

ISLE OF CAPRI CASINOS INC  
Form 10-Q/A  
July 25, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

\_\_\_\_\_  
**FORM 10-Q/A**

(Amendment No. 1)  
\_\_\_\_\_

(Mark One)

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

For the quarterly period ended January 28, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-20538

\_\_\_\_\_  
**ISLE OF CAPRI CASINOS, INC.**  
\_\_\_\_\_

Delaware  
(State or other jurisdiction of  
incorporation or organization)

600 Emerson Road, Suite 300, Saint Louis,

41-1659606  
(I.R.S. Employer

Identification Number)

63141

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

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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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

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**FORM 10-Q/A**

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### RESTATEMENT OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

This Form 10-Q/A amends the following:

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

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

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

Part II. Item 3 (Defaults on Senior Securities)

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

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

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

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**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

the effect of significant competition from other gaming operations in the markets in which we operate;

the effects of changes in gaming authority regulations;

the effects of changes in gaming taxes;

the effects of changes in non-gaming regulations;

loss of key personnel;

the impact of inclement weather on our patronage;

the timing and amount of collection of insurance receivables;

the effects of construction and related disruptions associated with expansion projects at existing facilities;

the effects of increases in energy and fuel prices;

the effects of increases in construction costs;

general and regional economic conditions;

the effects of limitations imposed by our substantial indebtedness

the outcome of pending litigation;

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

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

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

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**ISLE OF CAPRI CASINOS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

(In thousands, except per share data)

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

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

See notes to the unaudited restated consolidated financial statements.

**Table of Contents****ISLE OF CAPRI CASINOS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except per share data)**

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