SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

|X| **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended December 31, 2002

or

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

Commission File No. 1-4748

KERZNER INTERNATIONAL NORTH AMERICA, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of corporation or organization)

59-0763055
(I.R.S. Employer Identification No.)

1000 South Pine Island Rd.
Plantation, Florida 33324
(Address of principal executive offices)

954-809-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. _X_

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

As of November 13, 2003, there were 100 shares of the registrant's common stock outstanding, all of which were owned by one shareholder. Accordingly there is no current market for any such shares.

The registrant meets the conditions set forth in General Instruction I (1) (a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format permitted by that General Instruction.

KERZNER INTERNATIONAL NORTH AMERICA, INC.

FORM 10-K/A
ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

TABLE OF CONTENTS

PREFATORY NOTE

This Form 10-K/A is being filed for the purpose of amending and restating Items 1, 7 and 8 to reflect the restatement of our consolidated financial statements for the years ended December 31, 2002, 2001 and 2000. This restatement resulted primarily from the restatement of historically reported financial results by Trading Cove Associates, a partnership in which we own a 50% interest. The consolidated financial statements as of and for the years ended December 31, 2002 and 2001 are audited. The consolidated financial statements for the year ended December 31, 2000 are unaudited, as an audit could not be completed without undue cost or effort to the Company. This is due to the sale of Resorts Atlantic City, a significant subsidiary which has been sold and whose results are included in our consolidated financial statements for the year ended December 31, 2000. Items 3 and 7A have also been updated. All other information in this Form 10-K/A is as of December 31, 2002 and does not reflect, unless otherwise noted, any subsequent information or events other than those changes related to the restatement. See the Notes to Consolidated Financial Statements, Note 2 - Restatement, for further discussion of the restatement.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Annual Report, "KINA" or "the Company" refers to Kerzner International North America, Inc. (formerly known as Sun International North America, Inc.), and the terms "we," "us," "our" and similar terms refer to KINA and any or all of its subsidiaries and investments as the context requires.

The financial statements contained in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to financial condition, results of operations, business strategies, operating efficiencies or synergies, plans for future expansion and other business development activities as well as other capital spending, financing sources and the effects of regulation (including gaming and tax regulation) and competition, markets for Kerzner International's ordinary shares and other matters. Statements in this Annual Report that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"). Forward-looking statements, including, without limitation, those relating to our future business prospects, revenues and income, wherever they occur in this Annual Report, are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by forward-looking statements. You should consider forward-looking statements, therefore, in light of various important factors, including those set forth in this Annual Report. These risks and uncertainties include, but are not limited to, development and construction activities, dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), availability of financing, democratic or global economic conditions, pending litigation, changes in tax laws or the administration of such laws and changes in gaming laws or regulations (including the legalization of gaming in certain jurisdictions).

Words such as "estimate," "project," "plan," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements. You will find these forward-looking statements at various places throughout this Annual Report. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

Information contained in this Annual Report reflects our management's best estimates based upon information obtained from our customers and from trade and business organizations and other contacts within the businesses in which we compete.

PART I

ITEM 1. BUSINESS

(A) GENERAL DEVELOPMENT OF BUSINESS

KINA was incorporated in Delaware in 1958. Our executive offices are located at 1000 South Pine Island Road, Plantation, Florida 33324 and the telephone number is 954-809-2000. As a result of a merger transaction, KINA has been a wholly owned subsidiary of Kerzner International Limited (formerly Sun International Hotels Limited), a corporation organized and existing under the laws of the Commonwealth of The Bahamas, since August 1993. Kerzner International, through its subsidiaries, develops and operates premier resort and casino properties throughout the world. In the United States, Kerzner International owns and operates its properties and investments through KINA and its subsidiaries.

In July 2002, we changed our name from Sun International North America, Inc. to Kerzner International North America, Inc. The name change was implemented in accordance with agreements related to the restructuring of Kerzner International's former major shareholder in July 2001. There was no change in our management or operations as a result of the name change.

We earn income based on the gross revenues of a casino operated by an unaffiliated entity in Connecticut, which is further described below under "Item 1. Business (C) Narrative Description of Business—Connecticut." We also earn income by providing management services to certain of our affiliated companies and we own a tour operator that wholesales tour packages and provides reservation services. We previously owned a resort and casino property in Atlantic City, New Jersey ("Resorts Atlantic City"), which we entered into an agreement to sell to an unaffiliated entity in the fourth quarter of 2000 and closed on April 25, 2001.

Sale of Resorts Atlantic City

On April 25, 2001, we sold Resorts Atlantic City, a 644-room casino and hotel property, and certain related assets to an affiliate of Colony Capital LLC ("Colony") for a purchase price of approximately $144 million, including accrued interest (the "Resorts Atlantic City Sale").

The proceeds received from Colony consisted of approximately $127 million in cash and an unsecured $17.5 million note (the "Promissory Note"), bearing interest at a rate of 12.5% per annum payable semi-annually. In March 2002, we received $18.0 million from Colony as payment in full of the Promissory Note and all outstanding accrued interest. Of the cash proceeds from the Resorts Atlantic City sale, $79 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under a bank credit facility dated November 1, 1999 (as amended, the "Revolving Credit Facility"). Resorts Atlantic City, along with Kerzner International, Kerzner International Bahamas Limited (formerly Sun International Bahamas Limited) ("KIB"), a wholly owned subsidiary of Kerzner International outside of KINA's consolidated group, and Kerzner International Nevada, Inc. (formerly Sun International Nevada, Inc.), a wholly-owned subsidiary of KINA, were co-borrowers under the Revolving Credit Facility. The remaining $48 million of cash proceeds from the Resorts Atlantic City Sale was advanced to KIB and was used to permanently reduce borrowings outstanding by KIB under the Revolving Credit Facility.

We entered into an agreement to sell Resorts Atlantic City in the fourth quarter of 2000, and as of December 31, 2000, we accounted for Resorts Atlantic City as an investment held for sale. The carrying value of the net assets to be disposed of was reclassified to net assets held for sale on our consolidated balance sheets and, in the fourth quarter of 2000, we recorded a loss of $229.2 million resulting from the write-down of net assets held for sale to their realizable value. The net proceeds received at closing equaled the carrying value of the net assets disposed of. The consolidated financial statements as of December 31, 2001 include the results of operations of Resorts Atlantic City from January 1, 2001 to April 24, 2001. These results included a net loss attributable to Resorts Atlantic City of $4.9 million, which is included as a component of an offsetting gain on net assets held for sale, which resulted in no change in net income from this adjustment.

Pursuant to the terms of the Resorts Atlantic City Sale, we granted Colony a two-year option (the "Atlantic City Option") to acquire certain undeveloped real estate which we own, adjacent to Resorts Atlantic City, for a purchase price of $40 million, which option can be extended by Colony for two additional one-year periods upon notice to us prior to the expiration of the then-current option period and payment to us of a $2.5 million extension payment for each renewal period. In July 2003 and through various extensions thereafter, we and Colony agreed to extend the initial option period through September 12, 2003 in exchange for an option extension payment of $1,250,000, which was paid on July 9, 2003. Our agreement with Colony also provides for an additional payment of $1,250,000 in the event we are not able to reach an agreement to sell the undeveloped real estate. The additional $1,250,000 has not yet been received as we and Colony are currently in negotiations to reach an agreement to sell the undeveloped real estate. Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leases from us certain of the property included in the Atlantic City Option for

$100,000 per month. If Colony does not exercise the Atlantic City Option, upon its expiration, the land lease will continue on a month-to-month basis. At that time the lease can be terminated by either Colony or us with thirty days notice, subject to certain conditions.

Mohegan Sun Expansion

In June 1994, we established Kerzner Investments Connecticut, Inc., formerly known as Sun Cove Limited ("Kerzner Connecticut"). Kerzner Connecticut has a 50% interest in, and is a managing partner of, Trading Cove Associates ("TCA"), a Connecticut general partnership. In September 1995, TCA entered into a Gaming Facility and Construction Agreement with the Mohegan Tribal Gaming Authority, an instrumentality of the Mohegan Tribe of Indians of Connecticut (the "Mohegan Tribe") pursuant to which TCA assisted the Mohegan Tribe with the design, development and financing of the Mohegan Sun resort and entertainment complex situated in the town of Uncasville, Connecticut ("Mohegan Sun").

In August 1995, TCA entered into a gaming management agreement (the "Management Agreement") with the Mohegan Tribe pursuant to which TCA provided certain management, marketing and administrative services to the Mohegan Tribe upon the opening of Mohegan Sun in October 1996. In February 1998, TCA and the Mohegan Tribe entered into an agreement (the "Relinquishment Agreement") pursuant to which the Management Agreement was terminated effective January 1, 2000, the Mohegan Tribe assumed full management responsibility for Mohegan Sun and TCA receives annual payments of five percent of the gross revenues of Mohegan Sun for a 15-year period. In addition to the Relinquishment Agreement, in February 1998 the Mohegan Tribe and TCA entered into a development agreement pursuant to which TCA was appointed to develop the Mohegan Tribe's approximate $1.0 billion expansion of Mohegan Sun for a fee of $14.0 million. The expansion included the Casino of the Sky, a 10,000-seat arena, a 300-seat cabaret, a 130,000 square foot specialty retail area and restaurants that opened in September 2001. The expansion also included a 100,000 square foot convention center and a 34-story, 1,176-room hotel that opened with 734 rooms in April 2002. The remainder of the expansion opened in phases that were completed by June 2002.

The company's investment in TCA is reflected within investments in associated companies in the accompanying consolidated balance sheets.

See "Item 1. Business (C) Narrative Description of Business—Connecticut" for a further description of TCA and our business activities related to Mohegan Sun.

Trading Cove New York

Through Kerzner Investments New York, Inc.("KINY") a wholly owned subsidiary, we own 50% of Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company. TCNY is managed by KINY and Waterford Development New York, LLC. In March 2001, TCNY entered into a development services agreement (the " TCNY Development Agreement") with the Stockbridge-Munsee Band of Mohican Indians (the "Stockbridge-Munsee Tribe") for the development of a casino project (the "Project") in the Catskill region of the State of New York (the "State"). The Development Agreement was amended and restated in February 2002. The Stockbridge-Munsee Tribe does not currently have reservation land in the State, but is federally recognized and operates a casino on its reservation in Wisconsin. The Stockbridge-Munsee Tribe has land claim litigation pending in the US District Court for the Northern District of New York (the "Court") against the State, the counties of Madison and Oneida and several municipalities to recover lands within the state that it alleges were wrongfully taken from the tribe. The Court has stayed the litigation but in February 2003 the Stockbridge-Munsee Tribe filed a motion with the Court to partially lift the stay in an effort to advance the litigation. This motion is pending.

Pursuant to the Development Agreement, as amended, TCNY would provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Project. If the Project is approved, TCNY will earn a development fee in an amount equal to five percent of gross revenues as compensation for these services (subject to certain priorities), as defined in the Development Agreement, beginning with the opening of the project and continuing for a period of 20 years. TCNY has secured land and/or options on approximately 400 acres of property in the Town of Thompson, County of Sullivan (the "County"), of which approximately 333 acres are currently designated for the Project. In February 2002, the Tribe filed a Land to Trust Application with the U.S. Department of the Interior, Bureau of Indian Affairs (the "BIA"), for the Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtain other required approvals, the land could be taken into trust by the Federal Government on behalf of the Stockbridge-Munsee Tribe for the purpose of conducting Class III Gaming.

In October 2001, the State enacted legislation authorizing up to three Class III Native American casinos in the counties of Sullivan and Ulster and three Native American casinos in western New York pursuant to Tribal State Gaming Compacts to be entered into by the State and applicable Native American tribes (Chapter 383 of the Laws of 2001). In January 2002, a lawsuit was filed in the Supreme Court of the State of New York (the "Supreme Court") (Index No. 719-02) by various plaintiffs against New York Governor George Pataki, the State of New York and various other defendants alleging that Chapter 383 of the Laws of 2001 violates the New York State Constitution. Motions to dismiss the litigation were filed in April 2002. In July 2003, the Supreme Court issued a ruling upholding the validity of Chapter 383 of the Laws of 2001. Plaintiff has appealed that decision to the Appellate Division of the New York Supreme Court.

In January 2002, the Stockbridge-Munsee Tribe entered into an agreement with the County pursuant to which the Stockbridge-Munsee Tribe will make certain payments to the County to mitigate any potential impacts the Project may have on the County and other local government subdivisions within the County. The payments will not commence until after the opening of the Project.

The Project is contingent upon the receipt of numerous federal, state and local approvals to be obtained by the Stockbridge-Munsee Tribe, including the execution of a Class III Gaming Compact with the State, which approvals are beyond the control of TCNY. We can make no representation as to whether any of the required approvals will be obtained by the Stockbridge-Munsee Tribe or whether the Project will be completed.

The Company's investment in TCNY is reflected within investments in associated companies in the accompanying consolidated balance sheets.

Consent Solicitation of Noteholders

On July 10, 2001, KINA along with Kerzner International (together, the "Companies"), commenced a consent solicitation with holders of the Companies' $200 million principal amount of 9.0% senior subordinated notes due 2007 (the "9% Senior Subordinated Notes"). The Companies sought proposed amendments of certain provisions of the indenture pursuant to which the 9% Senior Subordinated Notes were issued.

The proposed amendments effectively eliminate (as of December 31, 2000, the date the charge was recorded) the impact of $199.2 million of the total $229.2 million loss recorded by KINA in connection with the Resorts Atlantic City Sale, for purposes of determining the ability of Kerzner International and its affiliates to make certain investments, such as certain minority investments in joint ventures. In addition, the amendments increased, from 2.0:1 to 2.5:1, the consolidated coverage ratio required in order for the Companies to incur additional indebtedness. The consolidated coverage ratio is defined as consolidated earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") to fixed payments, as defined in the indentures. The consent solicitation, as amended and extended, was finalized on July 23, 2001.

On July 24, 2001, the Companies announced that they had received the requisite consents from the holders of their 9% Senior Subordinated Notes. Accordingly, the Companies and the trustee under the indenture executed and delivered a supplemental indenture containing the amendments described in the amended consent solicitation. Pursuant to the consent solicitation, we paid $1.0 million to holders of the 9% Senior Subordinated Notes. These debt issuance costs are included within deferred charges and other assets in the accompanying consolidated balance sheets.

Issuances of 8-7/8% Senior Subordinated Notes

In August 2001, the Companies issued $200.0 million principal amount of 8-7/8% senior subordinated notes due 2011 (the "8-7/8% Senior Subordinated Notes"), which, after costs, resulted in net proceeds of approximately $194.0 million. All of the proceeds received from the issuance of the 8-7/8% Senior Subordinated Notes were advanced to KIB to repay amounts outstanding under the Revolving Credit Facility. Therefore, interest expense related to the 8-7/8% Senior Subordinated Notes is offset by affiliated interest income from KIB.

In May 2002, the Companies issued an additional $200.0 million of 8-7/8% Senior Subordinated Notes and used the proceeds to repay the Companies outstanding 9% Senior Subordinated Notes pursuant to the Tender Offer, Consent Solicitation and Redemption of such notes described below.

The 8-7/8% Senior Subordinated Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly owned subsidiaries of Kerzner International and KINA. Interest on the 8-7/8% Senior Subordinated Notes is payable semi-annually and commenced on February 15, 2002. The indenture for the 8-7/8% Senior Subordinated Notes contains certain covenants, including limitations on the ability of the Companies to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, and (iii) make certain other restricted payments.

Fourth Amended and Restated Credit Facility (the "Amended Revolving Credit Facility")

On November 13, 2001, Kerzner International, KINA and KIB, as co-borrowers, entered into the Amended Revolving Credit Facility with a syndicate of banks (the "Lenders"), with Canadian Imperial Bank of Commerce ("CIBC") acting as administrative agent. The borrowings then outstanding under the previous Revolving Credit Facility, all of which were reflected on the balance sheet of KIB, were paid in full. Under the Amended Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is $300.0 million, subject to the borrowing base discussed below and certain other conditions. The Lenders have agreed that up to an additional $50.0 million of borrowings may be available under the facility if we are able to arrange additional commitments in that amount. Effective February 7, 2003, the co-borrowers obtained approval from the required Lenders under our Amended Revolving Credit Facility to, among other things, calculate borrowings available using a borrowing base calculation, such that we can draw the lesser of the borrowing base or the commitment amount. Under the borrowing base calculation as of the year ended December 31, 2002, our borrowing limit would have been $300.0 million, as the anticipated borrowing base calculation would have exceeded the commitment amount.

Loans under the Amended Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus one-half of one percent, in either case plus an additional 0.25% to 1.75% based on a debt to earnings ratio during the period, as defined (the "Leverage Ratio") or (ii) London Interbank Offered Rate ("LIBOR") plus 1.25% to 2.75% based on the Leverage Ratio. For loans based on the LIBOR, interest is payable on the last day of each applicable interest period, or the date of any payment or prepayment of such loans. For loans based on the Alternate Base Rate (as defined), interest is payable quarterly. At December 31, 2002, the weighted average interest rate on amounts outstanding under the Amended Revolving Credit Facility was 3.40%. Loans under the Amended Revolving Credit Facility may be prepaid and re-borrowed at any time and are due in full in November 2006. Commitment fees are calculated at per annum rates ranging from 0.25% to 0.50% based on the Leverage Ratio, applied to the undrawn amount of the Amended Revolving Credit Facility and are payable quarterly.

The Amended Revolving Credit Facility contains restrictive covenants that Kerzner International must comply with, which among other things: (a) require periodic financial reporting, (b) require meeting certain financial amounts and ratio tests, (c) restrict the payment of dividends, (d) limit the incurrence of indebtedness and (e) limit asset expenditures and dispositions outside the ordinary course of business.

The amount of borrowings outstanding as of December 31, 2002 on the Amended Revolving Credit Facility was $72.0 million, all of which was drawn by KIB and is reflected on KIB's balance sheet. This amount is unconditionally guaranteed by KINA.

Tender Offer, Consent Solicitation and Redemption of 9% Senior Subordinated Notes

On May 8, 2002, the Companies commenced a cash tender offer to purchase any and all of their outstanding 9% Senior Subordinated Notes. The tender offer was made pursuant to an Offer to Purchase, Consent Solicitation Statement and a related Letter of Transmittal and Consent, dated May 8, 2002. In conjunction with the tender offer, the Companies solicited consents to proposed amendments to the indenture governing the 9% Senior Subordinated Notes. The proposed amendments eliminated substantially all of the restrictive covenants and certain events of default from the indenture governing the notes. Holders that tendered their notes were required to consent to the proposed amendments and holders that consented to the proposed amendments were required to tender their notes. At the expiration time, a total of approximately $177.5 million of the outstanding $200.0 million aggregate principal amount of the notes were tendered and accepted for purchase in the tender offer. On June 21, 2002, the Companies redeemed, in accordance with the terms of the indenture governing the notes, all of the 9% Senior Subordinated Notes that remained outstanding at the time, at the applicable redemption price of $1,045 per $1,000 of principal amount thereof, plus interest accrued to the redemption date. The Companies used the proceeds from the issuance of their $200.0 million of 8-7/8% Senior Subordinated Notes on May 20, 2002 to retire their outstanding 9% Senior Subordinated Notes pursuant to the tender offer and redemption.

Shelf Registration

In May 2002, Kerzner International and KINA filed a universal shelf registration statement on Form F-3 (the "Universal Shelf") with the SEC relating to the sale of up to $500.0 million in securities. As KINA is a non-compliant filer due to the fact that its 2000 consolidated financial statements are unaudited, it and Kerzner International may not register securities under the Universal Shelf until such time that it becomes a compliant filer. In addition, we do not expect to raise any capital through the issuance of KINA securities that are required to be registered with the SEC on Form S-3 or F-3 (including the Universal Shelf) until we and Kerzner International are able to comply with the requirements of Regulation S-X regarding audited financial statements and the timely filing of our periodic reports.

Issuance and Redemption of 8-5/8% Senior Subordinated Notes

On December 15, 1997, Kerzner International and the Company, as co-issuers, issued $100.0 million principal amount of 8-5/8% Senior Subordinated Notes due 2007. All of the proceeds received from the issuance of these notes were advanced to entities outside of the KINA consolidated group and were used for general corporate and working capital purposes, as well as to help fund capital expenditure projects for these entities. As a result, any interest expense incurred on the 8-5/8% Senior Subordinated Notes, including amortization of debt issuance costs, was offset by affiliated interest income from Kerzner International, resulting in no impact to net income or loss in any of the periods presented.

On November 27, 2002, the Companies called for the redemption of the entire outstanding principal amount of our 8-5/8% Senior Subordinated Notes due 2007 pursuant to the terms of the indenture governing these Notes. The Companies purchased $25.8 million of the 8-5/8% Senior Subordinated Notes through transactions on the open market. On December 27, 2002, the

Companies redeemed the remaining $74.2 million aggregate principal amount outstanding at the redemption price of 104.313%, or $1,043.13 for each $1,000.00 of principal amount outstanding, plus accrued interest.

Palmilla Management Contract

On September 12, 2002, Kerzner International acquired a 50% ownership interest in the 115-room Palmilla Resort, a deluxe, five-star property located near Cabo San Lucas in Baja, Mexico.

In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022. Fees for management services to Palmilla Resort during the period from September 12, 2002 through December 31, 2002 were $128,000 and are included in "Management and other fees" in the accompanying consolidated statement of operations.

(B) FINANCIAL INFORMATION ABOUT SEGMENTS

Not applicable, as the Company manages and internally reports its operations in one business segment.

(C) NARRATIVE DESCRIPTION OF BUSINESS

Connecticut

We own a 50% interest in, and are a managing partner of, TCA, a Connecticut general partnership that developed and, until January 1, 2000, managed Mohegan Sun, a casino and entertainment complex in Uncasville, Connecticut. TCA managed Mohegan Sun from its opening in October 1996 to December 31, 1999 pursuant to a Management Agreement from which TCA earned management fees based on a percentage of Mohegan Sun's earnings after depreciation and interest.

In 1998, the Mohegan Tribe appointed TCA to develop a $1.0 billion expansion of Mohegan Sun for a development fee of $14.0 million. In addition, TCA and the Mohegan Tribe entered into the Relinquishment Agreement whereby it was agreed that effective January 1, 2000, TCA would turn over management of Mohegan Sun to the Mohegan Tribe. Pursuant to the Relinquishment Agreement, the Management Agreement was terminated early and, commencing January 1, 2000, TCA receives annual payments of five percent of the gross revenues of Mohegan Sun for a 15-year period. For seven years beginning January 1, 2000, TCA pays us the first $5.0 million of the profits it receives each year pursuant to the Relinquishment Agreement as a priority payment prior to making pro rata distributions to its partners.

The payments received by TCA in 2001 and 2000 under the Relinquishment Agreement contributed less income than was previously earned under the Management Agreement. However, the Relinquishment Agreement will expire at the end of 2014, whereas the Management Agreement was to expire at the end of 2003. In addition, fees received pursuant to the Relinquishment Agreement have increased since 2000 as a result of increasing gross revenues of Mohegan Sun.

We are one of two managing partners of TCA. All decisions of the managing partners require the concurrence of us and the other managing partner, Waterford Gaming, L.L.C. In the event of deadlock there are mutual buy-out provisions. We account for our investment in TCA under the equity method of accounting and the company's investment in TCA is reflected within investments in associated companies in the accompanying consolidated balance sheets.

Description of Property

Mohegan Sun incorporates its historical Native American theme through unique architectural features and the use of natural design elements such as timber, stone and water. Mohegan Sun is located on 240 acres and currently features the 176,500 square foot Casino of the Earth and the 119,000 square foot Casino of the Sky, which combined have approximately 6,200 slot machines, 260 table games, 36 poker tables and various other amenities, and a recently opened 34-story, 1,176-room luxury hotel.

We oversaw the recently completed $1.0 billion expansion of Mohegan Sun through TCA. This expansion included the Casino of the Sky, a 10,000-seat arena, a 300-seat cabaret, and specialty retail areas and restaurants that opened in September 2001. The expansion also included a 100,000 square foot convention center and a 34-story, 1,176-room luxury hotel that opened with 734 rooms in April 2002. Mohegan Sun opened the remaining rooms in phases through June 2002 and also added an additional 2,700 parking spaces in June 2002.

Mohegan Sun is located approximately one-mile from the interchange of Interstate 395 and Connecticut Route 2A in Uncasville, Connecticut and is within 150 miles of approximately 22 million adults. Mohegan Sun spent $40.0 million for infrastructure improvements providing direct highway access to the property from Boston, Providence and New York.

Seasonality and Weather

Inclement weather can adversely affect the operations in Connecticut as the principal means of transportation to this property is by automobile or bus. Higher revenues and earnings are typically realized from the Connecticut operations during the second and third quarters of the year.

Competition

The Connecticut market is the fourth largest gaming market in the United States, with approximately 22 million adults within 150 miles of Mohegan Sun. Mohegan Sun and Foxwoods Resort and Casino at present are the only two casinos in the Connecticut market. Foxwoods now has approximately 6,600 slot machines and, for the twelve months ended December 31, 2002, reported slot revenue to the State of Connecticut of approximately $789.3 million. The Oneida Nation operates a casino near Syracuse, New York and other Native American tribes in the states of New York, Rhode Island, Massachusetts and Connecticut are seeking approvals to establish gaming operations which would further increase competition, particularly for day-trip patrons.

Mohegan Sun also competes with Atlantic City and several small Native American gaming facilities throughout the northeastern United States.

In Connecticut, under the tribal state compacts between the State and each of the Mohegan Tribe and the other Native American casino in the State, Mohegan Sun is subject to a 25% gaming fee on slot revenues payable to the State of Connecticut so long as the State does not issue any further licenses for gaming operations with slot machines or other commercial casino games (other than to a Native American tribe on Native American land). In June 2002, the BIA issued a determination concerning the applications of two Connecticut bands of Eastern Pequot Indians, approving the federal recognition of the two bands as one federally recognized tribe known as the "Historic Eastern Pequot Tribe." The State of Connecticut and a number of Connecticut municipalities have filed an appeal of the BIA determination to the Department of the Interior, Board of Indian Appeals, which appeal is pending. The ultimate decision of the Department of the Interior may be appealed to the Federal courts. In addition, three other Indian groups in the Connecticut gaming market have filed applications with the BIA for federal recognition as Indian tribes: the Golden Hill Paugussetts of Trumbull, the Schaghticoke tribe of Kent and a Massachusetts tribe known as the Nipmucs. Each of these groups as well as the Historic Eastern Pequot Tribe has expressed interest in obtaining trust lands for the purpose of conducting gaming in Connecticut.

Casino gaming in the northeastern United States may be conducted by federally recognized Indian tribes operating under the Indian Gaming Regulatory Act of 1988. A federally recognized tribe in Rhode Island and a federally recognized tribe in Massachusetts are each seeking to establish gaming operations in their respective states. Also, as previously discussed, in October 2001, the State of New York enacted legislation authorizing up to three Native American casinos in certain counties. The Stockbridge-Munsee Tribe is seeking to develop a casino project in the Catskills region of New York. We cannot predict whether any of these tribes will be successful in establishing gaming operations and, if established, whether such gaming operations will have a material adverse effect on the operations of Mohegan Sun.

Regulation

The Mohegan Tribe is a federally recognized Native American tribe whose federal authorities recognition became effective May 15, 1994. In May 1994, the Mohegan Tribe and the State of Connecticut entered into a gaming compact to authorize and regulate Class III gaming operations (slot machines and table games). Under this tribal-state compact, Mohegan Sun is subject to a 25% gaming fee on slot revenues payable to the State of Connecticut so long as the State does not issue any further licenses for gaming operations with slot machines or other commercial casino games (other than to a Native American tribe on Native American land).

Each of the partners of TCA must be licensed by relevant tribal and state authorities. Each of the partners of TCA has received a gaming registration from the Commissioner of Revenue Services of the State of Connecticut that is renewed annually. In addition, gaming licenses or management agreements held or subsequently acquired by us pursuant to applicable law and regulations, including the Indian Gaming Regulation Act (“IGRA”) and the National Indian Gaming Commission (the "NIGC") regulations, may require review, approval or licensing of any person or entity directly, or indirectly possessing or acquiring 10% or more of our equity securities (a

"Substantial Interest"). The NIGC may be required to review and approve any such person or entity and make a finding of suitability pursuant to the IGRA and NIGC regulations. If the NIGC were to determine that a person or entity holding a Substantial Interest in a gaming management agreement was unsuitable, prior approval of the management agreement could be revoked, subsequent approvals or renewals could be blocked and certain required gaming licenses could be suspended, rescinded or denied.

Waiver of Sovereign Immunity

Pursuant to the Relinquishment Agreement, the Mohegan Tribe has waived sovereign immunity for the purpose of permitting, compelling or enforcing arbitration and has agreed to be sued by TCA in any court of competent jurisdiction for the purpose of compelling arbitration or enforcing any arbitration or judicial award arising out of TCA's agreement with the Mohegan Tribe. The parties have agreed that all disputes and claims arising out of TCA's agreement with the Mohegan Tribe or the Mohegan Tribe's gaming ordinance will be submitted to binding arbitration, which shall be the sole remedy of the parties, and that punitive damages may not be awarded to either party by any arbitrator. The Mohegan Tribe's waiver of sovereign immunity is limited to enforcement of monetary damages from undistributed or future net revenues of Mohegan Sun (or, under certain conditions, net revenues of other gaming operations of the Mohegan Tribe). Funds earned and paid to the Mohegan Tribe as the Mohegan Tribe's share of net revenues prior to any judgment or award are not subject to the waiver and would not be available for levy pursuant to any judgment or award.

Atlantic City Real Estate

As described in "Item 1. Business, (A) General Development of Business—Sale of Resorts Atlantic City," effective April 25, 2001, we lease certain of the property included in the Atlantic City Option to Colony. Pursuant to the lease agreement, Colony pays us a fee of $100,000 per month. We also own certain other undeveloped parcels of land in Atlantic City, which are available for sale. See "Item 2. Properties" for a further description of land owned by KINA.

Administrative Services

In Florida, we provide general and administrative support services, marketing services, travel reservations and wholesale tour services for Kerzner International's properties in The Bahamas. To a much lesser extent, we also provide travel reservation services for unconsolidated affiliated properties in The Bahamas. In addition, we lease office space in New York City for our corporate marketing and public relations office, which provides services to KINA as well as its affiliated companies. We provide these services pursuant to an agreement with certain unconsolidated affiliates for which we receive management fees.

(D) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Not applicable.

ITEM 2. PROPERTIES

Atlantic City

We own approximately 13 acres of real property immediately adjacent to Resorts Atlantic City. These properties, which are included in the Atlantic City Option, are zoned for casino hotel use. Certain of these properties are being leased by Colony for a fee of $100,000 per month.

We own approximately five acres of undeveloped property in the Southeast Inlet section of Atlantic City. In addition, we own approximately 45 acres of property located in Atlantic City on Blackhorse Pike, a portion of which may be considered to be wetlands.

All of the property that we own in Atlantic City, except for that which is subject to the Atlantic City Option, is available for sale. See "Item 1. Business, (A) General Development of Business—Sale of Resorts Atlantic City," for a description of the Atlantic City Option and the lease with Colony.

ITEM 3. LEGAL PROCEEDINGS

US District Court Action - KINA v. Lowenschuss

In September 1989 KINA filed an action in the US District Court for the Eastern District of Pennsylvania to recover certain sums paid to the defendant, as trustee for two Individual Retirement Accounts and the Fred Lowenschuss Associates Pension Plan (the "Pension Plan"), for KINA stock in a 1988 merger, in which KINA was acquired by Merv Griffin. This action was transferred to the NJ Bankruptcy Court in connection with the Company's former bankruptcy case commenced there in 1989.

In February 1992, the NJ Bankruptcy Court issued an opinion granting partial summary judgment in favor of KINA on one of its six causes of action. The NJ Bankruptcy Court reserved the issue of remedies for trial.

In August 1992, Fred Lowenschuss filed for Chapter 11 reorganization in the US Bankruptcy Court for the District of Nevada (the "Nevada Bankruptcy Court"). As a result, the NJ Bankruptcy Court stayed KINA's action against Lowenschuss.

The Nevada Bankruptcy Court confirmed Fred Lowenschuss' plan of reorganization in October 1993. KINA appealed certain portions of the confirmation order and other orders of the Nevada Bankruptcy Court. In June 1994, the US District Court for the District of Nevada (the "Nevada District Court") granted KINA's appeal in all respects. In October 1995, the US Court of Appeals for the Ninth Circuit affirmed the Nevada District Court's ruling in all respects, and in November 1995, the Court of Appeals denied Fred Lowenschuss' petition for rehearing. On June 10, 1996, the United States Supreme Court denied Fred Lowenschuss' petition for a writ of certiorari.

All interested parties, including KINA, filed motions with the Nevada Bankruptcy Court about their respective claims and priority rights under the US Bankruptcy Code. The Nevada Bankruptcy Court ruled on these motions, and KINA and other parties appealed, first to the Nevada District Court and then to the Court of Appeals for the Ninth Circuit. At the time that the United States Supreme Court denied KINA's petition for a writ of certiorari, on November 29, 1999 (see discussion below), KINA had three appeals pending, one in the Court of Appeals and two in the Nevada District Court. KINA voluntarily dismissed all three appeals and simultaneously withdrew its proofs of claim in Lowenschuss' bankruptcy case.

On November 2 and 3, 1995, the NJ Bankruptcy Court held a trial on the merits of KINA's claims against the trustee of the Pension Plan. On April 22, 1997, the NJ Bankruptcy Court issued a final opinion in KINA's favor, and on May 20, 1997 entered a judgment in KINA's favor finding that the trustee for the two Individual Retirement Accounts and the Pension Plan committed fraud against KINA and that KINA was entitled to restitution. The NJ Bankruptcy Court awarded KINA \$3.8 million plus prejudgment interest and \$250,000 punitive damages, for a total award of approximately \$5.7 million. On July 7, 1997 the NJ Bankruptcy Court amended the judgment to apportion the damages between the Pension Plan and the Individual Retirement Accounts. The NJ Bankruptcy Court also denied Defendant's request for a stay of enforcement of the judgment. Subsequently, the Defendants filed an appeal of the NJ Bankruptcy Court's decision in the US District Court for the District of New Jersey (the "New Jersey District Court"). On March 26, 1998, The New Jersey District Court reversed the judgment of the NJ Bankruptcy Court. KINA filed an appeal of the New Jersey District Court's decision with the US Court of Appeals for the Third Circuit (the "Circuit Court"). On June 30, 1999, the Circuit Court issued an opinion affirming the New Jersey District Court's decision. KINA's subsequent petition for a writ of certiorari to the United States Supreme Court was denied on November 29, 1999, thereby concluding this litigation.

In connection with that litigation, Laurance Lowenschuss, as trustee for the Pension Plan, and Fred Lowenschuss, as trustee of the Trusts and as custodian, filed an action in May 1996 against KINA for preliminary and permanent injunctive relief. The Lowenschusses sought an order from the US Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court") to extend the post-confirmation bar date of the Plan and to secure the return of certain escrowed distributions to holders of Old Series Notes (as defined in the Plan).

On May 9, 1996, the Delaware Bankruptcy Court entered an order, to which the parties had stipulated, extending the Lowenschuss' date of surrender for Old Series Notes through November 10, 1996. By further stipulations, the date of surrender was further extended through May 12, 2000.

On March 8, 1996, Fred Lowenschuss, as trustee of various Lowenschuss children's trusts (the "Trusts"), and Laurance Lowenschuss, as trustee for the Pension Plan, filed a counterclaim and a third party claim against KINA and First Interstate Trust Company in the NJ Bankruptcy Court alleging that the Pension Plan and the Trusts timely surrendered certain securities for exchange under the Company's 1990 plan of reorganization and that those securities were wrongfully dishonored and returned. The Company replied to the counterclaims in April 1996 and denied the allegations. Since 1996, the parties have voluntarily stayed this litigation, pending the resolution of Lowenschuss' bankruptcy case in Nevada.

The foregoing litigation and bankruptcy proceedings have spawned additional and related litigation, including the following: (a) an injunction action brought by Fred Lowenschuss, wherein the Nevada Bankruptcy Court enjoined KINA from proceeding against Fred Lowenschuss individually; the Nevada District Court dismissed appeals by both KINA and Fred Lowenschuss, and the Ninth Circuit, on March 6, 1997, affirmed the District Court's dismissal of Fred Lowenschuss' appeal; (b) a malicious prosecution action brought by Fred Lowenschuss against KINA and its counsel that was dismissed by the Nevada Bankruptcy Court and the Nevada District Court; on March 6, 1997, the Ninth Circuit affirmed the District Court's dismissal of Lowenschuss' appeal and awarded KINA monetary sanctions, finding that the Lowenschuss' appeal was frivolous; and (c) an action filed by Laurance Lowenschuss, as trustee of the Pension Plan, in the Nevada District Court against KINA, which was transferred to the NJ District Court; in January, 1996, the NJ District Court referred the matter to the NJ Bankruptcy Court. In February 2001, the NJ Bankruptcy Court granted KINA's motion to dismiss Lowenschuss' action for malicious prosecution in Adversary Proceeding No. 96-2350 and denied KINA's motion to dismiss certain counterclaims in Adversary Proceeding No. 90-1005 related to the exchange of bonds in the Delaware Bankruptcy Court proceeding discussed above.

In December 2001, KINA and Lowenschuss entered into a Stipulation and Settlement Agreement to end all outstanding disputes between the parties. In July 2002, the New Jersey Bankruptcy Court approved the Stipulation and Settlement Agreement and the settlement has been finalized. The amounts paid in connection with the settlement had been fully reserved for in prior years.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE TO SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(A) Market Information

There is no established public trading market for KINA common stock.

(B) Holders

All of the common stock of KINA is owned by Kerzner International.

(C) Dividends

No dividends were paid on KINA common stock during the last two fiscal years and we do not anticipate making any cash dividend on our common stock for the foreseeable future. The indentures for certain of KINA's indebtedness contain certain restrictions as to the payment of dividends by KINA.

(D) Securities Authorized for Issuance Under Equity Compensation Plans

Not applicable.

ITEM 6. SELECTED FINANCIAL DATA

The disclosure required by Item 6 has been omitted pursuant to General Instruction I of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below in Item 7 has been revised to reflect the completion of the restatement of our consolidated financial statements for the years ended December 31, 2002, 2001 and 2000.

Restatement

Subsequent to the issuance of the December 31, 2002 consolidated financial statements, the Company has determined it necessary to restate its consolidated financial statements as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002.

On May 21, 2003, Kerzner International announced that Trading Cove Associates ("TCA"), a Connecticut general partnership in which the Company is a 50% partner, restated its historically reported financial results. The primary effect of the restatement of TCA's financial statements is to recognize as an expense certain contractual liabilities owed to its partners and their affiliates for prior services performed under contract when their payment became probable pursuant to Statement of Financial Accounting Standard No. 5, as opposed to when such expenses were paid or payable. Additionally, TCA changed the manner in which it recognized losses in connection with the development of Phase II of the Mohegan Sun. Although the accounting for the development fee remained in accordance with Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"), the timing of recognition changed such that losses were recognized at the time they were known, as compared to the time in which costs which created the losses became payable.

The Company accounts for its investment in TCA under the equity method of accounting. Based on the restatement by TCA, the Company determined that it was necessary to restate its historical consolidated financial statements.

The adjustments to the Company's consolidated financial statements arising from the restatement by TCA primarily relate to the change in equity income or loss resulting from the change in TCA's revenue and expense recognition policies, as the Company's net income is affected by its proportionate share of TCA's restated income or loss under the equity method of accounting. We record equity income from TCA in "Relinquishment and development fees" in the accompanying consolidated financial statements.

As previously described, the primary effect of the restatement on the Company is to change the timing of recognition of certain partnership revenue and expense items. This timing resulted in the Company's income being increased in the years presented, while income reported in prior years not presented was reduced. Although not as significant, the Company also reversed certain amortization deductions related to its initial investment in TCA.

In connection with the TCA restatement, TCA recognized an additional loss under its agreement with the Mohegan Tribal Gaming Authority, which caused the Company to re-evaluate its own revenue recognition related to this fee under a related development agreement between an affiliate of the Company and TCA (the "TCA Development Agreement"), an agreement which was assigned to the Company by its affiliate. As part of the restatement, the Company has determined that its accounting under the percentage of completion method for development fee revenue received under the TCA Development Agreement would be more properly reflected if it utilized the costs incurred by TCA as the basis to determine the percent complete and the amount earned at the end of each period. The Company believes that this basis of measurement provides the most accurate reflection of the level of service performed. As of December 31, 2002, the Company earned substantially all of its development fee under the TCA Development Agreement.

The effect of the TCA related adjustments, which include the adjustments resulting from TCA's restated results and the Company's proportionate share thereof, the reversal of certain amortization deductions related to the Company's initial investment in TCA, and the Company's correction in the manner of recognizing development fee revenue, for the years ended December 31, 2002, 2001 and 2000, was to decrease our net loss or increase net income, as applicable, by \$0.9 million, \$12.0 million and \$17.5 million, respectively. As of January 1, 2000 the accumulated deficit increased by \$24.3 million, approximately \$5.3 million of which pertains to revenue earned by the Company but recognized by an entity outside of the KINA consolidated group and the remainder of which pertains to the adjustments discussed above.

The Company has also made certain other adjustments and reclassifications to its historically reported consolidated financial statements. These adjustments include reclassifying the Company's investment in Trading Cove New York, LLC from deferred charges to investment in associated companies in the accompanying consolidated balance sheets and reclassifying the related equity loss from selling, general and administrative expenses to equity in losses of associated company in the accompanying consolidated statements of operations; adjusting accounts payable and accrued expenses to correct for certain over and under accrued expenses and reclassifying certain current receivables to other long-term assets and reclassifying deferred tax asset and certain due from affiliates from current to non-current. The effect of these other adjustments for the years ended December 31, 2002 and 2001 was to increase the net loss or decrease net income, as applicable, by approximately $0.8 million and $0.4 million, respectively, and to decrease the accumulated deficit by $0.7 million as of January 1, 2000. These adjustments had an insignificant impact on the consolidated statement of operations for the year ended December 31, 2000.

The components of the adjustments related to the restatement, as they relate to net income (loss), for the years ended December 31, are as follows:

	2002	2001	2000
Net income (loss), as reported	$ (2,372)	$ 1,098	$ (249,656)
Relinquishment fee adjustment	4,132	9,535	14,508
Development fee adjustment	(3,673)	2,016	2,549
Amortization	480	480	480
Other adjustments	(836)	(377)	22
Net income (loss), as restated	$ (2,269)	$ 12,752	$ (232,097)

On December 15, 1997, Kerzner International and the Company, as co-issuers, issued $100.0 million principal amount of 8-5/8% Senior Subordinated Notes due 2007. All of the proceeds received from the issuance of these notes were advanced to entities outside of the KINA consolidated group and were used for general corporate and working capital purposes, as well as to help fund capital expenditure projects for these entities. As a result, any interest expense we incur on the 8-5/8% Senior Subordinated Notes, including amortization of debt issuance costs, would be offset by affiliated interest income from Kerzner International, resulting in no impact to net income or loss in any of the periods presented. These notes were previously not reflected within the Company's consolidated financial statements, but instead were recorded in the consolidated financial statements of an affiliate of the Company, within Kerzner International consolidated group.

During 2002, the 8-5/8% Senior Subordinated Notes were repurchased and redeemed by Kerzner International, resulting in a loss on early extinguishment of debt which consisted of the premium paid on the repurchase and redemption of the notes, the write-off of related debt issuance costs and other direct costs. However, given that the proceeds of the original debt issuance were not used for KINA purposes and that the redemption was made by entities outside of the KINA consolidated group, the loss on the related debt extinguishment of $5.9 million was reimbursed to KINA by these entities, resulting in no impact to the Company's operating results in 2002.

As previously described in "Item 1. Business (A) General Development of Business – Sale of Resorts Atlantic City", the Company sold Resorts Atlantic City on April 25, 2001. The financial results of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 were previously excluded from the consolidated statement of operations for the year ended December 31, 2001. As part of the restatement, the accompanying consolidated statement of operations as of December 31, 2001 now includes Resorts Atlantic City's financial results from January 1, 2001 to April 24, 2001. The net loss incurred by Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 of $4.9 million is included within the accompanying consolidated statement of operations together with an offsetting gain on net assets held for sale, resulting in no impact on net income for the year ended December 31, 2001 from this adjustment. The following table summarizes the components of the gain on net assets held for sale:

Net loss of Resorts Atlantic City (a)	$ (4,893)
Depreciation and amortization (b)	5,325
Interest income (c)	(2,664)
Gain on net assets held for sale	$ (2,232)

(a) Net loss of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001.

(b) As Resorts Atlantic City was classified as an asset held for sale, the Company ceased depreciation and amortization and accordingly, the expense is offset against the net loss incurred from the period January 1, 2001 to April 24, 2001.

(c) During the period January 1, 2001 to April 24, 2001, the Company recognized $2.7 million of interest income paid to the Company by Colony on the proceeds of the sale. This amount is offset against the net loss incurred from the period January 1, 2001 to April 24, 2001 and has reduced interest income as previously reported by Kerzner.

The consolidated financial statements for the years ended December 31, 2002, 2001 and 2000 have been restated to incorporate these adjustments. See Note 2 – Restatement in the accompanying notes to consolidated financial statements for comparisons of the Company's accumulated deficit as of January 1, 2000, consolidated balance sheets as of December 31, 2002 and 2001 and consolidated statements of operations for each of the three years in the period ended December 31, 2002, as previously reported and as restated.

RESULTS OF OPERATIONS

COMPARISON OF YEARS ENDED DECEMBER 31, 2002 AND 2001

Casino and Resort Revenues and Expenses

Casino and resort revenues and expenses for the year ended December 31, 2001 reflect the operations of Resorts Atlantic City from January 1, 2001 to April 24, 2001. As previously described, we sold Resorts Atlantic City on April 25, 2001. Accordingly, as of April 25, 2001, the operations of Resorts Atlantic City are no longer included in our consolidated financial statements.

Tour Operations

Revenues and expenses from our tour operations increased in 2002 compared to 2001, resulting in an increase in net earnings of $0.7 million. This was a result of increased occupancy in 2002 compared to the same period in 2001 at resort properties in The Bahamas operated by certain of our unconsolidated affiliates.

Relinquishment and Development Fees

Relinquishment and development fees in 2002 increased by $4.2 million (15.6%) over the previous year. We have a 50% interest in TCA and earnings from our investment in TCA are included in Relinquishment and development fees in the accompanying consolidated statements of operations. We recorded equity earnings from TCA in 2002 of $30.1 million compared to $25.1 million in 2001, an increase of $5.0 million. This increase resulted from TCA's recognition of revenue pursuant to the Relinquishment Agreement. Additionally, during 2002, we recorded development fees from TCA of $1.3 million as compared to $2.0 million in 2001 based on a percentage of completion basis, as previously described.

Management and Other Fees

Management fees earned for services we provide to our unconsolidated affiliates in The Bahamas amounted to approximately $16.8 million in 2002, as compared to $15.1 million in 2001. These fees equal three percent of gross revenues, as defined, and therefore are largely dependent on occupancy levels at Kerzner International's properties in The Bahamas. The increase in these management fees resulted from the strong results of Kerzner International's properties in The Bahamas during 2002.

In 2002, we received $1.2 million, as compared to $0.8 million in 2001, of lease payments from Colony with respect to land in Atlantic City that they lease from us effective April 25, 2001. The lease payment is $100,000 per month, and the lease terms are concurrent with the Atlantic City Option.

Selling, General and Administrative

Selling, general and administrative expenses decreased by $7.1 million as compared to the previous year. This decrease resulted primarily from $10.5 million of selling, general and administrative expenses related to Resorts Atlantic City incurred from January 1, 2001 to April 24, 2001. Effective April 25, 2001, the results of Resorts Atlantic City are no longer included in our consolidated financial statements. The remaining $3.4 million increase resulted primarily from $1.2 million of lease termination costs related to the relocation of KINA's main offices to Plantation, Florida and a $2.2 million increase in performance bonuses due to improved operating results and costs related to the retention of senior development personnel in anticipation of future projects. These increases were offset by decreases in new project costs incurred in connection with the research of new investment and/or development opportunities and various other items.

Restructuring Expense

Restructuring costs in 2001 were comprised of severance payments made to employees who were terminated due to lower occupancy levels at Kerzner International's properties in The Bahamas subsequent to the terrorist attacks on September 11, 2001.

Other Income (Expense)

Interest income in 2002 decreased by $1.4 million as compared to 2001. In 2001, interest income included $1.5 million (as compared to $0.5 million in 2002) of interest earned on the $17.5 million Promissory Note from Colony.

Interest income from affiliates is comprised of amounts due from KIB (which is a wholly owned subsidiary of Kerzner International outside of KINA's consolidated group) and Kerzner International. As described above in "Item 1. Business (A) General Development of Business—Issuances of 8-7/8% Senior Subordinated Notes," on August 14, 2001, Kerzner International and KINA, as co-issuers, issued $200.0 million principal amount of 8-7/8% Senior Subordinated Notes. The proceeds were advanced to KIB and were used to pay down borrowings by KIB under the Revolving Credit Facility, under which Kerzner International, KINA and KIB were co-borrowers.

Also, as discussed in "Item 7-Restatement", on December 15, 1997, Kerzner International and the Company, as co-issuers, issued $100.0 million principal amount of 8-5/8% Senior Subordinated Notes due 2007. All of the proceeds received from the issuance of these notes were advanced to entities outside of the KINA consolidated group and were used for general corporate and working capital purposes, as well as to help fund capital expenditures projects for these entities.

The advance of proceeds to these affiliated entities is reflected as due from affiliate non-current in the accompanying consolidated balance sheets. We earn interest income from these affiliated entities on these advances equal to the interest expense we incur on the 8-7/8% and the 8-5/8% Senior Subordinated Notes including amortization of debt issuance costs.

During 2002, the 8-5/8% Senior Subordinated Notes were repurchased and redeemed by Kerzner International, resulting in a loss on early extinguishment of debt which consisted of the premium paid on the repurchase and redemption of the notes, the write-off of related debt issuance costs, the remaining unamortized discount on the notes and other direct costs. However, given that the proceeds of the original debt issuance were not used for KINA purposes and that the redemption was made by entities outside of the KINA consolidated group, the loss on the related debt extinguishment was reimbursed to KINA by these entities, resulting in no impact to the Company's operating results in 2002.

Equity in Losses of Associated Company

During 2002, we recorded equity in losses of associated company of $1.0 million representing our proportionate share of loss in our 50% investment in TCNY, as compared to a loss of $0.9 million in 2001.

Income Taxes

We recorded a net tax provision of $0.1 million in the year 2002 as compared to an income tax benefit of $2.8 million in the prior year. Realization of future tax benefits to deferred tax assets is dependent on many factors, including our ability to generate future taxable income. The valuation allowance is adjusted in the period we determine it is more likely than not that deferred tax assets will or will not be realized.

See Note 17 to the accompanying consolidated financial statements for a further discussion of our income taxes.

Loss on Early Extinguishment of Debt

During 2002, Kerzner International and KINA repurchased or redeemed the entire outstanding balance of $200.0 million principal amount of our 9% Senior Subordinated Notes, resulting in the recognition of a loss on early extinguishment of debt of $14.6 million. The applicable net income tax effect was $0. The loss consists of the premium paid on the repurchase and redemption of the 9% Senior Subordinated Notes, the non-cash charge to write-off the balance of the related debt issuance costs and the remaining unamortized discount on the notes.

During 2002, Kerzner International and KINA also repurchased or redeemed the entire outstanding balance of $100.0 million principal amount of our 8-5/8% Senior Subordinated Notes, resulting in a loss on early extinguishment of debt of $5.9 million which consisted of the premium paid on the repurchase and redemption of the notes, the write-off of related debt issuance costs, and other direct costs. However, given that the proceeds of the original debt issuance were not used for KINA purposes and that the redemption was made by entities outside of the KINA consolidated group, the loss on the related debt extinguishment was reimbursed to KINA by these entities, resulting in no impact to the Company's operating results in 2002.

Other

Casino and resort revenues and expenses for the year 2000 reflect the operations of Resorts Atlantic City. As described previously, we sold Resorts Atlantic City on April 25, 2001. Expenses in 2000 included a write-down of assets related to the Resorts Atlantic City Sale and Atlantic City Option to their realizable value. As a result of entering into the agreement to sell Resorts Atlantic City at a purchase price less than its carrying value, the Company recorded a loss of $229.2 million in the fourth quarter of 2000. An additional loss of $0.2 million was recorded in 2001, resulting from direct costs related to the sale in excess of those estimated at December 31, 2000. As of April 25, 2001, the operations of Resorts Atlantic City are no longer included in our consolidated financial statements.

Purchase termination costs of $11.2 million in 2000 related to the cancellation of the Company's agreement to acquire the Desert Inn Hotel and Casino in Las Vegas. These costs included $7.2 million paid to Starwood Hotels and Resorts Worldwide Inc. pursuant to a termination agreement.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL SPENDING

Liquidity

At December 31, 2002, our working capital deficit was $21.5 million due to the fact that certain receivables that are due from affiliated companies to satisfy current liabilities are classified as due from affiliates-non-current in the accompanying consolidated balance sheets as the affiliated companies are not contractually obligated to pay the amounts owed to the Company within one year. However, the affiliated companies generally pay the amounts owed to the company on a timely basis in order to satisfy the Company current liability obligations.

Capital Resources and Other Sources and Uses of Funds

Sale of Resorts Atlantic City and Settlement of Related Note

On April 25, 2001, we sold Resorts Atlantic City and certain related assets to Colony for a purchase price of approximately $144 million, including accrued interest. The proceeds received from Colony consisted of approximately $127 million in cash and an unsecured $17.5 million Promissory Note. Of the cash proceeds, $79.0 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under the Revolving Credit Facility. The remaining $48.0 million of cash proceeds was advanced to KIB and was used to permanently reduce borrowings outstanding by KIB under the Revolving Credit Facility. The cash proceeds received from Colony were offset by costs paid by us after closing, which included employee termination costs and legal fees.

In March 2002, we received approximately $18.0 million from Colony as payment in full of the Promissory Note and all outstanding accrued interest.

Amended Revolving Credit Facility

Under the Amended Revolving Credit Facility, as discussed more fully in "Item 1. Business (A) General Development of Business—Fourth Amended and Restated Credit Facility," the maximum amount of borrowings that may be outstanding is $300.0 million, subject to the borrowing base discussed below and certain other conditions. The Lenders have agreed that up to an additional $50.0 million of borrowings may be available under the facility if we are able to arrange additional commitments in that amount. Effective February 7, 2003, the co-borrowers obtained approval from the required Lenders under our Amended Revolving Credit Facility to, among other things, calculate borrowings available using a borrowing base calculation, such that we can draw the lesser of the borrowing base or the commitment amount. If for any reason the co-borrowers are unable to meet those conditions or negotiate new conditions for effectiveness of the borrowing base, our borrowings as of July 1, 2003 will be limited by the total amount of per occurrence "all risks" insurance that KIB maintains on its properties on Paradise Island of $150.0 million per occurrence. Under the borrowing base calculation as of the year ended December 31, 2002, our borrowing limit would have been $300.0 million, as the anticipated borrowing base calculation would have exceeded the commitment amount.

Loans under the Amended Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus one-half of one percent, in either case plus an additional 0.25% to 1.75% based on the Leverage Ratio or (ii) LIBOR rate plus 1.25% to 2.75% based on the Leverage Ratio. For loans based on the LIBO Rate, interest is payable on the last day of each applicable interest period, or the date of any payment or prepayment of such loans. For loans based on the Alternate Base Rate (as defined), interest is payable quarterly. At December 31, 2002, the weighted average interest rate on amounts outstanding under the Amended Revolving Credit Facility was 3.40%. Loans under the Amended Revolving Credit Facility may be prepaid and re-borrowed at any time and are due in full in November 2006. Commitment fees are calculated at per annum rates ranging from 0.25% to 0.50% based on the Leverage Ratio, applied to the undrawn amount of the Amended Revolving Credit Facility and are payable quarterly.

The amount of borrowings outstanding as of December 31, 2002 on the Amended Revolving Credit Facility was $72.0 million, all of which was drawn by KIB and is reflected on KIB's balance sheet. This amount is unconditionally guaranteed by KINA.

Issuance and Redemption of Debt

Cash received during the year included $206.0 million from the issuance of our 8-7/8% Senior Subordinated Notes before costs associated with the issuance of this debt. We used these proceeds together with cash on hand to redeem our 9% Senior Subordinated Notes for $209.0 million. This refinancing resulted in the extension of the maturity of our public debt and decreased our average borrowing rate. (See Note 12 to the Consolidated Financial Statements.)

On November 27, 2002, we called for the redemption of the entire outstanding principal amount of our 8-5/8% Senior Subordinated Notes due 2007 pursuant to the terms of the indenture governing these Notes. We purchased $25.8 million of the 8-5/8% Senior Subordinated Notes through transactions on the open market. On December 27, 2002, we redeemed the remaining $74.2 million aggregate principal amount outstanding at the redemption price of 104.313%, or $1,043.13 for each $1,000.00 of principal amount outstanding, plus accrued interest.

Other Sources and Uses of Funds for 2003

During the next twelve months, we expect the primary source of funds from operations to be payments received from TCA pursuant to the Relinquishment Agreement. In addition, we will continue to earn management fees for services provided to certain of our unconsolidated affiliates. With respect to our long-term debt at December 31, 2002, we are required to make cash interest payments each year amounting to approximately $35.5 million. Included in this amount is $17.8 million of interest related to the 8-7/8% Senior Subordinated Notes which was paid by KIB and $7.8 million of interest related to the 8-5/8% Senior Subordinated Notes which was paid by affiliates of the Company. We currently do not have any immediate plans for significant capital expenditures during the next twelve months. In addition, we do not expect to raise any capital through the issuance of KINA securities that are required to be registered with the SEC until we are able to comply with the requirements of Regulation S-X regarding audited financial statements. As described in the Prefatory Note to this report, our consolidated financial statements for the year ended December 31, 2000 are unaudited, and as such we will be unable to comply with Regulation S-X until the audit for the year ending December 31, 2003 is complete.

We believe that available cash on hand at December 31, 2002, combined with funds generated from operations and, if required, funds available under the Amended Revolving Credit Facility, will be sufficient to finance our cash needs for at least the next twelve months.

Future Commitments and Funding Sources

At December 31, 2002, our contractual obligations including contingencies, with initial or remaining terms in excess of one year, were as follows (in thousands)(a):

	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt on KINA's consolidated balance sheet	$ -	$ -	$ -	$ -	$ -	$ 400,000	$ 400,000
Amended Revolving Credit Facility on KIB's consolidated balance sheet (b)	-	-	-	72,000	-	-	72,000
Operating leases	1,642	1,544	1,604	2,020	1,795	19,807	28,412
Capital leases	135	170	130	-	-	-	435
Total	$ 1,777	$ 1,714	$ 1,734	$ 74,020	$ 1,795	$ 419,807	$ 500,847

(a) See Note 12 of Notes to Consolidated Financial Statements herein for a further description of our debt commitments.

(b) KINA is a co-borrower and guarantor of borrowings outstanding on the Amended Revolving Credit Facility. At December 31, 2002, all of the outstanding borrowings on this facility, which totaled $72.0 million, were drawn by KIB and are reflected on Kerzner International's balance sheet.

Off-Balance Sheet Arrangements and Other Commitments

At December 31, 2002, we had no off-balance sheet arrangements or other commitments, except as disclosed in Note 19 in the accompanying consolidated financial statements.

In connection with the Palmilla Resort operating agreement, we agreed that in the event that Palmilla Resort obtains third-party debt financing for its planned redevelopment, we, along with Kerzner International, would guarantee up to $38.0 million of such financing. In March 2003, we entered into a guaranty agreement with respect to certain interim financing for the redevelopment, whereby we have guaranteed $20.0 million of such financing. During the quarter ended June 30, 2003, we guaranteed an additional $10.0 million of such financing. We have agreed to provide these guarantees for a period ending no later than the later of (i) the date of repayment at maturity of the underlying obligations or (ii) three years from the date of the guarantee. The purpose of these guarantees is to assist Palmilla Resort in obtaining financing for its planned redevelopment on commercially reasonable terms. As of June 30, 2003, we have recorded the fair value of these guarantees of $0.1 million. The planned redevelopment will require the resort to be closed from April 2003 to early 2004. The redevelopment is expected to cost $80.0 million at the property level and will increase the room count to 172 rooms and significantly upgrade the amenities and public areas offered by the resort.

OTHER MATTERS

Critical Accounting Policies

Our critical accounting policies include those, which require our most subjective or complex judgments as a result of the need to make estimates when there is uncertainty as to their financial effects. We prepare our consolidated financial statements in conformity with US GAAP. We provide allowances for doubtful accounts arising from casino, hotel, and other services, which are based upon a specific review of outstanding receivables. In determining the amounts of the allowances, we are required to make certain estimates and assumptions. Accruals for potential liabilities related to any lawsuits or claims brought against us, calculations of income tax liabilities, valuation allowances on deferred tax assets and other liabilities require that we apply significant judgment in determining the appropriate assumptions for use in the calculations of financial estimates. Actual results may differ from these estimates and assumptions. We periodically assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any can be made. There can be no assurance that actual results will not differ from our estimates. To provide an understanding of the methodology we apply, our significant accounting policies are discussed where appropriate and in the Notes to our Consolidated Financial Statements.

Income Taxes

We file consolidated United States federal income tax returns. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Realization of future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate future taxable income. The valuation allowance is adjusted in the period we determine it is more likely than not that deferred tax assets will or will not be realized

Recent Accounting Pronouncements

Classification of Extraordinary Items

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 145"). SFAS 145 rescinds FASB Statement No.4, "Reporting Gains and Losses from Extinguishment of Debt" ("Statement 4"), and an amendment of Statement 4, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking Fund Requirements" ("Statement 64"). SFAS 145 also rescinds FASB Statement No. 44, and amends FASB Statement No. 13. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. The provisions of SFAS 145 related to the rescission of Statement 4 shall be applied in fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified.

Under Statement 4, all gains and losses from extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS 145 eliminates Statement 4 and, thus, the exception to applying APB Opinion 30 to all gains and losses related to extinguishments of debt (other than extinguishments of debt to satisfy sinking fund requirements-the exception to application of Statement 4 noted in Statement 64). As a result, gains and losses from the extinguishment of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion 30. Applying the provisions of APB Opinion 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an extraordinary item.

The adoption of SFAS 145 required us to reclassify the $14.6 million extraordinary loss on early extinguishment of our 9% Senior Subordinated Notes recognized during the year ended December 31, 2002 to other expense in the consolidated statement of operations.

Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") effective for exit or disposal activities initiated after December 31, 2002. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. Adoption of SFAS 146 is not expected to have a significant impact on our financial position or results of operations.

Guarantees

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation clarifies that a guarantor is required to disclose (a) the nature of the guarantee, including the approximate term of the guarantee, how the guarantee arose and the events or circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability, if any, for the guarantor's obligations under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. This interpretation also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligations to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

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 disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. We are one of the guarantors under the Amended Revolving Credit Facility. The amount outstanding on this facility as of December 31, 2002 was $72.0 million. See "Off-Balance Sheet Arrangements and Other Commitments."

Kerzner International closed Palmilla Resort, its 50% owned luxury resort in Los Cabos, Mexico, in April 2003 in order to commence the previously announced $80.0 million expansion project that will increase the room count from 115 rooms to 172 rooms and will significantly upgrade the amenities and public areas offered by the resort. The expansion is expected to be completed by early 2004 and will be financed through local project financing. In connection with the Palmilla Resort operating agreement, we agreed that in the event that Palmilla Resort obtains third-party debt financing for its planned redevelopment, we, along with Kerzner International, would guarantee up to a total of $38.0 million of such financing. In March 2003, we entered into a guaranty agreement with respect to certain interim financing for the redevelopment, whereby we guaranteed $20.0 million of such financing. In June 2003, we guaranteed an additional $10.0 million of such financing. We have agreed to provide these guarantees for a period ending no later than the later of (i) the date of repayment at maturity of the underlying obligations or (ii) three years from the date of the guarantee. The purpose of these guarantees is to assist Palmilla Resort in obtaining financing for its planned redevelopment on commercially reasonable terms. In 2003, we will record the fair value of these and any other future guarantees, or modify any guarantees that were issued by the Company prior to December 31, 2002, in accordance with the provisions of FIN 45.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46"). This interpretation of Accounting Research Bulletin 51, "Consolidated

Financial Statements," addresses consolidation by business enterprises of variable interest entities which have one or both of the following characteristics: (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity, or (ii) the equity investors lack one or more of the following characteristics of a controlling financial interest: (a) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights, (b) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities, or (c) the right to receive the expected residual returns of the entity if they occur, which is the compensation of the risk of absorbing the expected losses.

The provisions of FIN 46 are required to be applied to an interest held in a variable interest entity or potential variable interest entity for the first interim or annual period ending after December 15, 2003 if both of the following two conditions apply: (1) the variable interest entity was created before February 1, 2003; and (2) the public entity has not issued financial statements reporting that variable interest in accordance with FIN 46. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. We have not yet assessed the impact that FIN 46 will have on our financial position or results of operations.

Derivative Instruments

In April 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") that amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. With certain exceptions, SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designed after June 30, 2003. We do not believe adoption of this standard will have a material impact on our financial position or results of operations.

Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150") that improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities in the statement of financial position. This statement will be effective for the Company's fiscal quarter ended September 30, 2003. We do not believe adoption of this standard will have a material impact on our financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our major market risk exposure is interest rate risk associated with our long-term debt. As previously noted, we are part of a consolidated group for which Kerzner International is the parent corporation. Kerzner International attempts to limit the exposure of the consolidated group to interest rate risk by managing the mix of fixed and floating rate debt and by entering into variable rate swap agreements to hedge certain of its fixed rate debt. KINA does not have any derivative instruments.

As of December 31, 2002, the carrying value of long-term debt reflected on our balance sheet includes $405.7 million of 8-7/8% Senior Subordinated Notes.

We are a co-borrower on the Amended Revolving Credit Facility, and therefore, have future borrowing capacity comprised of variable rate debt based on LIBOR. As of December 31, 2002, KINA had not drawn any amounts on this facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements are presented on the following pages:

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and shareholder of
Kerzner International North America, Inc.:

We have audited the accompanying consolidated balance sheets of Kerzner International North America, Inc. (formerly Sun International North America, Inc.- see Note 1) and subsidiaries (the "Company"), as of December 31, 2002 and 2001 and the related consolidated statements of operations, changes in shareholder's equity (deficit) and cash flows for the years then ended. Our audits also included the financial statement schedule, as it relates to 2002 and 2001, listed in the index to the financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We did not audit the financial statements of Trading Cove Associates ("TCA"), the Company's investment in which is accounted for by use of the equity method. The Company's equity of $8.9 million and $7.2 million in TCA's net assets at December 31, 2002 and 2001, respectively, and of $30.0 million and $25.1 million in that company's net income for the respective years then ended are included in the accompanying financial statements. The financial statements of TCA were audited by other auditors whose report (which expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement of those financial statements) has been furnished to us, and our opinion, insofar as it relates to the amounts included for such company, is based solely on the report of such other auditors. We also did not audit the financial statements of Resorts International Hotel, Inc. (a consolidated subsidiary during the period from January 1, 2001 to April 24, 2001), which statements reflect total revenues constituting 49% of consolidated total revenues for the year ended December 31, 2001. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Resorts International Hotel, Inc. for 2001, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the 2002 and 2001 consolidated financial statements present fairly, in all material respects, the financial position of Kerzner International North America, Inc. and subsidiaries, as of December 31, 2002 and 2001 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, as it relates to 2002 and 2001, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets effective January 1, 2002 to conform with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

As discussed in Note 2, the accompanying 2002 and 2001 consolidated financial statements have been restated.

The accompanying consolidated financial statements and financial statement schedule of the Company, as they relate to 2000, including the restatement adjustments described in Note 2 are the responsibility of the Company's management. We were not engaged to, and we did not, audit or review the accompanying 2000 consolidated financial statements, the financial statement schedule as it relates to 2000, or perform any procedures on the application of the restatement adjustments to these consolidated financial statements or the financial statement schedule and, accordingly, we do not express an opinion or any other form of assurance on the 2000 financial statements taken as a whole, on the related restatement adjustments, or the financial statement schedule as it relates to 2000.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
November 13, 2003

Report of Independent Auditors

The Board of Directors
Resorts International Hotel, Inc.

We have audited the statements of operations and accumulated deficit and cash flows of Resorts International Hotel, Inc., a wholly owned subsidiary of Kerzner International North America, Inc. (formerly Sun International North America, Inc.) for the period from January 1, 2001 to April 24, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Resorts International Hotel, Inc., a wholly owned subsidiary of Kerzner International North America, Inc. (formerly Sun International North America, Inc.) for the period from January 1, 2001 to April 24, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 1, 2002, except for
Note 9, as to which the date
is January 31, 2003

KERZNER INTERNATIONAL NORTH AMERICA, INC.

CONSOLIDATED BALANCE SHEETS

(In Thousands of US Dollars, except share data)

	December 31, 2002	December 31, 2001
	(As restated, see Note 2)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,018	$ 3,603
Restricted cash	95	95
Receivables, net	1,229	861
Inventories	45	91
Prepaid expenses	2,651	712
Due from affiliates	6,449	5,336
Total current assets	15,487	10,698
Property and equipment, net	63,150	63,151
Due from affiliate - non-current	256,508	335,201
Subordinated notes receivable	-	18,018
Deferred tax asset, net	6,119	3,874
Deferred charges and other assets, net	11,898	12,595
Investments in associated companies	10,639	8,808
Total assets	$ 363,801	$ 452,345
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 135	$ 70
Accounts payable and accrued liabilities	36,812	32,436
Total current liabilities	36,947	32,506
Other long-term liabilities	2,696	-
Long-term debt, net of current maturities	406,026	499,438
Total liabilities	445,669	531,944
Commitments and contingencies (see Notes 12 and 19)		
Shareholder's deficit:		
Common stock – 100 shares outstanding, $.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	(274,503)	(272,234)
Total shareholder's deficit	(81,868)	(79,599)
Total liabilities and shareholder's deficit	$ 363,801	$ 452,345

The accompanying notes are an integral part of these consolidated financial statements

KERZNER INTERNATIONAL NORTH AMERICA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands of US Dollars)

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
	(As restated, see Note 2)		
Revenues:			
Casino and resort revenues	$ -	$ 84,913	$ 283,251
Less: promotional allowances	-	(17,995)	(25,288)
Net casino and resort revenues	-	66,918	257,963
Tour operations	29,026	26,091	25,048
Relinquishment and development fees	31,369	27,135	26,753
Management and other fees	18,209	15,980	15,311
	78,604	136,124	325,075
Expenses:			
Casino and resort expenses	-	48,831	203,695
Tour operations	24,526	22,241	21,815
Selling, general and administrative	18,393	25,526	47,899
Depreciation and amortization	4,376	3,567	18,633
Restructuring expense	-	217	-
Purchase termination costs	-	-	11,202
Write-down of net assets held for sale	-	214	229,208
Gain on net assets held for sale	-	(2,232)	-
	47,295	98,364	532,452
Operating income (loss)	31,309	37,760	(207,377)
Other income (expenses):			
Interest income	831	2,201	1,945
Interest income from affiliates	26,068	15,818	8,810
Interest expense	(44,477)	(44,288)	(33,514)
Equity in losses of associated company	(1,041)	(899)	(194)
Loss on early extinguishment of debt	(14,624)	-	-
Other, net	(239)	(684)	(687)
Income (loss) before benefit (provision) for income taxes	(2,173)	9,908	(231,017)
Benefit (provision) for income taxes	(96)	2,844	(1,080)
Net income (loss)	$ (2,269)	$ 12,752	$ (232,097)

The accompanying notes are an integral part of these consolidated financial statements

KERZNER INTERNATIONAL NORTH AMERICA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIT)
For the Years Ended December 31, 2002, 2001 and 2000
(In Thousands of US Dollars)

	Common stock	Capital in excess of par	Accumulated equity (deficit)	Total
Balance at January 1, 2000, as reported	$ -	$ 192,635	$ (29,321)	$ 163,314
Prior period adjustments	-	-	(23,568)	(23,568)
Balance at January 1, 2000, as restated *	-	192,635	(52,889)	139,746
Net loss for year 2000	-	-	(232,097)	(232,097)
Balance at December 31, 2000 *	-	192,635	(284,986)	(92,351)
Net income for year 2001	-	-	12,752	12,752
Balance at December 31, 2001 *	-	192,635	(272,234)	(79,599)
Net loss for year 2002	-	-	(2,269)	(2,269)
Balance at December 31, 2002 *	$ -	$ 192,635	$ (274,503)	$ (81,868)

* Activity for the years ended December 31, 2000, 2001 and 2002 and balances as of January 1 2000 and December 31, 2000, 2001, and 2002 have been restated. See Note 2 – Restatement for further discussion of this restatement. Balances and activity as of January 1, 2000 and as of and for the year ended December 31, 2000 are unaudited.

The accompanying notes are an integral part of these consolidated financial statements

KERZNER INTERNATIONAL NORTH AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of US Dollars)

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
	(As restated, see Note 2)		
Cash flows from operating activities:			
Net income (loss)	$ (2,269)	$ 12,752	$ (232,097)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss on early extinguishment of debt	14,624	-	-
Depreciation and amortization	4,376	3,567	18,633
Amortization of debt discount, debt premium and issuance costs	1,216	1,265	791
(Gain) write-down of net assets held for sale	-	(2,018)	229,208
Write-off of Desert Inn purchase termination costs	-	-	11,202
Deferred income tax benefit	(6,119)	(3,874)	-
Equity in losses of associated company	1,041	899	194
Investment in Trading Cove Associates	(1,772)	(18,443)	(15,235)
Loss on sale of investments	158	-	-
Loss on disposition of assets	81	684	687
Provision for doubtful receivables	194	84	1,250
Provision for discount on CRDA obligations, net	-	-	799
Net change in deferred tax liability	-	-	205
Net change in working capital accounts:			
Receivables	54	(645)	(5,386)
Due from affiliates	(1,113)	3,130	503
Inventories and prepaid expenses	(1,892)	140	359
Accounts payable and accrued liabilities	8,060	5,392	(429)
Net change in deferred charges and other assets	(3,409)	146	(1,096)
Net change in other liabilities	2,865	-	-
Net cash provided by operating activities	16,095	3,079	9,588
Cash flows from investing activities:			
Payments for property and equipment	(4,223)	(1,393)	(19,407)
Proceeds received from the sale of Resorts Atlantic City, net	-	123,514	-
Proceeds received for repayment of note receivable	18,018	-	-
Proceeds received from sale of investments	4,726	-	-
Purchase of investments	(4,884)	-	-
Advances to associated company	(1,100)	(2,275)	(450)
Deposit refunded for proposed Desert Inn acquisition	-	-	7,750
Proceeds from sale of assets	2	2,196	395
Reclassification of cash to assets held for sale	-	-	(21,453)
Other	-	(432)	(2,695)
Net cash provided by (used in) investing activities	12,539	121,610	(35,860)
Cash flows from financing activities:			
Proceeds from issuance of debt	206,000	200,000	6,000
Early redemption of debt	(313,135)	-	-
Repayment of borrowings	(92)	(79,063)	(1,908)
Advances from (repayments to) affiliates	84,309	(236,454)	787
Debt issue and modification costs	(4,301)	(6,750)	-
Net cash provided by (used in) financing activities	(27,219)	(122,267)	4,879
Net increase (decrease) in cash and cash equivalents	1,415	2,422	(21,393)
Cash and cash equivalents at beginning of period	3,603	1,181	22,574
Cash and cash equivalents at end of period	$ 5,018	$ 3,603	$ 1,181

See Note 18 for supplemental cash flow disclosures

The accompanying notes are an integral part of these consolidated financial statements

KERZNER INTERNATIONAL NORTH AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Tables are in Thousands of US Dollars)
(Data relating to the year ended December 31, 2000 is unaudited)

NOTE 1 – Organization and Basis of Presentation

Organization and Name Change

Kerzner International North America, Inc. ("KINA") was incorporated in the state of Delaware in 1958. As a result of a merger transaction, KINA has been a wholly owned subsidiary of Kerzner International Limited ("Kerzner International" or "Kerzner International") (formerly Sun International Hotels Limited) since December 1996. Kerzner International, an international resort and gaming company, is a corporation organized and existing under the laws of the Commonwealth of The Bahamas. KINA is a holding company through which Kerzner International owns and operates its properties and investments in the United States. In these Notes to Consolidated Financial Statements, the words "Company," "we," "our" and "us" refer to KINA, together with its subsidiaries as the context may require.

On July 1, 2002, we changed our corporate name from Sun International North America, Inc. to Kerzner International North America, Inc.. The name change was implemented in accordance with agreements related to the restructuring of Kerzner International's former majority shareholder, Sun International Investments Limited ("SIIL"). There was no change in our management or operations as a result of the name change. Any references to "Sun" or "KINA" herein relate to the entities currently known as "Kerzner International" and "KINA," respectively.

We earn relinquishment fee income based on the gross revenues of a casino operated by an unaffiliated entity in Connecticut. In addition, we provide management services to certain of our affiliated companies and we own a tour operator, which wholesales tour packages and provides reservation services. Prior to April 25, 2001, we owned a resort and casino property in Atlantic City, New Jersey ("Resorts Atlantic City"), which we sold to an unaffiliated entity on April 25, 2001.

Connecticut

We own a 50% interest in, and are a managing partner of, Trading Cove Associates ("TCA"), a Connecticut general partnership that developed and, until January 1, 2000, managed Mohegan Sun, a casino and entertainment complex in Uncasville, Connecticut. TCA managed Mohegan Sun from its opening in October 1996 to December 31, 1999 pursuant to a management agreement (the "Management Agreement") from which TCA earned management fees based on a percentage of Mohegan Sun's earnings after depreciation and interest.

In 1998, the Mohegan Tribe of Indians of Connecticut (the "Mohegan Tribe") appointed TCA to develop a $1.0 billion expansion of Mohegan Sun for a development fee of $14.0 million. In addition, TCA and the Mohegan Tribe entered into an agreement (the "Relinquishment

Agreement") whereby it was agreed that effective January 1, 2000, TCA would turn over management of Mohegan Sun to the Mohegan Tribe. Pursuant to the Relinquishment Agreement, the Management Agreement was terminated and, commencing January 1, 2000, TCA receives payments of five percent of the gross revenues of Mohegan Sun for a 15-year period. For seven years beginning January 1, 2000, TCA pays us the first $5.0 million of the profits it receives each year pursuant to the Relinquishment Agreement as a priority payment prior to making pro rata distributions to its partners.

In 1998, the Mohegan Tribe appointed TCA to develop its proposed expansion of the Mohegan Sun Casino pursuant to a development services agreement (the "TCA Development Agreement"). In turn, TCA subcontracted with an affiliate of the Company pursuant to a subcontract development services agreement (the "Subcontract Agreement"), which was later assigned to the Company. In consideration for the services to be provided under the Subcontract Agreement, TCA pays a fee to the Company. See further discussion at Note 3 – Summary of Significant Accounting Policies – Development Fee Recognition.

We are one of two managing partners of TCA. All decisions of the managing partners require the concurrence of us and the other managing partner, Waterford Gaming, L.L.C. In the event of deadlock there are mutual buy-out provisions.

The Company's investment in TCA is reflected within investments in associated companies in the accompanying consolidated balance sheets.

Tour Operations

Through our wholly owned subsidiary Kerzner International Resorts, Inc., we provide general and administrative support services, marketing services, travel reservations and wholesale tour services for Kerzner International's properties in The Bahamas. To a much lesser extent, we also provide travel reservation services for unconsolidated affiliated properties in The Bahamas.

New York

Through Kerzner Investments New York, Inc. ("KINY") a wholly owned subsidiary, we own 50% of Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company. TCNY is managed by KINY and Waterford Development New York, LLC. In March 2001, TCNY entered into a development services agreement (the "TCNY Development Agreement") with the Stockbridge-Munsee Band of Mohican Indians (the "Stockbridge-Munsee Tribe") for the development of a casino project (the "Project") in the Catskill region of the State of New York (the "State"). The TCNY Development Agreement was amended and restated in February 2002. The Stockbridge-Munsee Tribe does not currently have reservation land in the State, but is federally recognized and operates a casino on its reservation in Wisconsin. The Stockbridge-Munsee Tribe has land claim litigation pending in the US District Court for the Northern District of New York (the "Court") against the State, the counties of Madison and Oneida and several municipalities to recover lands within the state that it alleges were wrongfully taken from the tribe. The Court has stayed the litigation, but the Stockbridge-Munsee Tribe has requested that the Court partially lift the stay in an effort to advance the litigation.

Pursuant to the TCNY Development Agreement, as amended, TCNY would provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Project. If the Project is approved and completed, TCNY will earn a development fee in an amount equal to five percent of gross revenues as compensation for these services (subject to certain priorities), as defined in the Development Agreement, beginning with the opening of the Project and continuing for a period of 20 years. TCNY has secured land and/or options on approximately 400 acres of property in the Town of Thompson, County of Sullivan (the "County"), of which approximately 333 acres are currently designated for the Project. In February 2002, the Tribe filed a Land to Trust Application with the U.S. Department of the Interior, Bureau of Indian Affairs (the "BIA"), for the Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtain other required approvals, the land could be taken into trust by the Federal Government on behalf of the Stockbridge-Munsee Tribe for the purpose of conducting Class III Gaming.

In October 2001, the State enacted legislation authorizing up to three Class III Native American casinos in the counties of Sullivan and Ulster and three Native American casinos in western New York pursuant to Tribal State Gaming Compacts to be entered into by the State and applicable Native American tribes.

In January 2002, the Stockbridge-Munsee Tribe entered into an agreement with the County pursuant to which the Stockbridge-Munsee Tribe would make certain payments to the County to mitigate any potential impacts the Project may have on the County and other local government subdivisions within the County. The payments would not commence until after the opening of the Project.

The Project is contingent upon the receipt of numerous federal, state and local approvals to be obtained by the Stockbridge-Munsee Tribe, including the execution of a Class III Gaming Compact with the State, which approvals are beyond the control of TCNY. As of January 31, 2003, the State has yet to enter into negotiations with the Stockbridge-Munsee Tribe to settle the tribe's land claim nor has the State engaged in compact negotiations with the tribe to establish a casino in the State. We can make no representation as to whether any of the required approvals will be obtained by the Stockbridge-Munsee Tribe or whether the Project will be completed.

The Company's investment in TCNY is reflected within investments in associated companies in the accompanying consolidated balance sheets.

NOTE 2 – Restatement

Subsequent to the issuance of the December 31, 2002 consolidated financial statements, the Company has determined it necessary to restate its consolidated financial statements as of December 31, 2002 and2001 and for each of the three years in the period ended December 31, 2002.

On May 21, 2003, Kerzner International announced that Trading Cove Associates ("TCA"), a Connecticut general partnership in which the Company is a 50% partner, restated its historically reported financial results. The primary effect of the restatement to TCA's financial statements is to recognize as an expense certain contractual liabilities owed to its partners and their affiliates for prior services performed under contract when their payment became probable pursuant to Statement of Financial Accounting Standard No. 5, as opposed to when such expenses were paid or payable. Additionally, TCA changed the manner in which it recognized losses in connection with the development of Phase II of the Mohegan Sun. Although the accounting for the development fee remained in accordance with SOP 81-1, the timing of recognition changed such that losses were recognized at the time they were known, as compared to the time in which the costs which created the losses became payable.

The Company accounts for its investment in TCA under the equity method of accounting. Based on the restatement by TCA, the Company determined that it was necessary to restate its historical consolidated financial statements.

The adjustments to the Company's consolidated financial statements arising from the restatement by TCA primarily relate to the change in equity income or loss resulting from the change in TCA's revenue and expense recognition policies, as the Company's net income is affected by its proportionate share of TCA's restated income or loss under the equity method of accounting. We record equity income from TCA in "Relinquishment and development fees" in the accompanying consolidated financial statements.

As previously described, the primary effect of the restatement on the Company is to change the timing of recognition of certain partnership revenue and expense items. This timing resulted in the Company's income being increased in the years presented, while income as reported in prior years not presented was reduced. Although not as significant, the Company also reversed certain amortization deductions related to its initial investment in TCA.

In connection with the TCA restatement, TCA recognized an additional loss under its agreement with the Mohegan Tribal Gaming Authority, which caused the Company to re-evaluate its own revenue recognition related to this fee under a related development agreement between an affiliate of the Company and TCA (the "TCA Development Agreement"), an agreement which was assigned to the Company by its affiliate. As part of the restatement, the Company has determined that its accounting under the percentage of completion method for development fee revenue received under the TCA Development Agreement would be more properly reflected if it utilized the costs incurred by TCA as the basis to determine the percent complete and the amount earned at the end of each period. The Company believes that this basis of measurement provides the most accurate reflection of the level of service performed. The development fee earned by TCA is fixed while the Company earns it's development fee based on a percentage of the development costs of the project. As of December 31, 2002, the Company earned substantially all of its development fee under the TCA Development Agreement.

The effect of the TCA related adjustments, which include the adjustments resulting from TCA's restated results and the Company's proportionate share thereof, the reversal of certain amortization deductions related to the Company's initial investment in TCA, and the Company's correction in the manner of recognizing development fee revenue, for the years ended December 31, 2002, 2001 and 2000, was to decrease our net loss or increase net income, as applicable, by

$0.9 million, $12.0 million and $17.5 million, respectively. As of January 1, 2000 the accumulated deficit increased by $24.3 million, approximately $5.3 million of which pertains to revenue earned by the Company but recognized by an entity outside of the KINA consolidated group and the remainder of which pertains to the adjustments discussed above.

The Company has also made certain other adjustments and reclassifications to its historically reported consolidated financial statements. These adjustments include reclassifying the Company's investment in Trading Cove New York, LLC from deferred charges to investment in associated companies in the accompanying consolidated balance sheets and reclassifying the related equity loss from selling, general and administrative expenses to equity in losses of associated company in the accompanying consolidated statements of operations; adjusting accounts payable and accrued expenses to correct for certain over and under accrued expenses, reclassifying certain current receivables to other long-term assets and reclassifying deferred tax asset and certain due from affiliates from current to non-current. The effect of these other adjustments for the years ended December 31, 2002 and 2001 was to increase the net loss or decrease net income, as applicable, by approximately $0.8 million and $0.4 million, respectively, and to decrease the accumulated deficit by $0.7 million as of January 1, 2000. These adjustments had an insignificant impact on the consolidated statement of operations for the year ended December 31, 2000.

The components of the adjustments related to the restatement, as they relate to net income (loss), for the years ended December 31, are as follows:

	2002	2001	2000
Net income (loss), as reported	$ (2,372)	$ 1,098	$ (249,656)
Relinquishment fee adjustment	4,132	9,535	14,508
Development fee adjustment	(3,673)	2,016	2,549
Amortization	480	480	480
Other adjustments	(836)	(377)	22
Net income (loss), as restated	$ (2,269)	$ 12,752	$ (232,097)

On December 15, 1997, Kerzner International and the Company, as co-issuers, issued $100.0 million principal amount of 8-5/8% Senior Subordinated Notes due 2007. All of the proceeds received from the issuance of these notes were advanced to entities outside of the KINA consolidated group and were used for general corporate and working capital purposes, as well as to help fund capital expenditure projects for these entities. As a result, any interest expense we incur on the 8-5/8% Senior Subordinated Notes including amortization of debt issuance costs, would be offset by affiliated interest income from Kerzner International, resulting in no impact to net income or loss in any of the periods presented. These notes were previously not reflected within the Company's consolidated financial statements, but instead were recorded in the consolidated financial statements of an affiliate of the Company, within Kerzner International's consolidated group.

During 2002, the 8-5/8% Senior Subordinated Notes were repurchased and redeemed by Kerzner International, resulting in a loss on early extinguishment of debt of $5.9 million which consisted of the premium paid on the repurchase and redemption of the notes, the write-off of related debt issuance costs and other direct costs. However, given that the proceeds of the original debt issuance were not used for KINA purposes and that the redemption was made by entities outside of the KINA consolidated group, the loss on the related debt extinguishment was reimbursed to KINA by these entities, resulting in no impact to the Company's operating results in 2002.

The Company sold Resorts Atlantic City on April 25, 2001. See Note 4 - Business Acquisitions and Dispositions, Sale of Resorts Atlantic City. The financial results of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 were previously excluded from the consolidated statement of operations for the year ended December 31, 2001. As part of the restatement, the accompanying consolidated statement of operations as of December 31, 2001 now includes Resorts Atlantic City's financial results from January 1, 2001 to April 24, 2001. The net loss incurred by Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 of $4.9 million is included within the accompanying consolidated statement of operations together with an offsetting gain on net assets held for sale, resulting in no impact on net income for the year ended December 31, 2001 from this adjustment. The following table summarizes the components of the gain on net assets held for sale:

Net loss of Resorts Atlantic City (a)	$ (4,893)
Depreciation and amortization (b)	5,325
Interest income (c)	(2,664)
Gain on net assets held for sale	$ (2,232)

(a) Net loss of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001.

(b) As Resorts Atlantic City was classified as an asset held for sale, the Company ceased depreciation and amortization and accordingly, the expense is offset against the net loss incurred from the period January 1, 2001 to April 24, 2001.

(c) During the period January 1, 2001 to April 24, 2001, the Company recognized $2.7 million of interest income paid to the Company by Colony on the proceeds of the sale. This amount is offset against the net loss incurred from the period January 1, 2001 to April 24, 2001 and has reduced interest income as previously reported by Kerzner.

The consolidated financial statements for the years ended December 31, 2002, 2001 and 2000 have been restated to incorporate these adjustments. The following tables are comparisons of the Company's accumulated deficit as of January 1, 2000, consolidated balance sheets as of December 31, 2002 and 2001 and consolidated statements of operations for each of the three years in the period ended December 31, 2002, as previously reported and as restated.

Reconciliation of Accumulated Deficit (in thousands of US dollars)

		(unaudited)
Accumulated deficit at January 1, 2000, as previously reported	$	(29,321)
Prior period adjustment		(23,568)
Accumulated deficit at January 1, 2000, as restated	$	(52,889)

Consolidated Balance Sheet as of December 31, 2002

	As Previously Reported	As Restated
	(in thousands of US dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,113	$ 5,018
Restricted cash	-	95
Receivables, net	1,792	1,229
Inventories	45	45
Prepaid expenses	2,651	2,651
Due from affiliates	65,857	6,449
Total current assets	75,458	15,487
Property and equipment, net	63,150	63,150
Due from affiliate - non-current	200,000	256,508
Deferred tax asset, net	6,119	6,119
Deferred charges and other assets, net	11,634	11,898
Investments in associated companies	1,692	10,639
Total assets	$ 358,053	$ 363,801
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 135	$ 135
Accounts payable and accrued liabilities	36,812	36,812
Total current liabilities	36,947	36,947
Other long-term liabilities	2,696	2,696
Long-term debt, net of current maturities	406,026	406,026
Total liabilities	445,669	445,669
Commitments and contingencies		
Shareholder's deficit:		
Common stock – 100 shares outstanding, $.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	(280,251)	(274,503)
Total shareholder's deficit	(87,616)	(81,868)
Total liabilities and shareholder's deficit	$ 358,053	$ 363,801

Consolidated Balance Sheet as of December 31, 2001

	As Previously Reported	As Restated
	(in thousands of US dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,084	$ 3,603
Restricted cash	-	95
Receivables, net	1,477	861
Inventories	91	91
Prepaid expenses	712	712
Due from affiliates	43,542	5,336
Deferred tax asset, net	3,874	-
Total current assets	52,780	10,698
Property and equipment, net	63,151	63,151
Due from affiliate - non-current	200,000	335,201
Subordinated notes receivable	18,018	18,018
Deferred tax asset, net	-	3,874
Deferred charges and other assets, net	12,750	12,595
Investments in associated companies	-	8,808
Total assets	$ 346,699	$ 452,345
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 70	$ 70
Accounts payable and accrued liabilities	32,435	32,436
Total current liabilities	32,505	32,506
Long-term debt, net of current maturities	399,438	499,438
Total liabilities	431,943	531,944
Commitments and contingencies		
Shareholder's deficit:		
Common stock – 100 shares outstanding, $.01 par value	-	-
Capital in excess of par	192,635	192,635
Accumulated deficit	(277,879)	(272,234)
Total shareholder's deficit	(85,244)	(79,599)
Total liabilities and shareholder's deficit	$ 346,699	$ 452,345

Consolidated Statement of Operations for the Year Ended December 31, 2002

	As Previously Reported	As Restated
	(in thousands of US dollars)	
Revenues:		
Tour operations	$ 29,026	$ 29,026
Relinquishment and development fees	-	31,369
Management and other fees	49,118	18,209
	78,144	78,604
Expenses:		
Tour operations	24,526	24,526
Selling, general and administrative	17,681	18,393
Depreciation and amortization	4,856	4,376
	47,063	47,295
Operating income	31,081	31,309
Other income (expenses):		
Interest income	831	831
Interest income from affiliates	18,249	26,068
Interest expense	(36,643)	(44,477)
Equity in losses of associated company	(931)	(1,041)
Loss on early extinguishment of debt	-	(14,624)
Other, net	(239)	(239)
Income before provision for income taxes and extraordinary item	12,348	(2,173)
Provision for income taxes	(96)	(96)
Income before extraordinary item	12,252	(2,269)
Extraordinary loss on early extinguishment of debt, net of income tax effect	(14,624)	-
Net loss	$ (2,372)	$ (2,269)

Consolidated Statement of Operations for the Year Ended December 31, 2001

	As Previously Reported	As Restated
	(in thousands of US dollars)	
Revenues:		
Casino and resort revenues	$ -	$ 84,913
Less: promotional allowances	-	(17,995)
Net casino and resort revenues	-	66,918
Tour operations	26,091	26,091
Relinquishment and development fees	-	27,135
Management and other fees	31,565	15,980
	57,656	136,124
Expenses:		
Casino and resort expenses	-	48,831
Tour operations	22,241	22,241
Selling, general and administrative	15,275	25,526
Depreciation and amortization	4,445	3,567
Restructuring expense	300	217
Write-down of assets to be sold	-	214
Gain on net assets held for sale	-	(2,232)
	42,261	98,364
Operating income	15,395	37,760
Other income (expenses):		
Interest income	4,355	2,201
Interest income from affiliates	6,930	15,818
Interest expense	(27,742)	(44,288)
Equity in losses of associated company	-	(899)
Other, net	(684)	(684)
Income (loss) before benefit for income taxes	(1,746)	9,908
Benefit for income taxes	2,844	2,844
Net income	$ 1,098	$ 12,752

Consolidated Statement of Operations for the Year Ended December 31, 2000

	As Previously Reported	As Restated
	(unaudited) (in thousands of US dollars)	
Revenues:		
Casino and resort revenues	$ 283,251	$ 283,251
Less: promotional allowances	(25,288)	(25,288)
Net casino and resort revenues	257,963	257,963
Tour operations	25,048	25,048
Relinquishment and development fees	-	26,753
Management and other fees	25,007	15,311
	308,018	325,075
Expenses:		
Casino and resort expenses	203,695	203,695
Tour operations	21,815	21,815
Selling, general and administrative	48,514	47,899
Depreciation and amortization	18,714	18,633
Purchase termination costs	11,202	11,202
Write-down of assets to be sold	229,208	229,208
	533,148	532,452
Operating loss	(225,130)	(207,377)
Other income (expenses):		
Interest income	1,945	1,945
Interest income from affiliates	-	8,810
Interest expense	(24,704)	(33,514)
Equity in losses of associated company	-	(194)
Other, net	(687)	(687)
Loss before provision for income taxes	(248,576)	(231,017)
Provision for income taxes	(1,080)	(1,080)
Net loss	$ (249,656)	$ (232,097)

NOTE 3 – Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During the period in which we owned Resorts Atlantic City, we provided allowances for doubtful accounts arising from casino, hotel and other services, which are based upon a specific review of outstanding receivables. In determining the amounts of the allowances, we are required to make certain estimates and assumptions and actual results may differ from those estimates and assumptions. Accruals for potential liabilities related to any lawsuits or claims brought against us, calculation of income tax liabilities, valuation allowance on deferred tax assets and other liabilities require that we apply significant judgment in determining the appropriate assumptions for use in the calculation of financial estimates. We also must estimate the useful lives assigned to our assets. Actual results may differ from these estimates and assumptions.

Revenue Recognition

During the period in which we owned Resorts Atlantic City, we recognized the net win from casino gaming activities (the difference between gaming wins and losses) as gaming revenues, and revenues from hotel and related services are recognized at the time the related service is performed.

Revenues and expenses from tour operations include the sale of travel and leisure packages and are recognized at the time of departure. Amounts collected in advance from guests are deferred and included in customer deposits and unearned revenues within accounts payable and accrued liabilities until such amounts are earned.

Management fees and other operating revenues include fees charged to unconsolidated affiliates for casino and hotel management, executive management and project consulting and include fees charged to unconsolidated affiliates primarily for executive management services. These fees equal three percent of gross revenues, as defined, of the Company's affiliates in The Bahamas.

Relinquishment and development fees include amounts earned from our investment in TCA and from the TCA Development Agreement. Relinquishment fees represent our net earnings from TCA pursuant to the Relinquishment Agreement. In accordance with such agreement, TCA earns a fee, equal to 5% of revenues, as defined in the Relinquishment Agreement, generated by the Mohegan Sun during the 15-year period commencing on January 1, 2000, including revenue generated by the Project Sunburst expansion. Revenues are defined in the Relinquishment Agreement as gross gaming revenues (other than Class II gaming revenue, i.e. bingo) and all other facility revenues. Such revenue includes hotel revenues, food and beverage sales, parking revenues, ticket revenues and other fees or receipts from the convention/events center in the Project Sunburst expansion and all rental or other receipts from lessees, licensees and concessionaires operating in the facility, but not the gross receipts of such lessees, licensees and concessionaires. Such revenues exclude revenues generated by any other expansion of the Mohegan Sun.

Based upon the nature and function of TCA as an entity existing for the purpose of collecting fees and remitting such fees to its partners, the Company includes relinquishment fees within relinquishment and development fees in the accompanying consolidated statements of operations.

Revenue generated from services performed pursuant to the terms of the TCA Development Agreement is recognized on the percentage-of-completion basis in accordance with SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." The percent complete and the amount earned at the end of each accounting period is determined by the percentage of costs incurred by TCA at the end of each period pursuant to estimated total costs to complete the contract.

Promotional Allowances

In 2001, the Company changed its method of accounting for customer incentives to conform to Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer ("EITF 01-9"). As permitted by the transition guidance in EITF 01-9, the 2000 financial statements were not reclassified to comply with the income statement display requirements of EITF 01-9. The Company believes that it is impractical to obtain the related records to perform this reclass as Resorts Atlantic City has been sold. The impact of this adoption in 2001 was $6.2 million of customer incentives being reclassified from casino and resort expenses to promotional allowances and $4.2 million of customer incentives being reclassified from net casino and resort revenues to promotional allowances.

Prior to the sale of Resorts Atlantic City the retail value of accommodations, food, beverage and other services provided to customers without charge was included in gross revenues and deducted as promotional allowances. The estimated departmental costs of providing such promotional allowances for the years ended December 31, 2001 and 2000 are included in casino and resort expenses as follows:

	For the year ended December 31,	
	2001	2000
Rooms	$ 2,760	$ 8,407
Food and beverage	4,823	15,502
Other	949	3,201
	$ 8,532	$ 27,110

Cash Equivalents

We consider all of our short-term money market securities purchased with original maturities of three months or less to be cash equivalents. Restricted cash relates to letters of credit for all periods presented.

Inventories

Inventories of provisions and supplies are carried at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment are stated at cost and lease lives are depreciated over the estimated useful lives reported below using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the improvements.

Buildings and leasehold improvements	3-15 years
Furniture, machinery and equipment	2-5 years

Construction in progress relates to assets not yet placed in service and as such are not currently being depreciated.

Deferred Charges and Other Assets

Deferred charges and other assets primarily consist of debt issuance costs, which are being amortized to interest expense over the terms of the related indebtedness and are being amortized on a straight-line basis, which approximates the interest method. This balance also includes long-term prepaid rent amounts relating to a lease entered into during 2002 in connection with the relocation of our corporate headquarters.

Goodwill

Effective January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets" which resulted in the cessation of the amortization of goodwill. Prior to this date, our goodwill was amortized on a straight-line basis over 40 years. Amortization expense related to goodwill for Resorts Atlantic City included in the accompanying consolidated statements of operations related to goodwill was $2.6 million for the year ended December 31, 2000. The table below illustrates what the impact to the consolidated statements of operations would have been, if the provisions of SFAS 142 were applied to all periods presented.

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
Net income (loss), as restated	$ (2,269)	$ 12,752	$ (232,097)
Amortization of goodwill relating to Resorts Atlantic City	-	-	2,600
Adjusted net income (loss)	$ (2,269)	$ 12,752	$ (229,497)

Investments in Associated Companies

Investments in associated companies represent the Company's 50% investment in TCA and TCNY, respectively, entities in which the Company has significant influence over the investees. These investments are accounted for in accordance with the equity method of accounting under which each such investment is reported at cost plus the Company's proportionate share of the income or loss, less dividends received, of such investee since its acquisition.

Earnings from our 50% investment in TCA are included in relinquishment and development fees in the accompanying consolidated statements of operations. See Note 9 – Investments in and Equity Losses of Associated Companies.

Casino Reinvestment Development Authority ("CRDA") Obligations

In 2000 under the New Jersey Casino Control Act, we were obligated to purchase CRDA bonds based on gross revenues earned at Resorts Atlantic City that bore a below-market interest rate, or make an alternative qualifying investment. We charged to expense an estimated discount related to CRDA investment obligations as of the date the obligation arose based on fair market interest rates of similar quality bonds in existence as of that date.

The discount on CRDA bonds purchased was amortized to interest income over the life of the bonds using the effective interest rate method. All of our CRDA bonds were disposed of as part of the Resorts Atlantic City Sale.

Long Lived Assets

We review our long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If changes in circumstances indicate that the carrying amount of an asset that we expect to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition are estimated. If the undiscounted value of the future cash flows is less than the carrying value of the asset, the carrying value of the long-lived asset will be reduced by the amount which the carrying value exceeds fair value. We do not believe that any such changes have occurred except as previously described as a result of the Resorts Atlantic City Sale and the Atlantic City Option, as discussed in Note 4.

Long-Term Debt

Under the Company's co-borrowing arrangements, the related debt is reflected on the financial statements of the entity which borrowed the funds. With respect to co-issued debt arrangements, such debt is reflected on the financial statements of each of the co-issuers. See further discussion at Note 12.

Income Taxes

We file a consolidated United States federal income tax return. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Realization of future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate future taxable income. The valuation allowance is adjusted in the period we determine it is more likely than not that deferred tax assets will or will not be realized

Comprehensive Income (Loss)

Comprehensive income (loss) is equal to net income (loss) for all periods presented.

Recent Accounting Pronouncements

<u>Classification of Extraordinary Items</u>

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 145"). SFAS 145 rescinds FASB Statement No.4, "Reporting Gains and Losses from Extinguishment of Debt" ("Statement 4"), and an amendment of Statement 4, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking Fund Requirements" ("Statement 64"). SFAS 145 also rescinds FASB Statement No. 44, and amends FASB Statement No. 13. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. The provisions of SFAS 145 related to the rescission of Statement 4 shall be applied in fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified.

Under Statement 4, all gains and losses from extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect.

SFAS 145 eliminates Statement 4 and, thus, the exception to applying APB Opinion 30 to all gains and losses related to extinguishments of debt (other than extinguishments of debt to satisfy sinking fund requirements-the exception to application of Statement 4 noted in Statement 64). As a result, gains and losses from the extinguishment of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion 30. Applying the provisions of APB Opinion 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an extraordinary item.

The adoption of SFAS 145 required us to reclassify the $14.6 million extraordinary losses on early extinguishment of our 9% Senior Subordinated Notes recognized during the year ended December 31, 2002 to other expense in the consolidated statements of operations.

Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") effective for exit or disposal activities initiated after December 31, 2002. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. Adoption of SFAS 146 is not expected to have a significant impact on our financial position or results of operations.

Guarantees

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation clarifies that a guarantor is required to disclose (a) the nature of the guarantee, including the approximate term of the guarantee, how the guarantee arose and the events or circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability, if any, for the guarantor's obligations under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. This interpretation also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligations to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

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 disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. We are one of the guarantors under the Fourth Amended and Restated Revolving Credit Facility (the "Amended

Revolving Credit Facility"). The Company is a co-borrower under this debt arrangement, along with Kerzner International and certain subsidiaries of Kerzner International which are outside of the KINA consolidated group. The amount outstanding on this facility as of December 31, 2002 was $72.0 million. However, as such amounts were not drawn from the facility by KINA, such debt is not reflected in the consolidated financial statements of the Company. We have not recognized a liability for this guarantee as it was issued prior to December 31, 2002. If in the future we modify this guarantee or issue new guarantees, we may be required to recognize a liability at an estimate of the guarantee's fair value.

Kerzner International closed Palmilla Resort, its 50% owned luxury resort in Los Cabos, Mexico, in April 2003 in order to commence its previously announced $80.0 million expansion project that will increase the room count from 115 rooms to 172 rooms and will significantly upgrade the amenities and public areas offered by the resort. The expansion is expected to be completed by early 2004 and will be financed through local project financing. In connection with the Palmilla Resort operating agreement, we agreed that in the event that Palmilla Resort obtains third-party debt financing for its planned redevelopment, we, along with Kerzner International, would guarantee up to a total of $38.0 million of such financing. In March 2003, we entered into a guaranty agreement with respect to certain interim financing for the redevelopment, whereby we guaranteed $20.0 million of such financing. In June 2003, we guaranteed an additional $10.0 million of such financing. We have agreed to provide these guarantees for a period ending no later than the later of (i) the date of repayment at maturity of the underlying obligations or (ii) three years from the date of the guarantee. The purpose of these guarantees is to assist Palmilla Resort in obtaining financing for its planned redevelopment on commercially reasonable terms. In 2003, we will record the fair value of these and any other future guarantees in accordance with the provisions of FIN 45.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46"). This interpretation of Accounting Research Bulletin 51, "Consolidated Financial Statements," addresses consolidation by business enterprises of variable interest entities which have one or both of the following characteristics: (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity, or (ii) the equity investors lack one or more of the following characteristics of a controlling financial interest: (a) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights, (b) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities, or (c) the right to receive the expected residual returns of the entity if they occur, which is the compensation of the risk of absorbing the expected losses.

FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. The provisions of FIN 46 are required to be applied to an interest held in a variable interest entity or potential variable interest entity for the first interim or annual period ending after December 15, 2003 if both of the following two conditions apply: (1) the variable interest entity was created before

February 1, 2003; and (2) the public entity has not issued financial statements reporting that variable interest in accordance with FIN 46.

Derivative Instruments

In April 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") that amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. With certain exceptions, SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designed after June 30, 2003. We do not believe adoption of this standard will have a material impact on our financial position or results of operations.

Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150") that improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities in the statement of financial position. This statement will be effective for the Company's fiscal quarter ended September 30, 2003. We do not believe adoption of this standard will have a material impact on our financial position or results of operations.

NOTE 4 - Business Acquisitions and Dispositions

Palmilla Management Contract

On September 12, 2002, Kerzner International acquired a 50% ownership interest in the 115-room Palmilla Resort, a deluxe, five-star property located near Cabo San Lucas in Baja, Mexico.

In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022. Fees for management services to Palmilla Resort during the period from September 12, 2002 through December 31, 2002 were $128,000 and are included in management and other fees in the accompanying 2002 consolidated statement of operations.

Sale of Resorts Atlantic City

We previously owned and operated Resorts Atlantic City, a 644-room casino and hotel property. On April 25, 2001, we completed the sale of Resorts Atlantic City to an affiliate of Colony Capital LLC ("Colony") for a purchase price of approximately $144 million, including accrued interest (the "Resorts Atlantic City Sale"). The proceeds received from Colony consisted of approximately $127 million in cash and an unsecured $17.5 million note (the "Promissory Note"), bearing interest at a rate of 12.5% per annum payable semi-annually. In March 2002, we received $18.0 million from Colony as payment in full of the Promissory Note and all outstanding accrued interest. Of the cash proceeds from the Resorts Atlantic City sale, $79 million was used to pay in full the borrowings outstanding by Resorts Atlantic City under a bank credit facility dated November 1, 1999 (as amended, the "Revolving Credit Facility"). Resorts Atlantic City, along with Kerzner International, Kerzner International Bahamas Limited (formerly Sun International Bahamas Limited) ("KIB"), a wholly owned subsidiary of Kerzner International outside of KINA's consolidated group, and Kerzner International Nevada, Inc. (formerly Sun International Nevada, Inc.), a wholly-owned subsidiary of KINA, were co-borrowers under the Revolving Credit Facility. The remaining $48 million of cash proceeds from the Resorts Atlantic City Sale was advanced to KIB and was used to permanently reduce borrowings outstanding by KIB under the Revolving Credit Facility.

We entered into an agreement to sell Resorts Atlantic City in the fourth quarter of 2000, and as of December 31, 2000, we accounted for Resorts Atlantic City as an investment held for sale. The carrying value of the net assets to be disposed of was reclassified to net assets held for sale on our consolidated balance sheets and, in the fourth quarter of 2000, we recorded a loss of $229.2 million resulting from the write-down of net assets held for sale to their realizable value. The net proceeds received at closing equaled the carrying value of the net assets disposed of. The consolidated financial statements as of December 31, 2001 include the results of operations of Resorts Atlantic City from January 1, 2001 to April 24, 2001. These results included a net loss attributable to Resorts Atlantic City of $4.9 million, which is included as a component of and an offsetting gain on net assets held for sale, which resulted in no change in net income from this adjustment.

If this transaction had been consummated on January 1, 2000, on a pro forma basis, our results of operations for the year ended December 31, 2000 would be as follows (unaudited): Revenues - $46.2 million, net loss - $22.0 million. The pro forma information is not necessarily indicative of future results or what our results of operation would actually have been had the Resorts Atlantic City Sale occurred at the beginning of the year.

Pursuant to the terms of the Resorts Atlantic City Sale, we granted Colony a two-year option (the "Atlantic City Option") to acquire certain undeveloped real estate which we own, adjacent to Resorts Atlantic City, for a purchase price of $40 million, which option can be extended by Colony for two additional one-year periods upon 45 days notice to us prior to the expiration of the then-current option period and payment to us of a $2.5 million extension payment for each renewal period. In July 2003 and through various extensions thereafter, we and Colony agreed to extend the initial option period through September 12, 2003 in exchange for an option extension payment of $1,250,000, which was paid on July 9, 2003. Our agreement with Colony also provides for an additional payment of $1,250,000 in the event we are not able to reach an agreement to sell the undeveloped real estate. The additional $1,250,000 has not yet been received as we and Colony are currently in negotiations to reach an agreement to sell the undeveloped real estate. The net carrying value of the undeveloped real estate included in the Atlantic City Option is $40.0 million and is included in property and equipment in the accompanying consolidated balance sheets. Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leases from us certain of the property included in the Atlantic City Option for $100,000 per month. At that time the lease can be terminated by either Colony or us with thirty days notice, subject to certain conditions. The rental income resulting from this lease was $1.2 million for the year ended December 31, 2002 and is included in management and other fees in the accompanying consolidated statement of operations.

Termination of Desert Inn Acquisition Agreement

On March 2, 2000, Kerzner International and Starwood Hotels and Resorts Worldwide Inc. ("Starwood") announced that they had agreed to terminate their agreement (the "Termination Agreement") under which Kerzner International was to acquire the Desert Inn Hotel and Casino in Las Vegas (the "Desert Inn") for $275 million. In connection with the proposed acquisition of the Desert Inn, we had previously placed a $15 million deposit with Starwood (the "Deposit"). Pursuant to the Termination Agreement, the amount, if any, that we would be required to pay from the Deposit was based on the ultimate sales price of the Desert Inn to another party.

In June 2000, Starwood closed on the sale of the Desert Inn for approximately $270 million, subject to certain post-closing adjustments, to an unrelated party. As a result, we were required to pay to Starwood $7.2 million from the Deposit. The remaining $7.8 million of the Deposit was refunded to us in August 2000. Purchase termination costs in the accompanying consolidated statement of operations included the $7.2 million paid to Starwood and $4.0 million of further costs related to the Desert Inn transaction.

NOTE 5 – Receivables

Components of receivables were as follows:

	December 31,	
	2002	2001
Interest receivable	$ -	$ 481
Trade receivable	227	372
Escrow receivable	616	-
Other	482	130
	1,325	983
Less: allowance for doubtful accounts	(96)	(122)
	$ 1,229	$ 861

NOTE 6 – Prepaid Expenses

Components of prepaid expenses as of December 31, 2002 included $1.2 million of rent, $0.8 million for expenses relating to tour operations and various other items. At December 31, 2001, prepaid expenses included $0.3 million relating to tour operations and various other items.

NOTE 7 – Property and Equipment

Components of property and equipment were as follows:

	December 31, 2002	December 31, 2001
Land	$ 53,605	53,575
Buildings and leasehold improvements	3,635	3,743
Furniture, machinery and equipment	12,767	14,478
Construction in progress	920	160
	70,927	71,956
Less: accumulated depreciation	(7,777)	(8,805)
	$ 63,150	$ 63,151

Construction in progress at December 31, 2002 primarily relates to software costs pertaining to the implementation of a new reservations system. Such costs are capitalized in accordance with Statement of Position 98-1,"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". There were no capitalized interest costs in any of the periods presented. The cost basis of the land related to the Atlantic City Option was $40 million as of December 31, 2002 and 2001.

NOTE 8 – Deferred Charges and Other Assets

Components of deferred charges and other assets were as follows:

	December 31, 2002	December 31, 2001
Debt issue costs, net	$ 8,474	$ 11,979
Prepaid rent	2,720	-
Employee note receivable	563	-
Other	141	616
	$ 11,898	$ 12,595

Prepaid rent relates to the long-term portion of prepaid rent related to our leased offices in Plantation, Florida for 2004 and 2005. Employee note receivables of $0.6 million relates to a compensation advance made to an employee. Such advance is being amortized through December 2004.

Note 9 – Investments in and Equity in Earnings and Losses of Associated Companies

Components of investments in associated companies were as follows:

	December 31,	
	2002	2001
Trading Cove Associates	$ 8,947	$ 7,175
Trading Cove New York	1,692	1,633
	$ 10,639	$ 8,808

The accompanying consolidated statements of operations include equity in earnings and losses of associated companies as a result of our equity method investments, comprised of our 50% interest in TCA and our 50% interest in TCNY. Our proportionate share of losses from TCNY is reflected in equity in losses of associated company in the accompanying consolidated statements of operations. Equity earnings related to our investment in TCA are included in relinquishment and development fees in the accompanying consolidated statements of operations.

Trading Cove Associates

Through a wholly owned subsidiary, we own a 50% interest in TCA and are a managing partner along with Waterford Gaming L.L.C. TCA and the Mohegan Tribe have entered into the Development Agreement and the Relinquishment Agreement in connection with the Mohegan Sun. In accordance with the Relinquishment Agreement, the Company receives the first $5 million of profits TCA receives each year and receives certain guaranteed payments. The following summarized information of TCA has been prepared in accordance with accounting principles generally accepted in the United States of America as of and for the years ended December 31, 2002, 2001 and 2000.

	For the Year Ended December 31,		
	2002	2001	2000
Revenues	$ 59,066	$ 46,970	$ 44,516
Total expenses	3,996	3,476	10,534
Interest and dividend income	13	33	34
Net income	$ 55,083	$ 43,527	$ 34,016

	As of December 31,	
	2002	2001
Current assets	$ 24,502	$ 20,629
Non-current assets	2,665	2,894
Total assets	$ 27,167	$ 23,523
Current liabilities	10,521	10,423
Non-current liabilities	-	-
Partners' capital	$ 16,646	$ 13,100

Our equity in earnings from TCA totaled $30.1 million, $25.1 million and $20.4 million for the years ended December 31, 2002, 2001 and 2000, respectively. Such amounts do not equal 50% of the reported net income of TCA, primarily as a result of the priority distributions and guaranteed payments discussed above.

Trading Cove New York

Through a wholly owned subsidiary, we own a 50% interest in, and are a managing member along with the Stockbridge-Munsee Tribe, of TCNY. The following summarized information of TCNY has been prepared in accordance with accounting principles generally accepted in the United States of America as of and for the years ended December 31, 2002, 2001 and 2000.

The company increased its equity in losses of TCNY by expensing certain costs that TCNY capitalized due to the Company's evaluation of the uncertainty of the recoverability of such costs.

	For the Year Ended December 31,		
	2002	2001	2000
Total revenues, and other income	$ 11	$ 13	$ 3
Total expenses	6	15	5
Net income (loss)	$ 5	$ (2)	$ (2)

	As of December 31,	
	2002	2001
Current assets	$ 436	$ 1,820
Non-current assets	7,353	3,931
Total assets	7,789	5,751
Current liabilities	137	305
Non-current liabilities	-	-
Members' equity	$ 7,652	$ 5,446

NOTE 10 – Accounts Payable and Accrued Liabilities

Components of accounts payable and accrued liabilities were as follows:

	December 31, 2002	December 31, 2001
Accrued payroll and related taxes and benefits	$ 8,046	$ 4,590
Trade payables	2,515	2,623
Customer deposits and unearned revenues	5,959	5,338
Accrued interest	13,411	12,388
Other accrued liabilities	6,881	7,497
	$ 36,812	$ 32,436

NOTE 11 – Other Long Term Liabilities

As of December 31, 2002, other long-term liabilities primarily consisted of deferred rent credits related to a building lease entered into during 2002 for our office in Plantation, Florida.

NOTE 12 – Long-Term Debt

Components of long-term debt were as follows:

	December 31, 2002	December 31, 2001
$400 million ($200 million at December 31, 2001) 8-7/8% Senior Subordinated Notes due 2011 ("8-7/8% Senior Subordinated Notes")	$ 405,726	$ 200,000
$200 million 9% Senior Subordinated Notes due 2007 ("9% Senior Subordinated Notes")	-	199,419
$100 million 8-5/8% Senior Subordinated Notes due 2007 ("8-5/8% Senior Subordinated Notes")	-	100,000
Capital leases	435	89
	406,161	499,508
Less: amounts due within one year	(135)	(70)
	$ 406,026	$ 499,438

Consent Solicitation of Noteholders

On July 10, 2001, KINA along with Kerzner International (together, the "Companies"), commenced a consent solicitation with holders of the Companies' $200 million principal amount of 9.0% senior subordinated notes due 2007. The Companies sought proposed amendments of certain provisions of the indentures pursuant to which the 9% Senior Subordinated Notes were issued.

The proposed amendments effectively eliminate (as of December 31, 2000, the date the charge was recorded) the impact of $199.2 million of the total $229.4 million loss recorded by KINA in connection with the Resorts Atlantic City Sale, for purposes of determining the ability of Kerzner International and its affiliates to make certain investments, such as certain minority investment in joint ventures. In addition, the amendments increased, from 2.0:1 to 2.5:1, the consolidated coverage ratio required in order for the Companies to incur additional indebtedness. The consolidated coverage ratio is defined as consolidated earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") to fixed payments, as defined in the indentures. The consent solicitation, as amended and extended, was finalized on July 23, 2001.

On July 24, 2001, the Companies announced that they had received the requisite consents from the holders of their 9% Senior Subordinated Notes. Accordingly, the Companies and the trustee under the indentures executed and delivered supplemental indentures containing the amendments described in the amended consent solicitation. Pursuant to the consent solicitation, we paid $1.0 million to holders of the 9% Senior Subordinated Notes. These debt issuance costs are included within deferred charges and other assets in the accompanying consolidated balance sheets.

Issuance and Redemption of 8- 5/8% Senior Subordinated Notes

On December 15, 1997, Kerzner International and the Company, as co-issuers, issued $100.0 million principal amount of 8-5/8% Senior Subordinated Notes due 2007. All of the proceeds received from the issuance of these notes were advanced to entities outside of the KINA consolidated group and were used for general corporate and working capital purposes, as well as to help fund capital expenditure projects for these entities. As a result, any interest expense we incur on the 8-5/8% Senior Subordinated Notes, including amortization of debt issuance costs, is offset by affiliated interest income from Kerzner International, resulting in no impact to net income or loss in any of the periods presented.

On November 27, 2002, the Companies called for the redemption of the entire outstanding principal amount of the 8-5/8% Senior Subordinated Notes due 2007 pursuant to the terms of the indenture governing these Notes. The Companies had purchased $25.8 million of the 8-5/8% Senior Subordinated Notes through transactions on the open market. On December 27, 2002, the Companies redeemed the remaining $74.2 million aggregate principal amount outstanding at the redemption price of 104.313%, or $1,043.13 for each $1,000.00 of principal amount outstanding, plus accrued interest.

Issuances of 8-7/8% Senior Subordinated Notes

In August 2001, the Companies issued $200.0 million principal amount of 8-7/8% senior subordinated notes due 2011, which, after costs, resulted in net proceeds of approximately $194.0 million. All of proceeds received from the issuance of the 8-7/8% Senior Subordinated Notes were advanced to KIB to repay amounts outstanding under the Revolving Credit Facility. Therefore, interest expense related to the 8-7/8% Senior Subordinated Notes is offset by affiliated interest income from KIB.

In May 2002, the Companies issued an additional $200.0 million of 8-7/8% Senior Subordinated Notes and used the proceeds to repay the Companies outstanding 9% Senior Subordinated Notes pursuant to the Tender Offer, Consent Solicitation and Redemption of such notes described below.

In connection with the issuance of the $200.0 million Senior Subordinated Notes in May 2002 and August 2001, the Company paid $4.3 million and $6.8 million, respectively, of debt issuance and modification costs during the years ended December 31, 2002 and 2001 related to the aforementioned debt issuances and modification of the Amended Revolving Credit Facility.

The 8-7/8% Senior Subordinated Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly owned subsidiaries of Kerzner International and KINA. Interest on the 8-7/8% Senior Subordinated Notes is payable semi-annually and commenced on February 15, 2002. The indenture for the 8-7/8% Senior Subordinated Notes contains certain covenants, including limitations on the ability of the Companies to, among other things: (i) incur additional indebtedness, (ii) incur certain liens, and (iii) make certain other restricted payments.

Fourth Amended and Restated Credit Facility (the "Amended Revolving Credit Facility")

On November 13, 2001, Kerzner International, KINA and KIB, as co-borrowers, entered into the Amended Revolving Credit Facility with a syndicate of banks (the "Lenders"), with Canadian Imperial Bank of Commerce ("CIBC") acting as administrative agent. The borrowings then outstanding under the previous Revolving Credit Facility, all of which were reflected on the balance sheet of KIB, were paid in full. Under the Amended Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is $300.0 million, subject to the borrowing base discussed below and certain other conditions. The Lenders have agreed that up to an additional $50.0 million of borrowings may be available under the facility if we are able to arrange additional commitments in that amount.

Effective February 7, 2003, the co-borrowers obtained approval from the required Lenders under our Amended Revolving Credit Facility to, among other things, calculate borrowings available using a borrowing base calculation, such that we can draw the lesser of the borrowing base or the commitment amount. If for any reason the co-borrowers are unable to meet those conditions or negotiate new conditions for effectiveness of the borrowing base, our borrowings as of July 1, 2003 will be limited by the total amount of per occurrence "all risks" insurance that KIB maintains on its properties on Paradise Island of $150.0 million per occurrence. Under the borrowing base calculation as of the year ended December 31, 2002, our borrowing limit would have been $300.0 million, as the anticipated borrowing base calculation would have exceeded the commitment amount.

Loans under the Amended Revolving Credit Facility bear interest at (i) the higher of (a) CIBC's base rate or (b) the Federal Funds rate plus one-half of one percent, in either case plus an additional 0.25% to 1.75% based on a debt to earnings ratio during the period, as defined (the "Leverage Ratio") or (ii) London Interbank Offered Rate ("LIBOR") plus 1.25% to 2.75% based on the Leverage Ratio. For loans based on the LIBOR, interest is payable on the last day of each applicable interest period, or the date of any payment or prepayment of such loans. For loans based on the Alternate Base Rate (as defined), interest is payable quarterly. At December 31, 2002, the weighted average interest rate on amounts outstanding under the Amended Revolving Credit Facility was 3.40%. Loans under the Amended Revolving Credit Facility may be prepaid and re-borrowed at any time and are due in full in November 2006. Commitment fees are calculated at per annum rates ranging from 0.25% to 0.50% based on the Leverage Ratio, applied to the undrawn amount of the Amended Revolving Credit Facility and are payable quarterly.

The Amended Revolving Credit Facility contains restrictive covenants that Kerzner International must comply with, which among other things: (a) require periodic financial reporting, (b) require meeting certain financial amounts and ratio tests, (c) restrict the payment of dividends, (d) limit the incurrence of indebtedness and (e) limit asset expenditures and dispositions outside the ordinary course of business.

The amount of borrowings outstanding as of December 31, 2002 on the Amended Revolving Credit Facility was $72.0 million, all of which was drawn by KIB and is reflected on KIB's balance sheet. This amount is unconditionally guaranteed by KINA.

Tender Offer, Consent Solicitation and Redemption of 9% Senior Subordinated Notes

On May 8, 2002, the Companies commenced a cash tender offer to purchase any and all of their outstanding 9% Senior Subordinated Notes. The tender offer was made pursuant to an Offer to Purchase, Consent Solicitation Statement and a related Letter of Transmittal and Consent, dated May 8, 2002. In conjunction with the tender offer, the Companies solicited consents to proposed amendments to the indenture governing the 9% Senior Subordinated Notes. The proposed amendments eliminated substantially all of the restrictive covenants and certain events of default from the indenture governing the notes. Holders that tendered their notes were required to consent to the proposed amendments and holders that consented to the proposed amendments were required to tender their notes. At the expiration time, a total of approximately $177.5 million of the outstanding $200.0 million aggregate principal amount of the notes were tendered and accepted for purchase in the tender offer. On June 21, 2002, the Companies redeemed, in accordance with the terms of the indenture governing the notes, all of the 9% Senior Subordinated Notes that remained outstanding at the time, at the applicable redemption price of $1,045 per $1,000 of principal amount thereof, plus interest accrued to the redemption date. The Companies used the proceeds from the issuance of their $200.0 million of 8-7/8% Senior Subordinated Notes on May 20, 2002 to retire their outstanding 9% Senior Subordinated Notes pursuant to the tender offer and redemption.

Debt Maturity

Aggregate annual maturities of long-term debt as of December 31, 2002 for each of the next five years and thereafter are as follows:

2003	$	135
2004		170
2005		130
2006		-
2007		-
Thereafter		400,000
		400,435
Debt Premium		5,726
	$	406,161

Supplemental Condensed Consolidating Financial Statements

As described in Note 12 - Long-Term Debt, the Company and Kerzner International have co-issued certain debt. This co-issued debt is guaranteed by other entities outside of the KINA consolidated group who are subsidiaries of Kerzner International. Such guarantees are full and unconditional and joint and several among the guarantors. Supplemental condensed consolidating financial statements of Kerzner International as the parent company and other guarantor subsidiaries, as required under Rule 3-10 of Regulation S-X, have been be filed with the SEC as part of Kerzner International's Form 20-F.

NOTE 13 - Accumulated Deficit

KINA is authorized to issue 100 million shares of KINA common stock, 120,000 shares of Class B Stock and 10 million shares of preferred stock. The only shares of KINA stock outstanding as of the periods presented are 100 shares of KINA common stock, all of which are owned by Kerzner International.

NOTE 14 – Related Party Transactions

Due from Affiliates

At December 31, 2002 and 2001, due from affiliates primarily includes amounts due from TCA pursuant to the TCA Development Agreement of $6.5 million and $5.3 million, respectively.

Due from Affiliate – Non-current

Due from affiliate – non-current relates to the proceeds received from the 8-7/8% Senior Subordinated Notes issued in August 2001 and proceeds received from the 8-5/8% Senior Subordinated Notes issued in December 1997. The proceeds from the issuance of the 8-7/8% Senior Subordinated Notes were advanced to KIB and were used to pay down borrowings by KIB on its revolving credit facility. The proceeds from the issuance of the 8-5/8% Senior

Subordinated Notes were used for general corporate and working capital purposes of certain affiliates of the Company within the Kerzner International consolidated group, as well as to help fund capital expenditure projects for these entities. The 8-7/8% Senior Subordinated Notes are expected to be repaid when the notes become due or such notes are refinanced. The 8-5/8% Senior Subordinated Notes were repurchased and/or redeemed during 2002. In connection therewith, a loss on early extinguishment of debt of $5.9 million resulted. However, given that the proceeds of the original debt issuance were not used for KINA purposes and that the redemption was made by entities outside of the KINA consolidated group, the loss was reimbursed to KINA by these entities.

At December 31, 2002 and 2001, due from affiliates-non-current includes non-interest bearing, due on demand advances made to certain unconsolidated affiliated companies of $56.5 million and $35.2 million, respectively. KINA makes payments and receives amounts on behalf of affiliates included within the Kerzner International consolidated group but outside of the KINA consolidated group. These amounts of due from affiliates-non-current represents the net amounts due to and from these entities.

Relinquishment and Development Fees

We recorded equity earnings from TCA of $30.1 million, $25.1 million and $20.4 million for the years ended 2002, 2001 and 2000, respectively. We also earned development fees in 2002, 2001 and 2000 related to Mohegan Sun of $1.3 million, $2.0 and $6.3 million, respectively.

Management Fees and Other

We earn fees in accordance with an agreement to provide management services to certain unconsolidated affiliated companies, primarily those entities representing Kerzner International's properties in The Bahamas. These services include, but are not limited to, support related to tax, marketing, legal, accounting, and information technology. The fees are based on three percent of the gross revenues, as defined, of these entities and are thus largely dependent on the occupancy levels at Kerzner International's properties in The Bahamas. For the years ended December 31, 2002, 2001 and 2000, such fees amounted to $16.8 million, $15.1 million and $15.3 million, respectively.

Palmilla Resort

Fees for management services to Palmilla Resort during the period from September 12, 2002 through December 31, 2002 were $128,000.

Interest Income from Affiliates

Interest income from affiliates is comprised of amounts due from KIB and other affiliates of the Company and relates to interest amounts to be reimbursed by these entities for the 8-5/8% and 8-7/8% Senior Subordinated Notes, as described in "Due from Affiliate – Non-current" above.

NOTE 15 – Employee Benefit Plans

We participate in a defined contribution plan covering substantially all of our non-union employees. We make contributions to this plan based on a percentage of eligible employee contributions. Total expense for this plan was $185,000, $237,000 and $861,000 in 2002, 2001 and 2000, respectively. The period January 1, 2001 to April 24, 2001 and the full year 2000 included plan expenses of Resorts Atlantic City.

In addition to the plan described above, union and certain other employees of Resorts Atlantic City were covered by multi-employer defined benefit pension plans to which the subsidiaries make, or made, contributions. Our pension expense for these plans totaled $1.6 million in 2000. As a result of the Resorts Atlantic City Sale, we no longer have union employees.

In October 2002, the Company established a deferred compensation plan (the "Deferred Compensation Plan") for the purpose of allowing certain management of the Company to defer a portion of their compensation and accumulate earnings on a tax-deferred basis. The amount that is elected to be deferred is withheld from the employee's compensation and remitted to the trustee of the Deferred Compensation Plan. The trustee is responsible for utilizing such funds to purchase certain investments, which are held in a rabbi trust. The investments are classified as available-for-sale securities, in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", due to the nature of the securities and the intended holding period.

The compensation withheld from management, together with investment income on the Deferred Compensation Plan, is reflected as a deferred compensation obligation to participants and is classified within other long-term liabilities in the accompanying consolidated balance sheet. The related assets which are held in the rabbi trust are classified within deferred charges and other assets in the accompanying consolidated balance sheet and are reported at fair market value with the resulting net unrealized holding gains or losses, net of income taxes, included as a component of equity, within other comprehensive income (loss). At December 31, 2002, the balance of the liability and the corresponding asset each totaled $0.1 million. During 2002, the Deferred Compensation Plan had a minimal impact on our operating results.

NOTE 16 – Restructuring Expense

Restructuring costs in 2001 were comprised of severance payments made to 49 employees who were terminated due to lower occupancy levels at Kerzner International's properties in The Bahamas subsequent to the terrorist attacks on September 11, 2001. By the end of 2002, all amounts related to the restructuring had been paid.

NOTE 17 – Income Taxes

In 2002, 2001 and 2000 the income tax provision (benefit) was as follows:

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
Current:			
Federal	$ 3,874	$ (432)	$ (303)
State	2,341	1,462	1,178
	6,215	1,030	875
Deferred:			
Federal	(6,119)	(3,874)	205
	$ 96	$ (2,844)	$ 1,080

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the deferred tax assets and liabilities were as follows:

	December 31,	
	2002	2001
Non-current deferred tax liabilities:		
Basis differences on property and equipment	(561)	(640)
Total deferred tax liabilities	(561)	(640)
Non-current deferred tax assets:		
NOL carryforwards	223,709	220,346
Basis differences on land held for investment, development or resale	1,811	2,041
Book reserves not yet deductible for tax return purposes	1,898	3,104
Tax credit carryforwards	2,677	2,676
Other	3,786	2,349
Total deferred tax assets	233,881	230,516
Valuation allowance for deferred tax assets	(227,201)	(226,002)
Deferred tax asset, net of valuation allowance	6,680	4,514
Non-current net deferred tax assets	$ 6,119	$ 3,874

Realization of future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate future taxable income. The valuation allowance is adjusted in the period we determine it is more likely than not that deferred tax assets will or will not be realized.

The effective income tax rate on net income (loss) before income taxes varies from the statutory federal income tax rate as a result of the following factors:

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
Statutory federal income tax rate	(35.0%)	35.0%	(35.0%)
State tax expense	103.4%	11.3%	0.5%
NOLs, debt extinguishment and temporary differences for which a valuation allowance has been provided	226.0%	-	34.1%
Release of valuation allowance relating to NOL carryforwards	(361.3%)	(73.0%)	-
Nondeductible expenses and taxable items	69.5%	(9.9%)	0.3%
Other	1.6%	14.6%	0.5%
Effective income tax rate	4.2%	(22.0%)	0.4%

For federal income tax purposes, KINA had net operating loss ("NOL") carryforwards of approximately $640.0 million at December 31, 2002, of which $263.6 million are unrestricted as to use. However, due to the change of ownership of KINA in 1996, $376.4 million of these NOL carryforwards (the "Pre-Change NOLs") are limited in their availability to offset our future taxable income. As a result of these limitations, approximately $11.3 million of Pre-Change NOLs will become available for use each year through the year 2008, an additional $8.5 million will be available in 2009. The remaining Pre-Change NOLs are expected to expire unutilized.

Our restricted NOL carryforwards expire as follows: $57.0 million in 2005, $18.3 million in 2006, and $1.0 million in 2009. Our unrestricted NOLs expire as follows: $12.3 million in 2005, $30.5 million in 2007, $56.5 million in 2008, $8.0 million in 2011, $57.0 million in 2012, $32.6 million in 2019, $17.7 million in 2020 and $49.0 million in 2021.

NOTE 18 – Supplemental Cash Flow Disclosures

Supplemental disclosure of cash flow and non-cash investing and financing activities:

	For the Year Ended December 31,		
	2002	2001	2000 (unaudited)
Interest paid	$ 34,374	$ 20,020	$ 24,577
Income taxes paid	1,852	1,624	975
Non-cash investing and financing activities:			
Promissory note issued to Colony in connection with the Resorts Atlantic City Sale	-	17,500	-
Accrued interest on promissory note issued to Colony	-	518	-
Property and equipment acquired under capital lease obligations	438	16	1,574

NOTE 19 – Commitments and Contingencies

Litigation, Claims and Assessments

In the ordinary course of business, we are defendants in certain litigation. In our opinion, based upon advice of counsel and currently available information, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the accompanying consolidated financial statements.

In September 1989 KINA filed an action in the US District Court for the Eastern District of Pennsylvania to recover certain sums paid to the defendant, as trustee for two Individual Retirement Accounts and the Fred Lowenschuss Associates Pension Plan (the "Pension Plan"), for KINA stock in a 1988 merger, in which KINA was acquired by Merv Griffin. This action was transferred to the NJ Bankruptcy Court in connection with the Company's former bankruptcy case commenced there in 1989.

In February 1992, the NJ Bankruptcy Court issued an opinion granting partial summary judgment in favor of KINA on one of its six causes of action. The NJ Bankruptcy Court reserved the issue of remedies for trial.

In August 1992, Fred Lowenschuss filed for Chapter 11 reorganization in the US Bankruptcy Court for the District of Nevada (the "Nevada Bankruptcy Court"). As a result, the NJ Bankruptcy Court stayed KINA's action against Lowenschuss.

The Nevada Bankruptcy Court confirmed Fred Lowenschuss' plan of reorganization in October 1993. KINA appealed certain portions of the confirmation order and other orders of the Nevada Bankruptcy Court. In June 1994, the US District Court for the District of Nevada (the "Nevada

District Court") granted KINA's appeal in all respects. In October 1995, the US Court of Appeals for the Ninth Circuit affirmed the Nevada District Court's ruling in all respects, and in November 1995, the Court of Appeals denied Fred Lowenschuss' petition for rehearing. On June 10, 1996, the United States Supreme Court denied Fred Lowenschuss' petition for a writ of certiorari.

All interested parties, including KINA, filed motions with the Nevada Bankruptcy Court about their respective claims and priority rights under the US Bankruptcy Code. The Nevada Bankruptcy Court ruled on these motions, and KINA and other parties appealed, first to the Nevada District Court and then to the Court of Appeals for the Ninth Circuit. At the time that the United States Supreme Court denied KINA's petition for a writ of certiorari, on November 29, 1999 (see discussion below), KINA had three appeals pending, one in the Court of Appeals and two in the Nevada District Court. KINA voluntarily dismissed all three appeals and simultaneously withdrew its proofs of claim in Lowenschuss' bankruptcy case.

On November 2 and 3, 1995, the NJ Bankruptcy Court held a trial on the merits of KINA's claims against the trustee of the Pension Plan. On April 22, 1997, the NJ Bankruptcy Court issued a final opinion in KINA's favor, and on May 20, 1997 entered a judgment in KINA's favor finding that the trustee for the two Individual Retirement Accounts and the Pension Plan committed fraud against KINA and that KINA was entitled to restitution. The NJ Bankruptcy Court awarded KINA $3.8 million plus prejudgment interest and $250,000 punitive damages, for a total award of approximately $5.7 million. On July 7, 1997 the NJ Bankruptcy Court amended the judgment to apportion the damages between the Pension Plan and the Individual Retirement Accounts. The NJ Bankruptcy Court also denied Defendant's request for a stay of enforcement of the judgment. Subsequently, the Defendants filed an appeal of the NJ Bankruptcy Court's decision in the US District Court for the District of New Jersey (the "New Jersey District Court"). On March 26, 1998, The New Jersey District Court reversed the judgment of the NJ Bankruptcy Court. KINA filed an appeal of the New Jersey District Court's decision with the US Court of Appeals for the Third Circuit (the "Circuit Court"). On June 30, 1999, the Circuit Court issued an opinion affirming the New Jersey District Court's decision. KINA's subsequent petition for a writ of certiorari to the United States Supreme Court was denied on November 29, 1999, thereby concluding this litigation.

In connection with that litigation, Laurance Lowenschuss, as trustee for the Pension Plan, and Fred Lowenschuss, as trustee of the Trusts and as custodian, filed an action in May 1996 against KINA for preliminary and permanent injunctive relief. The Lowenschusses sought an order from the US Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court") to extend the post-confirmation bar date of the Plan and to secure the return of certain escrowed distributions to holders of Old Series Notes (as defined in the Plan).

On May 9, 1996, the Delaware Bankruptcy Court entered an order, to which the parties had stipulated, extending the Lowenschuss' date of surrender for Old Series Notes through November 10, 1996. By further stipulations, the date of surrender was further extended through May 12, 2000.

On March 8, 1996, Fred Lowenschuss, as trustee of various Lowenschuss children's trusts (the "Trusts"), and Laurance Lowenschuss, as trustee for the Pension Plan, filed a counterclaim and a third party claim against KINA and First Interstate Trust Company in the NJ Bankruptcy Court alleging that the Pension Plan and the Trusts timely surrendered certain securities for exchange under the Company's 1990 plan of reorganization and that those securities were wrongfully dishonored and returned. The Company replied to the counterclaims in April 1996 and denied the allegations. Since 1996, the parties have voluntarily stayed this litigation, pending the resolution of Lowenschuss' bankruptcy case in Nevada.

The foregoing litigation and bankruptcy proceedings have spawned additional and related litigation, including the following: (a) an injunction action brought by Fred Lowenschuss, wherein the Nevada Bankruptcy Court enjoined KINA from proceeding against Fred Lowenschuss individually; the Nevada District Court dismissed appeals by both KINA and Fred Lowenschuss, and the Ninth Circuit, on March 6, 1997, affirmed the District Court's dismissal of Fred Lowenschuss' appeal; (b) a malicious prosecution action brought by Fred Lowenschuss against KINA and its counsel that was dismissed by the Nevada Bankruptcy Court and the Nevada District Court; on March 6, 1997, the Ninth Circuit affirmed the District Court's dismissal of Lowenschuss' appeal and awarded KINA monetary sanctions, finding that the Lowenschuss' appeal was frivolous; and (c) an action filed by Laurance Lowenschuss, as trustee of the Pension Plan, in the Nevada District Court against KINA, which was transferred to the NJ District Court; in January, 1996, the NJ District Court referred the matter to the NJ Bankruptcy Court. In February 2001, the NJ Bankruptcy Court granted KINA's motion to dismiss Lowenschuss' action for malicious prosecution in Adversary Proceeding No. 96-2350 and denied KINA's motion to dismiss certain counterclaims in Adversary Proceeding No. 90-1005 related to the exchange of bonds in the Delaware Bankruptcy Court proceeding discussed above.

In December 2001, KINA and Lowenschuss entered into a Stipulation and Settlement Agreement to end all outstanding disputes between the parties. In July 2002, the New Jersey Bankruptcy Court approved the Stipulation and Settlement Agreement and the settlement has been finalized. The amounts paid in connection with the settlement had been fully reserved for in prior years.

Lease Obligations

We lease office space in numerous locations throughout the United States for administrative, sales and marketing, public relations, tour operations and travel reservations services and other administrative services. In addition to serving as our corporate headquarters, these offices also support KIB operations in The Bahamas.

Guarantee Obligation

As discussed in Note 3, in March 2003, we, along with Kerzner International, entered into a guaranty agreement with respect to certain interim financing for the redevelopment of Palmilla Resort, whereby we guaranteed $20.0 million of such financing. In June 2003, we guaranteed an additional $10.0 million of such financing. As discussed in Note 12, we have a co-borrowing arrangement with Kerzner International and KIB, whereby we unconditionally guarantee amounts outstanding under the Amended Revolving Credit Facility. The amount of borrowings outstanding on this facility as of December 31, 2002 was $72.0 million, all of which was drawn by KIB and is reflected on KIB's balance sheet.

Future minimum lease obligations under various non-cancelable operating leases with terms in excess of one year at December 31, 2002 are as follows:

2003	$	1,642
2004		1,544
2005		1,604
2006		2,020
2007		1,795
Thereafter		19,807
	$	28,412

Executive and Employee Bonus Plans

We have a bonus plan whereby our employees, including officers, will qualify for bonuses if certain levels of earnings or earnings per share are achieved at our parent level, and such bonuses are calculated as a percentage of each individual's salary. Such percentage is based on, among other things, each employee's level of responsibility. Bonuses paid to our officers under this bonus plan could reach a maximum of 60% of the respective employee's base salary. The compensation expense related to this bonus plan amounted to $4.6 million and $1.4 for the years ended December 31, 2002 and 2001, respectively.

NOTE 20– Fair Value of Financial Instruments

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The assumptions used have a significant effect on the estimated amounts reported.

We used the following methods and assumptions in estimating fair value disclosures for financial instruments: (a) Cash and cash equivalents, receivables, due from affiliates, accounts payable and accrued liabilities: The amounts reported in the accompanying consolidated balance sheets approximate fair value due to the short-term nature of these items; (b) Fixed-rate debt: Fixed rate debt is valued based upon published market quotations, as applicable. The fair value of our fixed-rate debt at December 31, 2002 and 2001 was approximately $425.3 million and $482.0 million as compared to its carrying value of $405.7 million and $499.4 million, respectively.

NOTE 21 – Segment Data

The Company manages and internally reports its operations in one business segment.

SCHEDULE II

KERZNER INTERNATIONAL NORTH AMERICA, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
(In Thousands of US dollars)

	Balance at beginning of period	Additions charged to expenses	Deductions (a)	Net assets held for sale (b)	Balance at end of period
For the year ended December 31, 2002:					
Allowance for doubtful receivables					
Other (c)	$ 122	$ 194	$ (220)	$ -	$ 96
	$ 122	$ 194	$ (220)	$ -	$ 96
For the year ended December 31, 2001:					
Allowance for doubtful receivables					
Other (c)	$ 123	$ 84	$ (85)	$ -	$ 122
	$ 123	$ 84	$ (85)	$ -	$ 122
For the year ended December 31, 2000:					
Allowance for doubtful receivables					
Gaming	$ 2,606	$ 1,139	$ (853)	$ (2,892)	$ -
Other (c)	102	111	(56)	(34)	123
	$ 2,708	$ 1,250	$ (909)	$ (2,926)	$ 123

(a) Write-off of uncollectible accounts, net of recoveries.
(b) Reclassification of net assets held for sale related to the Resorts Atlantic City Sale.
(c) Relates to our tour operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On June 24, 2002, Kerzner International and KINA removed Arthur Andersen LLP ("Andersen") as the Company's independent public accountants and on June 24, 2002 retained Deloitte & Touche LLP ("D&T") as the Company's new independent public accountants for the fiscal year 2002. This change was made upon the recommendation of the audit committee of the Company's board of directors and with the approval of the Company's board of directors. The decision to change independent public accountants was based on the continuing uncertainty regarding Andersen's future and is not a reflection of Andersen's commitment or the quality of the services it provided to the Company.

Through the date of their dismissal, there were no disagreements with Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company provided Andersen with a copy of the foregoing disclosures and Andersen stated its agreement with such statements.

During the year ended December 31, 2000 and up to the date of their engagement, the Company did not consult D&T with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

There were no disagreements with Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure during 2002.

PART III

The following Items of this Part III have been omitted pursuant to General Instruction I of Form 10-K: ITEM 10. Directors' and Executive Officers of the Registrant; Item 11. Executive Compensation; Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters and Item 13. Certain Relationships and Related Transactions.

ITEM 14. CONTROLS AND PROCEDURES

As of December 31, 2002, management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. As part of this evaluation, we considered the nature of the adjustments made to the consolidated financial statements as a result of the restatement. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that material information regarding the Company, including its subsidiaries, required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is made known to them in a timely manner. Subsequent to the date of this evaluation, there have not been any significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our internal controls.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents Filed as Part of This Report

1. The financial statement index required herein is incorporated by reference to "Item 8. Financial Statements and Supplementary Data."

2. The index of financial statement schedules required herein is incorporated by reference to "Item 8. Financial Statements and Supplementary Data." Financial statement schedules not included have been omitted because they are either not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. The following exhibits are filed herewith or incorporated by reference:

Exhibit Numbers	Description	Incorporation by Reference to
3(a)(1)	Restated Certificate of Incorporation, as amended, of Kerzner International North America, Inc.	Exhibit 3.3 to Registration Statement on Form F-4, filed on March 20, 1997, File No. 333-23665-01
3(a)(2)	Certificate of Amendment of Restated Certificate of Incorporation of Kerzner International North America, Inc.	Exhibit 3(a)(2) to Form 10-K405 Annual Report of KINA for the fiscal year ended December 31, 1996, filed on March 20, 1997, File No. 001-04748

Exhibit Numbers	Description	Incorporation by Reference to
3(a)(3)	Certificate of Amendment of Restated Certificate of Incorporation of Kerzner International North America, Inc.	Exhibit 3.7 to Registration Statement on Form F-4/A dated August 12, 2002, in File No. 333-96705-36
3(b)	Amended and Restated By-Laws of Kerzner International North America, Inc.	Exhibit 3(b) to Form 10-Q Quarterly Report of KINA for the quarter ended June 30, 1996, filed on August 7, 1996, File No. 001-04748
4(a)	Rights of holders of KINA's common stock	See Exhibits 3(a)(1), 3(a)(2) and 3(b)
4(b)	Form of Inter-Borrower Agreement dated as of March 10, 1997, between Kerzner International and KINA	Exhibit 4(e)(4) to Form 10-K405 Annual Report of KINA for the fiscal year ended December 31, 1996, filed on March 20, 1997, File No. 001-04748
4(c)(1)	Indenture dated as of August 14, 2001, between Kerzner International and KINA, as issuers, the Guarantors party thereto, and The Bank of New York, as trustee	Exhibit 4(a) to Form 8-K of KINA, filed on August 24, 2001, File No. 001-04226
4(c)(2)	Supplemental Indenture dated as of September 19, 2001 to Indenture dated as of August 14, 2001	Exhibit 99(a) to Form 8-K of KINA, filed on September 20, 2001, File No. 001-04226
4(c)(3)	Second Supplemental Indenture dated as of May 20, 2002 to Indenture dated as of August 14, 2001	Exhibit 4.3 to Registration Statement on Form F-4, filed on July 18, 2002, File No. 333-96705-36
4(c)(4)	Third Supplemental Indenture dated as of November 18, 2002 to Indenture dated as of August 14, 2001	Exhibit 99.2 to Form 8-K of KINA, filed on November 22, 2001, File No. 001-04226
4(c)(5)	Form of 8-7/8% Senior Subordinated Note due 2011	Exhibit 4(a) to Form 8-K of KINA, filed on August 24, 2001, File No. 001-04226

Exhibit Numbers	Description	Incorporation by Reference to
4(c)(6)	Form of Guarantee with respect to 8-7/8% Senior Subordinated Note due 2011	Exhibit 4(a) to Form 8-K of KINA, filed on August 24, 2001, File No. 001-04226
4(c)(7)	Registration Rights Agreement dated as of August 14, 2001, among Kerzner International and KINA, as issuers, the Guarantors party thereto, and Deutsche Banc Alex. Brown Inc., Bear Stearns & Co. Inc., CIBC World Markets Corp., Banc of America Securities LLC, Wells Fargo Brokerage Services, LLC, Fleet Securities, Inc., and The Royal Bank of Scotland PLC, as initial purchasers	Exhibit 4(b) to Form 8-K of KINA, filed on August 24, 2001, File No. 001-04226
4(c)(8)	Registration Rights Agreement dated as of May 20, 2002, among Kerzner International and KINA, as issuers, the Guarantors party thereto, and Bear Stearns & Co. Inc., Deutsche Bank Securities Inc., CIBC World Markets Corp., Banc of America Securities LLC, Wells Fargo Brokerage Services, LLC, J.P. Morgan Securities Inc., as initial purchasers	Exhibit 2.3(f) to Form 20-F Annual Report of Kerzner International for the year ended December 31, 2001, filed on May 30, 2002, File No. 001-04226
10(a)	Termination Agreement dated as of February 29, 2000, among Sheraton Desert Inn Corporation, Starwood, Sheraton Gaming Corporation, Kerzner International and Kerzner International Nevada, Inc.	Exhibit 2 to Form 6-K of Kerzner International, filed on March 27, 2000, in File No. 001-04226
10(b)(1)	Amended and Restated Partnership Agreement of Trading Cove Associates dated as of August 29, 1995, among Sun Cove, RJH Development Corp., Leisure Resort Technology, Inc., Slavik Suites, Inc., and LMW Investments, Inc.	Exhibit 10.7 to Registration Statement on Form F-3 of Kerzner International, filed on December 15, 1995, File No. 333-80477
10(b)(2)	Relinquishment Agreement dated February 7, 1998, between the Mohegan Tribal Gaming Authority and Trading Cove Associates	Exhibit 2.2 to Form 20-F/A of Kerzner International for the year ended December 31, 1997, filed on September 3, 1998, File No. 001-04226

Exhibit Numbers	Description	Incorporation by Reference to
10(c)	KINA Retirement Savings Plan, dated January 1, 2000	Exhibit 10(c) to Form 10-K Annual Report of KINA for the year ended December 31, 2000, filed on April 17, 2001, File No. 001-04748
10(d)	Purchase Agreement among KINA, as Parent, GGRI, as Seller and Colony as Buyer dated as of October 30, 2000	Exhibit 10 to Form 10-Q Quarterly Report of KINA for the quarter ended September 30, 2000, filed on November 14, 2000, File No. 001-04748
10(e)	Promissory Note between Colony and KINA dated as of April 25, 2001	Exhibit 2 to Form 6-K of Kerzner International, filed on May 8, 2001, File No. 001-04226
10(f)(1)	Fourth Amended and Restated Revolving Credit Facility dated as of November 13, 2001 among Kerzner International, KINA and Kerzner International Bahamas Limited, various financial institutions as Lenders, and Canadian Imperial Bank of Commerce, as administrative agent	Exhibit 10 to Form 10-Q Quarterly Report of KINA for the quarter ended September 30, 2001, filed on November 14, 2001, File No. 001-04748
10(f)(2)	Letter Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of December 14, 2001	Filed herewith as Exhibit 10(f)(2)
10(f)(3)	First Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of May 8, 2002	Exhibit 4.21 to Registration Statement on Form F-4, filed on July 18, 2002, File No. 333-96705-36
10(f)(4)	Letter Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of August 30, 2002	Exhibit 99.1 to Form 6-K of Kerzner International, filed on December 6, 2002, File No. 001-04226
10(f)(5)	Second Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of November 20, 2002	Exhibit 99.2 to Form 6-K of Kerzner International, filed on December 6, 2002, File No. 001-04226

Exhibit Numbers	Description	Incorporation by Reference to
31(1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(1)
31(2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(2)
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 32
99(1)	Trading Cove Associates Financial Statements December 31, 2002, 2001 and 2000	Filed herewith as Exhibit 99(1)

Registrant agrees to file with the SEC, upon request, copies of any instrument defining the rights of the holders of its consolidated long-term debt.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed with the SEC on November 22, 2002. This report reported on Item 5 an amendment to KINA's indentures and on Item 7 attached the relevant supplemental indentures as exhibits to the filing.

(c) Exhibits Required by Item 601 of Regulation S-K

These exhibits are listed in Item 14(a)(3) of this report.

(d) Financial Statement Schedules Required by Regulation S-X

The financial statement schedules required by Regulation S-X are incorporated by reference to "Item 8. Financial Statements and Supplementary Data."

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

KERZNER INTERNATIONAL NORTH AMERICA, INC.
(Registrant)

Date: November 14, 2003	By	/s/ John R. Allison John R. Allison Chief Executive Officer
Date: November 14, 2003	By	/s/ Anne Robertson Anne Robertson Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: November 14, 2003	By	/s/ John R. Allison John R. Allison Director
Date: November 14, 2003	By	/s/ Charles D. Adamo Charles D. Adamo Director

Exhibit 10(f)(2)

SUN INTERNATIONAL HOTELS LIMITED
SUN INTERNATIONAL NORTH AMERICA, INC.
SUN INTERNATIONAL BAHAMAS LIMITED

December 14, 2001

Canadian Imperial Bank of Commerce
as Administrative Agent
425 Lexington Avenue
New York, NY 10017

Each of the Lenders party to the
Credit Agreement referred to below

LETTER AMENDMENT

Gentlemen and Ladies:

We refer to the Fourth Amended and Restated Revolving Credit Agreement, dated as of November 9, 2001 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"), among Sun International Hotels Limited, a corporation organized under the laws of The Commonwealth of the Bahamas ("SIHL"), Sun International North America, Inc., a corporation organized under the laws of the State of Delaware ("SINA"), Sun International Bahamas Limited, a corporation organized under the laws of The Commonwealth of the Bahamas ("SIBL"; SIHL, SINA and SIBL are each individually referred to as a "Borrower" and collectively referred to as the "Borrowers"), the financial institutions as are or may become parties thereto (collectively referred to as the "Lenders"), Canadian Imperial Bank of Commerce, acting through one or more of its agencies, branches or affiliates ("CIBC"), as the administrative agent (in such capacity, the "Administrative Agent"), Deutsche Bank Alex.Brown Inc. and Bear Stearns Corporate Lending Inc., as co-syndication agents (collectively in such capacities, the "Co-Syndication Agents") and Bank of America, N.A. and Wells Fargo Bank, N.A., as co-documentation agents (collectively in such capacities, the "Co-Documentation Agents"). Unless otherwise defined in this letter (this "Letter") or the context otherwise requires, terms used in this Letter have the meanings provided in the Credit Agreement.

By this Letter, the Borrowers hereby request that the Foreign Currency Letter of Credit Commitment Amount be increased from $3,000,000 to $30,000,000. Upon the receipt of approval of the Required Lenders, the figure "$3,000,000" in the definition of the term "Foreign Currency Letter of Credit Commitment Amount" in the Credit Agreement shall be deleted and replaced with the figure "$30,000,000".

In order to induce the Lenders to agree to the foregoing amendment, the Borrowers hereby (a) confirm and restate all representations and warranties contained in the Credit Agreement and the Loan Documents as of the date hereof and (b) confirm that, after giving effect hereto, no Default has occurred and is continuing. This Letter shall become effective as of the date first above written upon receipt by the Administrative Agent of counterparts of this Letter duly executed by each of the Borrowers, the Required Lenders and each of the Guarantors.

This Letter may be executed by the parties hereto in several counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter by facsimile shall be effective as delivery of a manually executed counterpart of this Letter.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. Except as expressly stated herein, all of the terms and provisions of the Credit Agreement and the other Loan Documents shall remain in full force and effect. This Letter is a Loan Document executed pursuant to the Credit Agreement and shall be construed and administered in accordance with all of the terms and provisions of the Credit Agreement. No modification by any Lender hereunder shall be applicable to subsequent transactions. No modification hereunder shall require any similar or dissimilar modification hereafter to be granted.

If you are in agreement with the foregoing terms, kindly execute this Letter in the space provided below and deliver to the Administrative Agent an executed counterpart of this Letter.

Very truly yours,

SUN INTERNATIONAL HOTELS LIMITED

By:____________________________
Title:____________________________

SUN INTERNATIONAL NORTH AMERICA, INC.

By:____________________________
Title:____________________________

SUN INTERNATIONAL BAHAMAS LIMITED

By:____________________________
Title:____________________________

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

CIBC INC.

By: __________________________
Paul J. Chakmak
Title: Managing Director,
CIBC World Markets Corp., AS AGENT

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

CANADIAN IMPERIAL BANK OF
COMMERCE, as Administrative Agent

By: ______________________
Paul J. Chakmak
Title: Managing Director,
CIBC World Markets Corp., AS AGENT

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

For and on behalf of
ABSA BANK LIMITED, LONDON BRANCH

By:	By:
Martin S. Collard	David W. Colgan
Title: Senior Manager, Corporate Banking	Title: Head of Corporate Banking
Date: 21 January, 2002	Date: 21 January, 2002

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

BANKERS TRUST COMPANY

By: Linda Wang
Title: Vice President

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

BANK OF AMERICA
NAME OF INSTITUTION

By: ______________________
Title: MATTHEW KOENIG
Managing Director

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

FLEET NATIONAL BANK
NAME OF INSTITUTION

By: [signature]
Title: John T. Harrison
Senior Vice President

THE AMENDMENT SET FORTH ABOVE IS
HEREBY AGREED TO AND ACCEPTED
AS OF THE DATE FIRST ABOVE WRITTEN:

NEDCOR BANK LIMITED
NAME OF INSTITUTION

By: ______________________
Title: SENIOR MANAGER HEAD OF CREDIT

THE UNDERSIGNED GUARANTORS HAVE REVIEWED AND APPROVED THE ATTACHED LETTER. BY THEIR SIGNATURES BELOW, THEY HEREBY RATIFY AND AFFIRM THEIR OBLIGATIONS UNDER THE GUARANTY.

BIRBO NV

By: WC Moat

Name:
Title:

SUN HOTELS INTERNATIONAL MANAGEMENT NV

By: WC Moat

Name:
Title:

SUN INTERNATIONAL FINANCE LIMITED

By: WC Moat

Name:
Title:

SUN HOTELS INTERNATIONAL (BERMUDA), LIMITED

By: WC Moat

Name:
Title:

ABERDEEN MANAGEMENT LIMITED

By: WC Marr

Name:

Title:

SUN INTERNATIONAL MANAGEMENT LIMITED

By: WC Marr

Name:

Title:

PARADISE ISLAND LIMITED

By: WC Marr

Name:

Title:

SUN INTERNATIONAL TIMESHARE LIMITED

By: WC Marr

Name:

Title:

PARADISE SECURITY SERVICES LIMITED

By: WC Marr

Name:

Title:

PURPOSEFUL BV

By: ____________________________
Name:
Title:

SUN INTERNATIONAL MARKETING (UK) LTD.

By: ____________________________
Name:
Title:

SUN COVE, LTD.

By: ____________________________
Name:
Title:

SUN INTERNATIONAL DEVELOPMENT (TIMESHARE) LIMITED

By: ____________________________
Name:
Title:

ISLAND HOTEL COMPANY LIMITED

By: ____________________________
Name:
Title:

SUNONLINE LIMITED

By: W C Mutz
Name:
Title:

BAHAMAS -TRADING LIMITED

By: WC Mutz
Name:
Title:

SUN INTERNATIONAL NETWORK DATA LIMITED

By: WC Mutz
Name:
Title:

SUNONLINE (IOM) LIMITED

By: WC Mutz
Name:
Title:

SUN INTERNATIONAL NETWORK SERVICES LIMITED

By: WC Mutz
Name:
Title:

SUN COVE CALIFORNIA, INC.

By: ______________________
Name:
Title:

SUN INTERNATIONAL NEVADA, INC.

By: ______________________
Name:
Title:

PARADISE BEACH INN LIMITED

By: ______________________
Name:
Title:

PARADISE ENTERPRISES LIMITED

By: ______________________
Name:
Title:

PARADISE ACQUISITIONS LIMITED

By: ______________________
Name:
Title:

SUN INTERNATIONAL DEVELOPMENT LIMITED

By: ______________________
Name:
Title:

PARADISE ISLAND FUTURES LIMITED

By: ______________________
Name:
Title:

SUN INTERNATIONAL RESORTS, INC.

By: ______________________
Name:
Title:

PIV, INC.

By: ______________________
Name:
Title:

ISS, INC.

By: ______________________
Name:
Title:

SUN INTERNATIONAL MARKETING, INC.

By: ______________________
Name:
Title:

SUN INTERNATIONAL NEW YORK, INC.

By: ______________________
Name:
Title:

SUN INTERNATIONAL DEVELOPMENT GROUP, INC.

By: ______________________
Name:
Title:

SUN VACANCES SA

By: ______________________
Name:
Title:

SUN COVE NEW YORK, INC.

By: ______________________
Name:
Title:

Exhibit 31(1)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anne Robertson, certify that:

1. I have reviewed this report on Form 10-K/A of Kerzner International North America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2003

/s/ Anne Robertson
Anne Robertson
Chief Financial Officer

Exhibit 31(2)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John R. Allison, certify that:

1. I have reviewed this report on Form 10-K/A of Kerzner International North America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2003

/s/ John R. Allison
John R. Allison
Chief Executive Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies in their capacity as an officer of Kerzner International North America, Inc. (the "Company") that the Annual Report of the Company on Form 10-K/A for the period ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and result of operations of the Company for such period.

Date: November 14, 2003

/s/ John R. Allison
John R. Allison
Chief Executive Officer

Date: November 14, 2003

/s/ Anne Robertson
Anne Robertson
Chief Financial Officer

Exhibit 99(1)

Trading Cove Associates

Financial Statements
December 31, 2002, 2001 and 2000

Updated: November 13, 2003

Trading Cove Associates
Index to Financial Statements
December 31, 2002, 2001 and 2000

Report of Independent Accountants

To the Partners of
Trading Cove Associates

In our opinion, the accompanying balance sheets and the related statements of operations, changes in partners' capital (deficiency) and of cash flows present fairly, in all material respects, the financial position of Trading Cove Associates (the "Partnership") at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 8 to the financial statements, the Partnership has restated its financial statements for each of its fiscal years to reflect the timing of the recognition of certain liabilities and the classification of certain payments to its partners.

/s/ Pricewaterhousecoopers LLP

Hartford, Connecticut
March 18, 2003, except for Notes 3, 6 and 8 as to which
the date is May 30, 2003

Trading Cove Associates
Balance Sheets
December 31, 2002 and 2001

	2002 (Restated - See Note 8)	2001 (Restated - See Note 8)
Assets		
Current assets		
Cash and cash equivalents	$ 744,138	$ 682,070
Relinquishment fee receivable	23,669,823	18,686,576
Development fee receivable	84,000	1,260,000
Other current assets	4,000	-
Total current assets	24,501,961	20,628,646
Deferred costs, net of accumulated amortization of $2,838,909 and $2,617,391 at December 31, 2002 and 2001, respectively	2,660,032	2,881,550
Property and equipment, net of accumulated depreciation of $48,473 and $40,832 at December 31, 2002 and 2001, respectively	4,730	12,371
Total assets	$ 27,166,723	$ 23,522,567
Liabilities and Partners' Capital		
Current liabilities		
Accounts payable and accrued expenses	$ 114,856	$ 179,093
Subcontracted services payable	-	430,791
Development contract loss provision	5,639,684	5,805,318
Amounts billed in excess of development costs and estimated losses	4,766,655	4,007,443
Total current liabilities	10,521,195	10,422,645
Commitments and contingencies		
Partners' capital	16,645,528	13,099,922
Total liabilities and partners' capital	$ 27,166,723	$ 23,522,567

The accompanying notes are an integral part of these financial statements.

Trading Cove Associates
Statements of Operations
For the Years Ended December 31, 2002, 2001 and 2000

	2002 (Restated - See Note 8)	2001 (Restated - See Note 8)	2000 (Restated - See Note 8)
Revenue			
Relinquishment fee	$ 58,508,703	$ 45,715,318	$ 41,003,849
Development services revenue	556,788	1,253,827	3,512,156
Total revenue	59,065,491	46,969,145	44,516,005
Expenses			
Subcontract payments to partners and their affiliates	-	1,712,791	1,849,506
Cost of development services revenue	1,756,788	1,253,827	8,312,156
Amortization and depreciation	221,818	221,717	222,124
General and administrative	2,017,350	287,209	150,495
Total expenses	3,995,956	3,475,544	10,534,281
Interest and dividend income	13,280	33,377	34,460
Net income	$ 55,082,815	$ 43,526,978	$ 34,016,184

The accompanying notes are an integral part of these financial statements.

Trading Cove Associates
Statements of Changes in Partners' Capital (Deficiency)
For the Years Ended December 31, 2002, 2001 and 2000

	Kerzner Investments Connecticut, Inc.	Waterford Gaming L.L.C.	Total
Partners' capital (deficiency), January 1, 2000 (restated - see Note 8)	$ (26,502,532)	$ (26,502,533)	$ (53,005,065)
Net income	19,508,092	14,508,092	34,016,184
Contributions	1,200,000	1,200,000	2,400,000
Distributions	(5,473,112)	(1,723,112)	(7,196,224)
Partners' capital (deficiency), December 31, 2000 (restated - see Note 8)	(11,267,552)	(12,517,553)	(23,785,105)
Net income	24,263,489	19,263,489	43,526,978
Contributions	1,350,000	1,350,000	2,700,000
Distributions	(7,170,976)	(2,170,975)	(9,341,951)
Partners' capital, December 31, 2001 (restated - see Note 8)	7,174,961	5,924,961	13,099,922
Net income	30,041,407	25,041,408	55,082,815
Contributions	1,000,000	1,000,000	2,000,000
Distributions	(29,268,604)	(24,268,605)	(53,537,209)
Partners' capital, December 31, 2002 (restated - see Note 8)	$ 8,947,764	$ 7,697,764	$ 16,645,528

The accompanying notes are an integral part of these financial statements.

Trading Cove Associates
Statements of Cash Flows
For the Years Ended December 31, 2002, 2001 and 2000

	2002 (Restated - See Note 8)	2001 (Restated - See Note 8)	2000 (Restated - See Note 8)
Cash flows from operating activities			
Net income	$ 55,082,815	$ 43,526,978	$ 34,016,184
Adjustments to reconcile net income to net cash provided by operating activities			
Amortization	221,518	221,517	222,124
Depreciation	7,641	12,708	14,036
Decrease in development contract loss provision	(165,634)	(1,325,476)	(195,939)
Change in assets and liabilities			
Increase in relinquishment fee receivable	(4,983,247)	(3,113,366)	(15,573,210)
Decrease (increase) in development fee receivable	1,176,000	(672,000)	(588,000)
Decrease in management fee receivable	-	-	2,930,329
Decrease in development costs and estimated losses in excess of amounts billed	-	1,766,730	1,975,844
(Increase) decrease in other current assets	(4,000)	1,868	2,451
(Decrease) increase in accounts payable and accrued expenses	(64,237)	38,911	(138,863)
(Decrease) increase in subcontracted services payable	(430,791)	(14,051,965)	13,020,782
Increase in amounts billed in excess of development costs and estimated losses	759,212	4,007,443	-
Decrease in accrued obligations - affiliates	-	(23,621,754)	(30,610,132)
Total adjustments	(3,483,538)	(36,735,384)	(28,940,578)
Net cash provided by operating activities	51,599,277	6,791,594	5,075,606
Cash flows from investing activities			
Purchase of property and equipment	-	(1,484)	(2,744)
Net cash used in investing activities	-	(1,484)	(2,744)
Cash flows from financing activities			
Partners' contributions	2,000,000	2,700,000	2,400,000
Distributions	(53,537,209)	(9,341,951)	(7,196,224)
Net cash used in financing activities	(51,537,209)	(6,641,951)	(4,796,224)
Net increase in cash and cash equivalents	62,068	148,159	276,638
Cash and cash equivalents at beginning of year	682,070	533,911	257,273
Cash and cash equivalents at end of year	$ 744,138	$ 682,070	$ 533,911

The accompanying notes are an integral part of these financial statements.

1. Organization, Partnership Agreement and Other Material Agreements

i) Organization and Partnership Agreement

Trading Cove Associates (the "Partnership"), a Connecticut general partnership, was organized on July 27, 1993. The primary purpose of the Partnership has been:

a) to assist the Mohegan Tribe of Indians of Connecticut (the "Tribe") and the Mohegan Tribal Gaming Authority (the "Authority") in obtaining federal recognition,
b) to negotiate the tribal-state compact with the State of Connecticut on behalf of the Tribe,
c) to obtain financing for the development of the Mohegan Sun Casino (the "Mohegan Sun"),
d) to negotiate the Amended and Restated Gaming Facility Management Agreement (the "Management Agreement"),
e) to oversee all operations of the Mohegan Sun pursuant to the terms of the Management agreement until December 31, 1999, and
f) to participate in the design and development of the Mohegan Sun.

The Mohegan Sun commenced operations on October 12, 1996. From the opening of the Mohegan Sun, and until January 1, 2000, the Partnership oversaw the Mohegan Sun's day-to-day operations.

The Partnership will terminate on December 31, 2040, or earlier, in accordance with the terms of the partnership agreement (the "Partnership Agreement").

The original partners of the Partnership were RJH Development Corp. ("RJH"), a New York corporation, Leisure Resort Technology, Inc. ("Leisure"), a Connecticut corporation, Slavik Suites, Inc. ("Slavik"), a Michigan corporation and LMW Investments, Inc. ("LMW"), a Connecticut corporation. On September 21, 1994, the Partnership Agreement was amended and restated to admit Kerzner Investments Connecticut, Inc. ("Kerzner Investments"), a Connecticut corporation, formerly Sun Cove Limited, as a partner.

On February 3, 1995, Leisure entered into an acknowledgement and release agreement to withdraw as a partner of the Partnership and hold its interest in the Partnership as a beneficial interest. On August 6, 1997, Leisure filed a lawsuit against the Partnership, Kerzner Investments, RJH and Waterford Gaming, L.L.C. ("Waterford Gaming") and its owners, claiming breach of contract, breach of fiduciary duties and other matters in connection with the development of the Mohegan Sun. On January 6, 1998, pursuant to the settlement and release agreement described in Note 7. below, Waterford Gaming paid $5,000,000 to Leisure and, among other things Leisure gave up, (a) its beneficial interest in 5% of certain fees and excess cash flows, as defined, of the Partnership and (b) any other claims it may have had against the Partnership, Kerzner Investments, RJH, Waterford Gaming and its owners. In connection with the settlement of all matters related to such suit, pursuant to the settlement and release agreement, Waterford Gaming agreed to acquire Leisure's interests in the Partnership. As a result of this acquisition, Leisure no longer has the right to 5% of the Organizational and Administrative fee, as defined in the Organizational and Administrative Services Agreement, and 5% of the Partnership's Excess Cash as defined in the Partnership Agreement, and Waterford Gaming is now entitled to such fees and cash. During March 1999, Waterford Gaming's $65,000,000 senior notes were retired and, on March 18, 1999, Waterford Gaming paid an additional $2,000,000 to Leisure pursuant to the settlement and release agreement. On January 7, 2000, Leisure filed a complaint against the Partnership and certain other defendants. For a description of the complaint, see Note 7 to these financial statements.

On November 8, 1996, Slavik, LMW and RJH withdrew from the Partnership and, concurrently, consented to the admission of Waterford Gaming to the Partnership. Waterford Gaming, simultaneously, purchased RJH's interest in the Partnership. Waterford Gaming is owned by Waterford Group, LLC. Waterford Group, LLC is owned by Slavik and LMW.

The partners' percentage interest in the Partnership as of November 8, 1996 was as follows:

Partner	Percentage Interest
Kerzner Investments	50.0%
Waterford Gaming	50.0%

ii) Other Material Agreements

Relinquishment Agreement

On February 7, 1998, the Partnership and the Authority entered into the Relinquishment Agreement (the "Relinquishment Agreement"). Under the terms of the Relinquishment Agreement the Partnership continued to manage the Mohegan Sun under the Management Agreement until midnight December 31, 1999, and on January 1, 2000, the Management Agreement terminated and the Tribe assumed day-to-day management of the Mohegan Sun.

Under the Relinquishment Agreement, to compensate the Partnership for terminating its rights under the Management Agreement and the Hotel/Resort Management Agreement the Authority agreed to pay to the Partnership a fee (the "Relinquishment Fees") equal to 5% of Revenues, as defined in the Relinquishment Agreement, generated by the Mohegan Sun during the 15-year period commencing on January 1, 2000, including revenue generated by the Project Sunburst expansion (the "Project Sunburst expansion").

The Relinquishment Fees are divided into senior relinquishment payments and junior relinquishment payments, each of which equals 2.5% of "Revenues". Revenues are defined as gross gaming revenues (other than Class II gaming revenue, ie bingo) and all other facility revenues. Such revenue includes hotel revenues, food and beverage sales, parking revenues, ticket revenues and other fees or receipts from the convention/events center in the Project Sunburst expansion and all rental or other receipts from lessees, licensees and concessionaires operating in the facility, but not the gross receipts of such lessees, licensees and concessionaires. Such revenues exclude revenues generated by any other expansion of the Mohegan Sun. Senior relinquishment payments are payable quarterly in arrears commencing on April 25, 2000, for the quarter ended March 31, 2000 and the junior relinquishment payments are payable semi-annually in arrears commencing on July 25, 2000, for the six months ended June 30, 2000, assuming sufficient funds are available after satisfaction of the Tribe's senior obligations, as defined in the Relinquishment Agreement.

Development Agreement

On February 7, 1998 the Partnership and the Authority entered into the Development Services Agreement (the "Development Agreement"), which made the Partnership the exclusive developer of the Project Sunburst expansion. Pursuant to the Development Agreement, the Partnership agreed to oversee the planning, design, construction, furnishing, equipping and staffing of the Project Sunburst expansion for a $14.0 million development fee (the "Development Fee").

On May 24, 2000, the Partnership and the Authority agreed that the Partnership had performed and completed all its obligations relating to the staffing of the Project Sunburst expansion and that the Partnership has no further obligations relating to the staffing of the Project Sunburst expansion.

The first phase of the Project Sunburst expansion, including the Casino of the Sky, The Shops at Mohegan Sun, and the 10,000-seat Mohegan Sun Arena opened in September 2001. In April 2002, 734 of the 1,200-hotel rooms in the 34-story luxury hotel as well as the meeting and convention space and spa opened. The balance of the 1,200-hotel rooms opened during June 2002. At December 31, 2002, the Project Sunburst expansion was substantially completed.

Pursuant to the Development Agreement, the Authority agreed to pay the Development Fee to the Partnership quarterly beginning on January 15, 2000 based on the incremental completion of the Project Sunburst expansion as of the previous calendar quarter and thereafter within fifteen (15) days following the end of each calendar quarter. The last payment of the Development Fee is to be paid on the Completion Date, as defined in the Development Agreement, of the Project Sunburst expansion.

The Development Agreement terminates after the earlier of the completion of the Project Sunburst expansion or 10 years. In addition, each party has the right to terminate the Development Agreement if there is a default or failure to perform by the other party.

Management Agreement
The Partnership entered into the Management Agreement with the Tribe pursuant to which the Tribe granted to the Partnership the exclusive right and obligation to develop, manage, operate and maintain the Mohegan Sun. The Management Agreement was amended and restated effective September 29, 1995 (the "Effective Management Agreement Date"). The Partnership's obligations under this agreement began five days after the Effective Management Agreement Date and were originally intended to end on October 11, 2003, seven years from the opening of the Mohegan Sun. Pursuant to the Management Agreement the Partnership received a management fee (the "Management Fees") that was calculated in three tiers based upon the Net Revenues, as defined in the Management Agreement, of the Mohegan Sun. The Management Agreement terminated at midnight on December 31, 1999. The final management fee was received by the Partnership from the Authority on January 25, 2000.

Agreements with Partners and/or their Affiliates

Agreement Relating to Development Services
On February 9, 1998, the Partnership and Kerzner International Management Limited ("KIML"), entered into the Agreement Relating to Development Services (the "Development Services Agreement Phase II"). Pursuant to the Development Services Agreement Phase II, the Partnership subcontracted with KIML who agreed to perform those services assigned to KIML by the Partnership in order to facilitate the Partnership's fulfillment of its duties and obligations to the Authority under the Development Agreement. KIML subsequently assigned the Development Services Agreement Phase II to Kerzner Investments.

Pursuant to the Development Services Agreement Phase II, the Partnership pays to Kerzner Investments a fee, as subcontractor (the "Development Services Fee Phase II"), equal to 3% of the development costs of the Project Sunburst expansion, excluding capitalized interest, less all costs incurred by the Partnership in connection with the Project Sunburst expansion. The Development Services Fee Phase II shall be paid in installments due on December 31, 1999 and 2000 and on the Completion Date, as defined in the Development Agreement, with a final payment being made when the actual development costs of the Project Sunburst expansion are known. The Partnership pays the Development Services Fee Phase II, from available cash flow, if any, in accordance with the Amended and Restated Omnibus Termination Agreement. At December 31, 2002, the total of the Development Services Fee Phase II and the Partnership's costs related to the development of the Project Sunburst expansion will exceed the development services revenue from the Tribe by approximately $16,000,000 as discussed in Note 3.

Before KIML assigned the Development Services Agreement Phase II to Kerzner Investments, it entered into the Local Construction Services Agreement (the "Local Construction Services Agreement") with Wolman Construction, LLC ("Construction") pursuant to which Construction agreed to provide certain of those services assigned to KIML by the Partnership pursuant to the Development Services Agreement Phase II. KIML assigned the Local Construction Services Agreement to Kerzner Investments. Pursuant to the Local Construction Services Agreement, Kerzner Investments agreed to pay to Construction a fee equal to 20.83% of the Development Services Fee Phase II as and when Kerzner Investments receives payment from the Partnership in accordance with the Development Services Agreement Phase II.

Construction has subcontracted with The Slavik Company to provide certain services under the Local Construction Services Agreement. In connection with this, Construction agreed that The Slavik Company would be paid a fee equal to 14.30% of its fee under the Local Construction Services Agreement.

Amended and Restated Omnibus Termination Agreement
Effective March 18, 1999, the Amended and Restated Omnibus Termination Agreement (the "Amended and Restated Omnibus Termination Agreement") was entered into by the Partnership, Kerzner International Limited ("Kerzner International"), Waterford Gaming, KIML, LMW, Kerzner Investments, Slavik and Construction. The Amended and Restated Omnibus Termination Agreement (i) terminated the memorandum of understanding dated February 7, 1998; and (ii) effective January 1, 2000, terminated a) the Amended and Restated Omnibus Financing Agreement; b) the Completion Guarantee and Investment Banking and Financing Arrangement Fee Agreement (the "Financing Arrangement Agreement"); c) the Management Services Agreement; d) the Organizational and Administrative Services Agreement; e) the Marketing Services Agreement; and f) a Letter Agreement relating to expenses dated October 19, 1996.

In consideration for the termination of such agreements, the Partnership will use its cash to pay the following obligations in the priority set forth below:

(i) First, to pay all unpaid amounts which may be due under the terminated Letter Agreement and to pay to certain affiliates of Waterford Gaming and to Kerzner Investments a percentage of an annual fee of $2.0 million less the actual expenses incurred by the Partnership during such year. Such annual fee shall be payable in equal quarterly installments beginning March 31, 2000 and ending December 31, 2014. For the years ended December 31, 2002, 2001 and 2000, $0, $1,712,791 and $1,849,506, respectively, have been paid and incurred by the Partnership in terms of the first priority;

(ii) Second, to return all capital contributions made by the partners of the Partnership after September 29, 1995. The Partnership anticipates making capital calls to fund expenses related to the development of the Project Sunburst expansion, and these capital calls will be repaid, based on cash flow, in the quarter following the quarter in which the capital call was made. From January 1, 2000 to December 31, 2002 these contributions aggregated $7,100,000. From January 1, 2000 to December 31, 2002 $6,700,000 has been repaid to the partners of the Partnership.

As of December 31, 2002, $400,000 in capital contributions remained outstanding. On January 28, 2003, a cash distribution of $200,000 was made to each partner;

(iii) Third, to pay any accrued amounts for obligations performed prior to January 1, 2000 under the Financing Arrangement Agreement. All such required payments were made during 2000;

(iv) Fourth, to make the payments set forth in the agreements relating to the Development Services Agreement Phase II and the Local Construction Services Agreement as detailed under a) above. No such payments are required or due at December 31, 2002. The accrued liability to Kerzner Investments with respect to such fee at December 31, 2002 was approximately $10,216,000;

(v) Fifth, to pay Kerzner Investments an annual fee of $5.0 million payable in equal quarterly installments of $1.25 million beginning March 31, 2000 and ending December 31, 2006. On January 28, 2003 and January 28, 2002, $1,250,000 was distributed in terms of the fifth priority;

(vi) Sixth, to pay any accrued amounts for obligations performed with respect to periods prior to January 1, 2000 under the Management Services Agreement, the Organizational and Administrative Services Agreement and the Marketing Services Agreement. The final required payments under this priority were made during 2001;

(vii) Seventh, for the period beginning March 31, 2000 and ending December 31, 2014, to pay each of Kerzner Investments and Waterford Gaming twenty-five percent (25%) of the relinquishment payments as distributions. On January 28, 2003 and January 28, 2002, $22,043,000 ($11,221,500 to each of Kerzner Investments and Waterford Gaming) and $16,715,209 ($8,357,605 to Kerzner Investments and $8,357,604 to Waterford Gaming), respectively, was distributed by the Partnership in terms of the seventh priority; and

(viii) Eighth, to distribute all excess cash.

In addition, the Partnership shall not make any distributions pursuant to the Amended and Restated Omnibus Termination Agreement until it has annually distributed to its partners, pro rata, the amounts related to the partners tax obligations as described in Section 3.03a(1) of the Partnership Agreement less twice the amount of all other funds paid or distributed to Waterford Gaming during such year pursuant to the Amended and Restated Omnibus Termination Agreement.

To the extent the Partnership does not have adequate cash to make the payments pursuant to the Amended and Restated Omnibus Termination Agreement, such amounts due shall be deferred without the accrual of interest until the Partnership has sufficient cash to pay them.

Amended and Restated Omnibus Financing Agreement
Until January 1, 2000, the Partnership's primary source of revenue and cash flow was Management Fees. Those fees were utilized by the Partnership to make subcontract payments to partners and affiliates pursuant to the Amended and Restated Omnibus Financing Agreement, which was terminated effective January 1, 2000.

2. Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less.

Relinquishment Fee
Revenue is generated in accordance with terms of the Relinquishment Agreement and recognized quarterly based upon the revenues of the Authority.

Development Services Revenue and Cost Recognition
Revenue generated from services performed in accordance with the terms of the Development Agreement are recognized on the percentage-of-completion basis, determined by the percentage of costs incurred to date to estimated total costs for the contract. This method is used because management considers cost incurred to be the best available measure of progress on the contract.

Costs of development services revenue performed include all direct labor costs and those indirect costs related to services such as subcontractors, consultants, supplies, depreciation and other costs. Changes in performance, requirements and estimated profitability may result in revisions to costs and income and will be recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The asset, "development costs and estimated losses in excess of amounts billed", represents revenues recognized in excess of amounts billed. The liability, "amounts billed in excess of costs and estimated losses", represents billings in excess of revenues recognized.

Deferred Costs
Costs associated with acquiring the Management Agreement were amortized on a straight-line basis over the 84-month period of the Management Agreement through March 3, 1999. As a result of the Relinquishment Agreement becoming effective, the remaining balance will be amortized over 189 months beginning March 4, 1999.

Property and Equipment
Office equipment, computer equipment and furniture and fixtures are stated at cost. Depreciation is charged against income over a 3-year estimated life of the office and computer equipment and over a 5-year estimated life of furniture and fixtures. Depreciation expense for the years ended December 31, 2002, 2001 and 2000 amounted to $7,641, $12,708 and $14,036 of which $7,341, $12,508 and $14,036 were included in cost of development services revenue, respectively.

Income Taxes
No income tax provision or benefit is recorded on the books of the Partnership, as the respective share of taxable income or loss is reportable by the partners on their individual tax returns.

Concentration of Credit Risk
Financial instruments, which potentially subject the Partnership to a concentration of credit risk, principally consist of cash in excess of the financial institutions' insurance limits. The Partnership invests available cash with high credit quality institutions.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Payments to Partners and their Affiliates
Payments are made to the partners and/or their affiliates in accordance with the terms of the Amended and Restated Omnibus Termination Agreement for certain subcontracted services rendered and are accounted for as expenses of the Partnership.

3. Development Contract

The Partnership entered into a Development Agreement with the Authority, which entitles the Partnership to receive a development fee totaling $14 million. A summary of the quarterly Development Fee payments received by the Partnership in accordance with the terms of the Development Agreement is as follows:

Date of Payment	Amount
January 15, 2000	$ 1,372,000
April 20, 2000	896,000
July 17, 2000	1,260,000
October 13, 2000	1,372,000
January 23, 2001	588,000
April 16, 2001	1,582,000
July 20, 2001	2,212,000
October 17, 2001	1,974,000
January 25, 2002	1,260,000
April 22, 2002	413,000
July 19, 2002	581,000
October 18, 2002	238,000
January 24, 2003	84,000
	$ 13,832,000

Information relative to the development contract in progress is as follows:

	2002	2001
Development costs incurred	$ 25,065,345	$ 23,308,557
Estimated loss	(16,000,000)	(14,800,000)
	9,065,345	8,508,557
Less: billings to date	(13,832,000)	(12,516,000)
Amounts billed in excess of development costs and estimated losses	$ (4,766,655)	$ (4,007,443)

The balance sheets include a related loss provision of $5,639,684 and $5,805,318 representing an accrual for additional contract costs exceeding cumulative revenues earned and cumulative costs incurred at December 31, 2002 and 2001, respectively.

4. Deferred Costs

Certain costs incurred by the Partnership in connection with obtaining the Management Agreement and the opening of the Mohegan Sun totaling $5,498,941 were capitalized. Amortization commenced upon the opening of the Mohegan Sun. Amortization expense for years ended December 31, 2002, 2001 and 2000 was $221,518, $221,517 and $222,124, respectively.

5. Relinquishment Fee

The Partnership entered into a Relinquishment Agreement with the Authority, which entitles the Partnership to receive a relinquishment fee of 5% of the Revenues generated by the Mohegan Sun including revenue generated by the Project Sunburst expansion.

For the years ended December 31, 2002, 2001 and 2000, total relinquishment fees earned were $58,508,703, $45,715,318 and $41,003,849, respectively. The amount of Relinquishment Fees reported in these financial statements are based upon Revenues reported to the Partnership by the Authority. These amounts were paid by the Authority as follows:

Date Received by the Partnership	Amount
April 25, 2002	$ 6,228,559
July 25, 2002	20,438,439
October 25, 2002	8,171,882
January 27, 2003	23,669,823
Relinqishment Fees earned 2002	$ 58,508,703
April 25, 2001	$ 5,090,622
July 25, 2001	16,036,421
September 7, 2001	136,467
October 25, 2001	5,765,232
January 25, 2002	18,686,576
Relinquishment Fees earned 2001	$ 45,715,318
April 25, 2000	$ 4,947,458
July 26, 2000	15,025,554
October 25, 2000	5,457,627
January 25, 2001	15,573,210
Relinquishment Fees earned 2000	$ 41,003,849

6. Reconciliation of Financial Statements and Tax Information

	2002	2001	2000
Financial statement net income (restated)	$ 55,082,815	$ 43,526,978	$ 34,016,184
Guaranteed payments to partners	(55,765,000)	(36,268,038)	(17,558,007)
Subcontract payments to affiliates previously recorded for financial statement purposes	-	(11,810,876)	(13,719,125)
Financial statement depreciation and amortization less than tax basis depreciation and amortization	1,560	4,172	1,812
Conversion from accrual basis to cash basis method of accounting	-	14,660	14,660
Percentage of completion accounting differences	991,712	(923,794)	(556,767)
Other	50,093	34,156	13,117
Federal income tax basis net income (loss)	$ 361,180	$ (5,422,742)	$ 2,211,874

For the year ended December 31, 1998, the Partnership was required to change its method of accounting for tax purposes from the cash method to the accrual method, in accordance with Internal Revenue Code Section 448. The cumulative difference of $58,640 is amortized equally over four years at $14,660 per year.

7. Commitments and Contingencies

Litigation

On January 6, 1998, Leisure and defendants Waterford Gaming, the Partnership, LMW and Slavik settled a prior lawsuit brought by Leisure. In connection with this settlement, Leisure, the Partnership, Waterford Gaming, LMW and Slavik entered into a settlement and release agreement. Pursuant to this settlement and release agreement, Waterford Gaming bought out Leisure's beneficial interest in the Partnership.

By complaint dated January 7, 2000, as amended February 4, 2000, Leisure filed a four count complaint naming as defendants Waterford Gaming, the Partnership, LMW, Slavik, Waterford Group, LLC, Len Wolman and Mark Wolman (collectively, the "Defendants"). The matter has been transferred to the complex litigation docket and is pending in Waterbury, Connecticut. The complaint alleged breach of fiduciary duties, fraudulent non-disclosure, violation of Connecticut Statutes Section 42-110a, et seq. and unjust enrichment in connection with the negotiation by certain of the Defendants of the settlement and release agreement. The complaint also brought a claim for an accounting. The complaint seeks unspecified legal and equitable damages. On February 29, 2000 Defendants filed a Motion to Strike and a Motion for Summary Judgement, each with respect to all claims. The Court granted Defendants' Motion to Strike in part and denied Defendants' Motion for Summary Judgement, on October 13, 2000. The Court's order dismissed the claim for an accounting and the claim under Connecticut Statutes Section 42-110a, et seq. The Court also struck the alter ego allegations in the complaint against LMW, Slavik, Len Woman, and Mark Wolman. In a decision dated August 6, 2001, the Court dismissed all claims against LMW, Slavik, Len Wolman and Mark Wolman.

On November 15, 2000, the Partnership and its co-defendants answered the complaint. In addition, the Partnership and Waterford Gaming asserted counterclaims for breach of the settlement and release agreement and breach of the implied covenant of good faith against Leisure and its president, Lee Tyrol. In a decision dated June 6, 2001, the Court dismissed the counterclaims against Lee Tyrol. Leisure has moved for summary judgment seeking dismissal of the counterclaims in full. This motion for summary judgment was denied.

Discovery has commenced. Pursuant to the current scheduling order all depositions are to be completed by June 30, 2003. A trial date has not been set.

The Partnership believes that it has meritorious defenses and intends to vigorously contest the claims in this action and to assert all available defenses. At the present time, the Partnership is unable to express an opinion on the likelihood of an unfavorable outcome or to give an estimate of the amount or range of possible loss to the Partnership as a result of this litigation due to the disputed issues of law and/or facts on which the outcome of this litigation depends and due to the infancy of both the action and discovery in the action.

In addition, the Partnership is a defendant in certain litigation incurred in the normal course of business. In the opinion of the Partnership's management, based on the advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the Partnership's financial condition or results of operations.

8. Restatement and Reclassifications

The Partnership has restated its financial statements for each of the fiscal years 1996 through 2002.

The restatement is the result of a change by the Partnership in the way it has historically recorded certain contractual liabilities to its partners and their affiliates, recognized certain revenue, and classified certain distributions to its partners. As described in more detail below, the Partnership has restated its historical financial statements to:

i) recognize as an expense certain contractual liabilities owed its partners and their affiliates for prior services performed under contract when their payment became probable pursuant to Statement of Financial Accounting Standard No. 5 ("SFAS 5"), as opposed to when such expenses were paid or payable (these expenses were previously disclosed as contingent obligations);

ii) recognize as revenue junior relinquishment fees from the Authority pursuant to the Relinquishment Agreement in the quarter in which such fees are earned, as opposed to at the end of every six months, when such fees became payable; and

iii) reclassify certain payments by the Partnership to its partners as distributions on partnership interests which were previously classified as expenses in the statement of operations.

The effect of the restatement is to change the timing of the recognition of certain revenues and certain liabilities of the Partnership, owed to partners and their affiliates, and not to change the amount of such revenues or such liabilities or the amounts paid to partners or their affiliates.

As noted above, the Partnership changed how it has accounted for certain contractual liabilities it owed to its partners and their affiliates for services performed under contract. The Partnership has recorded a liability for previously provided services pursuant to SFAS 5 when it became probable that it had been incurred and when it was reasonably estimable rather than when such payments became payable. As a result of this change, some payments will be recorded as liabilities and expenses on the Partnership's financial statements several years before they are due and payable. Previously, these payments were recorded as liabilities only when payment was certain. These payments are related to amounts due under (a) the third, fourth, fifth, seventh, eighth, ninth and eleventh priority distributions described in the Amended and Restated Omnibus Financing Agreement and (b) the third and fourth priority distributions described in the Amended and Restated Omnibus Termination Agreement.

One effect of the change described in the preceding paragraph is that the Partnership will recognize an additional loss on the Development Agreement between it and the Authority, which is accounted for in accordance with Statement of Position 81-1. Through December 31, 2002 the Partnership had recorded a cumulative loss of $7,007,000 and disclosed a liability to affiliates of approximately $10.2 million. After the restatement, it has recorded a cumulative loss of $16,000,000 as of December 31, 2002. As a result, an additional development loss of $1,200,000 was accrued during 2002 and the development loss in 2000 was reduced by $2,207,000 to give effect to a $10,000,000 development loss at December 31, 1999. Prior to making the change described in the preceding paragraph, the Partnership would have recorded this loss in the second quarter of 2003, when the related amount would have been payable.

As described above, the Partnership changed its historical method of accruing junior relinquishment payments it receives from the Authority pursuant to the Relinquishment Agreement. The Partnership will now accrue for such payments in each quarter as they are earned. Prior to the restatement, the Partnership recognized such payments as revenue as they became payable every six months. There is no impact on annual relinquishment fee revenues.

Also as noted above, the Partnership reclassified certain payments to its partners as distributions on partnership interests. The payments, the classification of which changed, are payments the Partnership has historically made under the fifth and seventh priorities under the Amended and Restated Omnibus Termination Agreement, for the periods commencing January 1, 2000.

The following tables show the effect of the restatement on the Partnership's Balance Sheets as of December 31, 2002 and 2001, as well as the Statements of Operations, Statements of Changes in Partners' Capital (Deficiency), and Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000. The restatement adjustments do not impact total cash flows of the Partnership or its reported cash balances.

Trading Cove Associates
Notes to Financial Statements
December 31, 2002, 2001 and 2000

Balance Sheets

	Previously reported 2002	Restated 2002	Previously reported 2001	Restated 2001
Assets				
Current Assets				
Cash and cash equivalents	$ 744,138	$ 744,138	$ 682,070	$ 682,070
Relinquishment fee receivable	23,669,823	23,669,823	18,686,576	18,686,576
Development fee receivable	84,000	84,000	1,260,000	1,260,000
Other current assets	4,000	4,000	---	---
Total current assets	24,501,961	24,501,961	20,628,646	20,628,646
Deferred costs, net of accumulated amortization of $2,838,909 and $2,617,391 at December 31, 2002 and 2001, respectively	2,660,032	2,660,032	2,881,550	2,881,550
Property and equipment, net of accumulated depreciation of $48,473 and $40,832 at December 31, 2002 and 2001, respectively	4,730	4,730	12,371	12,371
Total assets	$ 27,166,723	$ 27,166,723	$ 23,522,567	$ 23,522,567
Liabilities and Partners' Capital				
Current liabilities				
Accounts payable and accrued expenses	$ 114,856	$ 114,856	$ 179,093	$ 179,093
Subcontracted services payable	23,293,000	---	18,396,000	430,791
Development contract loss provision	---	5,639,684	---	5,805,318
Amounts billed in excess of development costs and estimated loss	1,413,339	4,766,655	2,819,761	4,007,443
Total current liabilities	24,821,195	10,521,195	21,394,854	10,422,645
Commitments and contingencies				
Partners' capital	2,345,528	16,645,528	2,127,713	13,099,922
Total liabilities and partners' capital	$ 27,166,723	$ 27,166,723	$ 23,522,567	$ 23,522,567

Statements of Operations

	Previously reported 2002	Restated 2002	Previously reported 2001	Restated 2001	Previously reported 2000	Restated 2000
Revenue						
Relinquishment fee	$ 58,508,703	$ 58,508,703	$ 45,715,318	$ 45,715,318	$ 41,003,849	$ 41,003,849
Development services revenue	2,722,422	556,788	2,579,303	1,253,827	5,034,095	3,512,156
Total revenue	61,231,125	59,065,491	48,294,621	46,969,145	46,037,944	44,516,005
Expenses						
Subcontract payments to partners and their affiliates	55,765,000	---	49,791,705	1,712,791	33,126,638	1,849,506
Cost of development services revenue	1,922,422	1,756,788	2,579,303	1,253,827	12,841,095	8,312,156
Amortization and depreciation	221,818	221,818	221,717	221,717	222,124	222,124
General and administrative	2,017,350	2,017,350	287,209	287,209	150,495	150,495
Total expenses	59,926,590	3,995,956	52,879,934	3,475,544	46,340,352	10,534,281
Interest and dividend income	13,280	13,280	33,377	33,377	34,460	34,460
Net income (loss)	$ 1,317,815	$ 55,082,815	$ (4,551,936)	$ 43,526,978	$ (267,948)	$ 34,016,184

Statements of Changes in Partners' Capital (Deficiency)

	Previously reported			Restated		
	Kerzner Investments Connecticut Inc.	Waterford Gaming, L.L.C.	Total	Kerzner Investments Connecticut Inc.	Waterford Gaming, L.L.C.	Total
Partners' capital (deficiency), January 1, 2000	$ 3,446,911	$ 3,446,910	$ 6,893,821	$ (26,502,532)	$ (26,502,533)	$ (53,005,065)
Net income (loss)	(133,974)	(133,974)	(267,948)	19,508,092	14,508,092	34,016,184
Contributions	1,200,000	1,200,000	2,400,000	1,200,000	1,200,000	2,400,000
Distributions	(1,723,112)	(1,723,112)	(3,446,224)	(5,473,112)	(1,723,112)	(7,196,224)
Partners' capital (deficiency), December 31, 2000	2,789,825	2,789,824	5,579,649	(11,267,552)	(12,517,553)	(23,785,105)
Net income (loss)	(2,275,968)	(2,275,968)	(4,551,936)	24,263,489	19,263,489	43,526,978
Contributions	1,350,000	1,350,000	2,700,000	1,350,000	1,350,000	2,700,000
Distributions	(800,000)	(800,000)	(1,600,000)	(7,170,976)	(2,170,975)	(9,341,951)
Partners' capital, December 31, 2001	1,063,857	1,063,856	2,127,713	7,174,961	5,924,961	13,099,922
Net income	658,907	658,908	1,317,815	30,041,407	25,041,408	55,082,815
Contributions	1,000,000	1,000,000	2,000,000	1,000,000	1,000,000	2,000,000
Distributions	(1,550,000)	(1,550,000)	(3,100,000)	(29,268,604)	(24,268,605)	(53,537,209)
Partners' capital, December 31, 2002	$ 1,172,764	$ 1,172,764	$ 2,345,528	$ 8,947,764	$ 7,697,764	$ 16,645,528

Trading Cove Associates
Notes to Financial Statements
December 31, 2002, 2001 and 2000

Statements of Cash Flows	Previously reported 2002	Restated 2002	Previously reported 2001	Restated 2001	Previously reported 2000	Restated 2000
Cash flows from operating activities						
Net income (loss)	$ 1,317,815	$ 55,082,815	$ (4,551,936)	$ 43,526,978	$ (267,948)	$ 34,016,184
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities						
Amortization	221,518	221,518	221,517	221,517	222,124	222,124
Depreciation	7,641	7,641	12,708	12,708	14,036	14,036
Change in assets and liabilities						
Increase in relinquishment fee receivable	(4,983,247)	(4,983,247)	(3,113,366)	(3,113,366)	(15,573,210)	(15,573,210)
Decrease (increase) in development fee receivable	1,176,000	1,176,000	(672,000)	(672,000)	(588,000)	(588,000)
Decrease in management fee receivable	---	---	---	---	2,930,329	2,930,329
Decrease in development costs and estimated loss in excess of amounts billed	---	---	1,628,936	1,766,730	453,905	1,975,844
(Increase) decrease in other current assets	(4,000)	(4,000)	1,868	1,868	2,451	2,451
(Decrease) increase in accounts payable and accrued expenses	(64,237)	(64,237)	38,911	38,911	(138,863)	(138,863)
Increase (decrease) in subcontracted services payable	4,897,000	(430,791)	2,663,244	(14,051,965)	14,270,782	13,020,782
Decrease in development loss provision	---	(165,634)	---	(1,325,476)	---	(195,939)
(Decrease) increase in amounts billed in excess of development costs and estimated loss	(1,406,422)	759,212	2,819,761	4,007,443	---	---
Decrease in accrued obligations	---	---	---	(23,621,754)	---	(30,610,132)
Total adjustments	(155,747)	(3,483,538)	3,601,579	(36,735,384)	1,593,554	(28,940,578)
Net cash provided by (used in) operating activities	1,162,068	51,599,277	(950,357)	6,791,594	1,325,606	5,075,606
Cash flows from investing activities						
Purchase of property and equipment	---	---	(1,484)	(1,484)	(2,744)	(2,744)
Net cash used in investing activities	---	---	(1,484)	(1,484)	(2,744)	(2,744)
Cash flows from financing activities						
Partners' contributions	2,000,000	2,000,000	2,700,000	2,700,000	2,400,000	2,400,000
Distributions	(3,100,000)	(53,537,209)	(1,600,000)	(9,341,951)	(3,446,224)	(7,196,224)
Net cash (used in) provided by financing activities	(1,100,000)	(51,537,209)	1,100,000	(6,641,951)	(1,046,224)	(4,796,224)
Net increase in cash and cash equivalents	62,068	62,068	148,159	148,159	276,638	276,638
Cash and cash equivalents at beginning of year	682,070	682,070	533,911	533,911	257,273	257,273
Cash and cash equivalents at end of year	$ 744,138	$ 744,138	$ 682,070	$ 682,070	$ 533,911	$ 533,911