months ended January 22, 2006 this adjustment decreased net income by $0.2 million and $0.6 million, respectively. The adjustments increased net income by $0.3 million and decreased net income by $0.2 million for the three and nine months ended January 28, 2007, respectively.

Tax Consequences of Equity Compensation   The Company had not been properly recording the tax effect of differences between book expense and tax deductions to stockholders   equity. Correcting the tax effects of equity compensation resulted in a cumulative increase in additional paid in capital of $3.0 million, $3.0 million and $2.0 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Accounting for Taxes (continued):

Deferred Tax Assets and Liabilities The Company s deferred tax balances did not reflect certain temporary differences, including those related to state income and franchise tax deductions, federal tax credits and valuation allowances against net operating losses. Establishment of these deferred tax balances resulted in a cumulative increase in retained earnings of $4.0 million, $4.0 million and $2.7 million as of April 30, 2006, October 29, 2006 and January 28, 2007, respectively. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

State Deferred Tax Assets and Liabilities The Company identified that the methodology used to calculate deferred tax assets and liabilities did not accurately reflect the state rates expected to apply when the deferred tax assets and liabilities are realized or settled. Adjustments to the expected future tax rates resulted in a cumulative increase in retained earnings of $2.8 million as of April 30, 2006 and October 29, 2006 and a decrease in retained earnings of $0.1 million as of January 28, 2007. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

Involuntary Conversion of Fixed Assets that Resulted from Hurricane Katrina During the fourth quarter of fiscal 2006, the Company incorrectly recorded deferred income tax expense related to write-offs of fixed assets that resulted from hurricane damage to its Biloxi facilities. Reversal of the income tax expense resulted in a cumulative increase in retained earnings of $1.8 million as of April 30, 2006 and October 29, 2006 and did not impact retained earnings as of January 28, 2007. There was no effect on net income as a result of this item for the three and nine months ended January 22, 2006 and January 28, 2007.

Minority Interest The Company determined that it improperly accounted for the portion of income tax expense related to minority interests in its Colorado gaming operations for fiscal years 2003 through 2006. Adjustments to properly reflect the minority interests in income tax expense resulted in a cumulative increase in retained earnings of $1.8 million as of April 30, 2006 and October 29, 2006 and did not impact retained earnings as of January 28, 2007. This adjustment had no effect on net income for the three and nine months ended January 22, 2006 and January 28, 2007.

Lake Charles and Kansas City Acquisitions The Company identified several adjustments needed to the original purchase accounting and subsequent activity to properly reflect the tax position of its Lake Charles property (acquired May 1995) and its Kansas City property (acquired June 2000). The impact of these adjustments and subsequent activity resulted in a cumulative increase in retained earnings of $1.1 million as of April 30, 2006 and October 29, 2006 and cumulative decrease of $0.1 million as of January 28, 2007. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

Miscellaneous Adjustments to Income Tax Payable and Deferred Tax Accounts The Company recorded miscellaneous adjustments to true-up its income tax payable and deferred tax accounts as of the end of fiscal 2006. The impact of these adjustments resulted in a cumulative decrease in retained earnings of $1.2 million as of April 30, 2006 and October 29, 2006 and a cumulative decrease of $1.8 million as of January 28, 2007. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Accounting for Taxes (continued):

All other tax adjustments, including those related to allocating taxes among quarters, resulted in a cumulative increase in retained earnings of $1.2 million and $1.3 million, respectively, as of October 29, 2006 and January 28, 2007; increased net income by $2.3 million and $3.2 million, respectively, for the three and nine months ended January 22, 2006 and increased net income by $0.1 million and $1.3 million, respectively, for the three and nine months ended January 28, 2007.

Hurricane Impairment

In the second fiscal quarter ended October 29, 2006, the Company identified an additional $7.4 million in fixed assets at Isle-Biloxi that were impaired as a result of damages from Hurricane Katrina in the second fiscal quarter ended October 23, 2005. Since these assets were not written down in the proper period, they continued to be depreciated until their later identification. As part of this restatement, the Company has recorded the impairment charge with an offset to the insurance receivable and reversed the related depreciation expense in the fiscal year ended April 30, 2006. The effect of these cumulative adjustments increased retained earnings $0.1 million and $0.2 million as of April 30, 2006 and October 29, 2006 and had no effect on retained earnings as of January 28, 2007, respectively. For the three and nine months ended January 22, 2006, these adjustments had no effect on net income and increased net income by $0.1 million, respectively. The adjustments had no effect on net income for the three and nine months ended January 28, 2007.

Other Adjustments

As part of the restatement process, the Company has made correcting adjustments for the following items:

Progressive Slot Liability Seed In fiscal 2006, the Company determined that it had incorrectly recorded $1.1 million of expense over the lifetime of it operations, which related to the initial funding for progressive slot machine jackpots. The cumulative amount of this expense was reversed in the year ended April 30, 2006. As a result of the restatement, the financial statements have also been adjusted to reflect the recognition of this expense in the appropriate pre-fiscal 2006 periods. As of April 30, 2006, October 29, 2006, and January 28, 2007, there was no net effect on retained earnings related to this adjustment. There was no effect on net income as a result of these items for the three and nine month ended January 22, 2006 and January 28, 2007.

Exit Liability In February 1995, the Company executed a lease for certain blocks of land in Cripple Creek Colorado for the purpose of developing a gaming facility. The lease term is twenty-five (25) years commencing February 9, 1995 and expiring February 8, 2020, subject to the right of the Company to extend the term of the lease for seven (7) consecutive ten (10) year extensions. There exists an option to purchase the property lease, in favor of the Company. The Company accounted for the lease as an operating lease at the inception of the lease.

In 1999, the current and long-term lease exit liabilities were established when it was determined that the Company did not plan to construct or open a casino in Cripple Creek in accordance with Emerging Issues Task Force (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) , with a valuation charge (restructuring charge). The total amount of the exit liability that was established at that date was $2.5 million and the amount of the restructuring charge was $2.5 million. The disclosure for this exit liability was presented in the Commitments Note to the financial statements as a capital lease obligation, as well as, in the Long-Term Debt Note as other long-term debt and not disclosed as an exit activity. The original restructuring charge in the Consolidated Statements of

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Operations was included in the line item, Valuation charge . As of April 30, 2006, October 29, 2006 and January 28, 2007 there was no net effect on retained earnings related to this adjustment. There was no effect on net income as a result of these items for the three and nine months ended January 22, 2006 and January 28, 2007.

The following tables present the impact of the restatement adjustments on the consolidated financial statements presented in this Form 10-Q/A by line item:

Consolidated Balance Sheets

Increase/(Decrease) (in thousands)

	April 30, 2006		
	As Originally Reported	Adjustment	As Restated
ASSETS			
Cash and cash equivalents	$ 121,193	$ (144)	$ 121,049
Accounts receivable, net	17,268	(251)	17,017
Insurance receivable, net	72,053	7,309	79,362
Deferred income taxes	9,897	4,107	14,004
Prepaid expenses and other assets	15,560	(617)	14,943
Assets held for sale	222,446	(10,165)	212,281
Total current assets	476,144	239	476,383
Property and equipment, net	938,428	41,199	979,627
Goodwill	296,354	9,011	305,365
Other intangible assets	74,789	(635)	74,154
Deferred financing costs, net	16,064	98	16,162
Prepaid deposits and other	29,955	(6,130)	23,825
Total assets	1,833,944	43,782	1,877,726
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current maturities of long-term debt	8,588	(73)	8,515
Accounts payable	58,561	871	59,432
Interest	10,523	341	10,864
Payroll and related	56,904	447	57,351
Property and other taxes	25,888	3,705	29,593
Income taxes	10,323	(1,187)	9,136
Progressive jackpots and slot club awards	12,415	3,704	16,119
Other	40,652	(1,771)	38,881
Total current liabilities	223,854	6,037	229,891
Long-term debt, less current maturities	1,212,692	(2,150)	1,210,542
Deferred income taxes	64,440	(9,032)	55,408
Other accrued liabilities	23,580	9,201	32,781
Other long term obligations		42,366	42,366

Minority interest	26,690	(199)	26,491
Additional paid-in capital	160,508	3,040	163,548
Retained earnings	165,156	(5,392)	159,764
Accumulated other comprehensive income	220	(89)	131
Total stockholders equity	282,688	(2,441)	280,247
Total liabilities and stockholders equity	1,833,944	43,782	1,877,726

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Income Statements

Increase/(Decrease) (in thousands, except per share data)

	Three Months Ended January 22, 2006		
	As Originally Reported	**Adjustment**	**As Restated**
Revenues:			
Food, beverage and other	$ 27,270	67	$ 27,337
Gross revenues	272,777	67	272,844
Net revenues	228,956	67	229,023
Operating expenses:			
Gaming taxes	52,868	(226)	52,642
Marine and facilities	13,148	(2)	13,146
Marketing and administrative	65,572	617	66,189
Depreciation and amortization	21,541	477	22,018
Total operating expenses	203,235	866	204,101
Operating income	25,721	(799)	24,922
Interest expense	(18,665)	(545)	(19,210)
Interest income	754	(164)	590
Income (loss) from continuing operations before income taxes and minority interest	5,700	(1,508)	4,192
Income tax (provision) benefit	(3,305)	1,200	(2,105)
Minority interest	(439)	21	(418)
Income (loss) from continuing operations	1,956	(287)	1,669
Income from discontinued operations including gain on sale, net of income taxes	2,177	264	2,441
Net income (loss)	4,133	(23)	4,110
Earnings (loss) per common share-basic:			
Income (loss) from continuing operations	$ 0.07	$ (0.01)	$ 0.06
Income from discontinued operations including gain on sale, net of income taxes	0.07	0.01	0.08
Net income	$ 0.14	$	$ 0.14
Earnings (loss) per common share-diluted:			
Income (loss) from continuing operations	$ 0.06	$ (0.01)	$ 0.05
Income from discontinued operations including gain on sale, net of income taxes	0.07	0.01	0.08
Net income	$ 0.13	$	$ 0.13

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Income Statements

Increase/(Decrease) (in thousands, except per share data)

	Nine Months Ended January 22, 2006		
	As Originally Reported	**Adjustment**	**As Restated**
Revenues:			
Casino	$ 694,711	309	$ 695,020
Food, beverage and other	86,824	527	87,351
Gross revenues	820,208	836	821,044
Net revenues	681,491	836	682,327
Operating expenses:			
Gaming taxes	155,882	(1,333)	154,549
Marine and facilities	41,819	(6)	41,813
Marketing and administrative	208,477	1,837	210,314
Depreciation and amortization	64,789	1,030	65,819
Total operating expenses	622,160	1,528	623,688
Operating income	59,331	(692)	58,639
Interest expense	(54,311)	(1,331)	(55,642)
Interest income	2,588	(452)	2,136
Income (loss) from continuing operations before income taxes and minority interest	5,498	(2,475)	3,023
Income tax (provision) benefit	(1,391)	842	(549)
Minority interest	(4,387)	64	(4,323)
Income (loss) from continuing operations	(280)	(1,569)	(1,849)
Income from discontinued operations including gain on sale, net of income taxes	4,178	76	4,254
Net income (loss)	3,898	(1,493)	2,405
Earnings (loss) per common share-basic:			
Income (loss) from continuing operations	$ (0.01)	$ (0.05)	$ (0.06)
Income from discontinued operations including gain on sale, net of income taxes	0.14		0.14
Net income (loss)	$ 0.13	$ (0.05)	$ 0.08
Earnings (loss) per common share-diluted:			
Income (loss) from continuing operations	$ (0.01)	$ (0.05)	$ (0.06)
Income (loss) from discontinued operations including gain on sale, net of income taxes	0.14		0.14
Net income (loss)	$ 0.13	$ (0.05)	$ 0.08

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Statements of Cash Flows

Increase/(Decrease) (in thousands)

	Nine Months Ended January 22, 2006		
	As Originally Reported	Adjustment	As Restated
Operating activities:			
Net income	$ 3,898	$ (1,493)	$ 2,405
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,037	1,031	77,068
Gain on derivative instruments		(527)	(527)
Gain on disposal of assets		451	451
Minority interest	4,387	(64)	4,323
Impairment charges, related to hurricane	55,184	7,255	62,439
Changes in operating assets and liabilities, net of dispositions:			
Accounts receivable	(3,108)	42	(3,066)
Insurance receivable	(107,710)	(7,255)	(114,965)
Income taxes, net	7,793	(1,519)	6,274
Prepaid expenses and other assets	(3,753)	1,391	(2,362)
Accounts payable and accrued liabilities	7,291	2,203	9,494
Net cash provided by operating activities	42,572	1,515	44,087
Investing activities:			
Prepaid deposits and other	(10,729)	(1,244)	(11,973)
Net cash used in investing activities	(150,927)	(1,244)	(152,171)
Net decrease in cash and cash equivalents	(38,939)	271	(38,668)
Cash and cash equivalents at the beginning of period	146,743	(271)	146,472
Cash and cash equivalents at the end of the period	107,804		107,804

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Balance Sheets

Increase/(Decrease) (in thousands)

	January 28, 2007		
	As Originally Reported	**Adjustment**	**As Restated**
ASSETS			
Cash and cash equivalents	$ 129,867	$ 309	$ 130,176
Accounts receivable, net	27,558	(2,150)	25,408
Insurance receivable, net	57,103	3	57,106
Deferred income taxes	9,866	4,107	13,973
Prepaid expenses and other assets	25,720	97	25,817
Total current assets	267,195	2,366	269,561
Property and equipment, net	1,196,988	(1,137)	1,195,851
Goodwill	304,552	813	305,365
Other intangible assets	73,814	340	74,154
Prepaid deposits and other	20,933	7,176	28,109
Total assets	1,880,382	9,558	1,889,940
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current maturities of long-term debt	8,602	(80)	8,522
Accounts payable	48,771	(630)	48,141
Property and other taxes	29,923	3,821	33,744
Income taxes	8,240	(1,634)	6,606
Progressive jackpots and slot club awards	12,488	20	12,508
Other	47,670	180	47,850
Total current liabilities	227,681	1,677	229,358
Long-term debt, less current maturities	1,204,952	(2,090)	1,202,862
Deferred income taxes	54,926	(1,034)	53,892
Other accrued liabilities	21,643	11,218	32,861
Minority interest	27,248	(296)	26,952
Additional paid-in capital	169,480	1,971	171,451
Retained earnings	171,636	(1,888)	169,748
Total stockholders equity	297,432	83	297,515
Total liabilities and stockholders equity	1,880,382	9,558	1,889,940

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Income Statements

Increase/(Decrease) (in thousands, except per share data)

	Three Months Ended January 28, 2007		
	As Originally Reported	**Adjustment**	**As Restated**
Revenues:			
Food, beverage and other	$ 32,315	(6)	$ 32,309
Gross revenues	280,525	(6)	280,519
Net revenues	230,845	(6)	230,839
Operating expenses:			
Casino	38,609	(36)	38,573
Food, beverage and other	6,894	34	6,928
Marketing and administrative	76,970	696	77,666
Depreciation and amortization	24,703	(95)	24,608
Total operating expenses	221,056	76	221,132
Operating income	9,789	(82)	9,707
Interest expense	(22,482)	241	(22,241)
Income (loss) from continuing operations before income taxes and minority interest	(10,879)	159	(10,720)
Income tax (provision) benefit	1,770	170	1,940
Minority interest	(598)	32	(566)
Income (loss) from continuing operations	(9,707)	361	(9,346)
Income from discontinued operations including gain on sale, net of income taxes	216	200	416
Net income (loss)	(9,491)	561	(8,930)
Earnings (loss) per common share-basic:			
Income (loss) from continuing operations	$ (0.32)	$ 0.01	$ (0.31)
Income from discontinued operations including gain on sale, net of income taxes	0.01	0.01	0.02
Net income (loss)	$ (0.31)	$ 0.02	$ (0.29)
Earnings (loss) per common share-diluted:			
Income (loss) from continuing operations	$ (0.32)	$ 0.01	$ (0.31)
Income from discontinued operations including gain on sale, net of income taxes	0.01	0.01	0.02
Net income (loss)	$ (0.31)	$ 0.02	$ (0.29)

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Income Statements

Increase/(Decrease) (in thousands, except per share data)

	Nine Months Ended January 28, 2007		
	As Originally Reported	Adjustment	As Restated
Revenues:			
Food, beverage and other	$ 99,283	(9)	$ 99,274
Gross revenues	911,113	(9)	911,104
Net revenues	748,040	(9)	748,031
Operating expenses:			
Casino	122,647	(77)	122,570
Rooms	7,056	(3)	7,053
Food, beverage and other	23,492	28	23,520
Marine and facilities	46,870	(53)	46,817
Marketing and administrative	241,112	3,302	244,414
Preopening	6,057	(2,920)	3,137
Depreciation and amortization	72,943	(45)	72,898
Total operating expenses	692,793	232	693,025
Operating income	55,247	(241)	55,006
Interest expense	(66,180)	489	(65,691)
Interest income	5,815	31	5,846
Income (loss) from continuing operations before income taxes and minority interest	(5,118)	279	(4,839)
Income tax (provision) benefit	(347)	(900)	(1,247)
Minority interest	(2,216)	97	(2,119)
Income (loss) from continuing operations	(7,681)	(524)	(8,205)
Income from discontinued operations including gain on sale, net of income taxes	15,148	3,041	18,189
Net income	7,467	2,517	9,984
Earnings (loss) per common share-basic:			
Income (loss) from continuing operations	$ (0.25)	$ (0.02)	$ (0.27)
Income from discontinued operations including gain on sale, net of income taxes	0.50	0.10	0.60
Net income	$ 0.25	$ 0.08	$ 0.33
Earnings (loss) per common share-diluted:			
Income (loss) from continuing operations	$ (0.25)	$ (0.02)	$ (0.27)
Income from discontinued operations including gain on sale, net of income taxes	0.50	0.10	0.60
Net income	$ 0.25	$ 0.08	$ 0.33

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

2. Restatement (continued)

Consolidated Statements of Cash Flows

Increase/(Decrease) (in thousands)

	Nine Months Ended January 28, 2007		
	As Originally Reported	**Adjustment**	**As Restated**
Operating activities:			
Net income	$ 7,468	$ 2,516	$ 9,984
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	72,943	(45)	72,898
Gain on derivative instruments	726	(726)	
Deferred income taxes	(1,413)	(104)	(1,517)
Stock compensation expense	5,788	(159)	5,629
Gain on disposal of assets	(24,913)	(421)	(25,334)
Minority interest	2,216	(97)	2,119
Impairment charges, related to hurricane	844	(188)	656
Changes in operating assets and liabilities, net of dispositions:			
Accounts receivable	(9,578)	(4)	(9,582)
Insurance receivable	(785)	(234)	(1,019)
Income taxes, net	(1,021)	(1,509)	(2,530)
Prepaid expenses and other assets	(11,450)	720	(10,730)
Accounts payable and accrued liabilities	7,233	(79)	7,154
Net cash provided by operating activities	50,914	(330)	50,584
Investing activities:			
Purchase of property and equipment	(288,569)	(722)	(289,291)
Insurance proceeds for hurricane damages	22,617	2	22,619
Restricted cash	(400)	2	(398)
Prepaid deposits and other	(3,878)	432	(3,446)
Net cash used in investing activities	(31,201)	(286)	(31,487)
Financing activities:			
Proceeds from debt	130	(130)	
Borrowing from line of credit	202,200	1,370	203,570
Payments on line of credit	(205,400)	(1,553)	(206,953)
Principal payments on debt	(5,776)	1,000	(4,776)
Payment of deferred financing costs	(68)	(1)	(69)
Tax benefit of stock compensation expense	1,015	107	1,122
Net cash provided by financing activities	(10,739)	793	(9,946)
Effect of foreign currency exchange rates on cash and cash equivalents	9	(33)	(24)

Net decrease in cash and cash equivalents	8,983	144	9,127
Cash and cash equivalents at the beginning of period	120,884	165	121,049
Cash and cash equivalents at the end of the period	129,867	309	130,176

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Stock-Based Compensation

Effective May 1, 2006, the Company adopted the FASB Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123(R)), Share-Based Payment, using the modified prospective method, thus, results for the periods prior to May 1, 2006 have not been restated in relation to the application of SFAS 123(R).

As a result of adopting SFAS 123(R), the Company recognized $1.5 million and $5.6 million for stock option expense for the three and nine months ended January 28, 2007, respectively, which is included in marketing and administrative expense in the Consolidated Statements of Operations for the respective periods. The total income tax benefit recognized was approximately $0.3 million and $1.3 million for the three and nine months ended January 28, 2007, respectively. The incremental expense, net of income tax benefit, for stock options decreased diluted earnings per share by $0.04 and $0.14 for the three and nine months ended January 28, 2007, respectively. As of January 28, 2007, there was $9.9 million in unrecognized stock compensation costs, related to unvested options, which the Company will expense over the remaining vesting period, approximately 5 years with a weighted average period of 3.5 years.

For periods prior to May 1, 2006, the Company applied the recognition and measurement principles of Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for the Company s three stock-based employee compensation plans. No stock-based employee compensation expense was reflected in net income related to stock option grants as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company recognized a tax benefit from the exercise of certain stock options.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Stock-Based Compensation (continued)

The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had adopted SFAS No. 123 for the three and nine months ended January 22, 2006.

(In thousands, except per share data)	**Three Months Ended January 22, 2006 (Restated)**		**Nine Months Ended January 22, 2006 (Restated)**	
Income (loss) from continuing operations	$	1,669	$	(1,849)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		(761)		(2,902)
Pro forma income (loss) before discontinued operations	$	908	$	(4,751)
Income from discontinued operations		2,441		4,254
Pro forma net income (loss)	$	3,349	$	(497)
Earnings (loss) per share: Basic				
As Restated				
Income (loss) from continuing operations	$	0.06	$	(0.06)
Income from discontinued operations		0.08		0.14
Net income	$	0.14	$	0.08
Earnings (loss) per share: Basic				
Pro Forma				
Income (loss) from continuing operations	$	0.03	$	(0.16)
Income from discontinued operations		0.08		0.14
Net income (loss)	$	0.11	$	(0.02)
Earnings (loss) per share: Diluted				
As Restated				
Income (loss) from continuing operations	$	0.05	$	(0.06)
Income from discontinued operations		0.08		0.14
Net income	$	0.13	$	0.08
Earnings (loss) per share: Diluted				
Pro Forma				
Income (loss) from continuing operations	$	0.03	$	(0.16)
Income from discontinued operations		0.08		0.14
Net income (loss)	$	0.11	$	(0.02)

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Stock-Based Compensation (continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option-pricing model with the range of assumptions disclosed in the following table for the periods presented. Expected volatility is calculated using historical volatility of the Company s stock prices over a range of dates equal to the expected term of a grant s options. The expected term is calculated using historical data that is representative of the option for which the fair value is to be determined. The expected term represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant for the approximate period of time equivalent to the grant s expected term.

	Nine-Months Ended January 28, 2007	Nine-Months Ended January 22, 2006
Expected volatility	52.17% - 53.00%	52.99% - 55.80%
Weighted-average volatility	52.50%	55.03%
Expected dividends	None	None
Expected term (in years)	1.00 - 5.85	5.62 - 6.51
Risk-free rate	4.64% - 5.22%	4.00% - 5.22%

A summary of option activity for the nine months ended January 28, 2007 is presented below:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding options at May 1, 2006	2,932,100	$ 15.85	
Options granted	632,785	25.01	
Options exercised	(242,846)	11.29	
Options forfeited and expired	(211,541)	20.25	
Outstanding options at January 28, 2007	3,110,498	$ 17.77	$ 23,048,790
Outstanding exercisable options at January 28, 2007	1,686,198	$ 13.70	$ 19,357,553

The total intrinsic value of options exercised was $3.2 million during the nine months ended January 28, 2007. Upon the exercise of options, the Company issues new shares. The weighted average fair value of options granted during the nine months ended January 28, 2007 was $13.64. The total fair value of options vested during the nine months ended January 28, 2007 was $5.6 million.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Stock-Based Compensation (continued)

The following table summarizes information about stock options at January 28, 2007:

	Outstanding as of January 28, 2007			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.86 - 5.73	180,929	1.4 years	$ 3.13	180,929	$ 3.13
5.73 - 8.59	330,985	4.4 years	6.50	330,985	6.50
8.59 - 11.46	140,422	2.5 years	10.25	140,422	10.25
11.46 - 14.32	75,829	1.7 years	12.79	75,829	12.79
14.32 - 17.19	473,929	4.5 years	15.51	408,979	15.50
17.19 - 20.05	10,043	2.7 years	17.92	10,043	17.92
20.05 - 22.92	1,021,647	6.9 years	20.36	430,597	20.41
22.92 - 25.78	870,828	8.5 years	24.43	106,528	24.56
25.78 - 28.65	5,886	6.9 years	25.03	1,886	26.83
$ 2.86 - 28.65	3,110,498	6.1 years	$ 17.90	1,686,198	$ 13.94

The weighted average remaining contractual life for options exercisable as of January 28, 2007 is 4.3 years.

Additionally, under the Company s Deferred Bonus Plan, the Company issues non-vested stock to eligible officers and employees. The Company amortizes the fair value of the non-vested stock ratably over the vesting period of five years.

The following table presents the number and weighted average grant-date fair value of shares granted, vested and forfeited during the nine months ended January 28, 2007:

	Number of Shares	Weighted Average Fair Value
Non-vested stock at May 1, 2006	121,069	$ 19.89
Shares granted		
Shares vested	(11,074)	20.23
Shares forfeited	(8,013)	20.70
Non-vested stock at January 28, 2007	101,982	$ 19.79

The Company has three stock-based compensation plans, the 1992 Stock Option Plan, the 1993 Stock Option Plan, and the 2000 Stock Option Plan, as amended, which have a maximum of 1,058,750, 4,650,000 and 3,500,000 options, respectively, reserved for issuance and may be granted to directors, officers and employees. The plans provide for the issuance of incentive stock options and non-qualified options which have a maximum term of 10 years and are, generally, exercisable in yearly installments of 20% commencing one year after the date of grant. The Company has 764,788 shares available for future issuance under its equity compensation plans as of January 28, 2007.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

4. Discontinued Operations

On February 14, 2006, the Company announced that it had entered into a definitive purchase agreement, dated February 13, 2006 to sell its properties in Bossier City, Louisiana and Vicksburg, Mississippi to privately owned Legends Gaming, LLC for $240 million cash less the Company s portion of closing costs. The sales agreement includes a net working capital adjustment to the purchase price. The transaction closed on July 31, 2006. Therefore, there were no assets held for sale on the consolidated balance sheet as of January 28, 2007. Assets held for sale on the consolidated balance sheet as of April 30, 2006 of $212.3 million relates to $42.8 million of fixed assets at Isle-Vicksburg and $126.5 million of fixed assets and $43.0 million of goodwill and other intangible assets at Isle-Bossier City.

Net revenues, pretax income from discontinued operations, gain on sale of discontinued operations, income tax (provision) benefit from discontinued operations and income from discontinued operations, which includes Isle-Vicksburg, Isle-Bossier City and Colorado Grande-Cripple Creek are summarized as follows:

	Discontinued Operations			
	Three Months Ended		Nine Months Ended	
(In thousands)	**January 28, 2007 (Restated)**	**January 22, 2006 (Restated)**	**January 28, 2007 (Restated)**	**January 22, 2006 (Restated)**
Net revenues	$	$ 40,894	$ 41,335	$ 117,836
Pretax income from discontinued operations	382	3,844	5,845	7,239
Gain on sale of discontinued operations			24,117	
Income tax (provision) benefit from discontinued operations	34	(1,403)	(11,773)	(2,985)
Income from discontinued operations	416	2,441	18,189	4,254

Included in the above table for the three months ended January 28, 2007 and January 22, 2006, there was $0 and $3.2 million, respectively, of additional net interest expense allocated to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets of the Company plus the Company s debt that is not attributable to a particular operation. For the nine months ended January 28, 2007 and January 22, 2006, additional net interest expense of $3.3 million and $9.3 million, respectively, has been allocated to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets of the Company plus the Company s debt that is not attributable to a particular operation.

5. Hurricanes and Related Charges

On August 29, 2005, Hurricane Katrina struck the Gulf Coast of Mississippi and Louisiana, which resulted in significant damage to the Company s facility and its casino barge under construction in Biloxi, Mississippi. On December 26, 2005, the Company, using its existing facility, opened a casino as part of the land-based structure that was not severely damaged by the storm.

On September 22, 2005, Hurricane Rita struck the Gulf Coast of Louisiana and Texas, which caused damage to the casino and hotel facilities in Lake Charles, Louisiana. The property was closed for 16 days as a result but subsequently reopened on October 8, 2005.

On October 24, 2005, Hurricane Wilma struck Florida, causing damage to the Company s Pompano Park racing facility. The property was closed until December 2, 2005.

The Company has insurance coverage related to damage from the three hurricanes for property damage incurred, property operating costs during the operational downtime of the hurricanes, incremental costs incurred related to hurricane damage, and recovery activities and business interruption insurance for lost profits during the period directly related to the hurricanes.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5. Hurricanes and Related Charges (continued)

The Company believes it will receive proceeds from its insurance carrier related to all four types of losses the Company has sustained, and through January 28, 2007 has received advances of $98.0 million. During the third quarter ended January 29, 2007, the Company recorded an additional receivable of $2.8 million as the result of the receipt of a proof of loss for business interruption-loss of income related to Hurricane Rita at the Isle-Lake Charles and Hurricane Wilma in Pompano Park, which are reflected as other revenue in the accompanying consolidated statement of operations. No cash had been received on this proof of loss as of January 28, 2007; however, the funds were collected subsequent to the end of the quarter. The Company continues to negotiate with its insurers to settle the claim. The timeline for final settlement of the claim is expected to be within one year.

During fiscal year 2006, the Company recognized asset impairments and losses of $68.6 million based on assessments of damage at all its locations. During fiscal 2007, the Company identified an additional $7.6 million of impairment based on further assessments. As part of the restatement, $7.4 million has been restated to be included in the balance as of October 23, 2005. The Company has also incurred out-of-pocket costs directly related to the hurricanes and the property operating costs related to the period of closure caused by the hurricanes, of $62.2 million during fiscal year 2006. The Company has incurred an additional $18.6 million in fiscal year 2007, of which $3.3 million was recorded during the third fiscal quarter. The total amount of losses recognized and expenses incurred of $159.9 million has been recorded as Hurricane related charges, net and has been offset by $155.1 million, which the Company believes is probable that it will collect from its insurance carriers under its policy coverage. The remaining amount of $4.8 million represents the Company s deductible portion of its claims, which was recorded during fiscal year 2006. As discussed, the Company has been receiving advances against its insurance claims from the applicable insurance carriers and believes it may ultimately collect more than the $155.1 million of gross receivable, related to property impairment and incremental costs incurred, recorded in the financial statements due to its replacement value coverage for its property damage and the lost profits component of its coverage. The Company will recognize any amounts in excess of the recorded loss as gains when it and the insurance carriers agree to the final amounts to be paid to the Company for the losses sustained.

The following table shows the activity flowing through the insurance accounts:

	Items Incurred as of January 28, 2007 (Restated)
Property impairment	$ 76,245
Incremental costs incurred	80,835
Loss of income*	2,817
Hurricane related charges	(4,776)
Insurance receivable, gross	$ 155,121
Insurance receipts	(98,015)
Insurance receivable, net	$ 57,106

* Represents business interruption claim for loss of income for which a proof of loss has been received.

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ISLE OF CAPRI CASINOS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

6. Goodwill and Other Intangible Assets

As of January 28, 2007 and April 30, 2006, goodwill was $305.4 million. Other intangible assets consist of the following:

(In thousands)	January 28, 2007 (Restated)	April 30, 2006 (Restated)
Gaming licenses	$ 61,954	$ 61,954
Trademarks	12,200	12,200
Other intangible assets, net	$ 74,154	$ 74,154

7. Long-Term Debt

The following is a summary of the Company s borrowing arrangements. Certain of these arrangements contain financial covenants.

	January 28, 2007	April 30, 2006
	(In thousands)	
Long-term debt consists of the following:		
7% Senior Subordinated Notes (described below)	$ 500,000	$ 500,000
9% Senior Subordinated Notes (described below)	200,000	200,000
Senior Secured Credit Facility (described below)		
Variable rate term loan	294,250	296,500
Revolver		
Isle-Black Hawk Senior Secured Credit Facility, non-recourse to Isle of Capri Casinos, Inc. (described below)		
Variable rate term loan Tranche C	187,625	189,050
Revolver	17,400	20,600
Isle-Black Hawk Special Assessment BID Bonds, non-recourse to Isle of Capri Casinos, Inc. (described below)	411	472
Blue Chip Credit Facility; non-recourse to Isle of Capri Casinos, Inc. (described below)	6,694	6,563
Variable rate TIF Bonds due to City of Bettendorf (described below)	2,308	2,926
Variable rate General Obligation Bonds due to City of Davenport (described below)	1,505	1,675
Other	1,191	1,271