BLB INVESTORS, LLC
D.B.R. SUPPLEMENTAL FILING APRIL 20, 2004

REDACTED

B. Kerzner International

1. SEC Form 20F Annual Report for Year Ending December 31, 2004
2. $200 Million 2.375% Convertible Notes Offering Memorandum
3. U.K. Gaming Board Certificate of Consent
4. Compliance Committee Program
5. Code of Business Conduct and Ethics
6. Litigation List

C. Starwood Capital

1. Litigation List

D. Waterford Group

1. Slavik Suites, Inc. Certificate of Good Standing

2. LMW Investments, Inc. Certificate of Good Standing

3. Litigation List (Leisure Resorts/Trading Cove Associates)

E. BLB Worldwide, Inc.

1. Certificate of Incorporation

F. BLB Worldwide Holdings, Inc.

1. Certificate of Incorporation

B

RECYCLED

RECYCLED

As filed with the Securities and Exchange Commission on March 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2003

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 001-04226

KERZNER INTERNATIONAL LIMITED

(Exact name of Registrant as specified in its charter)

Commonwealth of The Bahamas
(Jurisdiction of incorporation or organization)

Executive Offices
Coral Towers
Paradise Island, The Bahamas
(242) 363-3000
(Address and telephone number of principal executive offices)

Securities registered or to be registered pursuant of Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, $.001 par value per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. Ordinary Shares, net of treasury shares: 30,283,689

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 which financial statement item the Registrant has elected to follow.

Item 17 ☐ Item 18 ☒

KERZNER INTERNATIONAL LIMITED

FORM 20-F

ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Annual Report, "Kerzner" or "the Company" refers to Kerzner International Limited, and the terms "we," "us," "our" and similar terms refer to Kerzner and any or all of its subsidiaries and joint ventures as the context requires.

Our fiscal year is the calendar year.

The financial statements contained in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States of America ("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'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 Securities Exchange Act of 1934, as amended (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, those relating to development and construction activities, dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), availability of financing, global economic conditions, foreign currency fluctuations, pending litigation, the impact of actual or threatened terrorist activity or war on the economy in general and the travel and leisure industries in particular, acts of God, including hurricanes and other natural disasters (which may result in uninsured losses), 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) and the risk factors discussed under the heading "Risk Factors" in this Annual Report and our other filings with the SEC.

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.

In compiling the information in this Annual Report, we have also used industry data and projections obtained from industry surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have not independently verified this data or determined the reasonableness of such assumptions. We have also indicated where information has come from internal sources. Such information 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. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

(A) Selected Financial Data

The following table sets forth certain historical consolidated financial information of the Company for each of the five years ended December 31, 2003. The historical financial information as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, as set forth below, has been derived from our audited consolidated financial statements, prepared in accordance with U.S. GAAP, included in this Annual Report and audited by our independent auditors. The information set forth below is not necessarily indicative of future results and should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report. Amounts are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP.

Subsequent to the issuance of the December 31, 2002 consolidated financial statements, the Company determined that it was necessary to restate its consolidated financial statements as of December 31, 2002 and 2001 and for the years then ended. See "Item 5. Operating and Financial Review and Prospects—(B) Restatement and Reclassifications" and "Item 18. Financial Statements—Note 2—Restatement and Reclassifications" for a discussion of recently restated financial information. All the financial information in this Annual Report reflects the restatement. In addition, due to the prior years' effect of the restatements for the years ended December 31, 2002 and 2001, the Company has restated previously audited information presented in the selected financial data tables for the years ended December 31, 2000 and 1999.

(In thousands of U.S. dollars, except per share data)

	For the Year Ended December 31,				
	2003	2002 (b) (As restated)	2001 (c) (As restated)	2000 (d) (As restated)	1999 (e) (As restated)
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Gross revenues	$584,911	$565,572	$616,209	$ 920,143	$754,933
Net revenues	561,332	543,362	575,436	868,364	704,693
Income (loss) from operations	97,166	94,660	91,223	(71,187)	110,877
Income (loss) from discontinued operations, net of income tax effect (a)	1,305	(8,061)	(4,608)	—	—
Net income (loss)	71,572	39,603	32,661	(115,447)	66,267
Basic earnings (loss) per share:					
Income (loss) from continuing operations	$ 2.46	$ 1.71	$ 1.39	$ (3.74)	$ 1.98
Income (loss) from discontinued operations	0.04	(0.29)	(0.18)	—	—
Net income (loss) per share	$ 2.50	$ 1.42	$ 1.21	$ (3.74)	$ 1.98
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	$ 2.39	$ 1.67	$ 1.34	$ (3.74)	$ 1.95
Income (loss) from discontinued operations	0.05	(0.28)	(0.17)	—	—
Net income (loss) per share	$ 2.44	$ 1.39	$ 1.17	$ (3.74)	$ 1.95

	As of December 31,				
	2003	2002 (As restated)	2001 (As restated)	2000 (As restated)	1999 (As restated)
CONSOLIDATED BALANCE SHEET DATA:					
Total assets	$1,455,928	$1,395,039	$1,337,740	$1,438,776	$1,645,799
Long-term debt, net of current maturities	417,220	497,756	518,231	668,908	578,033
Shareholders' equity	839,590	729,021	674,662	637,081	891,428
Number of shares outstanding	30,284	28,125	27,318	26,786	32,681

(a) The operations of our online gaming subsidiary, Kerzner Interactive, were discontinued during the first quarter of 2003. In connection with the discontinuance of Kerzner Interactive, we recognized $4.5 million of income related to an option agreement with Station Casinos, Inc. which was terminated during the first quarter of 2003. This amount was partially offset by expenses and write-offs related to the discontinuance of Kerzner Interactive's operations. In addition, the results of operations for the year ended December 31, 2003 include a $1.5 million gain on settlement of territorial and other disputes in connection with a settlement with a major shareholder.

(b) The results of operations for the year ended December 31, 2002 include a loss on the early extinguishment of debt of $20.5 million related to the redemption and repurchase of our 9% Senior Subordinated Notes and our 8⅝% Senior Subordinated Notes and a $14.5 million gain on settlement of territorial and other disputes in connection with a settlement with a major shareholder.

(c) The results of operations for the year ended December 31, 2001 include the results of operations of Resorts Atlantic City from January 1, 2001 to April 24, 2001 and $2.3 million of pre-opening expenses related to the Ocean Club Golf Course.

(d) The results of operations for the year ended December 31, 2000 include a $229.2 million write-down of the carrying value of Resorts Atlantic City and a related option to purchase certain real estate from us to their net realizable value and $7.6 million of pre-opening expenses related to the expansion of the One&Only Ocean Club and the Ocean Club Golf Course.

(e) The results of operations for the year ended December 31, 1999 include pre-opening costs of $5.4 million related to a renovation completed at Resorts Atlantic City in July 1999.

(B) Capitalization and Indebtedness

Not applicable.

(C) Reasons for the Offer and Use of Proceeds

Not applicable.

(D) Risk Factors

The resort and casino industries are highly competitive and increases in competition could adversely affect our financial performance.

Our properties compete with other resorts, hotels and casinos, including land-based casinos, riverboat, dockside and cruise ship casinos and other forms of gaming, as well as other forms of entertainment. If other properties operate more successfully, if existing properties are enhanced or expanded, or if additional hotels or casinos are established in and around the markets where we conduct business, we may lose market share. In particular, the expansion, upgrading or construction of competing resort or casino properties in or near any market from which we attract or expect to attract a significant number of customers could have a significant adverse effect on our business, financial condition and results of operations.

A number of our competitors are larger and have greater financial and other resources than we do. In addition, a number of jurisdictions have legalized gaming and other jurisdictions are considering the legalization and/or expansion of gaming. This could open markets in which we currently compete to new entrants and could create new markets that may compete as tourist destinations. Our gaming operations compete, and will in the future compete, with all forms of existing legalized gaming and with new forms of gaming that may be legalized in the future. Our competitive position could be materially adversely affected by larger competing companies, new entrants, new markets and new forms of gaming, and our revenues could decline, harming our financial condition.

A further discussion of competition at our operations by geographic location is included in "Item 4. Information on the Company, (B) Business Overview—Competition."

New projects and expansion and renovation efforts are inherently subject to significant development and construction risks.

We regularly evaluate potential development opportunities and engage in expansion, development and renovation projects at properties that we develop or operate, including expansions, developments and upgrades of our Paradise Island and luxury resort properties. Each of these projects, including the Phase III Expansion on Paradise Island discussed in "Item 4. Information on the Company, (B) Business Overview—The Properties—Atlantis, Paradise Island," and the development of Atlantis, The Palm in Dubai discussed in "Item 4. Information on the Company, (B) Business Overview—The Properties—Atlantis, The Palm," will be subject to the many risks in expanding or renovating an existing enterprise or developing new projects, including unanticipated design, construction, regulatory, environmental and operating problems, and the significant risks commonly associated with

implementing an expansion strategy in new markets. In particular, any such projects are subject to the risks associated with the following:

- the availability of financing and the terms and covenants in our Fourth Amended and Restated Revolving Credit Facility (the "Amended Revolving Credit Facility") and other debt;
- shortages in materials;
- insufficient public infrastructure improvements or maintenance;
- shortages of skilled labor or work stoppages;
- unforeseen construction, scheduling, engineering, environmental or geological problems;
- weather interference, floods, fires or other casualty losses;
- the failure to obtain required licenses, permits or approvals;
- difficulties and uncertainties associated with the regulatory environment in non-U.S. jurisdictions;
- regulatory or private litigation arising out of projects; and
- unanticipated cost increases and budget overruns.

For example, many of our projects are subject to regulation at the national, state and local levels in their respective jurisdictions, which could adversely affect the progress of our projects. In order to proceed with projects, we may need to, among other things, notify authorities of our proposals or submit environmental statements. We could be sanctioned for any failure to follow any of these procedures, including fines or even temporary closure of our work sites. We cannot guarantee that we will be successful in obtaining required permits and approvals. Delays and compliance costs associated with our projects as a result of regulatory obstacles could have a material adverse effect on our business, financial condition or results of operations.

The anticipated costs and construction period for projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with architects and contractors. The cost of any project may vary from initial expectations, and we, or the owners of the property, may have a limited amount of capital resources to fund cost overruns on any project. If cost overruns cannot be financed on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. The completion dates of development projects could also differ significantly from expectations for construction-related or other reasons. We cannot ensure that any project will be completed, if at all, on time or within established budgets. Significant delays or cost overruns on projects could have a material adverse effect on our business, financial condition or results of operations.

Litigation may also impede or delay our ability to complete construction or expansion projects. We have on occasion been named as a defendant in lawsuits brought to delay, alter or enjoin projects in which we have been involved. If litigation is successfully brought against us as a result of our expansion or renovation projects around the world, it could have a material adverse effect on our business, financial condition or results of operations.

In addition, although we design our projects for existing facilities to minimize disruption of business operations, expansion and renovation projects require, from time to time, portions of the existing operations to be closed or disrupted. Any extended disruptions in our operations could have a material adverse effect on our business, financial condition or results of operations.

If we are unable to finance our expansion, development and renovation projects as well as capital expenditures through cash flow and borrowings, our expansion, development and renovation efforts could be jeopardized.

If we are unable to finance existing or future projects with cash flow from operations or borrowings, we will have to adopt one or more alternatives, such as reducing or delaying planned

expansion, development and renovation projects and other capital expenditures, selling assets, restructuring indebtedness, obtaining equity financing or joint venture partners, or modifying our Amended Revolving Credit Facility. These sources of funds may not be sufficient to finance existing or future projects, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our Amended Revolving Credit Facility and the indenture governing our outstanding senior subordinated notes contain certain restrictions on our ability to incur additional indebtedness, and our future indebtedness will likely contain similar restrictions. Effective January 1, 2003, our Amended Revolving Credit Facility was amended in order to calculate borrowings under that facility based on a borrowing base, such that we can draw the lesser of a borrowing base or the commitment amount. If we are unable to secure additional financing, we could be forced to limit or cancel expansion, development or renovation projects, which may adversely affect our business, financial condition and results of operations.

We are subject to extensive governmental gaming regulations, which may harm our business.

Our operation of gaming facilities is subject to extensive governmental regulations. Regulatory authorities typically require various registrations, licenses, findings of suitability and approvals to be held by operators of gaming facilities. The regulatory authorities in these jurisdictions generally have broad discretion in the granting, renewal, suspension and revocation of licenses and require that such registrations, licenses, findings and approvals be renewed or updated periodically. Our necessary key personnel and we are currently qualified to do business in all the jurisdictions in which we operate gaming facilities. We cannot assure you that any new or permanent licenses, permits or approvals that may be required by us, our key employees and our partners, if applicable, in the future will be granted or that our existing licenses, permits and approvals will be renewed or will not be suspended or revoked in the future. The failure to receive or renew licenses or the suspension or revocation of licenses could harm our reputation and result in a loss of revenue, which could materially adversely affect our business, financial condition and results of operations.

Our gaming operations are subject to significant taxation and fees that, if increased, could harm our profitability.

Our gaming operations are subject to significant taxation and fees. Such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our gaming operations in The Bahamas and will likely incur significant taxes and fees in any other jurisdictions, including the United Kingdom, in which we conduct gaming operations in the future. Any material increase in existing taxes and fees, the adoption of new taxes or fees, or the loss or reduction of any existing or future tax incentives, could have a material adverse effect on our profitability.

Our business is seasonal and severe weather conditions could adversely affect our business, results of operations or financial condition, or further increase our insurance premiums and deductibles.

Historically, our revenues and operating profits in The Bahamas have been higher during the first quarter, the prime tourist season, than in successive quarters. Higher revenues and earnings are typically realized from the Mauritius properties during the fourth quarter of the year and from Mohegan Sun during the second and third quarters of the year. If any of these properties were unable to accommodate guests during such periods for any reason, including disruptions caused by weather, our revenues and profits could be adversely affected.

The Bahamas and Mauritius are subject to tropical weather and storms, which, if severe, could adversely affect our operations and tourism. Similarly, inclement weather can adversely affect the revenues that we derive from Mohegan Sun, as the principal means of transportation to this property is by automobile or bus. In September 1999, Hurricane Floyd, a hurricane rated by the United States National Weather Service as a category five, its highest rating, passed within 60 miles of Paradise Island. Our Paradise Island properties suffered approximately $45.0 million of property damage that

took three months to repair. This property damage was covered by our insurance policies in place at that time. In November 2001, Hurricane Michelle impacted our Paradise Island properties. Although minimal disruption in our operations was caused by the storm, our properties (other than Harborside at Atlantis ("Harborside at Atlantis"), which was closed from August 2002 through December 2002 due to water damage resulting primarily from Hurricane Michelle—see "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, Paradise Island") suffered approximately $28.3 million in damage that was substantially covered by our insurance policies. The approximate $28.3 million in property damage at our Paradise Island properties excluded our $6.9 million share of construction remediation costs at Harborside in 2002 and our $1.8 million share in 2003. During 2002, we recorded equity losses of $5.2 million resulting from the $6.9 million remediation charge offset by $1.7 million equity earnings from Harborside at Atlantis' operations. During the fourth quarter of 2003, our portion of insurance recovery related to the remediation costs was $1.5 million and therefore the loss for the year ended December 31, 2003 has been reduced by that amount. Representatives of Harborside at Atlantis are still in negotiation with the insurers and Harborside at Atlantis may receive an additional recovery during 2004.

We cannot assure you that our business and, consequently, our results of operations or financial condition, will not be adversely affected by severe weather conditions in the future, which could cause significant damage and suspension in service provided to our patrons, further increases in our insurance premiums and per occurrence deductibles or cancellations of, or decreases in, our coverage, and harm to our business.

Work stoppages and other labor disputes could harm our financial condition and results of operations.

In The Bahamas, a union represents approximately 3,700 of our approximately 5,900 employees. We participate in an employer association whose existing contract with the union will expire on January 7, 2008. Labor relations in The Bahamas have been unstable at times over the last few years and there have been occasional work stoppages. As the country's largest private employer, we are sometimes the target of labor disputes. Any protracted labor disputes or work stoppages affecting any of the properties that we own or operate could reduce our revenues. In addition, many of the public sector industries in The Bahamas, such as electricity, telecommunication and airport facilities, are unionized. The Bahamian government's labor relations with these unions have been unstable at times and there have been work stoppages on occasion that have been disruptive to our business.

Lack of sufficient air service could adversely affect our revenues and profits.

Most patrons of our Paradise Island, One&Only and other hotel operations arrive by air. Although we consider the current level of air service to our properties in The Bahamas, Mauritius, Mexico, Dubai and the Maldives to be adequate, any interruption or reduction of air service to any such locations could restrict the growth of our businesses, negatively affect our competitive position and adversely affect our revenues and profits.

We are subject to environmental, health and safety laws and regulations and our noncompliance or a significant regulatory change could adversely affect our business, results of operations or financial condition.

Our operations are regulated under a number of federal, provincial, state and local laws and regulations that govern, among other things, the handling of waste materials, some of which are classified as hazardous materials, and the discharge of hazardous materials into the environment. Our operations are subject to stringent regulations relating to protection of the environment and waste handling. In addition to liability for our own noncompliance, these laws and regulations may expose us to liability for the noncompliance of other parties, without regard to whether we were negligent. Sanctions for noncompliance with applicable environmental laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. Furthermore, we may be liable for costs for environmental cleanup at currently or previously owned or operated properties or off-site locations. Our failure to comply with existing laws or regulations, the adoption of new laws or regulations with additional or more rigorous compliance standards, or the more vigorous enforcement of environmental laws or regulations could significantly harm our business by increasing our expenses and limiting our future opportunities.

We do not own, manage or control Mohegan Sun and the revenues that we derive from the Mohegan Sun are therefore outside of our control.

In 2003, we earned $35.7 million, or approximately 37% of our income from operations, from TCA, which is party to a relinquishment agreement with the Mohegan Tribal Gaming Authority. Pursuant to the agreement, in exchange for relinquishing its right to manage Mohegan Sun, TCA is entitled to receive 5% of Mohegan Sun's gross revenues through December 2014. As a result, decisions that affect Mohegan Sun's business or operations, and therefore the revenues that TCA earns under the agreement, are outside of our control.

A small number of our shareholders control a significant percentage of our Ordinary Shares and are able to control decisions affecting our company.

As of December 31, 2003, Caledonia Investments PLC ("Caledonia") had the right to vote approximately 21.7% of our issued and outstanding ordinary shares ("Ordinary Shares"). In addition, Cement Merchants SA ("CMS"), Baron Capital Group, Inc. ("Baron") and FMR Corp. ("FMR") beneficially owned approximately 12.0%, 18.4% and 10.0%, respectively, of our issued and outstanding shares as of December 31, 2003. As of December 31, 2003, The Kerzner Family Trust, which is an indirect parent of World Leisure Group ("WLG"), both of which are controlled by Mr. Solomon Kerzner, beneficially owned approximately 21.1% of our issued and outstanding Ordinary Shares. See "Item 7. Major Shareholders and Related Party Transactions, (A) Major Shareholders" for more information as to how the foregoing ownership percentages were determined. If any combination of these principal shareholders act together, they may be able to effectively control the outcome of substantially all matters requiring shareholder approval, including the election of our directors, thereby controlling our management, policies and business operations. For example, WLG, Caledonia, CMS, Baron and FMR, or combinations thereof, could combine to use this voting power to block our ability to obtain certain types of financing for development plans, renovations or expansions, which could materially adversely affect our ability to develop our business and pursue our strategies.

You may have difficulty enforcing judgments against us or our directors or management that reside outside the United States.

Kerzner is an international business company incorporated under the laws of the Commonwealth of The Bahamas. Certain of our directors and executive officers reside outside the United States. In addition, a substantial portion of the assets of our directors and officers and of our assets are located outside the United States. As a result, it may be difficult or impossible to:

- effect service of process within the United States upon us or these persons; or
- enforce, against us or these persons, in the United States, court judgments obtained in the U.S. courts, including judgments relating to U.S. federal securities laws.

It is unlikely that Bahamian courts would entertain original actions against Bahamian companies, their directors or officers predicated solely upon U.S. federal securities laws. Furthermore, judgments based upon any civil liability provisions of the U.S. federal securities laws are not directly enforceable in The Bahamas. Rather, a lawsuit must be brought in The Bahamas on any such judgment. Subject to consideration of private international law, in general, a judgment obtained after due trial by a court of competent jurisdiction, which is final and conclusive as to the issues in connection, is actionable in Bahamian courts and is impeachable only upon the grounds of fraud, public policy and natural justice.

We may have difficulty enforcing gaming debts in certain foreign jurisdictions or in certain jurisdictions within the U.S., which could negatively affect our operating results.

Gaming debts may not be legally enforced in certain foreign jurisdictions or in certain jurisdictions within the U.S. A substantial portion of the customers at Atlantis reside in the U.S. As a result, we

may be unable to collect gaming debts from our patrons who reside in such jurisdictions, which could negatively affect our operating results.

Reassessments of and changes to our business plans could hinder our development and result in charges or fees that could harm our financial condition and results of operations.

We are regularly reviewing our business plans in light of a variety of factors, including the availability of financing, regulatory and political considerations, competition and other business and strategic concerns. As a result of such assessments, our management may choose to change such plans, which could result in failure to expand and could also cause us to incur fees or charges. We cannot assure you that we will carry forward and complete any proposed business plans.

Energy price increases may adversely affect our cost of operations and our revenues.

Resorts use significant amounts of electricity, natural gas and other forms of energy. Although we have not experienced shortages of energy, substantial increases in the cost of electricity or natural gas may negatively affect our operating results. The extent of any impact is subject to the magnitude and duration of the energy price increases and could be material. In addition, energy price increases in locations that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a decrease in visitation and spending at our properties, which could negatively impact revenues.

Additional increases in our insurance premiums and deductibles may impair our ability to obtain or maintain insurance on our properties.

Due to changes in the insurance market arising prior to the September 11, 2001 terrorist attacks and the effects of such attacks, it has become more difficult and more expensive to obtain insurance. We may encounter difficulty in obtaining or renewing property or casualty insurance on our properties primarily due to the fact that we have a concentration of assets in one market which is subject to the potential negative impact of hurricanes. In addition, such insurance may be more limited and may not cover catastrophic risks or terrorist acts at current levels or at all. Even if we are able to renew our policies or to obtain new policies at levels and with limitations consistent with our current policies, we cannot be sure that we will be able to obtain such insurance at premium rates that are commercially reasonable. In addition to the "all risks" coverage described below, we have insured Atlantis, Paradise Island for up to $300.0 million per occurrence (and in an annual aggregate amount) from damages directly resulting from certain terrorist acts to cover property damage and related business interruption losses. If any such event were to affect all or part of one or more of our properties, it is possible that we would suffer a substantial loss beyond what is covered by our insurance policies.

In 2002, with regard to our Paradise Island property insurance, our "all risk" premiums increased from approximately $4.6 million in the 2001 Policy Year ("Policy Years" are defined as June 1 of that year through May 31 of the following year) to a total of approximately $14.1 million in the 2002 Policy Year and our deductibles also increased from $4.0 million per occurrence in 2001 to $15.0 million per occurrence with an annual aggregate deductible of $30.0 million. For the 2003 Policy Year, our premiums for Paradise Island property insurance have decreased to $13.6 million with the deductibles remaining the same as the 2002 Policy Year. The amount of our "all risk" property and business interruption insurance (inclusive of our per occurrence deductible) in the 2003 Policy Year commencing June 1, 2003 is $175.0 million, as compared to $150.0 million in the 2002 Policy Year and $1.0 billion in the 2001 Policy Year. In addition, our "all risk" insurance policies now exclude from coverage certain losses and damages that were covered under our prior insurance policies. If we are forced to reduce, or prevented from obtaining or renewing, insurance coverage with respect to the occurrence of certain casualties, we could be exposed to heavy losses in the event that severe damage results from any such occurrence.

Acts of terrorism and war could adversely affect the travel market and reduce our operating revenues.

The terrorist attacks of September 11, 2001 had a significant impact on the travel and tourism industries in which we operate. The significant reduction in both business and leisure air travel following that date significantly reduced visitation to all our properties, including our Paradise Island properties, during the fourth quarter of 2001 resulting in a significant decline in our operating results during this period. On March 19, 2003, the U.S. and coalition forces commenced a war with Iraq. Although the official combat in the war with Iraq ceased in May 2003, the U.S. and coalition forces still maintain a presence in Iraq and terrorist activities still remain a threat. These events, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business and results of operations. Future acts of terror, anti-terrorist efforts, war or other armed conflicts involving the United States or other countries may again reduce our guests' willingness to travel, which could have a material adverse effect on the U.S. and global economies and on our business, results of operations and financial condition.

Deterioration in general economic and market conditions could adversely affect our business.

Our business is affected by general economic and market conditions, particularly in the United States and Europe. A large portion of our business at Atlantis, Paradise Island is generated by group convention sales and individual tour and travel. A recession or economic slowdown could cause a reduction in group sales bookings or the willingness or ability of tourists to book vacations at Atlantis, Paradise Island, which could materially adversely affect our operating results.

Item 4. Information on the Company

(A) History and Development of the Company

Kerzner was incorporated in The Bahamas in 1993 under the name "Sun International Hotels Limited," and is an international business company under the International Business Companies Act, 2000 of the Commonwealth of The Bahamas. The Company is registered under number 46,600B at the Companies Registry of The Bahamas. Our executive offices are located at Executive Offices, Coral Towers, Paradise Island, The Bahamas, and the telephone number is 242-363-3000. Our agent for service of process in the United States is Corporation Services Company, 1013 Centre Road, Wilmington, Delaware 19805. On March 1, 1996, we listed our Ordinary Shares for trading on The New York Stock Exchange ("NYSE"). On July 1, 2002, we changed our corporate name from Sun International Hotels Limited to Kerzner International Limited and our stock, which was trading on the NYSE under the symbol "SIH," was listed under the new ticker symbol "KZL." The name change was implemented in accordance with agreements related to the restructuring of Sun International Investments Limited ("SIIL"), which was formerly our majority shareholder. See "Item 7. Major Shareholder and Related Party Transactions." There was no change in our management or worldwide operations as a result of the name change.

The Company was established in order to acquire the Paradise Island Resort and Casino and related operations from Resorts International, Inc. The acquisition was completed in May 1994.

In June 1994, we established Sun Cove Limited, which is now known as Kerzner Investments Connecticut, Inc. ("Kerzner Connecticut"). Kerzner Connecticut owns 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 ("MTGA"), 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 addition, 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 and the Mohegan Tribe assumed full management responsibility for Mohegan Sun. Pursuant to the Relinquishment Agreement, TCA receives annual payments of five percent of the gross revenues of Mohegan Sun for the 15-year period that commenced January 1, 2000. In addition to the Relinquishment Agreement, in February 1998 the Mohegan Tribe appointed TCA to develop its $1.0 billion expansion of Mohegan Sun. See below "(B) Business Overview—The Properties—Mohegan Sun" for a further description of the Relinquishment Agreement and the $1.0 billion expansion.

In December 1996, we acquired Sun International North America, Inc. (formerly Griffin Gaming & Entertainment, Inc.), which is now known as Kerzner International North America, Inc. ("KINA"). KINA is a holding company, which, through an indirect wholly owned subsidiary, formerly owned and operated a 644-room casino hotel property in Atlantic City, New Jersey ("Resorts Atlantic City").

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 $144.0 million, including accrued interest (the "Resorts Atlantic City Sale"). The proceeds received from Colony consisted of approximately $123.5 million in cash, net of costs incurred subsequent to closing, and an unsecured $17.5 million note which was paid in full in March 2002. The net cash proceeds received from this transaction were used to reduce the amount of borrowings outstanding on our Amended Revolving Credit Facility.

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 $40.0 million in the form of a promissory note. In February 2004, we and Colony agreed to terminate the Atlantic City Option and entered into a new agreement pursuant to which we sold the undeveloped real estate adjacent to Resorts Atlantic City to a wholly owned subsidiary (the "Purchaser") of Colony RIH Holdings, Inc. for a purchase price of $40.0 million. See "—Recent Developments—Colony Option" below for more information on this sale.

In 1999, we formed a joint venture with Starwood Vacation Ownership, Inc. ("SVO") (formerly Vistana, Inc.), a subsidiary of Starwood Hotels and Resorts Worldwide, Inc. ("Starwood"), to develop Harborside at Atlantis, a time-share project on Paradise Island. We and SVO each hold a 50% interest in Harborside at Atlantis. As part of the joint venture, we contributed land and SVO contributed cash based on the number of timeshare units to be developed.

In January 2000, we received a proposal from SIIL, at that time the majority shareholder of Kerzner, to acquire in a merger transaction all of our Ordinary Shares not already owned by SIIL or its shareholders for $24 per share in cash. To consider the proposal, we formed a committee of independent members of the Board of Directors (the "Special Committee"), which retained its own financial and legal advisers. The proposed transaction was subject to various conditions, including approval by the Special Committee. On June 16, 2000, we announced that SIIL was not able to negotiate a mutually satisfactory transaction with the Special Committee and that SIIL advised us that its proposal had been withdrawn.

In order to allow our shareholders to sell at least a portion of their Ordinary Shares at the price formerly proposed by SIIL, our Board of Directors approved a self-tender offer for up to 5,000,000 Ordinary Shares at a $24 per share cash price. In August 2000, we announced the completion of the self-tender, pursuant to which we purchased 5,000,000 Ordinary Shares at $24 per share. The self-tender offer was financed with borrowings under our then-existing Revolving Bank Credit Agreement.

In August 2000, we established Kerzner Interactive Limited our Internet gaming subsidiary. In September 2001, we received a license to operate in the Isle of Man and commenced live gaming

operations in January 2002. The Company discontinued the operations of Kerzner Interactive Limited during the first quarter of 2003. See below "(B) Business Overview—Internet Gaming" for more information.

On July 3, 2001, we announced the restructuring of our former majority shareholder, SIIL. In connection with this restructuring, among other things, the shareholders agreement governing SIIL was terminated and SIIL was dissolved. In November 2002, we reached a further settlement with Kersaf Investments Limited ("Kersaf") related to the restructuring agreement and certain other matters. See "Item 7. Major Shareholders and Related Party Transactions."

Effective August 2001, we acquired a 25% interest in the Kanuhura Sun Resort & Spa Limited ("One&Only Kanuhura") for approximately $3.8 million. As of December 31, 2003, we had provided debt financing to the One&Only Kanuhura of $3.6 million, excluding accrued interest. The One&Only Kanuhura is a 100-room luxury resort located on Kanuhura Island in the Maldives, which is located approximately 600 miles southwest of the southern tip of India. Our management contract with the One&Only Kanuhura expires in 2026. Our agreement with Sun Resorts Limited (see below) also included the sale of 20% of our debt and equity interests in the One&Only Kanuhura to Sun Resorts Limited and the transfer to One&Only Management (as defined below) of the Kanuhura management agreement. As a result of the sale, we currently own a 20% equity interest in the One&Only Kanuhura.

In June 2002, we entered into management and development agreements for a 130-room luxury resort in Kaafu Atoll, the Maldives that we expect to open in 2005. This new five-star resort will occupy the site where a small resort had previously been located. The management and development agreements related to this property are co-terminus with the owner's lease, which expires in 2020. As part of this development, we have committed to provide certain financing arrangements to the current owner of the resort in an aggregate principal amount of up to $50.0 million to ensure completion of the new resort and provide for working capital on a standby basis. As of December 31, 2003, we have funded $15.4 million pursuant to this agreement.

On September 12, 2002, we purchased a 50% ownership interest in the 115-room Palmilla Resort ("One&Only Palmilla"), a deluxe five-star property located near Cabo San Lucas in Baja, Mexico for approximately $40.8 million, including transaction costs. In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022. The acquisition was funded through a combination of cash on hand and drawings under our Amended Revolving Credit Facility. The One&Only Palmilla was recently renovated and expanded and re-opened in January 2004 after a refurbishment that expanded the room count to 172 rooms, all of which are oceanfront, and added a new Charlie Trotter restaurant, a 12 unit spa with open air villas, a new meeting space, a new pool and a new poolside restaurant. In addition, in February 2004, the One&Only Palmilla had a grand opening event. The expansion was financed by the One&Only Palmilla through local project financing that is supported by a $46.5 million guarantee from Kerzner, and by a $3.0 million loan from Kerzner that was advanced in 2004. Kerzner expects to provide additional advances that will total approximately $11.0 million. The total cost of the One&Only Palmilla renovation is approximately $102.0 million.

In December 2002, we began to operate and market certain of our managed and/or owned luxury resort hotels under the "One&Only" brand in connection with our corporate name change. One&Only emphasizes the uniqueness of each of the respective properties in the luxury resort market. We are now marketing six of our properties under our One&Only brand.

We currently have a 20.4% ownership interest in Sun Resorts Limited ("SRL"), a publicly traded company on the Mauritian Stock Exchange, which owns the One&Only Le Saint Géran, the One&Only Le Touessrok, Sugar Beach Resort, La Pirogue Hotel and Le Coco Beach Hotel, which are all located in Mauritius. In December 2002, we entered into an agreement with SRL to form One&Only (Indian Ocean) Management Limited ("One&Only Management"), a new management company, for the purpose of, among other things, managing the five properties owned by SRL in Mauritius and the

One&Only Kanuhura in the Maldives, and securing an extension to our management contracts in Mauritius from 2008 until 2023. Effective January 1, 2003 through December 31, 2004, SRL owns 20% of One&Only Management and we own the remaining 80%. Subject to certain conditions, SRL's ownership interest will increase incrementally through 2009 for no consideration, at which time it will own 50% of One&Only Management. The purpose of One&Only Management is to be a joint venture growth vehicle for expansion in the islands of the Indian Ocean. In connection with this transaction, we transferred to One&Only Management all of our Mauritius management agreements and the Kanuhura management agreement, and SRL purchased 20% of our debt and equity interests in the One&Only Kanuhura. In addition, pursuant to a subcontract arrangement with One&Only Management, we provide the comprehensive management services to the five Mauritius resorts and receive a management fee.

In April 2003, we agreed to acquire from London Clubs International ("LCI") for $2.1 million a gaming license and property located in the town center of Northampton, England. We have submitted an application for a certificate of consent to the Gaming Board of Great Britain in order to transfer of the gaming license and expect this process to be completed during the second quarter of 2004. We ultimately expect to develop and operate a new casino facility on an approximate 30,000 square foot site, which is expected to cost approximately $15 million and open in 2005. The development of this facility is subject to the approval of local planning authorities. See "Item 5. Operating and Financial Review and Prospects, (D) Trend Information" for more information regarding LCI.

In May 2003, we entered into a new "Heads of Agreement" with the Bahamian Government with respect to the Phase III Expansion (the "Phase III Expansion") on Paradise Island. The Phase III Expansion, which includes a new hotel and facilities, expanded attractions and an addition to Harborside, is discussed more fully below in "(B) The Properties—Atlantis, Paradise Island."

In September 2003, we entered into agreements to form a joint venture with Nakheel LLC, a government-owned entity ("Nakheel"), in Dubai to develop Atlantis, The Palm, the first phase of which we estimate will cost at least $650 million development and will include a 1,000-room resort and an extensive water theme park situated on 1.5 miles of beachfront. Atlantis, The Palm will be located on The Palm, Jumeirah, a $1.5 billion land reclamation project in Dubai. Kerzner and Nakheel have each agreed to invest $60 million in the form of equity financing to the project, with the balance of the financing, which may include an equity component, expected to be raised at the project level. As part of Kerzner's equity commitment to the project, it expects to invest approximately $21 million in 2004 and $39 million in 2005. As part of the transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The transaction remains subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

In September 2003, we entered into an agreement with a commercial entity that provides for Kerzner to participate in the development of a new project in the greater London area (the "UK Project"). The UK Project is planned to include retail, entertainment and leisure components and it is expected to also include a casino and hotel. Kerzner estimates that its portion of the UK Project would cost in the range of $350 million, and a majority of this cost is expected to be financed on a non-recourse project basis. Kerzner made an initial payment of $4.0 million upon execution of the agreement as partial consideration for the transaction. This transaction remains subject to numerous conditions. The UK Project is discussed more fully below in "(B) The Properties—England."

In September 2003, we entered into an agreement to acquire the assets of Club Méditerranée (Bahamas) Limited on Paradise Island for approximately $38.5 million. The approximate 20-acre site is adjacent to the proposed site of the new 1,200 room hotel that is part of the Phase III Expansion, and is therefore ideally positioned for future expansion of Kerzner's investments on Paradise Island. In the short term, it is expected that the existing hotel on the property will be used to house construction workers during the construction of the planned 1,200-room hotel. During the year ended December 31,

2003, we paid $20.0 million in connection with the acquisition. The remaining balance to be paid of $18.5 million is included as an accrued liability as of December 31, 2003, of which $15.0 million is secured by a letter of credit. The remaining balance of $3.5 million represents a stamp tax of 10% of the purchase price, which is required to be paid upon the recording of the transaction in The Bahamas. In addition, Kerzner obtained an option to purchase certain adjacent land lots for an option price of $5.0 million. The option term is for three years and expires on October 29, 2006. The purchase price allocation has not been finalized as we are awaiting an independent valuation of the assets acquired.

In November 2003, we entered into an agreement with Victoria & Alfred Waterfront (Pty) Limited to develop a new luxury hotel, subject to various conditions, at the highest end of the market in Cape Town, South Africa. We intend to form a joint venture in which we will own a minority interest to develop and operate a new 150-room One&Only luxury hotel on the waterfront.

In November 2003, we entered into agreements to develop and manage Hotel Saratoga, a 100-room hotel currently under renovation in Havana, Cuba, which we anticipate will open in early 2005. Kerzner is assisting in the design and renovation of the hotel and will manage the completed hotel for a term of 10 years with an option for a further 10 years. Pursuant to the terms of our agreements, certain out-of-pocket expenses associated with our development of the hotel will be reimbursed to us from revenues from the hotel's operations. Upon completion, this hotel will be a One&Only property.

Reorganization of Capital Structure

Issuances of 8⅞% Senior Subordinated Notes

In August 2001, Kerzner along with KINA (together, the "Companies") issued $200.0 million principal amount of 8⅞% senior subordinated notes due 2011 (the "8⅞% 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 8⅞% Senior Subordinated Notes were advanced to one of our wholly owned subsidiaries, Kerzner International Bahamas Limited ("KIB"), to repay amounts outstanding under our Amended Revolving Credit Facility.

In May 2002, the Companies issued an additional $200.0 million of 8⅞% 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 described below.

The 8⅞% Senior Subordinated Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly-owned subsidiaries of Kerzner and KINA. Interest on the 8⅞% Senior Subordinated Notes is payable semi-annually and commenced on February 15, 2002. The indenture for the 8⅞% Senior Subordinated Notes contains various restrictive covenants, including limitations on the ability of the issuers and the guarantors to, among other things: (a) incur additional indebtedness, (b) incur certain liens, (c) engage in certain transactions with affiliates and (d) pay dividends and make certain other payments. We believe we are in compliance with all such covenants as of December 31, 2003. All of our outstanding 8⅞% Senior Subordinated Notes are subordinated to the borrowings under our Amended Revolving Credit Facility.

Derivative Financial Instruments

In August and December 2001, we entered into fixed-to-variable rate interest rate swap agreements (the "Swap Agreements") designated as fair value hedges on $200 million principal amount of our 8⅞% Senior Subordinated Notes. In September 2003, we canceled $25.0 million of our $200.0 million Swap Agreements, resulting in $175.0 million of fair value hedges on our 8⅞% Senior Subordinated Notes as of December 31, 2003. The Swap Agreements have rates of 6-month LIBOR plus 291 to 302 basis points.

Amended Revolving Credit Facility

On November 13, 2001, Kerzner, 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, were paid in full by KIB. Under the Amended Revolving Credit Facility, the maximum amount of borrowings that may be outstanding is $253.5 million, subject to the borrowing base discussed below and certain other conditions. This amount reflects the permanent reduction in commitments of $46.5 million effective August 14, 2003 related to our guarantee of the same amount in connection with the local project financing at the One&Only Palmilla.

The Lenders have agreed that up to an additional $50.0 million of borrowings may be available under certain circumstances. Effective January 1, 2003, the lenders agreed that borrowings under our Amended Revolving Credit Facility are based on a borrowing base calculation, such that we can draw the lesser of a borrowing base or the commitment amount. See "Item 10. Additional Information, (C) Material Contracts—Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility" for a description of the borrowing base.

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 EBITDA ratio during the period, as defined (the "Leverage Ratio") or (ii) the London Interbank Offered Rate ("LIBOR") rate plus 1.25% to 2.75% based on the Leverage Ratio. For loans based on the LIBOR 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, 2003, the weighted average interest rate on amounts outstanding under the Amended Revolving Credit Facility, excluding ongoing commitment, agency and letter of credit fees related to the maintenance of the facility, was 3.50%. 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 affirmative and restrictive covenants that Kerzner 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. As of December 31, 2003, Kerzner believes that it was in compliance with all of such covenants.

There were no borrowings outstanding as of December 31, 2003 under the Amended Revolving Credit Facility. Under the borrowing base calculation as of December 31, 2003, our borrowing limit was $253.5 million (after giving effect to the Palmilla guarantee referenced above), as the borrowing base calculation exceeded the commitment amount. Our availability as of December 31, 2003 was $237.0 million, due to the $16.5 million in outstanding letters of credit. All amounts outstanding are unconditionally guaranteed by all significant subsidiaries that are a party to the Amended Revolving Credit Facility.

Tender Offer, Consent Solicitation and Redemption

On May 8, 2002, we commenced a cash tender offer to purchase any and all of our outstanding 9% Senior Subordinated Notes. In conjunction with the tender offer, we solicited consents to proposed amendments to the indenture governing the 9% Senior Subordinated Notes. The tender offer expired on June 5, 2002. At the expiration, a total of $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, we 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. We used the net proceeds from the issuance of $200.0 million of our 8⅞% Senior Subordinated Notes on May 20, 2002 to retire our outstanding 9% Senior Subordinated Notes pursuant to the tender offer and redemption.

Shelf Registration

In May 2002, Kerzner 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. The Universal Shelf allows us flexibility as to the type of security we could choose to sell in the future, including various types of debt securities, Ordinary Shares, preference shares and warrants, and replaces the 1997 Shelf Registration. We may also utilize the Universal Shelf to register secondary sales of Ordinary Shares by selling shareholders. In connection with a settlement agreement with Kersaf, a major shareholder of Kerzner, on December 18, 2002, an indirect subsidiary of Kersaf sold 2.3 million Ordinary Shares of Kerzner (the "Kersaf Offering") in a registered public offering, using securities registered under the Universal Shelf. Securities registered under the Universal Shelf may be offered from time to time directly by us or through underwriters at amounts, prices, interest rates and other terms to be determined at the time of the offering.

In November 2003, pursuant to Rule 12h-3 of the Exchange Act, KINA suspended its obligation to file periodic reports under the Exchange Act. Accordingly, KINA will no longer issue or co-issue any securities registered pursuant to the Universal Shelf.

Redemption of 8⅝% Senior Subordinated Notes

On November 27, 2002, we called for the redemption of the entire outstanding principal amount of our 8⅝% senior subordinated notes due 2007 (the "8⅝% Senior Subordinated Notes") pursuant to the terms of the indenture governing these notes. We purchased $25.8 million of the 8⅝% 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.

Kersaf Offering

On December 18, 2002, Royale Resorts International Limited, an indirect subsidiary of Kersaf, completed the Kersaf Offering. We received approximately $32.1 million of the proceeds from the sale of 2.3 million Ordinary Shares pursuant to the terms of the settlement agreement entered into by Kerzner, Kersaf and certain of its affiliates and certain other parties. See "Item 7. Major Shareholders and Related Party Transactions, (B) Related Party Transactions—Global Settlement."

Recent Developments

Wembley Investment

On March 10, 2004, we announced that we entered into a joint venture, BLB Investors, L.L.C. ("BLB"), with an affiliate of Starwood Capital Group Global, L.L.C. and an affiliate of Waterford Group, L.L.C. for the purpose of acquiring an interest in Wembley plc ("Wembley"), which owns gaming and track operations in the United States and race tracks in the United Kingdom. Wembley's United States operations include its flagship property, Lincoln Park in Rhode Island, where it owns a greyhound racetrack with 2,272 video lottery terminals.

BLB, which is 25% owned by us, 25% owned by Waterford, and 50% owned by Starwood, acquired on March 10, 2004 from funds managed by Active Value Fund Managers Limited ("Active

Value") 2,811,108 shares of Wembley's issued share capital (representing approximately 8% of Wembley), at a price of £8.00 per share. BLB also entered into other arrangements with Active Value on March 10th and March 18th relating to the purchase of Active Value's remaining 4,921,392 shares of Wembley's issued share capital (representing approximately 14% of Wembley), which could increase its total holdings in Wembley up to approximately 22% (subject in all cases to necessary notifications and filings and waiting periods expiring under the Hart-Scott-Rodino Antitrust Improvements Act of 1976).

BLB has an option to purchase 2,391,178 of Active Value's remaining shares (representing approximately 6.9% of Wembley) at £8.00 per share if it announces a firm offer for Wembley on or before March 30, 2004. If there is such an announcement, BLB has agreed to purchase all 4,921,392 of Active Value's remaining shares (representing approximately 14% of Wembley) at the offer price (which may be £8.00 per share or greater). If BLB has not announced a firm offer for Wembley on or before March 30, 2004, Active Value may put 520,576 Wembley shares (representing 1.5% of Wembley) to BLB at a price of £8.00 per share. There can be no certainty that BLB will make an offer for Wembley, and, if an offer is made, whether it would be successful.

On January 27, 2004, MGM Mirage announced that it had made an offer for all of Wembley's outstanding shares at £7.50 per share. The boards of MGM Mirage and Wembley have announced that they have reached agreement to recommend the terms of MGM Mirage's bid to its shareholders. Approval of MGM Mirage's bid is dependent on its receiving the affirmative vote of three-fourths in value of the holders of Wembley's shares.

Kersaf Share Ownership

On March 29, 2004, Kersaf filed with the SEC an amendment to its Schedule 13D filed on July 19, 2001, in which it disclosed that Kersaf and certain of its affiliates sold 498,900 Ordinary Shares between October 10, 2003 and March 26, 2004. The share ownership information provided in this document does not reflect the updated information disclosed in Kersaf's latest amendment to its Schedule 13D.

Colony Option

In February 2004, we and Colony agreed to terminate the Atlantic City Option and entered into a new agreement pursuant to which we agreed to sell the undeveloped real estate adjacent to Resorts Atlantic City to a wholly owned subsidiary of Colony RIH Holdings, Inc. (the "Purchaser") for a sale price of $40.0 million. The sale was completed on March 18, 2004. The sale price was paid in the form of a promissory note which will mature on March 16, 2009 (the "NJ Note"). The NJ Note will begin accruing interest on September 30, 2004 at a rate of 4.0%, which will increase at various intervals from the closing date of the transaction. All principal and interest due under the NJ Note will be due on March 16, 2009, which date may be accelerated by us in certain circumstances. The NJ Note is secured by a first mortgage on the property sold and will be guaranteed by Colony RIH Holdings, Inc. (the direct parent company of the Purchaser) initially in an amount limited to $20.0 million, which will generally increase in increments of $5.0 million annually. The NJ Note will also be guaranteed by Resorts International Hotel and Casino, Inc. This guarantee will go into effect when that company's outstanding public indebtedness, which is due on March 9, 2009, has been paid.

(B) Business Overview

We are the developer, owner and operator of Atlantis, Paradise Island, a 2,317-room island destination resort and casino complex in The Bahamas, and a leading developer and operator of gaming entertainment properties and luxury resort hotels worldwide. Atlantis, Paradise Island, our flagship property, is a premier destination resort property that we believe has strong brand recognition. We recently have entered into an agreement to form a joint venture to develop and manage a second Atlantis resort, Atlantis, The Palm in Dubai, United Arab Emirates.

Our gaming business is focused on owning, developing or managing casino properties in attractive markets where we can capitalize on our development and operating expertise. We developed and earn revenues from Mohegan Sun in Uncasville, Connecticut, which is owned and operated by the MTGA. Following the completion of a major expansion in June 2002, we believe Mohegan Sun is among the largest and most profitable casinos in the U.S.

Our luxury resort hotel business consists of a collection of owned and/or managed premier properties that primarily operate in the five-star, deluxe end of the resort market in The Bahamas, Mauritius, Dubai, the Maldives and Mexico under the One&Only brand. We also expect to develop additional properties in Cape Town, South Africa, the Maldives and Havana, Cuba.

The Properties

Destination Resorts

Atlantis, Paradise Island

Our flagship property is Atlantis, Paradise Island, a 2,317-room ocean-themed resort and casino located on Paradise Island, The Bahamas. Since acquiring the property in 1994, we have invested approximately $1.0 billion to create a unique destination casino resort that caters to multiple segments of the resort and casino gaming markets. The property features a 100,000 square foot entertainment complex that includes the largest casino in the Caribbean market, an 88,000 square-foot convention facility and 30,000 square feet of retail space. Atlantis, Paradise Island celebrates the wonders of the sea and is inspired by the myth of the lost continent of Atlantis. The ocean-themed environment of Atlantis, Paradise Island includes:

- three interconnected hotel towers, the Beach, Coral and Royal Towers, built around a 7-acre lagoon;
- a 34-acre waterscape which features the world's largest open air marine habitat, showcasing over 200 species of marine life, waterfalls, lagoons and adventure walks;
- "The Dig," an area through which visitors can walk surrounded by sharks, numerous species of tropical fish, sea turtles, stingrays and other marine life;
- several thrill waterslides, including the Mayan Temple slide, which propels guests through an acrylic tube in a shark-infested tank;
- the largest casino in the Caribbean market;
- a 63-slip, full-service Marina at Atlantis, Paradise Island, which enjoys some of the highest docking rates in the Caribbean market and can accommodate yachts up to 200 feet in length; and
- Harborside at Atlantis, a timeshare project located adjacent to Atlantis, Paradise Island, developed through a joint venture with a subsidiary of Starwood.

We acquired the property in May 1994 for $125.0 million and redeveloped the property into an ocean-themed destination resort through an initial $140.0 million capital expenditure program. The property achieved an average occupancy and average daily room rate of 85% and $122, respectively, in 1995, a substantial increase from the 62% and $95, respectively, achieved in 1993 under previous management. Seeking to capitalize on the early success of Atlantis, Paradise Island, we began construction of an approximate $640.0 million expansion of the property in 1997. This major expansion was completed in December 1998 and effectively doubled the size of Atlantis, Paradise Island. The 1998 expansion included a 1,200-room hotel, a new 100,000 square foot entertainment complex that includes a casino containing approximately 900 slot machines and 80 table games, a new marina, and an expansion of the ocean-themed environment. During 1999, we completed several additional development projects at Atlantis, Paradise Island, including the addition of 30,000 square feet of new

retail and restaurant space, the conversion of a previously existing 30,000 square foot casino space into a convention center and the construction of a sports center, including an 18-hole Tom Fazio-designed putting course and a tennis center.

During the second half of 2000, we completed an extensive capital expenditure program of approximately $20.0 million at Atlantis, Paradise Island's Beach Tower. This program included the renovation of all of the Beach Tower's 425 rooms and improvements to certain public spaces. During 2001, we completed a major capital expenditure program of approximately $20.0 million to complete renovations at the Ocean Wing of Atlantis, Paradise Island's Coral Towers. This included the renovation of approximately 400 rooms, including improvements to certain public spaces.

To add to our product mix at Atlantis, Paradise Island, we developed Harborside at Atlantis, a timeshare project adjacent to Atlantis, Paradise Island, through a joint venture with a subsidiary of Starwood. As part of the joint venture agreement, Starwood contributed cash and we contributed land, based on the number of units to be developed. The first phase of the project was completed in February 2001 and consisted of 82 two-bedroom units. We began selling the units in May 2000 and have sold approximately 89% of the units through December 31, 2003. In August 2002, Harborside at Atlantis was closed to repair water damage primarily resulting from 2001's Hurricane Michelle. During the fourth quarter of 2002, these repairs were completed and the resort reopened in December 2002. During the temporary closure, Harborside at Atlantis' guests were moved to Atlantis, Paradise Island. Our share of construction remediation costs from Harborside at Atlantis was $6.9 million in 2002 and $1.8 million in 2003. During 2002, we recorded equity losses of $5.2 million, resulting from the $6.9 million remediation charge offset by $1.7 million equity earnings from Harborside at Atlantis' operations. During 2003, we recognized $3.3 million in equity earnings from Harborside at Atlantis. During the fourth quarter of 2003, our portion of insurance recovery related to the remediation was $1.5 million and therefore the earnings for the year ended December 31, 2003 have been increased by that amount. Representatives of Harborside at Atlantis are still in negotiation with the insurers and Harborside at Atlantis may receive an additional recovery during 2004. We intend to commence our second phase of timeshare development at the end of the second quarter of 2004 with an expected completion by 2005. This expansion is subject to approval by the board of directors of Starwood.

In May 2003, we announced that we had entered into an agreement with the Bahamian Government with respect to the Phase III Expansion on Paradise Island in order to continue to expand the Atlantis, Paradise Island resort to capitalize on the demand for rooms and the strength of Atlantis' brand. Our new Heads of Agreement with the Bahamian Government relates to the following projects, which collectively constitute the Phase III Expansion:

- a new 1,200-room hotel to be located on the site of the former Pirates' Cove and Paradise hotel sites and expansion of the existing convention facilities by at least 50,000 square feet (the "New Hotel and Facilities");
- three luxury villas at the One&Only Ocean Club (the "Ocean Club Villas");
- four new restaurants and additional retail space on a seven-acre site adjacent to the Atlantis, Paradise Island Marina (the "Marina Village");
- expansion of the water-based attractions of Atlantis, Paradise Island, including, subject to environmental approvals, a new dolphin swim attraction (the "Expanded Attractions");
- the construction and initial equipping of a fire and ambulance station on land owned by us, to be operated and maintained by the Bahamian Government under a long-term lease (the "Fire and Ambulance Station");
- the right to develop, upon environmental approval, a new 18-hole golf course on Athol Island, which lies just east of Paradise Island, in partnership with an agency to be nominated by the Bahamian Government (the "Athol Golf Course");

- expansion of the existing water production and treatment plant and any other private infrastructure upgrades or expansions necessary to accommodate the other elements of Phase III (the "Utilities and Infrastructure Expansion"); and
- an expansion of Harborside at Atlantis by the addition of 116 time share units which will include two and three bedroom lock-off units on adjacent land ("Harborside Phase II").

The Phase III Expansion is divided into two parts. Phase III-A, as to which the Company was committed to (and did in fact) commence initial construction on certain aspects by December 31, 2003, is comprised of the Ocean Club Villas, Marina Village, the Fire and Ambulance Station and Harborside Phase II. Phase III-B, as to which the Company has the option to commence initial construction by December 31, 2004 or determine not to proceed with this part of the expansion, is comprised of the New Hotel and Facilities, the Athol Golf Course, the Expanded Attractions and the Utilities and Infrastructure Expansion. The Company is permitted to move any elements of the expansion from Phase III-B to Phase III-A at its discretion, without prejudice to any eventual decision not to proceed with the remaining elements of Phase III-B.

The Company has commenced construction of Ocean Club Villas, as well as the addition of several new amenities, including a boardroom, gift shop, kids pool and expanding exercise room to the One&Only Ocean Club. This expansion is expected to be completed by the summer of 2004. During 2004, the Company expects to commence development on Marina Village and Harborside Phase II, both of which are expected to be completed in 2005. Harborside Phase II is subject to approval by the board of directors of Starwood. Our share of the total cost of the Ocean Club Villas, Marina Village, the Fire and Ambulance Station and Harborside Phase II is approximately $110 million. If we elect to proceed with Phase III-B, construction of Phase III-B, which constitutes the largest portion of the Phase III Expansion and includes the New Hotel and Facilities, the Athol Golf Course, the Expanded Attractions and the Utilities and Infrastructure Expansion, is expected to commence in late 2004 and be completed by Christmas 2006. The elements of Phase III-B are in the architectural planning stage and, if completed, are expected to cost approximately $600 million, exclusive of pre-opening costs.

A complete description of the Heads of Agreement can be found in "Item 4. Information on the Company, (B) Business Overview—Certain Matters Affecting Our Bahamian Operations—Heads of Agreement."

On September 19, 2003, we announced that we had entered into an agreement to acquire the assets of Club Méditerranée (Bahamas) Limited on Paradise Island for approximately $40 million. The approximate 20-acre site is adjacent to the proposed site of the New Hotel and Facilities. Through certain Bahamian subsidiaries (the "Bahamian Operations"), we now own approximately 514 acres (exclusive of the Club Méditerranée property) on Paradise Island (or almost 70% of Paradise Island), including approximately 95 acres of undeveloped land. The Phase III Expansion will use approximately 50 acres of currently undeveloped land. In connection with this acquisition, the Company obtained an option to purchase certain adjacent land lots for an option price of $5.0 million. The option term is for three years and expires on October 29, 2006.

We also own and operate the One&Only Ocean Club, a high-end luxury resort hotel, as well as the Ocean Club Golf Course. Through our Bahamian Operations, we also own and operate shops, restaurants, bars and lounges, tennis courts and other resort facilities on Paradise Island, as well as roads and other land improvements on Paradise Island and a water and sewage system which serves, at stated charges, substantially all facilities on Paradise Island, including non-affiliated customers.

Paradise Island is easily accessible by air from London and the eastern U.S. and has an extensive infrastructure. The majority of patrons at our resorts on Paradise Island arrive through Nassau International Airport located on New Providence Island. This airport is served by several carriers offering scheduled jet service from London, New York, Atlanta, Charlotte, Toronto, Miami, Washington D.C. and other cities. Ground transportation is facilitated by two bridges linking Paradise Island and New Providence Island.

Atlantis, The Palm

In September 2003, we announced that we had agreed to form a joint venture with Nakheel LLC, a government-owned entity in Dubai, to develop Atlantis, The Palm. We currently estimate that the first phase of the project will cost at least $650 million and will include a 1,000-room resort and an extensive water theme park situated on 1.5 miles of beachfront. Atlantis, The Palm will be located on The Palm, Jumeirah, a $1.5 billion land reclamation project in Dubai. We and Nakheel have each agreed to invest $60 million in the form of equity financing to the project, with the balance of the financing, which may include an equity component, expected to be raised at the project level. As part of Kerzner's equity commitment to the project, it expects to invest approximately $21 million in 2004. As part of the transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The transaction remains subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

Gaming

Mohegan Sun

Our gaming business is focused on owning, developing or managing casino properties in attractive markets where we believe we can capitalize on our development and operating expertise. We own a 50% interest in, and are a managing partner of, Trading Cove Associates, a Connecticut general partnership that developed and initially 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 MTGA, appointed TCA to develop the $1.0 billion "Project Sunburst" expansion of Mohegan Sun pursuant to a development services agreement (the "TCA Development Agreement") for a development fee of $14.0 million. In turn, TCA subcontracted with an affiliate of the Company pursuant to a subcontract development services agreement, which was later assigned to the Company. In consideration for the services to be provided under the subcontract, TCA paid a fee to the Company.

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 and TCA receives annual payments of five percent of the gross revenues of Mohegan Sun for the 15-year period that commenced January 1, 2000. The relinquishment fees pursuant to the Relinquishment Agreement ("Relinquishment Fees") are divided into senior and junior relinquishment payments, which equal 5.0% of revenues. Revenues are generally defined as gross gaming revenues (other than Class II gaming revenue, i.e. bingo) and all other facility revenues, including hotel revenues, food and beverage sales, parking, ticket revenues and other fees or receipts from the convention/events center generated by Mohegan Sun, including the Project Sunburst expansion described below. Revenues will exclude any revenues generated by any other future expansion of the Mohegan Sun. TCA's right to receive the Relinquishment Fees is junior to certain payments by the MTGA to the Mohegan Tribe and holders of its indebtedness. The senior and junior Relinquishment

Fees from the MTGA to TCA rank behind all of the MTGA's obligations to pay certain minimum priority distributions to the Mohegan Tribe and all of the MTGA's existing and future senior secured indebtedness. The junior fees also rank behind all unsecured indebtedness.

For seven years beginning January 1, 2000, TCA pays us the first $5.0 million of the Relinquishment Fees it receives each year (after the return of certain expenses and capital contributions) pursuant to the Relinquishment Agreement as a priority payment prior to making pro rata distributions to its partners.

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. TCA's partnership agreement will terminate on December 31, 2040, or earlier in certain circumstances, in accordance with its terms.

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 and various other amenities, and a recently opened 34-story, 1,200-room luxury hotel.

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.

We oversaw the $1.0 billion "Project Sunburst" expansion of Mohegan Sun through TCA, which was completed in June 2002. 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, 1,200-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.

We believe the Connecticut gaming market has been extremely strong and that Mohegan Sun's unique design and superior location have helped it to become one of the most profitable casinos in the U.S. Since opening, gross revenues at the property have grown to $1.28 billion for the twelve months ended September 30, 2003, a 14.2% increase over the twelve month period ended September 30, 2002.

United Kingdom

In April 2003, we agreed to acquire from LCI for $2.1 million a gaming license and property located in the city of Northampton, England. The city of Northampton is approximately 70 miles north of London and approximately 1.3 million people live within 25 miles of the city. We have submitted an application for a certificate of consent to the Gaming Board of Great Britain in order to transfer the gaming license and expect this process to be completed during the second quarter of 2004. We ultimately expect to develop and operate a new casino facility on an approximate 30,000 square foot site, which is expected to cost approximately $15 million and open in 2005. The development of this facility is still subject to the approval of local planning authorities.

In September 2003, we announced that we had entered into an agreement with a commercial entity that provides for Kerzner to participate in the development of the UK Project. The UK Project is planned to include retail, entertainment and leisure components and it is expected to also include a casino and hotel. Kerzner's role in the UK Project would consist of a first phase to develop and operate a large scale casino and a second phase to develop and operate a new hotel. Subject to any changes in the expected scope of the UK Project related to United Kingdom gaming laws or other factors, Kerzner estimates that the UK Project would cost in the range of $350 million, and that a majority of this cost is expected to be financed on a non-recourse project basis. Kerzner made an initial

payment of $4.0 million upon execution of the agreement as partial consideration for the transaction. This transaction is subject to numerous conditions, including the enactment of appropriate gaming legislation in the United Kingdom that would allow for the proposed casino, the granting of applicable gaming board, licensing, planning and council permissions under local laws and agreement between the parties on various aspects of the design and construction of the UK Project. If the UK Project goes forward, construction of the casino is expected to commence as soon as practicable after the passage of appropriate gaming legislation and the receipt of local approvals, while the development of the hotel is expected to commence after the construction of the casino is completed.

One&Only

Our One&Only business consists of a collection of managed and/or owned premier luxury resort properties that primarily operate in the five-star, deluxe end of the market. In December 2002, we introduced our One&Only brand for certain of our luxury resort properties. We are now marketing six of our properties under our One&Only brand. We expect that our new managed property under development on Kaafu Atoll in the Maldives ("Kaafu Atoll"), a 130-room luxury resort that we expect to open in 2005, Hotel Saratoga, a 100-room luxury resort in Havana that we expect to open in early 2005, together with other similar luxury resorts we develop or acquire in the future, will operate under our One&Only brand. In addition, we have agreed to acquire a minority interest in a joint venture that expects to develop and manage a new property in Cape Town, South Africa. We do not currently plan on using the brand for Sugar Beach Resort, La Pirogue Hotel or Le Coco Beach Hotel. We value outstanding design, unusual locations and genuine hospitality at our resorts and do not believe in applying simple "formulas." We believe that all of our properties, most of which have been constructed or renovated within the last four years, offer guests a singularly distinctive experience.

Located on what we believe to be some of the leading beach locations in the world, these resorts are architecturally unique and have been developed to blend into their natural environment. Our luxury resort business currently consists of five properties in Mauritius (two of which, Le Saint Géran and Le Touessrok, are One&Only properties), the One&Only Royal Mirage in Dubai, the One&Only Kanuhura in the Maldives, the One&Only Ocean Club on Paradise Island, The Bahamas and the One&Only Palmilla, near Cabo San Lucas, Mexico. We expect to leverage our existing management expertise and business infrastructure and continue to grow this segment of our business in the Caribbean, the Indian Ocean, The Bahamas, the Middle East, Africa and Southeast Asia to obtain additional management contracts, which may also include strategic equity investments and debt financing.

As of December 31, 2003, we were managing approximately 2,000 rooms. As part of our strategy, we sometimes take ownership positions in the properties that we operate. As of December 31, 2003, the properties we operate are as follows:

Property	Location	Percentage Ownership	Number of Rooms
One&Only Ocean Club	The Bahamas	100.0%	106
One&Only Palmilla	Mexico	50.0%	172
One&Only Le Saint Géran(1)	Mauritius	20.4%	163
One&Only Le Touessrok(1)	Mauritius	20.4%	200
One&Only Kanuhura	Maldives	20.0%	100
One&Only Royal Mirage	Dubai	—	466
Sugar Beach Resort(1)	Mauritius	20.4%	238
La Pirogue Hotel (1)	Mauritius	20.4%	248
Le Coco Beach Hotel(1)	Mauritius	20.4%	333

(1) Interest owned through Sun Resorts Limited.

The following properties are currently under development and will be marketed under the One&Only brand:

Property	Location	Percentage Ownership	Number of Rooms
Cape Town	South Africa	(1)	150
Kaafu Atoll	Maldives	—	130
Hotel Saratoga	Cuba	—	100

(1) Minority ownership interest to be determined.

One&Only Ocean Club

We own and operate the One&Only Ocean Club, a high-end luxury resort hotel with 106 rooms and suites located on Paradise Island, The Bahamas. In October 2000, we completed an addition to the One&Only Ocean Club that comprised 50 rooms, including 10 deluxe suites, a gourmet beachfront restaurant, *Dune*, operated by Jean-Georges Vongerichten and significant enhancements to the existing pool and garden areas. The One&Only Ocean Club also features a 7,159 yard championship golf course designed by Tom Weiskopf and a clubhouse with 120 luxury oceanfront home sites situated around the golf course. The golf course is included in the destination resorts segment within Atlantis, Paradise Island. During May 2003, the One&Only Ocean Club was named best luxury resort in the Atlantic/Caribbean region by *Departures*, the luxury lifestyle magazine published exclusively for American Express Platinum and Centurion card members. The property achieved an average occupancy of 79% and an average daily room rate of $722 during 2003, compared to 68% and $695 in 2002.

As part of the Phase III Expansion discussed above, we have commenced construction on the development of three high-end luxury rental villas adjacent to the One&Only Ocean Club, as well as the addition of a high-end boardroom meeting facility. This expansion is expected to be completed by the summer of 2004.

As of December 31, 2003, we have closed on 112 of the 120 home sites available for sale and received approximately $118.4 million in gross proceeds from such sales. Of the eight remaining properties, we are developing four homes for resale on lots owned by us and have received deposits for three of the four additional remaining properties.

Mexico

In September 2002, we purchased a 50% ownership interest in the One&Only Palmilla, a deluxe five-star property located near Cabo San Lucas in Baja, Mexico for approximately $40.8 million, including transaction costs. The One&Only Palmilla is located on what we believe is an outstanding site with the most extensive beach coverage of any of the leading hotels in the destination. In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022. The acquisition was funded through a combination of cash on hand and drawings under our Amended Revolving Credit Facility. The One&Only Palmilla was recently renovated and expanded and re-opened in January 2004 after refurbishment that expanded the room count to 172 rooms and significantly upgraded the amenities and public areas offered by the resort. The expansion was financed by One&Only Palmilla Resort through local project financing that is supported by a $46.5 million guarantee from Kerzner. In addition, we have agreed to provide completion loans to the One&Only Palmilla since it incurred expenditures in excess of budgeted amounts and it was unable to obtain third-party financing. During 2004, we expect to fund the One&Only Palmilla approximately $14.0 million in completion loans, $3.0 million of which has already been advanced. The total cost of the One&Only Palmilla renovation is approximately $102.0 million.

Indian Ocean

In Mauritius, we manage and own interests in five beach resorts:

- the 163-room One&Only Le Saint Géran (renovated in 2000);
- the 200-room One&Only Le Touessrok (renovated in 2002);
- the 238-room Sugar Beach Resort;
- the 248-room La Pirogue; and
- the 333-room Le Coco Beach.

The Mauritius properties cater primarily to luxury and middle-market tourists from Europe and southern Africa. The One&Only Le Saint Géran and the One&Only Le Touessrok offer deluxe five-star accommodations and we believe that such properties are among the finest beach resorts in the world. The One&Only Le Saint Géran and the One&Only Le Touessrok have been rated among the world's finest leisure hotels by *Condé Nast Traveler* magazine. The One&Only Le Saint Géran, which is classical in style, also was voted "Hotel of the Year 2002" by *Tatler* magazine in the United Kingdom. In December 2002, we completed a major redevelopment of the One&Only Le Touessrok. The architecture of the new resort is a blend of a natural island-style and contemporary design. The resort includes new restaurants, a new spa, a new championship golf course (which opened in November 2003) and other amenities to enhance its position in the luxury resort market.

Mauritius' tourist industry is mainly comprised of visitors from Great Britain, Germany, France, Italy and South Africa. Scheduled air service to and from Mauritius is provided through scheduled flights on numerous airlines, including Air France, British Airways, Cathay Pacific, Singapore Airlines, Air India, Air Mauritius, Condor and South African Airlines.

In the Maldives, located 600 miles southwest of the southern tip of India, we manage and own an interest in the One&Only Kanuhura, a 100-room luxury resort located on Kanuhura Island. In August 2001, we acquired 25% of the equity of the One&Only Kanuhura for approximately $3.8 million. Effective January 1, 2003, we sold 20% of this equity interest to SRL. As of December 31, 2003, we had provided debt financing to the One&Only Kanuhura of $3.6 million, excluding accrued interest. The One&Only Kanuhura was selected as "Hideaway of the Year 2001" by readers of *Hideaway* magazine. See Note 16—Related Party Transactions to the consolidated financial statements.

We have also entered into management and development agreements for a 130-room luxury resort on Kaafu Atoll, the Maldives that we expect to open in 2005. The management and development agreements related to this property are co-terminus with the owner's lease, which expires in 2020. This new five-star resort will occupy the site where a small resort was previously located. As part of this development, we have committed to provide certain financing arrangements to the current owner of the resort in an aggregate principal amount of up to $50.0 million to ensure completion of the new resort and provide for working capital on a standby basis.

We manage these resorts under long-term management contracts and receive management fees based upon a percentage of the revenues and gross operating profits of these properties. In December 2002, we entered into an agreement with SRL to form One&Only Management for the purpose of, among other things, managing the five properties owned by SRL in Mauritius and the One&Only Kanuhura in the Maldives and securing an extension to our management contracts in Mauritius from 2008 until 2023. Effective January 1, 2003, SRL owns 20% of One&Only Management, and we own the remaining 80%. Subject to certain conditions, SRL's ownership interest will increase incrementally through 2009 for no consideration, at which time it will own 50% of One&Only Management. In connection with this transaction, we transferred to One&Only Management all of our Mauritius management agreements and the Kanuhura management agreement, and SRL purchased

20% of our debt and equity interests in the One&Only Kanuhura. In addition, pursuant to a subcontract arrangement with One&Only Management, we provide the comprehensive management services to the five Mauritius resorts and receive a management fee. Subject to certain conditions, SRL has a right of first refusal to participate equally with us in any new hotels developed by us in specified Indian Ocean territories. If SRL elects to participate in the equity or other funding of any such project, then the management agreement for that property will be held by One&Only Management. SRL's board of directors has approved the exercise of its right to participate on a proportionate basis (currently 20%) with us in connection with the Kaafu Atoll project.

Middle East

In the Middle East, we currently manage the One&Only Royal Mirage in Dubai, a luxury 466-room hotel, the first phase of which opened in August 1999. Under the terms of the management agreement, which expires in 2019, we receive management fees based on a percentage of the revenues and gross operating profits of the property. We assisted in the expansion of the One&Only Royal Mirage, which opened at the end of 2002. The expansion of the property features 225 new luxury rooms, including a new 50-room ultra high-end boutique hotel.

Cuba

In November 2003, we entered into agreements to manage and develop Hotel Saratoga, a 100-room hotel currently under renovation in Havana, Cuba, which we expect to open in early 2005. Kerzner is assisting in the design and renovation of the hotel and will manage the completed hotel for a term of 10 years with an option for a further 10 years. Pursuant to the terms of our agreements, certain out-of-pocket expenses associated with our development of the hotel will be reimbursed to us from revenues from the hotel's operations. Upon completion, this hotel will be a One&Only property.

South Africa

On November 14, 2003, we announced that we had entered into an agreement with Victoria & Alfred Waterfront (Pty) Limited ("V&A Waterfront") to develop a new luxury hotel at the highest end of the market in Cape Town, South Africa. We intend to form a joint venture with a local entity with limited financial resources in which we will own a minority interest to develop and operate a new 150-room One&Only luxury hotel to be located in The Victoria & Albert Waterfront, which is part of Cape Town's waterfront and harbor. In addition to an equity investment, we expect to provide financing assistance in the form of loans and/or guarantees. We expect to enter into a long-term land lease agreement with the V&A Waterfront which will permit the development, in conjunction with our local partner, to proceed. Architectural design work for the new hotel has commenced and construction is expected to start in 2005 and be completed by the end of 2006.

Internet Gaming

We previously owned and operated Kerzner Interactive Limited, an online Internet gaming site. During 2002, several countries made it increasingly difficult for their citizens to gamble on-line. Further, as a licensed operator in the Isle of Man, we imposed numerous restrictions and controls on how we operated this business, which had the effect of making it difficult for us to compete against companies operating in a less rigorous manner. As a result, we concluded that this business would not be economically viable in the short to medium term. We discontinued the operations of Kerzner Interactive Limited during the first quarter of 2003.

In February 2002, we agreed to sell 50% of Kerzner Interactive Limited to Station Casinos, Inc. ("Station"), who paid us a non-refundable deposit of $4.5 million in July 2002. Subsequently, this agreement was restructured and Station received an option through early January 2003 to purchase

50% of the operation in consideration for the $4.5 million previously received. During the first quarter of 2003, the Company and Station mutually agreed to terminate this transaction. Losses and closure costs in 2003 were more than offset by the recognition of income of the $4.5 million option consideration, which resulted in $1.3 million in income from discontinued operations, net of income tax effect for the year ended December 31, 2003. The losses from operations of Kerzner Interactive Limited of $8.1 million and $4.6 million for the years ended December 31, 2002 and 2001, respectively, have been reclassified to loss from discontinued operations, net of income tax effect.

Trading Cove New York

Through a wholly owned subsidiary, we own a 50% interest in, and are a managing member of, Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company. 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 "Catskill Project") in the Catskill region of the State of New York (for purposes of this section, 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 U.S. 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 had stayed the litigation for a number of years but in the fourth quarter of 2003, the Court lifted the stay in an effort to advance the litigation. Presently, there are cross motions for summary judgment filed by the parties concerning procedural jurisdictional issues, which motions are being considered by the Court.

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 Catskill Project. If the Catskill 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 TCNY Development Agreement, beginning with the opening of the Catskill 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 Catskill 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 Catskill Project site properties. Should the BIA approve the Land to Trust Application and the Stockbridge-Munsee Tribe obtains 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. The plaintiffs have 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 Catskill 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 Catskill Project.

The Catskill 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 Catskill Project will be completed.

We are one of two managing members of TCNY. All decisions of the managing members require the concurrence of us and Waterford Development New York, LLC, the other managing member. In the event of deadlock there are mutual buy-out provisions.

The Company's investment in TCNY is reflected within investments in associated companies in the accompanying consolidated balance sheets. As of December 31, 2003, we have funded $5.0 million to TCNY.

Florida

Our indirect wholly-owned subsidiary, Kerzner International Resorts, Inc., a Florida corporation, together with its subsidiaries based in Florida, provides general and administrative support services, marketing services, travel reservations and wholesale tour services for our Atlantis, Paradise Island and certain One&Only operations. To a much lesser extent, they also provide travel reservation services for Harborside and other unaffiliated resort properties in The Bahamas.

France

Through an indirect wholly owned subsidiary, we own a tour operator company in France, Solea Vacances SA. Solea Vacances SA primarily services patrons in France, and, among other things, offers reservations services for travel to the five resorts in Mauritius, the One&Only Royal Mirage Hotel in Dubai and the One&Only Kanuhura in the Maldives.

Seasonality and Weather

Our business has historically been seasonal, with the largest number of patrons visiting The Bahamas during late December and the first three months of the calendar year. Accordingly, our revenues and operating profits have historically been higher during the first quarter than in successive quarters. In addition, The Bahamas, Mauritius and Mexico are subject to tropical weather and storms, which, if severe, can interrupt the normal operations and affect tourism. Similarly, inclement weather can adversely affect the revenues that we derive from Mohegan Sun 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.

In September 1999, Paradise Island was affected by Hurricane Floyd, a hurricane rated by the United States National Weather Service as a category five, its highest rating. The Paradise Island properties suffered approximately $45.0 million of property damage, for which remedial work was completed by year-end 1999, and we received a number of customer cancellations. At Atlantis, Paradise Island, 230 rooms were taken out of service for three months and the One&Only Ocean Club was closed for approximately three and one half months. We were fully insured for property loss and business interruption. Hurricane Floyd was the first significant hurricane to negatively impact Paradise Island in over thirty years.

In November 2001, Hurricane Michelle moved through The Bahamas. Although minimal disruption in our operations was caused by the storm, our properties (other than Harborside, which was closed from August 2002 through December 2002 due to water damage resulting primarily from Hurricane Michelle, see "Item 4. Information on the Company, (B) Business Overview") suffered approximately $28.3 million in damage that was substantially covered by our insurance policies. See "Item 3. Key Information, (D) Risk Factors—Our business is seasonal and severe weather conditions can adversely affect our business, results of operations or financial condition, or further increase our insurance premiums."

As a result of a more difficult insurance market, the fact that we have a concentration of assets in one location and that our properties are subject to the impact of hurricanes, we have experienced substantial increases in our insurance premiums and deductibles. See "Item 3. Key Information, (D) Risk Factors—Our insurance premiums and deductibles have increased."

Insurance Arrangements

In May 2002, we formed Aberdeen Insurance (Bermuda) Ltd. ("Aberdeen"), a wholly owned captive insurance company located in Bermuda. Aberdeen has been registered by the Bermuda Monetary Authority under The Insurance Act of 1978 as a Class 1 Insurer, and is utilized by the Company as a vehicle through which the Company places "all risk" property and business interruption insurance policy, including windstorm, for the Atlantis, Paradise Island and Ocean Club properties. Harborside at Atlantis is covered under a Starwood insurance policy. Although Aberdeen provides the Company with access to the reinsurance market at reduced administrative costs, all risks in excess of the Company's $15.0 million per occurrence/$30.0 million annual aggregate deductible (which is in turn in excess of an underlying operating company deductible of $50,000 for each and every loss) will continue to be 100% reinsured through the reinsurance market, thereby leaving Aberdeen with zero retained risk.

We believe our current insurance coverage represents optimum market availability at commercially available pricing.

Competition

General

The resort and casino industries are highly competitive. Our destination casino resorts compete with other resorts, hotels and casinos, including land-based casinos, riverboat, dockside and cruise ship on-board casinos and other forms of gaming as well as with other forms of entertainment. Our luxury resort hotels compete with other resorts and hotels in markets in which we conduct business. We believe the ability to compete effectively in these industries is based on a number of factors, including the scope, quality, location and accessibility of facilities, the effectiveness of marketing efforts, customer service, the relative convenience and costs of available transportation, service and the quality and price of rooms, food and beverages, convention facilities and entertainment.

Paradise Island

Our Paradise Island operations primarily compete with warm weather resort destinations, including Walt Disney World and other Orlando area attractions, as well as cruise ships and other hotels and resorts on Paradise Island, New Providence, Grand Bahama Island and the neighboring Caribbean islands. We estimate that there are approximately 8,500 hotel rooms on Paradise Island and New Providence combined, of which approximately 3,500 are located on Paradise Island, including 2,423 in hotels owned and operated by us. The Wyndham Nassau Resort, our primary competitor in The Bahamas, is an 850-room resort and casino. The One&Only Ocean Club also competes with a new Four Seasons property which opened on Great Exuma Island in The Bahamas in November 2003.

We also compete with The Resort and Casino at Bahamia (formerly the Princess Casino and Hotel) and Our Lucaya, both located on Grand Bahama Island, approximately 40 minutes by air from Paradise Island. The Resort and Casino at Bahamia includes a 20,000 square foot casino, a 965-room hotel, restaurants and other leisure facilities. Our Lucaya consists of a 749-room Westin and a 511-room Sheraton, and it recently opened a new 30,000 square foot casino.

Mohegan Sun

The Connecticut market is the fourth largest gaming market in the U.S., 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 6,700 slot machines and, for the twelve months ended September 30, 2003, reported gross revenues of approximately $1.28 billion. 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 U.S.

In Connecticut, under the tribal-state compacts between the State of Connecticut (for purposes of this section, the "State") and the Mohegan Tribe and Foxwoods Resort and Casino, Mohegan Sun is subject to a 25% gaming fee on slot revenues payable to the State 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 Federal Bureau of Indian Affairs ("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 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, on January 29, 2004, the BIA granted federal recognition to a second group in Kent, Connecticut, the Schaghticoke Tribal Nation. The State of Connecticut is expected to appeal that decision just as it did the decision in the Historic Eastern Pequot case. Three other Indian groups in the Connecticut gaming market have filed applications with the BIA for federal recognition as Indian tribes, the Golden Hill Paugusett of Trumbull and two bands of Nipmuc Indians of Massachusetts that border Connecticut: the Hassanamisco Band of Sutton, and the Chaubunagungamaug Band of Dudley/Webster. The Sutton group has indicated an interest in gaming in Connecticut as have the Paugusett group, the Historic Eastern Pequot and the Schaghticoke. Each of these groups has expressed interest in obtaining trust lands for the purpose of conducting gaming in Connecticut.

Indian Ocean

In the Indian Ocean market, we primarily compete with other resorts on the islands in which we operate as well as other locations offering vacations to tourists from Europe, southern Africa and parts of Asia. SRL owns five major hotels in Mauritius. In the luxury end of the Mauritian hotels market, SRL owns two of the seven luxury hotels and offers a total of 363 of the approximately 1,000 luxury rooms in Mauritius. SRL faces more competition with the middle-market La Pirogue, Sugar Beach and Le Coco Beach hotels.

Maldives

The One&Only Kanuhura, a five-star resort, competes with other resorts in the Maldives as well as other locations offering vacations to tourists from Europe, southern Africa, and parts of Asia. The One&Only Kanuhura primarily competes with the five other five-star resorts in the Maldives. In this high-end market, the One&Only Kanuhura offers about 17% of the 577 available rooms.

Dubai

The premium leisure market in Dubai is mainly centered on the exclusive Jumeirah Beach "golden mile," which currently is host to nine competing five-star hotels, each with its own theme. The One&Only Royal Mirage, which has a distinctive local Arabian architecture and theme, focuses on the higher spending leisure traveler, the 620-room Jumeirah Beach Hotel focuses on the family and group incentive market, and the 500-room Royal Meridien focuses on the middle spending leisure holiday market. The One&Only Royal Mirage's 466 rooms account for over 12% of the beach rooms in Dubai. In addition, Medinat Jumeirah is a new property that will be built in two phases. The first phase, which was completed during the third quarter of 2003, consists of 300 rooms. The Medinat Jumeirah is expected to increase to 900 rooms following the completion of the second phase. This hotel will be at the five star level and it will compete directly with the One&Only Royal Mirage.

Dubai is creating the two largest man made islands in the world known as The Palm, Jumeirah and The Palm, Jebel Ali, which are designed to attract resort as well as residential developments and to substantially grow Dubai's tourism industry. These islands will be located adjacent to the Dubai coastline and will be connected by bridges to the mainland. Atlantis, The Palm will be situated on The Palm, Jumeriah. The two islands are expected to add over 50 new luxury hotels, as well as shoreline apartments and villas.

Mexico

In Mexico, we entered the luxury end of the market with our ownership interest in and management of the One&Only Palmilla, a deluxe five-star resort located near Cabo San Lucas in Baja, Mexico. The upscale four- and five-star resorts in Los Cabos, the tourism corridor between San Jose Del Cabo and Cabo San Lucas, account for approximately 2,500 rooms out of the total inventory of approximately 8,500 rooms. The market is mainly composed of incentive group travelers, golfers, romance, family and high-end vacationers. Three resorts cater to the five-star market, the One&Only Palmilla, Las Ventanas al Paraiso and Esperanza. Of these, only the One&Only Palmilla offers its own golf course, which we believe gives us a competitive advantage. The One&Only Palmilla was recently renovated and expanded and re-opened in January 2004 after a refurbishment that expanded the room count to 172 rooms and significantly upgraded the amenities and public areas offered by the resort. Currently, Las Ventanas al Paraiso, with 61 rooms, leads the market in average occupancy (in the 85% range) and average daily room rates (in excess of $700).

Outside of Los Cabos, domestic competition comes from the Four Seasons Punta Mita Resort in the Puerto Vallarta area of Mexico, which offers a similar resort and golf experience. Internationally, the Los Cabos resort area competes with Hawaii, California and Arizona.

Sales and Marketing

Our marketing goal is to drive demand direct from the consumer through high profile public relations, publications and special events promotions and advertising. To support our operations in The Bahamas, we maintain an inventory of rooms for distribution through our tour operator, PIV, Inc., an indirect wholly owned subsidiary. For the year ended December 31, 2003, PIV, Inc. generated tour operations revenues of approximately $28.9 million as compared to $29.0 million in 2002. Similarly, our operations in Mauritius, the Maldives and Dubai are supported primarily through our own European marketing offices. In addition, we channel distribution for all of our operations through primary wholesalers in the travel agent community with a favorable commission structure.

We spent approximately $24.9 million in 2003 on sales and marketing for our operations in The Bahamas. Pursuant to the Heads of Agreement described above under "Certain Matters Affecting Our Bahamian Operations—Heads of Agreement," we receive $4.0 million per year from the Bahamian Government toward the direct costs related to certain marketing events, public relations activities and the production and placement of advertisement in media through December 2007.

Certain Matters Affecting Our Bahamian Operations

Airline Arrangements

The majority of patrons at our resorts on Paradise Island arrive through Nassau International Airport located on New Providence Island. This airport is served by several carriers offering scheduled jet service from New York, Atlanta, Charlotte, Toronto, Miami, Washington D.C., London and other cities. Ground transportation is facilitated by two bridges linking Paradise Island and New Providence Island.

Union Contract Arrangements

In The Bahamas, as of December 31, 2003, approximately 3,680 of our employees were represented by The Bahamas Hotel, Catering and Allied Workers Union. Kerzner International Bahamas Limited participates in The Bahamas Hotel Employers Association, which represents resort operators in the Paradise Island-New Providence Island area. The association has signed a new contract with the union that will expire on January 7, 2008. Labor relations in The Bahamas have been unstable at times with occasional work slowdowns occurring, not only at Atlantis, but also at publicly run entities such as the Bahamian Electric Corporation and Bahamas Telephone Company. As the country's largest private employer, we are sometimes the target of labor disputes. See "Item 3. Key Information, (D) Risk Factors—Work stoppages and other labor disputes could harm our financial condition and results of operations."

Casino License

Paradise Enterprises Limited ("PEL"), a subsidiary that is part of our Bahamian operations, is currently licensed to operate the Atlantis Casino under the Bahamian Gaming Act (the "Gaming Act"). In accordance with Bahamian casino licensing requirements, PEL is obligated to have its casino license renewed annually by the Gaming Board. In addition, other than an existing contingent obligation to grant two casino licenses, the Bahamian Government has agreed that it will grant no new casino licenses with respect to gaming operations on Paradise Island or New Providence Island for a period expiring 20 years after the earlier of the date of the substantial completion of the Phase III Expansion or December 31, 2007. See "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, Paradise Island."

Basic License Fee

Currently, the Gaming Act provides for taxes on casino revenues consisting of an annual basic license fee of $200,000.

Taxes and Fees

The following table summarizes for the periods shown the taxes and fees paid or accrued by our Bahamian operations under the Gaming Act and certain agreements with the Bahamian Government, as described below under "Heads of Agreement" (in thousands of U.S. dollars):

	Year Ended December 31,		
	2003	2002	2001
Casino license fees and win taxes	$11,295	$12,040	$10,749
Basic license fees	200	200	200
Total	$11,495	$12,240	$10,949

Heads of Agreement

We have an agreement with the Bahamian Government, which is titled Heads of Agreement. This agreement provides us with certain tax incentives in exchange for the Company investing in the expansion of Atlantis, Paradise Island. The most significant of these incentives are the casino fee and tax incentives.

We restated our agreement with the Bahamian Government on May 26, 2003, in anticipation of the Phase III Expansion on Paradise Island. The restated Heads of Agreement maintains the current basic casino tax and fee structure which calls for an annual license fee of $100,000 per thousand square feet of casino space, a minimum annual casino tax of $4.3 million on all gaming win up to $20.0 million, a 12.5% win tax on gaming win between $20.0 million and $120 million and a 10% win tax on gaming win in excess of $120.0 million. Against this, the Company is entitled to a credit of $5.0 million in relation to the annual license fee and a 45% credit against all win tax on gaming win between $20.0 million and $120.0 million. With the commencement of construction of Phase III-A described in "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, Paradise Island," the basic tax and fee structure was amended so that all gaming win in excess of $20.0 million is subject to a win tax of 10%, and is effective for a period of 20 years after the earlier of the date of the substantial completion of the Phase III Expansion and December 31, 2007 (such date, the "Relevant Date"). In addition, the $5.0 million credit against the annual license fee shall remain, and the credit against win tax shall become 50% against all win tax on gaming win over $20.0 million. However, the 50% credit will not apply to gaming win in excess of $175 million in any year through 2010 and $200 million in each succeeding year. These credits shall also apply from the commencement of construction of Phase III-A and extend for a period of 11 years from the Relevant Date.

In order to secure the tax incentives described in the preceding paragraph, we were obligated to commence construction on aspects of Phase III-A by December 31, 2003 and commence construction on the balance of Phase III-A by June 30, 2004. We notified the Bahamian Government on August 11, 2003 that we had commenced construction on aspects of Phase III-A and were therefore entitled to the accrual of the tax incentives described above as of such date. In the event that we do not proceed with Phase III-B, there will be a proportionate scaling back of the casino fee and tax incentives.

The Company has agreed to create a minimum of 2,000 new permanent jobs for Bahamians assuming completion of all elements of the Phase III Expansion. The Bahamian Government has also agreed to extend the expiration of the Company's casino license to the date that is 20 years after the Relevant Date. In addition, other than an existing contingent obligation to grant two casino licenses, the Bahamian Government has agreed that it will grant no new casino licenses with respect to gaming operations on Paradise Island or New Providence Island until 20 years after the Relevant Date. Finally, the Company has also provided certain undertakings that include skills training, community development programs, and to the extent possible, a local stock ownership program for Bahamians.

The Heads of Agreement also provides for an extension of the Company's joint marketing agreement with the Bahamian Government pursuant to which the Bahamian Government will match the Company's contribution, up to $4.0 million annually, toward the direct costs related to staging certain marketing events, public relations activities and the production and placement of advertisements in all media to promote the destination and the Company's Paradise Island properties, including the Phase III Expansion. This joint marketing agreement will expire on December 31, 2007.

This summary is qualified in its entirety by reference to the particular provisions of the Heads of Agreement, which can be found as Exhibit 99(2) to our Form 6-K filed on May 28, 2003.

The Commonwealth of The Bahamas

The Commonwealth of The Bahamas had a population of approximately 300,000 in 2003. The Bahamas includes approximately 700 islands, 29 of which are inhabited, and extends from east of the Florida coast to just north of Cuba and Hispañola. Over 60% of the population lives on New Providence Island, where Nassau, the capital of The Bahamas, is located. The Bahamas first obtained internal self-government in 1964 and became an independent nation within the British Commonwealth in 1973. The first elections under universal adult suffrage were held in November 1962. The former government was first elected in 1992 and re-elected in March 1997, having succeeded a government that was in power for over 20 years. On May 2, 2002, general elections were held and a new government elected, including a new Prime Minister and Deputy Prime Minister. The official language is English.

The currency of The Bahamas has been tied to the U.S. dollar since 1970 with an official exchange rate of U.S. $1.00 equal to 1.00 Bahamian dollar.

The Ministry of Tourism has historically spent over $60.0 million annually to promote The Bahamas.

Certain Matters Affecting Our Connecticut Operations

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.

Priority Payments

For seven years beginning January 1, 2000, TCA pays us the first $5.0 million of the Relinquishment Fees it receives each year (after the return of certain expenses and capital contributions) pursuant to the Relinquishment Agreement as a priority payment prior to making pro rata distributions to its partners.

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.

New Jersey Gaming Regulation

As a result of the Resorts Atlantic City Sale, effective April 25, 2001, we no longer operate a casino in Atlantic City. However, as the lessor of real estate in Atlantic City to Colony, KINA has been required to maintain a casino service industry license. As a result of the exercise by Colony of its option to purchase the real estate which we owned, KINA has been qualified by the New Jersey Casino Control Commission as a financial source of Colony due to its financing of the transaction with Colony, and KINA will maintain its casino service industry license. The sale was completed on March 18, 2004. See "Item 4. Information on the Company, (A) History and Development of the Company—Recent Developments—Colony Option."

Environmental Matters

We are subject to federal, state and local laws and regulations that:

- govern activities or operations that may have adverse environmental effects, such as discharges to air and water as well as handling and disposal practices for solid and hazardous wastes, and
- impose liability for the costs of cleaning up, and certain damages resulting from, past spills, disposals or other releases of hazardous substances.

From time to time, our operations have resulted or may result in noncompliance with applicable environmental laws. However, past noncompliance has not had, and we believe that future noncompliance, if any, would not have, a material adverse effect on our financial conditions or results of operations.

The Mohegan Sun site was formerly occupied by UNC, a naval products manufacturer of, among other things, nuclear reactor fuel components. UNC's facility was officially decommissioned on June 8, 1994, when the Nuclear Regulatory Commission confirmed that all licensable quantities of special nuclear material had been removed from the Mohegan Sun site and that any residual special nuclear material contamination was remediated in accordance with the Nuclear Regulatory Commission-approved decommissioning plan.

From 1991 through 1993, UNC commissioned an environmental consultant to perform a series of environmental assessments on the Mohegan Sun site, including extensive soil investigations and groundwater monitoring. The environmental assessments detected, among other things, volatile organic chemicals, heavy metals and fuel hydrocarbons in the soil and groundwater. Extensive remediation of contaminated soils and additional investigations were then completed. Although the Mohegan Sun site currently meets applicable remediation requirements, no assurance can be given that the various environmental assessments with respect to the Mohegan Sun site revealed all existing environmental conditions, that any prior owners or tenants of the Mohegan Sun site did not create any material environmental condition not known to the MTGA, that future laws, ordinances or regulations will not impose any material environmental liability or that a material environmental condition does not otherwise exist on Mohegan Sun. Future remediation may be necessary if excavation and construction exposes contaminated soil, which has otherwise been deemed isolated and not subject to cleanup requirements. Such remediation could adversely impact the results of operations and financial condition of Mohegan Sun and therefore our results of operations and financial condition.

In addition, the Environmental Protection Agency has named a predecessor to KINA as a potentially responsible party, or a PRP, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, for the cleanup of contamination resulting from past disposals of hazardous waste at the Bay Drum site in Florida, to which the predecessor, among

others, sent waste in the past. CERCLA requires PRPs to pay for cleanup of sites at which there has been a release or threatened release of hazardous substances. Courts have interpreted CERCLA to impose strict, joint and several liability upon all persons liable for cleanup costs. As a practical matter, however, at sites where there are multiple PRPs, the costs of cleanup typically are allocated among the parties according to a volumetric or other standard. Because we have only limited information at this time regarding this site and the wastes sent to it by the predecessor, we are unable to determine the extent of our potential liability, if any, at this site.

(C) Organizational Structure

Set forth below is a table listing our significant subsidiaries:

Name of Company	Country of Incorporation
Aberdeen Management Limited(1)	Channel Islands
Kerzner Hotels International (Bermuda), Limited(1)	Bermuda
Kerzner International Bahamas Limited(2)	The Bahamas
Kerzner International Management Limited(3)	British Virgin Islands
Kerzner International North America, Inc.(4)	United States
Kerzner International Timeshare Limited(5)	The Bahamas
Kerzner Investments Palmilla, Inc.(6)	The Bahamas
One&Only (Indian Ocean) Management Limited(7)	British Virgin Islands

All of the above subsidiaries are wholly owned by Kerzner, with the exception of One&Only (Indian Ocean) Management Limited, which is 80% owned by Kerzner and 20% owned by SRL.

(1) The Company owns a 20.4% interest in SRL, of which 8.7% is held through Aberdeen Management Limited and the remaining 11.7% is held through Kerzner Hotels International (Bermuda), Limited.

(2) Owner of substantially all of the Bahamian subsidiaries. Directly or indirectly wholly owns eight subsidiaries, all of which are organized in the Commonwealth of The Bahamas.

(3) Owner of the management agreement for the Royal Mirage in Dubai. Also receives administrative fees from One&Only (Indian Ocean) Management Limited related to Mauritius and Kanuhura management agreements.

(4) Owner of all of the U.S. subsidiaries. Directly or indirectly wholly owns 22 subsidiaries, 18 of which are organized in the U.S. and four of which are organized in Mexico and relate to the management and development of the One&Only Palmilla.

(5) Owner of the 50% interest in Harborside.

(6) Owner of the 50% interest in the One&Only Palmilla.

(7) Owner of the five Mauritius management agreements and the Kanuhura management agreement.

(D) Property, Plant and Equipment

Our headquarters and registered office are located at Executive Offices, Coral Towers, Paradise Island, The Bahamas.

We own or lease properties in The Bahamas, the United States, the United Kingdom and France. Set forth below is a table listing our principal properties as of December 31, 2003:

Name and Location	Owned or Leased	Principal Use	Size	Capacity
Atlantis . . . . . Paradise Island, The Bahamas(1)	Owned	Hotel/Casino	123 acres	2,317 Rooms
One&Only Ocean Club . . . . . Paradise Island, The Bahamas(1)	Owned	Hotel	35 acres	106 Rooms
Ocean Club Golf Course and Clubhouse . . Paradise Island, The Bahamas	Owned	Golf Course	209 acres	N/A
Roads and Utility Sites . . . . . Paradise Island, The Bahamas(1)	Owned	Infrastructure	52 acres	N/A
Undeveloped Land . . . . . Paradise Island, The Bahamas(1)	Owned	Future Development	115 acres	N/A
Undeveloped Land . . . . . Atlantic City, New Jersey	Owned	(2)	23 acres	N/A
Land Holding . . . . . Northampton, UK	Owned	Future Development	1.32 acres	N/A
Kerzner International . . . . . North America, Inc. Plantation, Florida	Leased	Administrative and Marketing Office	65,000 square feet	425 Employees

(1) Please see "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, Paradise Island," which describes in detail our plans to construct, expand upon and improve these properties.

(2) We sold an additional 13 acres of undeveloped land to Colony in March 2004. See "Item 4. Information on the Company, (A) History and Development of the Company—Recent Developments—Colony Option," for more information on the property that we sold to Colony. All other land that we own in Atlantic City is available for sale.

In addition to the properties listed above, we lease several small administrative offices in various locations throughout the U.S. that we use for marketing purposes. The number of employees at each of these offices is less than ten. We lease a small administrative office in Buckinghamshire, United Kingdom, as well as two offices in Paris, France, one of which Solea Vacances SA, our wholly owned European tour operator subsidiary, uses as a travel agency, while the other is a marketing office. We also lease an office outside of Frankfurt, Germany, which we use as a marketing office.

The majority of the property we own serves as collateral for our Amended Revolving Credit Facility.

Item 5. Operating and Financial Review and Prospects

(A) Overview

Business of Kerzner International

We develop and operate premier resort casinos and other properties throughout the world and manage our business in three segments: Destination Resorts, Gaming and One&Only. Our Destination Resorts segment is currently our largest and most important segment from both a gross revenue and net income perspective. Management previously viewed the Company as operating solely in one business segment—the resort and casino business—which was conducted in various geographical areas. However, in 2003, as our businesses grew and evolved, management began to view the Company as operating in three distinct segments. In addition, management expects that our future growth will further define and reinforce these segments. Accordingly, commencing with our full year 2003 financial statements, we will report our business in three segments: the Destination Resorts segment, the Gaming segment, and the One&Only segment.

The Destination Resorts segment is comprised of our larger destination resorts, including our flagship property, Atlantis, Paradise Island, but also includes marketing fees and equity in earnings (losses) from our jointly owned timeshare, Harborside at Atlantis and our wholly owned tour operator, PIV, Inc. In addition, once we begin development and finalize a joint venture with Nakheel LLC, an entity owned by the government of Dubai, this segment will include Atlantis, The Palm, which is expected to include a 1,000-room resort and an extensive water theme park located on The Palm, Jumeirah, a $1.5 billion land reclamation project in Dubai, United Arab Emirates.

Our Gaming segment is comprised of our interests in properties that are primarily casinos, such as our indirect interest in the Mohegan Sun in Uncasville, Connecticut. We receive fees pursuant to relinquishment and development agreements through our investment in TCA. We believe the Mohegan Sun is one of the largest and most profitable casinos in the world today. We are also pursuing gaming opportunities in certain jurisdictions throughout the world, including the United Kingdom.

Our One&Only segment is comprised of our ownership and management interests in a portfolio of smaller (when compared to our destination resorts) luxury resorts and hotels. We currently operate nine resort properties in Mauritius, the Maldives, Dubai, Mexico and The Bahamas, six of which are operated under the One&Only brand. We have also entered into agreements to develop and manage a second property in the Maldives, a property on the Victoria & Alfred Waterfront in Cape Town, South Africa through our future minority interest in a joint venture, and a property in Havana, Cuba, all of which will be operated under the One&Only brand. The earnings contribution from our One&Only segment includes management and development fees, equity in earnings (losses) and direct expenses associated with such properties. In order to acquire management contracts, we often participate in the equity of managed properties, usually in a supplementary role, or we may provide project financing or guarantees in order to complete the development of a new property.

Management reviews the performance of our business based on the three segments discussed above. Where applicable, reference is made to the other items affecting earnings for unusual or infrequent items that affect the contribution from these segments. Each segment includes the revenues, direct operating expenses and depreciation and amortization related to that business. Corporate expenses, interest expense, interest income and certain other items are evaluated separately, and are not included in amounts presented in our separate segments.

During 2003, 2002 and 2001, after direct operating expenses and depreciation and amortization attributable to each segment, each of our businesses contributed the following percentages to income

(dollars in millions). For a reconciliation of the segment contribution to GAAP net income, see Note 24—Segment Information in the accompanying notes to the consolidated financial statements:

	2003		2002		2001	
	$	%	$	%	$	%
Destination Resorts	$93.8	73%	$77.5	68%	$66.1	60%
Gaming	$35.4	27%	$31.4	27%	$34.7	31%
One&Only	$ 0.3	—	$ 5.7	5%	$10.1	9%

For the purposes of the table above, income, as defined does not include corporate expense, interest income and expense, income taxes, other income and expenses. The amounts presented below with respect to each of our segments also do not include any of these items.

(B) Restatement and Reclassifications

Subsequent to the issuance of the December 31, 2002 consolidated financial statements, the Company determined that it was necessary to restate its consolidated financial statements as of December 31, 2002 and for the two years then ended. For further discussion of recently restated financial information, see "Item 18. Financial Statements—Note 2—Restatements and Reclassifications."

During 2003, the Company reviewed the accounting treatment with respect to the disposition of Resorts Atlantic City in 2001. The Company completed the sale of Resorts Atlantic City on April 25, 2001 (see Note 4—Business Acquisitions and Dispositions, Sale of Resorts Atlantic City in the accompanying notes to consolidated financial statements). The financial results of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 were excluded from our reported consolidated statement of operations for the year ended December 31, 2001. In connection with the restatement, the accompanying consolidated statement of operations for the year ended 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 for the period from January 1, 2001 to April 24, 2001 of $4.9 million is included within the accompanying consolidated statement of operations together with a 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 Company has also made certain reclassifications and adjustments related to its investment in TCA. As the Company accounts for its investment in TCA under the equity method of accounting, the Company has reclassified amounts related to its investment in TCA as of December 31, 2002 and 2001 that had previously been included in deferred charges and other assets and due from affiliates-current to investment in associated companies in the accompanying consolidated balance sheets in order to properly state our investment in TCA. We record equity earnings from TCA in "relinquishment fees—equity earnings in TCA" in the accompanying consolidated financial statements. Amounts earned under the TCA Development Agreement are included in "TCA development and other fees" in the accompanying consolidated financial statements. The Company has reclassified such amounts previously reported within management and other fees to relinquishment fees—equity earnings in TCA and TCA development and other fees in the accompanying consolidated financial statements due to the significance of the amounts earned from TCA and to reclassify the equity in earnings from TCA from revenues to a component of operating income. (See "Item 4. Information on the Company, (B) Business Overview—The Properties—Gaming—Mohegan Sun" for a discussion of the TCA Development Agreement). In addition, during the years ended December 31, 2002 and 2001, we made adjustments to fees in order to properly state the amount of equity earnings from TCA as a result of the impact on our consolidated financial statements from the restatement of TCA's financial statements. The restatement of TCA's financial statements was announced on May 21, 2003 and the primary effect of the restatement was to recognize as an expense certain contractual obligations owed to its partners and their affiliates for prior services performed under contract. Such adjustments included the elimination of amortization expense in order to properly state our earnings from TCA.

The Company has also made certain other adjustments and reclassifications to its historically reported consolidated balance sheets and statements of operations. With respect to the consolidated statements of operations, these other adjustments include reclassifying the Company's equity loss from TCNY from selling, general and administrative expenses to equity in earnings (losses) of associated companies in the accompanying consolidated statements of operations for the year ended December 31, 2001, and adjustments made to selling, general and administrative expenses and corporate expenses in order to correct for the understatement of operating expenses, partially offset by a correction of bad debt expense.

Certain other balance sheet adjustments and reclassifications as of December 31, 2002 and 2001 include the reclassification of certain employee notes receivable from trade receivables to deferred charges and other assets, the reclassification of certain affiliated receivables from trade receivables to due from affiliates, an adjustment to correct for the overstatement of the allowance for doubtful accounts, an adjustment to land to correct the carrying value of certain land improperly recorded at the time of land acquisition in 1996 and adjustments to accounts payable and accrued liabilities primarily related to the elimination of certain liabilities improperly established at the time of land acquisition in 1996.

The Company has made other reclassifications to its consolidated financial statements in addition to those resulting from the restatement. Other reclassifications include the reclassification of certain expenses from corporate expenses to selling, general and administrative expenses in order to conform to our 2003 presentation. Further, pursuant to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections", the Company has reclassified the $20.5 million extraordinary loss related to the early extinguishment of our 8⅝% Senior Subordinated Notes and our 9% Senior Subordinated Notes recognized during the year ended December 31, 2002 to other expense in the accompanying consolidated statements of operations.

Also, we have made certain changes with respect to our presentation of the operating results for Kerzner Interactive. During the first quarter of 2003, the Company discontinued the operations of its online gaming subsidiary, Kerzner Interactive. The operating results of Kerzner Interactive for the years ended December 31, 2002 and 2001 have been reclassified to loss from discontinued operations, net of income tax effect in the accompanying consolidated statements of operations based on the decision in the first quarter of 2003 to discontinue that business. For further discussion of the discontinuation of Kerzner Interactive, see "Item 4. Information on the Company, (B) Business Overview—Internet Gaming."

(C) Operating Results

Consolidated Results

2003 vs. 2002. Over the past two and a half years, as the overall travel industry has been struggling, we have improved our profitability. In 2003, Atlantis, Paradise Island achieved record gross revenue of $520.4 million, its second consecutive year of growth and its highest ever contribution to income of $93.8 million as compared to $77.5 million in 2002. Equity earnings and fees earned from Mohegan Sun of $35.7 million represented the third consecutive year of growth and a 13.9% increase over last year as Mohegan Sun continues to increase its share of the growing Connecticut slots market. These strong results allowed us to strengthen our balance sheet by reducing interest bearing debt by $72.3 million, resulting in a reduction of interest expense of $9.8 million in 2003. During the year, these factors contributed to income and diluted earnings per share from continuing operations in 2003 of $70.3 million and $2.39, respectively, as compared to $47.7 million and $1.67, respectively, in 2002. (See "Other Factors Affecting Earnings" for a comparison and explanation of certain items affecting 2003 and 2002 results.)

2002 vs. 2001. 2002 was a good year for us despite the general downturn in the worldwide travel market. Income and diluted earnings per share from continuing operations in 2002 were $47.7 million and $1.67, respectively, as compared to $37.3 million and $1.34, respectively, in 2001. (See "Other Factors Affecting Earnings" for a comparison and explanation of certain items affecting 2002 and 2001 results.) This resulted primarily from the strong results of Atlantis, Paradise Island, which achieved gross revenues of $507.7 million in 2002 as compared to $470.3 million in 2001. In 2002, we also refinanced our debt structure thereby reducing our interest bearing debt by $51.8 million, which lowered our effective interest rate and which helped to reduce interest expense by $21.3 million or $13.6 million (excluding interest expense related to Resorts Atlantic City) as compared with 2001.

Destination Resorts

Atlantis, Paradise Island, The Bahamas

2003 vs. 2002. During 2003, despite the war in Iraq and terrorist threats in the U.S., Atlantis, Paradise Island had its strongest year ever. This property contributed $93.8 million to income, as compared to $77.5 million in 2002. This increase was primarily the result of the strong performance of the Atlantis casino and was achieved despite a $6.0 million increase in the cost of our "all risks" insurance in 2003. In 2002, we incurred a $6.9 million charge due to remediation work done at Harborside at Atlantis.

Atlantis, Paradise Island offers a variety of amenities resulting in a diverse stream of revenue. This limits our dependence on any particular operation and helps maximize revenue per occupied room night. Gross revenues for Atlantis, Paradise Island of $520.4 million in 2003 exceeded 2002 by $12.7 million (2.5%). These revenues were composed of 32.3% from rooms, 26.6% from gaming, 22.8% from food and beverage and 18.3% from other sources.

Room revenues in 2003 were $168.0 million as compared to $166.4 million in 2002. Gross profit from rooms of $141.5 million increased over 2002 by $2.0 million, or 1.5%, due primarily to an increase in revenue per available room ("RevPAR") and a slight reduction in expenses. Atlantis, Paradise Island achieved RevPAR of $201 in 2003, which was a 1.0% increase over 2002. The average daily room rate ("ADR") at Atlantis, Paradise Island in 2003 and 2002 was $251 and $245, respectively, and occupancy was 80% and 81%, respectively.

Gross profit from gaming was $75.3 million in 2003 as compared to $66.2 million in 2002. The $9.1 million increase in gross profit from gaming over 2002 resulted from a more favorable table hold percentage (which represents the ratio of table game win to dollar amount of chips purchased), and increases in both table game drop (the dollar amounts of chips purchased) and slot coin in. During 2003, there was a 6.4% increase in the table game drop from $490.2 million to $521.7 million and an increase in the table hold percentage (from 15.6% to 16.3%) as compared to 2002, resulting in table game win of $84.9 million in 2003 compared to $76.5 million in 2002. In addition, slot win slightly increased in 2003 to $53.5 million, as compared to $53.3 million in 2002. During September 2003, we opened Pegasus Race and Sports Book. Although we do not anticipate significant profits from Pegasus, we anticipate that patrons will be more likely to stay at Atlantis, Paradise Island during periods when significant sporting events such as the Super Bowl and the NCAA Final Four Tournament are taking place.

Food and beverage gross profit was $39.2 million in 2003 as compared to $40.3 million in 2002. Food and beverage gross profit was down slightly (2.5%) as the $2.04 increase in food and beverage revenue per occupied room did not completely offset the slight decrease in occupancy in 2003.

Selling, general and administrative expenses were $84.5 million in 2003 as compared to $80.8 million in 2002. Contributing to this increase was a $6.0 million increase in the cost of our "all risks" insurance premiums, as 2002 included five months of favorable pre-September 11 rates (our

policy year runs from June 1 to May 31). Additionally, in 2003 there were increases of $1.8 million in information technology and human resources costs, $1.3 million in our provision for legal settlements, and various other costs, none of which are individually significant. Sales and marketing costs decreased in 2003 by $2.1 million as part of our strategy during 2002 was to expand marketing efforts following September 11th rather than reducing room rates. We also reduced our provision for doubtful receivables by $1.8 million and experienced a $1.7 million reduction related to property taxes. Also in 2002, we incurred $1.2 million of lease termination costs related to the relocation of one of our offices from Fort Lauderdale, Florida to Plantation, Florida. Depreciation and amortization for Atlantis, Paradise Island was $51.0 million in 2003 and $50.7 million in 2002.

Harborside at Atlantis, our 50% owned timeshare joint venture on Paradise Island, performed well during 2003, resulting in the recognition of $3.3 million in equity earnings and $1.8 million in marketing fees. Harborside at Atlantis was closed from August through December of 2002 to repair water damage primarily resulting from 2001's Hurricane Michelle. During 2003 and 2002, our share of these remediation costs were $1.8 million and $6.9 million, which excluded any insurance recovery. During the fourth quarter of 2003, our portion of insurance recovery related to the remediation costs was $1.5 million. Representatives of Harborside at Atlantis are still in negotiation with the insurers and Harborside at Atlantis may receive an additional recovery during 2004. During 2002, we recorded equity losses of $5.2 million resulting from the $6.9 million remediation charge offset by $1.7 million equity earnings from Harborside at Atlantis' operations. In 2002, we recognized $1.6 million in marketing fees. See "Other Items Affecting Earnings" below for further discussion.

Sales at Harborside at Atlantis are on pace with original projections with approximately 89% of the existing units sold as of December 31, 2003 from the original development. As part of the overall Phase III expansion of Paradise Island, an additional 116 two and three bedroom lock-off units are expected to be completed in 2005. Because the existing development, sales and marketing infrastructure are already in place, we anticipate higher margins from this phase of Harborside as compared to the original phase of construction.

2002 vs. 2001. Atlantis, Paradise Island contributed $77.5 million to income, which included a $6.9 million charge at Harborside at Atlantis for remediation costs, as compared to $66.1 million in 2001, which included $2.3 million of pre-opening expenses related to the Ocean Club Golf course. This increase was due to improved business levels combined with certain cost-saving measures. As much of the industry continued to suffer from a decline in travel following September 11th and responded by decreasing room rates, our strategy was to expand marketing efforts rather than embark on a discounting policy. This approach proved successful as Atlantis, Paradise Island demonstrated its strength and resilience during these difficult times.

Gross revenues from Atlantis, Paradise Island of $507.7 million exceeded 2001 by $37.5 million (8.0%). These revenues were composed of 32.8% from rooms, 25.6% from gaming, 23.4% from food and beverage and 18.2% from other sources.

The $5.1 million increase in room revenue (from $161.3 million to $166.4 million) over 2001 resulted from the recovery of business levels that had been adversely affected by September 11th. Gross profit from rooms increased by $1.8 million (from $137.6 million to $139.4 million), or 1.3%. Atlantis, Paradise Island achieved RevPAR of $199 for the year, which was a 2.4% increase over 2001 and marginally below that of 2000. ADR at Atlantis, Paradise Island in 2002 was $245 (as compared to $252 in 2001) and occupancy was 81% (as compared to 77% in 2001).

The $10.1 million increase in gross profits from gaming over the $56.0 million recognized in 2001 mainly resulted from a more favorable table hold percentage. During 2002, there was a 6.3% decrease in table game drop from $522.9 million to $490.2 million and an increase in table hold percentage (from 13.1% to 15.6%) as compared to 2001, resulting in table game win of $76.5 million in 2002

compared to $68.5 million in 2001. In addition, slot win of $53.3 million in 2002 increased by $4.8 million over 2001.

Food and beverage gross profit was $40.3 million in 2002 as compared to $37.2 in 2001. The increase of $3.1 million was also primarily due to the business recovery achieved.

Selling, general and administrative expenses were higher by $5.5 million compared to 2001. This resulted from a $3.4 million increase in our "all risks" insurance premiums as well as a $2.7 million increase in advertising costs. Additionally, incentive bonuses to management and employees, which are based on operating results, increased by $3.7 million, and we incurred $1.2 million of lease termination costs related to the relocation of one of our offices from Fort Lauderdale, Florida to Plantation, Florida. These increases were offset by a $3.2 million decrease in provision for doubtful receivables and by various other costs, none of which is individually significant, which resulted primarily from the cost reduction program we implemented following September 11th.

Depreciation and amortization for Atlantis, Paradise Island was $50.7 million in 2002 and $46.5 million in 2001. This increase was due primarily from the renovation of approximately 400 rooms in the Coral Towers and the completion of various other capital projects at Atlantis, Paradise Island.

Harborside at Atlantis was closed from August through December 2002 to repair water damage primarily resulting from 2001's Hurricane Michelle, which resulted in a $6.9 million charge against our share of earnings. During 2002, we recorded equity losses of $5.2 million from Harborside at Atlantis, as the $6.9 million charge was partially offset by $1.7 million of our share of earnings from Harborside at Atlantis' operations. Equity in earnings from Harborside at Atlantis were $0.5 million in 2001. During 2002 and 2001, we earned marketing fees from Harborside at Atlantis of $1.6 million and $1.4 million, respectively. See "Other Items Affecting Earnings" below for further discussion.

Atlantis, The Palm, Dubai

The Company and Nakheel LLC ("Nakheel") have each agreed to invest $60 million in equity financing to the Atlantis, The Palm project, with the balance of the financing, which may include an equity component, expected to be raised at the project level. As part of the Company's equity commitment to the project, it expects to invest approximately $21 million in 2004. As part of this transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The development services agreement provides for Kerzner to receive a $15.0 million fee for development.

Gaming

Mohegan Sun

2003 vs. 2002. We recognized $35.7 million in 2003 as compared to $31.4 million in 2002 from TCA under the Relinquishment Agreement and the Development Agreement. Mohegan Sun continued to increase its share of the growing Connecticut slots market resulting in an increase in gross revenues, which were $1.3 billion during calendar year 2003 as compared to $1.2 billion during calendar year 2002. In addition, during 2002, TCA incurred costs of approximately $1.8 million related to the grand opening of the Mohegan Sun "Project Sunburst" expansion, which reduced TCA's income and our share of such income during this period.

2002 vs. 2001. Mohegan Sun generated gross revenues of $1.2 billion during calendar year 2002, compared to $914.3 million in calendar year 2001. We recorded income from TCA under the Relinquishment Agreement and the Development Agreement of $31.4 million for 2002 compared to $27.1 million in 2001.

United Kingdom

One of our goals for 2003 was to grow the Gaming business in the medium term by investing in one or more gaming projects in the United Kingdom. We made significant progress in this area through our planned projects in Northampton and in the greater London area. One significant uncertainty that will affect the expansion of our gaming segment in the United Kingdom is whether appropriate gaming legislation will be enacted in the United Kingdom. Should this not occur, we would have to re-evaluate the size and scope of these anticipated projects. (see "Item 4. Information on the Company, (B) Business Overview—The Properties—Gaming—United Kingdom" for a discussion of these opportunities).

One&Only

During 2003, we began to build the management team and sales and marketing structure for our One&Only business. In December 2002, we launched the One&Only brand with an emphasis on the European market, focusing on our properties in Mauritius, the Maldives and Dubai. We also implemented training programs for management and employees at all of the One&Only resorts. Additionally, in February 2004, One&Only had the grand opening of the One&Only Palmilla, one of the flagship properties of the collection.

We also expect to develop additional One&Only properties in Cape Town, South Africa, the Maldives and Havana, Cuba. Our three to five year goal in this segment is to increase our existing portfolio so that we manage approximately 20 properties.

2003 vs. 2002. The One&Only segment contributed $0.3 million to income in 2003 compared to $5.7 million in 2002, due primarily to our $4.8 million share of the equity losses of the One&Only Palmilla related to pre-opening expenses as the resort was closed for the majority of 2003 during its redevelopment. In addition, the marketing brand launch of One&Only to the European market resulted in increased advertising costs over 2002 of $3.0 million.

The One&Only Ocean Club contributed $4.7 million to income in 2003 compared to $4.0 million in 2002, which resulted primarily from a $1.4 million, or 9.9%, increase in gross profit from rooms offset by an $0.9 million increase in selling, general and administrative costs. Occupancy and ADR were up during 2003 compared to 2002, 79% versus 68% and $722 versus $695, respectively. Depreciation and amortization for the One&Only Ocean Club was $3.7 million in 2003 and $4.0 million in 2002.

In Mauritius we earned management fees and equity earnings, net of minority interest in 2003, of $5.9 million and $2.3 million compared to $5.6 million and $1.7 million in 2003 and 2002 respectively, with respect to our five properties. During 2002, the One&Only Le Touessrok went through a major renovation for which we earned $1.5 million in development fees. From the One&Only Kanuhura we earned management fees, net of minority interest and equity losses, of $0.6 million and $0.1 million in 2003 and $0.4 million and $0.7 million in 2002, respectively. In 2003, we earned management fees from the One&Only Royal Mirage of $1.3 million, compared to $1.2 million in 2002. Additionally, we earned $0.4 million in development fees in 2003 related to our new project in Kaafu Atoll, the Maldives. Also during 2003, we earned $1.3 million in development fees in connection with the redevelopment of the One&Only Palmilla.

2002 vs. 2001. The One&Only segment contributed $5.7 million to income in 2002 compared to $10.1 million in 2001, due primarily to increased marketing costs and other administrative costs.

The One&Only Ocean Club contributed $4.0 million to income in 2002 compared to $1.4 million in 2001, which resulted primarily from improved business levels combined with certain cost-savings measures. Occupancy and ADR were up during 2002 compared to 2001, 68% and 64% and $695 and $610, respectively. Depreciation and amortization for the One&Only Ocean Club was $4.0 million in 2002 and $3.6 million in 2001.

In Mauritius, we earned management fees and equity earnings, of $5.6 million and $1.7 million, respectively, compared to $6.8 million and $3.3 million in 2002 and 2001, respectively, with respect to our five properties. During 2002, the One&Only Le Touessrok went through a major renovation for which we earned $1.5 million in development fees and which resulted in lower levels of management fees and equity earnings in 2002 compared to 2001. From the One&Only Kanuhura we earned management fees and equity losses of $0.4 million and $0.7 million, respectively, in 2002 and an insignificant amount and $0.7 million for the five months ended 2001 following our acquisition of a 25% equity interest in the property. In 2002, we earned management fees from the One&Only Royal Mirage of $1.2 million, compared to $1.1 million in 2001.

Corporate Expense

2003 vs. 2002. Corporate expenses increased by $7.8 million in 2003 compared with 2002 (from $26.1 million to $33.9 million) due primarily to an incremental increase of $3.0 million incurred for new business development projects potentially related to all of our three segments (and therefore not allocated to any segment), payroll and related costs of $1.9 million, increased legal, audit, and other professional fees of $1.9 million and an increase of $0.6 million in insurance premiums for directors and officers policies.

2002 vs. 2001. Corporate expenses increased by $5.3 million in 2002 as compared to 2001 (from $20.8 million to $26.1 million). This increase was primarily due to $5.6 million in management and employee bonuses paid as a result of our strong results offset by a decrease in legal, audit and other professional fees of $0.3 million.

Interest Income

2003 vs. 2002. Interest income in 2003 and 2002 was $3.4 million. For both 2003 and 2002, interest income consisted primarily of interest earned from advances to affiliates for development projects, bank interest and interest earned on the $15.0 million face amount of debt securities of London Club International ("LCI") that we purchased in 2002 and sold during 2003.

2002 vs. 2001. Interest income in 2002 was $3.4 million, as compared to $5.3 million in 2001. In 2001, we earned interest on a $17.5 million note issued to us in connection with the Resorts Atlantic City sale. The promissory note and accrued interest was repaid in full in March 2002 and the proceeds were used to repay debt. In addition, interest on advances to Harborside at Atlantis decreased by $0.9 million in 2002 due to lower rates.

Interest Expense

2003 vs. 2002. Interest expense decreased by $9.8 million, or 25.2%, due to our interest-bearing debt decreasing $72.3 million during 2003 compared with 2002 and paying lower LIBOR rates on our interest rate swaps. We reduced our interest bearing debt in 2003 primarily from excess cash generated from operations. For all of 2002 and through September 2003, we swapped $200 million of our 8⅞% notes for variable debt at LIBOR plus approximately 300 basis points. The LIBOR average was lower during 2003 compared to 2002 resulting in additional reduction to interest expense.

In September 2003, we cancelled $25.0 million notional amount of our then $200.0 million of interest rate swaps in order to manage the amount of variable to fixed rate debt. After payment of interest due us, we received $1.4 million from this cancellation and will accrete this amount to interest expense over the term of the underlying debt. At December 31, 2003 and 2002, our variable rate debt, including the effect of interest rate swaps, and fixed rate debt was 44% and 56% and 58% and 42%, respectively. The average cost of debt, including the effect of interest rate swaps, during 2003 was 6.4% compared to 7.4% in 2002.

In connection with our $175 million of interest rate swap agreements, for every 100 basis points that LIBOR increases or decreases, interest expense correspondingly changes by $1.75 million per annum.

2002 vs. 2001. During 2002, interest expense decreased by $21.3 million or 35.2%, as compared to 2001, as a result of the reduction of interest-bearing debt totaling $51.8 million during 2002 and lower effective interest rates. The lower effective interest rates were achieved by swapping fixed rate debt at 8⅞% for variable debt at LIBOR plus approximately 300 basis points and due to a larger portion of our debt being financed with borrowings under our revolving credit facility bearing interest at LIBOR plus 200 basis points. Also, in 2001 we incurred $3.4 million in refinancing costs, which were written off and charged to interest expense when we cancelled our old interest rate swap agreements. The average cost of debt, including the effect of interest rate swaps, during 2002 was 7.4% compared to 8.8% in 2001.

Other Factors Affecting Earnings

2003 vs. 2002

One&Only Palmilla Pre-Opening Expenses

In April 2003, the One&Only Palmilla was temporarily closed in order to commence an expansion project that cost approximately $102.0 million. As a result, the Company has recorded a $4.8 million loss within equity earnings (losses) of associated companies for its 50% share of the pre-opening expenses and other expansion or renovation costs incurred subsequent to the closing of the resort.

Insurance Recovery and Replacement of Damaged Assets

During 2003 and 2002, we received $2.8 million and $1.1 million of insurance recovery which represents a business interruption settlement related to Hurricane Michelle at Atlantis, Paradise Island. Also during 2003, we recognized a $2.5 million gain on replacement of damaged assets due to the insurance proceeds received in excess of the net book value of assets damaged during Hurricane Michelle.

Settlement of Territorial and Other Disputes—2003

During the fourth quarter of 2003, we recognized a final $1.5 million of income related to a shareholder dispute. See "Settlement of Territorial and Other Disputes—2002" below for further discussion.

Kerzner Interactive Limited—2003

On January 1, 2002, Kerzner Interactive Limited, our Internet gaming subsidiary, commenced operations. In February 2002, we agreed to sell 50% of Kerzner Interactive Limited to Station Casinos, Inc. who paid us at that time a non-refundable deposit of $4.5 million. Subsequently, this agreement was renegotiated and Station received an option through early January 2003 to purchase 50% of the operation in consideration for the $4.5 million previously received. During 2002, several countries made it increasingly difficult for their citizens to gamble on-line. Further, as a licensed operator in the Isle of Man, we were subject to numerous restrictions and controls on how we operated this business, which made it difficult for us to compete against companies operating under less rigorous regimes. As a result, we concluded that this business would not be economically viable in the short to medium term. We discontinued the operations of Kerzner Interactive Limited during the first quarter of 2003 and the Company and Station mutually agreed to terminate their relationship in this regard. Losses and closure costs in 2003 were more than offset by the recognition of income of the $4.5 million option consideration, which resulted in $1.3 million in income from discontinued operations, net of income tax effect for the year ended December 31, 2003.

2002 vs. 2001

Kerzner Interactive Limited—2002

During 2002, included in our consolidated results is a net loss from Kerzner Interactive Limited of $8.1 million. During 2001, we incurred $4.6 million in pre-opening expenses in connection with Kerzner Interactive Limited.

Debt Retirement

During 2002, we incurred a $20.5 million loss on the early extinguishment of debt, in connection with the refinancing of our debt structure. Of this amount, $14.6 million related to our 9% Senior Subordinated Notes and $5.9 million related to our 8⅝% Senior Subordinated Notes. The loss included premiums paid on the repurchases and redemption of the notes, the write-off of related discounts and unamortized debt issuance costs.

Settlement of Territorial and Other Disputes—2002

During 2002, we recognized a $14.5 million gain on the settlement of territorial and other disputes with a major shareholder. Of the $32.1 million received, $21.3 million, which related to certain contractual obligations that the major shareholder had to us, was classified as deferred revenue as of the end of 2002 and is being recognized as other revenues over the term of the original underlying agreements, or approximately $3.5 million of income each year until 2008. The remaining amount of $9.4 million, net of $1.4 million of direct legal expenses was recognized as income during 2002, along with a $5.1 million net gain on the settlement of a previous territorial dispute with the same major shareholder.

Construction Remediation Costs at Harborside at Atlantis

Harborside at Atlantis was closed between the end of August 2002 and December 2002 in order to repair water damage resulting primarily from Hurricane Michelle. Our share of the construction remediation costs was $6.9 million. This loss was not reduced by any insurance recovery as of December 31, 2002.

Restructuring Costs

In 2001, we provided $5.7 million related to the termination of certain employees following September 11. In 2002, we reversed $1.0 million of this provision as it remained unused due to the release of fewer employees and the amounts being settled for less than originally planned.

Other

Other items during 2001 included a $6.9 million gain from the sale of luxury home sites at Ocean Club Estates and $2.3 million of pre-opening expenses related to the opening of the Ocean Club Golf Course.

Other Matters

Foreign Currencies

We prepare our financial statements in U.S. dollars. Our most significant non-U.S. operations are in The Bahamas. Due to current governmental policies in The Bahamas that equate one Bahamian dollar to one U.S. dollar, and due to the large portion of our cash and cash equivalents being held in U.S. dollars, we believe that we do not have material market risk exposures in this jurisdiction relative to changes in foreign exchange rates. Due to the stability of the other markets in which we operate, we also believe that we do not have material market risk exposures in these jurisdictions relative to changes in foreign exchange rates.

(D) Liquidity and Capital Resources

During the last two calendar years, cash generated from operations allowed us to reduce our interest bearing debt by $124.1 million ($72.3 million in 2003 and $51.8 million in 2002) and our cash and cash equivalents balance during 2003 increased by $26.2 million, resulting in a $98.5 million decrease in our net debt position in 2003 (interest bearing debt minus cash and cash equivalents). We have no significant short-term debt and our long-term debt is comprised of the Amended Revolving Credit Facility that terminates in 2006, which was undrawn at December 31, 2003, and $400.0 million of 8⅞% Senior Subordinated Notes due 2011. Previously under the Amended Revolving Credit Facility, the maximum amount of borrowings that could be outstanding was $300.0 million. During the year ended December 31, 2003, there was a permanent reduction to our $300.0 million of outstanding commitments in the amount of $46.5 million related to the guarantee provided in connection with local project financing at the One&Only Palmilla. As of December 31, 2003, we have $237.0 million of borrowings available under the Amended Revolving Credit Facility after giving effect to the $46.5 million permanent reduction and the $16.5 million in letters of credit outstanding. Our borrowings under the Amended Revolving Credit Facility are subject to a borrowing base calculation, as discussed under "Item 10. Additional Information, (C) Material Contracts—Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility." In addition, at December 31, 2003, we held $61.7 million in cash and cash equivalents, including $1.4 million in restricted cash.

We believe our operating cash flows, as a percentage of operating income, were higher than many of our competitors due primarily to the management fee nature of a portion of our income (which requires minimal investment), the lack of any corporate income tax in The Bahamas and net operating loss carryforwards that offset our U.S.-sourced income. We believe that available cash on hand, combined with funds generated from operations and availability under our bank credit facility will be sufficient to finance our cash requirements over the next twelve months, excluding the capital necessary for Phase III-B, if we determine to pursue this phase. From time to time, we evaluate our need of capital for major development projects and the various options available to us in the capital markets. If we elect to proceed with Phase III-B, we anticipate that we will raise capital within the next twelve months to fund a portion of the Phase III-B expansion at Atlantis, Paradise Island and possibly other significant potential projects. We expect that we will fund a significant portion of our capital expenditures with cash generated from operations.

Operating Activities

During 2003, we generated $132.7 million of cash flow from operating activities compared to $127.3 million in 2002 and $94.7 million during 2001. This increase was primarily due to Atlantis, Paradise Island improved operating performance and decreased interest payments on debt. During 2003 and 2002, deferred income tax benefit of $11.7 million and $8.2 million, respectively, were reductions to cash provided from operating activities, as these amounts represent the release of valuation allowance related to deferred tax assets. Additionally, increases in accounts payable and accrued liabilities contributed to an increase in cash provided by operating activities of $17.0 million and $13.8 million in 2003 and 2002, respectively. Cash provided by Kerzner Interactive in 2003 was $0.5 million in 2003 as compared to cash used of $7.6 million in 2002. Additionally in 2002, we received $32.1 million from the settlement of a territorial dispute and had $20.5 million related to the loss on the early extinguishment of debt.

Investing Activities

During 2003, net cash outflows used in investing activities (acquisitions and capital expenditures) were $72.6 million compared to $72.1 million in 2002. During 2002, we invested $40.8 million for the acquisition of a 50% equity interest in the One&Only Palmilla. During 2004, we expect to fund the One&Only Palmilla approximately $14.0 million in completion loans, $3.0 million of which has already

been advanced, related to the $102.0 million expansion. During 2003, we entered into an agreement to acquire the assets of Club Méditerranée (Bahamas) Limited for approximately $38.5 million, of which we funded $20.0 million during 2003. We expect to pay the balance during the third quarter of 2004. Additionally in 2003, we funded $15.4 million of completion loans to the development project in Kaafu Atoll, the Maldives.

Our business requires capital to both develop and maintain our properties, which consists of items such as new slot machines, improvements to the resorts including carpeting and computers and similar equipment. During 2003, we used $50.8 million for capital expenditures, which includes $27.1 million on several development and renovation projects on Paradise Island with the balance primarily used for ongoing capital projects on Paradise Island. During 2003, these expenditures were funded through internally generated funds. During 2004, we anticipate our capital expenditures to be approximately $100.0 million, including approximately $60.0 million relating to certain components of the Phase III Expansion, including the Marina Village, the villas at the One&Only Ocean Club and design costs for the new 1,200 room hotel, with the remaining portion to be used for maintenance capital expenditures.

During 2004, in addition to the capital expenditures noted above, we anticipate making advances and/or guarantees of approximately $25.0 million to $30.0 million to new One&Only Projects, $20.0 million to Atlantis, The Palm and $1.0 million to the UK Project. In connection with BLB's acquisition of 2,811,108 shares of Wembley's issued share capital from Active Value on March 10, 2004, Kerzner's share of the investment was approximately $10.2 million. In connection with the operating agreement related to the One&Only Palmilla, the owner of the other remaining 50% interest has the right to require us to acquire the remaining 50% interest from the owner for a price of $36.3 million, plus 50% of One&Only Palmilla's working capital, with the price subject to adjustment, as defined in the purchase agreement, during the first year of the option period. The purchase price during the second year of the option period is based on a formula, as defined. The option period begins on September 12, 2005 and expires on September 12, 2007.

Financing Activities

During the year, we used $33.8 million in net financing activities. Cash received during the year consisted of $39.0 million from the proceeds received from the exercise of share options. We also made $72.3 million in net payments on our Amended Revolving Credit Facility during 2003.

As shown in Tabular Disclosure of Contractual Obligations below, as of December 31, 2003, we do not have any significant scheduled debt repayments due until 2011, when the principal of our 8⅞% Senior Subordinated Notes mature. Any drawings on our Amended Revolving Credit Facility are not due until November 2006. We anticipate that prior to maturity, interest payments will be provided from cash flows from operations. At December 31, 2003, we had approximately $237.0 million available under our Amended Revolving Credit Facility as we are in compliance with the applicable debt covenants as of December 31, 2003. During 2003, our average cost of debt was approximately 6.4%.

Interest Rate Swap Agreements

We attempt to limit our exposure to interest rate risk by managing the mix of fixed and variable rate debt, and by entering into variable interest rate swap agreements to hedge a portion of our fixed rate debt. These interest rate swap agreements are entered into with a group of financial institutions with investment grade credit ratings, thereby minimizing counterparty credit risk.

In August and December 2001, we entered into fixed-to-variable rate swap agreements with respect to our 8⅞% Senior Subordinated Notes due 2011, which were issued in August 2001. We do not anticipate the covenants related to our 8⅞ Senior Subordinated Notes to restrict our ability to use the funds available in 2004. As of December 31, 2003, the aggregate notional amount of the swap agreements was $175.0 million and they mature in August 2011 concurrent with our 8⅞% Senior Subordinated Notes. Under the terms of the swap agreements, we make payments based on specific

spreads over six-month LIBOR and receive payments equal to the interest payments due on the notes. The spreads in excess of six-month LIBOR are 3.02% for $125.0 million, 2.95% for $25.0 million and 2.91% for the remaining $25.0 million. During the years ended December 31, 2003 and 2002, the weighted average variable rate on the swap agreements was 4.18% and 5.49%, respectively. Giving effect to these swap agreements, our fixed and variable rate debt represented approximately 56% and 44% as of December 31, 2003 and 42% and 58% as of December 31, 2002, respectively.

In connection with our interest rate swap agreements, for every 100 basis points that LIBOR increases or decreases, interest expense correspondingly changes by $1.75 million per annum.

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 certain estimates and assumptions when there is uncertainty as to their financial effects. Although all of the policies identified in the notes accompanying the consolidated financial statements are important to an understanding of such financial statements, the policies discussed below are considered by management to be central to their understanding because of (i) the higher level of measurement uncertainties involved in their application and (ii) the effect that changes in these estimates and assumptions could have on the consolidated financial statements.

We base our estimates on, among other things, currently available information, our historical experience and on various assumptions, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although we believe that that these assumptions are reasonable under the circumstances, estimates would differ if different assumptions were utilized and these estimates may prove in the future to have been inaccurate. There can be no assurance that actual results will not differ from these estimates.

Stock-Based Compensation. We have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for our employee stock options as allowed pursuant to FASB Statement No. 123, as amended by FASB Statement No. 148 ("SFAS 123"). Accordingly, no compensation expense related to stock options has been recognized for the years ended December 31, 2003, 2002 and 2001.

Had compensation cost for our stock option plans been determined on the basis of the fair value at the grant date for awards under those plans, consistent with SFAS 123, and our existing valuation method for our employee stock options, the Black-Scholes option-pricing model, we estimate that our net income for the years ended December 31, 2003, 2002 and 2001 would have been reduced by $3.7 million, $6.4 million and $10.0 million or 5%, 16% and 31%, respectively. However, SFAS 123 requires the use of option valuation models that require the input of highly subjective assumptions, including expected stock price volatility, and to date, a uniform standard for calculating the fair value of employee stock options in accordance with SFAS 123 has not been adopted. Because our stock options have characteristics significantly different from traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of our employee stock options. In addition, the effect of applying the fair value method of accounting for stock options on reported net income for 2003, 2002 and 2001 may not be representative of the effects for future years because outstanding options vest over a period of several years and additional awards are generally made each year.

Income Taxes. We are subject to income taxes in certain jurisdictions. Accordingly, the accompanying consolidated statements of operations include a provision for income taxes based on the prevailing tax laws of those jurisdictions.

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. We adjust the valuation allowance related to our deferred tax assets to the amount that is more likely than not to be realized. As of December 31, 2003, we had deferred tax assets, net of valuation allowance, totaling $10.5 million. In determining our net realizable tax assets, we consider our ability to carry back certain net operating losses, future taxable income and ongoing prudent and feasible tax planning strategies. We have determined that, as of December 31, 2003, a valuation allowance of $188.8 million was necessary to offset our deferred tax assets. In the event that we were to determine that we would not be able to realize all or part of our deferred tax assets in the future, or that the realization of additional deferred tax assets is more likely than not, an adjustment to the valuation allowance would occur in the period such determination was made.

Despite our belief that our tax return positions are supportable, our policy is to establish reserves for taxes that may become payable in future years as a result of examination by tax authorities. We believe our tax reserves provide an adequate allowance for such contingencies. The tax reserves are analyzed periodically and adjustments are made to the tax reserves, as events occur to warrant such adjustment.

Long-Lived Assets. We review our long-lived assets and certain identifiable intangibles for impairment whenever events or 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 in circumstances have occurred which would require our long-lived assets to be tested for recoverability.

Allowance for Doubtful Trade Receivables. We maintain an allowance for doubtful trade receivables arising from casino, hotel and other services which is based upon a specific review of outstanding receivables for estimated losses resulting from our inability to collect from customers. As of December 31, 2003, our trade receivables, net totaled $38.4 million, including an allowance for doubtful trade receivables of $7.6 million.

In extending credit, we attempt to assess our ability to collect by, among other things, evaluating the customer's financial condition, both initially and on an ongoing basis. In evaluating the adequacy of our allowance for doubtful trade receivables, we primarily analyze trade receivable balances, the percentage by aging category and historical bad debts, among other things.

Should the likelihood of collection on accounts or our ability to collect were to deteriorate, an increase to the allowance may be required. Also, should actual collections of trade receivables be different than our estimates included in the determination of our allowance, the allowance would be increased or decreased through charges or credits to selling, general and administrative expenses in the consolidated statements of operations in the period in which such changes in collection become known. If conditions change in future periods, additional allowances or reversals may be required. Such additional allowances could be significant.

Guarantees. In connection with Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), we recognize, at the inception of a guarantee, a liability at an estimate of the guarantee's fair value for the obligations we have undertaken in issuing a guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

Recent Accounting Pronouncements

Consolidation of Variable Interest Entities

In December 2003, the FASB issued revised Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"). 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. This interpretation applies immediately to variable interest entities created after December 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date.

The provisions of FIN 46R are required to be applied to an interest held in a variable interest entity, commonly referred to as a special purpose entity, at the end of the first reporting period ending after December 15, 2003. Application to all other types of entities is required in financial statements for periods ending after March 15, 2004. We have determined that the One&Only Palmilla, in which we have a 50% equity interest, constitutes a variable interest entity that is subject to consolidation in accordance with the provisions of FIN 46R as the related operating agreement contains a put option that, if exercised, would obligate us to purchase the remaining 50% of the entity, resulting in Kerzner being the primary beneficiary of the entity. We expect to consolidate the results of operations of the One&Only Palmilla into our consolidated financial statements for the quarter ended March 31, 2004, which will result in a significant increase in the assets, liabilities and revenues and cost and expenses of Kerzner. The consolidation of the One&Only Palmilla will not change the contribution to both the One&Only segment's results and Kerzner's consolidated results as compared to the previously used equity method accounting. See the Notes to the accompanying consolidated financial statements for summarized financial information of the One&Only Palmilla.

(E) Research and Development, Patents and Licenses

Not applicable.

(F) Trend Information

During the first two months of 2004, Atlantis, Paradise Island's results were slightly ahead of results for the same period last year. Atlantis achieved an average occupancy of 80% at an ADR of $277, which compares to average occupancy of 79% and ADR of $267 in 2002.

For the first two months of 2004, Atlantis casino contribution to net income was $13.2 million compared to $8.9 million for the same period in 2003 and slot drop was up 38.6% over the same period in 2003. Table hold was 15.8% for the first two months of 2004 compared to 14.7% for the first two months of 2003. For the two months ended February 29, 2004 as compared to the first two months ended February 28, 2003, slot coin in was 10.7% higher while slot win was slightly down. We do not anticipate that this level of growth will be sustained in the Atlantis casino during the remainder of 2004. Atlantis, Paradise, Island's RevPAR of approximately $220 was $10 higher then the same period last year.

Relinquishment fees and development fees earned by us from TCA were $35.7 million for the year ended December 31, 2003. We anticipate that relinquishment fees will be relatively flat for the year ending December 31, 2004 due to the increase in Mohegan Sun revenues offset by certain anticipated expenses at TCA and there will be no receipt of development fees in 2004 because Project Sunburst has been completed.

In connection with $175 million of our 8⅞% Senior Subordinated Notes, we have entered into interest rate swap agreements to hedge this portion of our fixed rate debt, in which the rates paid by us are at six-month LIBOR plus 291 to 302 basis points. In connection with our interest rate swap agreements, for every 100 basis points that LIBOR increases or decreases, correspondingly, interest expense changes by $1.8 million per annum.

Corporate expenses were $37.3 million for the year ended December 31, 2003. We anticipate that these expenses will be slightly lower in 2004.

(G) Off-Balance Sheet Arrangements

At December 31, 2003, our off-balance sheet arrangements and other commitments were as follows (in thousands):

Other Commitments	Total Amount of Commitment
Kaafu Atoll—Financings(a)	$34,650
Guarantee—One&Only Kanuhura(b)	10,712
One&Only Palmilla Resort Completion Guarantee(c)	46,450
Total other commitments	$91,812

(a) On December 4, 2002, we entered into a senior subordinated credit agreement with Reethi Rah Resort Pvt Ltd and various other financial institutions (the "Senior Lenders"). The agreement, as amended in 2003, obligates Kerzner to make completion loans (in an amount not to exceed $35.0 million of which, as of December 31, 2003, we have made $15.4 million) and operating loans (in an amount not to exceed $3.0 million per year for a four-year period). The maximum amount of commitments related to the development of Kaafu Atoll is $50.0 million, however, as the Company has funded $15.4 million through December 31, 2003, the total remaining off-balance sheet commitment amount to Kaafu Atoll is $34.6 million. The purpose of the completion loans is to provide subordinated financing for the building and developing of a new resort on Medhufinolhu, Kaafu Atoll, Republic of Maldives. The purpose of the operating loans is to provide working capital on a standby basis to the new resort once it has opened. Among other conditions, Kerzner is not obligated to make any completion loan after the resort has opened. Kerzner is not obligated to make any operating loans unless, among other conditions, the resort has opened for business to the general public. Once made, both the completion loans and the operating loans will be subordinated to all other loans made to the borrower by the Senior Lenders and will become immediately due and payable upon termination or cancellation of our management agreement related to the property.

As a condition to entering the senior subordinated credit agreement, we obtained a personal guarantee from Mohamed Adil, an indirect holder of the majority outstanding shares in Reethi Rah Resort Pvt Ltd, pursuant to which Mr. Adil unconditionally guaranteed all of the payment and performance obligations of Reethi Rah Resort Pvt Ltd to Kerzner under the senior subordinated credit agreement and certain other agreements relating to the resort. Reethi Rah Resort Pvt Ltd also granted us a subordinated security interest in substantially all of the assets that will comprise

the new resort, including a long-term lease that Reethi Rah Resort Pvt Ltd has obtained from the government of the Maldives.

Subject to certain conditions, Sun Resorts Limited ("SRL") has a right of first refusal to participate equally with us in any new hotels developed by us in specified Indian Ocean territories. If SRL elects to participate in the equity or other funding of any such project, then the management agreement for that property will be held by One&Only (Indian Ocean) Management Limited. SRL's board of directors has approved the exercise of its right to participate on a proportionate basis (currently 20%) with us in connection with the Kaafu Atoll project. Upon signing of definitive agreements, it will assume its proportionate share (currently 20%) of the above mentioned commitment amount. See "Item 4. Information on the Company, (B) Business Overview—The Properties—One&Only Resorts—Indian Ocean."

(b) In connection with our purchase of a 25% equity interest in the One&Only Kanuhura (since January 1, 2003 we hold a 20% interest), we were required to guarantee certain of its obligations to its other shareholders. We are not obligated under these guarantees unless the property's senior bank debt agreement prevents available cash flow from being distributed to the shareholders, nor until the One&Only Kanuhura repays certain senior debt owed to us. As of December 31, 2003, the amount of senior debt owed to us was $3.6 million, excluding accrued interest. Our obligations under these guarantees expire when the underlying obligations are repaid.

(c) We have guaranteed $46.5 million of debt-financing that One&Only Palmilla Resort has obtained from third-parties. We have provided 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 was to assist the One&Only Palmilla Resort in obtaining financing for its redevelopment on commercially reasonable terms. In addition, we have agreed to provide One&Only Palmilla with $14.0 million in completion loans in 2004, $3.0 million of which has already been advanced. These completion loans must be repaid no later than December 31, 2008. The redevelopment required the resort to be closed from April 2003 to February 2004. The redevelopment costs approximately $102.0 million at the property level, increased the room count to 172 rooms and significantly upgraded the amenities and public areas offered by the resort.

(H) Tabular Disclosure of Contractual Obligations

At December 31, 2003, we believe our contractual obligations, other than the guarantees described above, were as follows (in thousands):

	Payments Due by Year						
Contractual Cash Obligations	**2004**	**2005**	**2006**	**2007**	**2008**	**Thereafter**	**Total(a)**
8⅞% Senior Subordinated Notes(a)	$ —	$ —	$ —	$ —	$ —	$400,000	$400,000
Amended Revolving Credit facility(b)	—	—	—	—	—	—	—
Operating leases(c)	2,413	1,912	2,324	1,819	1,748	18,058	28,274
Capital leases	304	130	—	—	—	—	434
Purchase obligations(d)	4,010	—	—	—	—	—	4,010
Atlantis, The Palm	21,000	39,000	—	—	—	—	60,000
Club Med Acquisition	18,500	—	—	—	—	—	18,500
Total contractual cash obligations	$46,227	$41,042	$2,324	$1,819	$1,748	$418,058	$511,218

(a) Balance represents amounts outstanding under our 8⅞% Senior Subordinated Notes. In connection with these notes, interest paid to the holders on an annual basis is $35.5 million. However, in connection with our interest rate swap agreements related to the 8⅞% Senior Subordinated Notes,

the amount paid can vary significantly based on the rate of LIBOR during any period. For the year ended December 31, 2003, interest expense related to these notes was $26.9 million.

(b) As of December 31, 2003, we had $237.0 million available under the Amended Revolving Credit Facility, after giving effect to the $46.5 million guarantee with respect to the redevelopment of the One&Only Palmilla and the $16.5 million in letters of credit outstanding as of that date.

(c) As of December 31, 2003, operating leases are primarily office leases, in particular the lease related to the Company's office in Plantation, Florida.

(d) As of December 31, 2003, purchase obligations are primarily open purchase orders for hotel related provisions such as food, beverage and nonperishable goods. Purchase orders are primarily short-term in nature and generally do not exceed 90 days.

In addition, the following contingent contractual obligation, the amount of which can not accurately be estimated, is not included in the table above:

- The operating agreement for the One&Only Palmilla joint venture between us and a subsidiary of GS Emerging Market Real Estate Fund, L.P. ("GS"), our joint venture partner, provides for a put right available to GS commencing in September 2005 and ending in September 2007 (subject to extension under certain conditions). The exercise of this put right could require us to make a substantial cash payment, and in any event a cash payment of no less than $36.25 million, to acquire our joint venture partner's 50% interest in the One&Only Palmilla joint venture.

Item 6. Directors, Senior Management and Employees

(A) Directors and Senior Management

The current directors of the Company are:

Name	Country of Citizenship	Director Since
Solomon Kerzner	South Africa	1993
Peter Buckley	United Kingdom	1994
Howard Marks	United States	1994
Eric Siegel	United States	1994
Heinrich von Rantzau	Germany	2001

The current executive officers of the Company are:

Name	Title	Age	Executive Officer Since
Solomon Kerzner	Chairman of the Board of Directors	68	1993
Howard B. Kerzner	Chief Executive Officer	40	1995
John R. Allison	Executive Vice President—Chief Financial Officer	57	1994

The executive officers serve indefinitely at the pleasure of the Board of Directors.

Solomon Kerzner, Chairman of the Board of Directors: Mr. Kerzner has been our Chairman since October 1993. From October 1993 to June 1996, Mr. Kerzner served as our President and from October 1993 until December 2003, he served as our Chief Executive Officer. Mr. Kerzner is the Chairman of WLG, which, together with its affiliates, as of December 31, 2003 owned approximately 21.1% of our outstanding Ordinary Shares. Mr. Kerzner is one of the visionary leaders of the resort and gaming industries. Prior to founding Kerzner, Mr. Kerzner pioneered the concept of an entertainment and gaming destination resort designed and managed to appeal to multiple market

segments by developing Sun City, located near Johannesburg, South Africa. Sun City features four hotels with approximately 1,300 rooms, an entertainment center that includes a 6,000-seat indoor superbowl, a 46-acre man-made lake for water sports and approximately 55,000 square feet of gaming space. In 1992, Sun City was expanded to include The Lost City, a themed resort that features a 350-room luxury hotel and a man-made jungle in which over one million trees were transplanted. Mr. Kerzner has been responsible for the development of 21 hotels and founded both of southern Africa's largest hotel groups, Southern Sun Hotels and Sun International South Africa. We do not have any interest in any of the southern African properties developed by Mr. Kerzner. Mr. Kerzner is the father of Mr. Howard B. Kerzner.

Howard B. Kerzner, Chief Executive Officer: Mr. Kerzner has been our Chief Executive Officer since January 1, 2004. Mr. Kerzner joined Kerzner in May 1995 as Executive Vice President—Corporate Development and was President from June 1996 until December 2003. Prior to that time, he was Director—Corporate Development of SIIL from September 1992. Previously, Mr. Kerzner was an Associate of Lazard Frères & Co. LLC from September 1991. Prior to that Mr. Kerzner worked for the First Boston Corporation. Mr. Kerzner is the son of Mr. Solomon Kerzner.

John R. Allison, Executive Vice President—Chief Financial Officer: Mr. Allison joined Kerzner in May 1995 as Chief Financial Officer. Mr. Allison joined SIIL in March 1994 as Group Financial Director. From December 1987 until February 1994, Mr. Allison was Financial Director of Sun International Inc., a resort and management holding company with interests in approximately 27 hotels in southern Africa. Prior to that time, he was the Group Financial Director of Kimberly-Clark (South Africa) Limited for four years. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the South African Institute of Chartered Accountants.

Peter N. Buckley, Director: Mr. Buckley has been a Director since April 1994. Mr. Buckley is Chairman of Caledonia, which as of December 31, 2003 beneficially owned approximately 21.7% of our Ordinary Shares and had the right to vote an additional 2.5% of our Ordinary Shares. In 1994 he was appointed Chairman of Caledonia having been Deputy Chairman and Chief Executive since 1987. He is also Chairman of Bristow Helicopter Group Limited. He is a non-executive Director of Close Brothers Group PLC and Offshore Logistics, Inc. (a NYSE listed company).

Howard S. Marks, Director: Mr. Marks has been a Director since April 1994. Mr. Marks is Chairman of Oaktree Capital Management, LLC, which manages funds in excess of $20.0 billion for institutional investors. Previously, Mr. Marks was employed by The TCW Group, Inc. where he became Chief Investment Officer for Domestic Fixed Income and President of its largest affiliate, TCW Asset Management Company.

Eric B. Siegel, Director: Mr. Siegel has been a Director since April 1994. Mr. Siegel is a retired limited partner of Apollo Advisors, L.P. Mr. Siegel is also a Director and Chairman of the Executive Committee of El Paso Electric Company (a NYSE listed company).

Heinrich von Rantzau, Director: Mr. von Rantzau has been a Director since July 2001. Mr. von Rantzau is a principal of Cement Merchants SA, which as of December 31, 2003 beneficially owned approximately 12.0% of our Ordinary Shares, and an executive of Deutsche Afrika-Linien GmbH, Reederei John T. Essberger and VORA Schiffahrts-und Beteiligungsgesellschaft GmbH. Mr. von Rantzau is a board member of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and a member of the Trade Advisory Board of Germanischer Lloyd, Lloyd's Register of Shipping and German National Committee.

Charles D. Adamo served as Executive Vice President—Corporate Development and General Counsel until December 31, 2003. From the period January 1, 2004 through April 30, 2004, Mr. Adamo's employment with the Company is in the capacity of "Of Counsel" and he is no longer an executive of the Company. From the period of May 1, 2004 through December 31, 2005, Mr. Adamo has been retained by the Company as a consultant.

We agreed to include in the slate of directors submitted by us to our shareholders for election one individual designated by each of WLG, Caledonia and CMS, subject to their retaining a minimum beneficial ownership of our Ordinary Shares. See "Item 7. Major Shareholders and Related Party Transactions, (B) Related Party Transactions—Registration Rights and Governance Agreement."

(B) Compensation

The aggregate cash compensation for our directors and officers, including salaries, bonuses and benefits in kind granted, for the year ended December 31, 2003 was $6.9 million. None of the directors or officers participates in our pension plan. We do not set aside any amounts for pension or retirement benefits for any of our directors or officers.

Effective from January 1, 2001, we have a bonus plan whereby our employees, including officers, will qualify for bonuses if we attain either certain levels of earnings or EPS, 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 80% of the respective employee's base salary in 2003. Bonuses ranging from 41% to 54% were granted in 2003.

We have adopted stock option plans for our employees, officers and directors in 1995 (the "1995 Plan"), in 1997 (the "1997 Plan"), and in 2000 (the "2000 Plan") that provide for the issuance of options to acquire an aggregate of 7,500,000 Ordinary Shares. As of December 31, 2003, all available options under those plans had been granted. Accordingly, on December 11, 2003, we adopted a new stock incentive plan (the "2003 Plan" and, together with the 1995 Plan, the 1997 Plan and the 2000 Plan, the "Plans") which provides for the issuance of an aggregate of 3,000,000 Ordinary Shares in connection with awards of stock options, restricted stock and other stock-based awards.

The 1995 Plan provides for the options to become exercisable, unless otherwise specified by the Board of Directors and subject to certain acceleration and termination provisions, after two years from the date of grant in respect of 20% of such options and thereafter in installments of 20% per year over a four-year period. Options issued under the 1997 Plan become exercisable one year from the date of grant with respect to 20% of such options and thereafter in installments of 20% per year over a four-year period. The 2000 Plan provides for the vesting period to begin one year after the grant date in respect of one third of such options, and thereafter in installments of one third per year over a two-year period. The 2003 Plan provides generally for options to become exercisable 25% per year on each of the first four anniversaries of the date of grant, and for restricted stock to become vested in three equal installments on each of the second, third and fourth anniversary of the date of grant. Options granted under the Plans have a term of 10 years from the date of grant (except that options granted under the 2003 Plan generally have a term of 7 years from the date of grant) and, unless otherwise specifically provided by the Board of Directors, the option prices are equal to the market values per share on the date of grant. Consultants may also be granted awards under the 2003 Plan. Nonqualified stock options may be transferred to trusts with respect to which any such participants are beneficiaries and corporations or to other entities controlled by such participants.

During 2003, we granted 1,512,000 stock options and 1,000 restricted Ordinary Shares to our directors and officers pursuant to the Plans. The options were granted at exercise prices ranging from $36.86 to $35.80, and the expiration date for these options is December 11, 2010.

As of December 31, 2003, total options to acquire 5,059,000 Ordinary Shares were outstanding, of which 2,266,000 were exercisable as of that date. As of December 31, 2003, our officers and directors, as a group, held options to acquire approximately 2,028,077 Ordinary Shares (excluding exercisable options held by The Kerzner Family Trust), of which approximately 369,410 are currently exercisable, and held approximately 1,000 restricted Ordinary Shares (excluding restricted Ordinary Shares held by

The Kerzner Family Trust that are vested), of which none is currently vested. The options outstanding held by the officers and directors as of December 31, 2003 (excluding options held by The Kerzner Family Trust) were granted at exercise prices ranging from $20.07 to $41.63. The expiration dates for these options range from 2006 to 2012.

(C) Board Practices

Pursuant to our Articles of Association, as amended, our maximum number of directors is fixed at five. At our September 24, 2001, annual meeting of shareholders, our existing directors, consisting of Mr. S. Kerzner, Mr. Buckley, Mr. Marks, Mr. Siegel and Mr. von Rantzau were elected to terms set to expire at our annual general meeting to be held in 2004.

Our Board of Directors has appointed an audit committee of the board consisting of Mr. Buckley, Mr. Marks and Mr. Siegel. Deloitte & Touche LLP, the Company's independent auditor, has full and free access to meet with the audit committee, without management representatives present, to discuss the results of the audit, the adequacy of internal controls and the quality of financial reporting. The primary function of the audit committee is to assist our Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to the stockholders and others, the systems of internal controls that our management and Board of Directors have established and the audit process. The audit committee of our Board of Directors reviews the selection of our independent certified public accountants each year. The audit committee convenes at least eight times per year. The audit committee's charter has been filed as Exhibit 11.1 to this Annual Report.

We also have a Compensation Committee consisting of Mr. Siegel, Mr. Buckley, Mr. Marks and Mr. von Rantzau. The Compensation Committee is mandated to review and adopt our executive compensation plans and policies, including the adoption of stock incentive plans and the granting of options and restricted stock to senior executives thereunder.

We do not have service contracts with any of our directors.

Corporate Governance Standards

Pursuant to home country practices exemptions granted to us by the New York Stock Exchange, we are permitted to follow certain corporate governance practices complying with relevant Bahamian laws, which are different from those required by U.S. domestic companies under the New York Stock Exchange's listing standards. The New York Stock Exchange rules and our current practices relating to corporate governance have the following significant differences:

Independent Directors. The New York Stock Exchange requires that domestic listed companies have at least a majority of independent directors on their boards, make affirmative determinations of independence and have regularly-scheduled meetings of non-management directors without management participation. As a foreign private issuer, we are not required to satisfy this listing standard. We have not made any determination as to whether a majority of our directors meet the independence requirements set forth in the New York Stock Exchange listing standards and we do not have regularly-scheduled meetings of non-management directors.

Audit Committee. The New York Stock Exchange requires that a listed company have an audit committee consisting of at least three independent directors, and that the audit committee be charged with the responsibility of selecting, monitoring and communicating with the outside auditor of the company. We have not made any determination as to whether all of the directors on our audit committee meet the independence requirements set forth in the New York Stock Exchange listing standards. The Company is currently reviewing its corporate governance structure to ensure that it is in

compliance with these new corporate governance standards of the New York Stock Exchange when they become applicable to foreign private issuers on July 31, 2005.

Nominating/Corporate Governance and Compensation Committees. The New York Stock Exchange requires that domestic listed companies must have a board committee composed of at least one independent director that performs certain nominating and corporate governance functions. We do not have a nominating and corporate governance committee. The New York Stock Exchange also requires that domestic listed companies must have a board committee composed of at least one independent director that performs certain compensation-related functions. As a foreign private issuer, we are not required to satisfy these listing standards. We have a compensation committee, but have not made any determination as to whether the directors who constitute the committee meet the independence requirements set forth in the New York Stock Exchange listing standards.

Certifications. The New York Stock Exchange requires that a listed company's chief executive officer must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. As a foreign private issuer, our chief executive officer is not required to make this certification.

Corporate Governance Guidelines. The New York Stock Exchange requires that domestic listed companies adopt detailed corporate governance guidelines. As a foreign private issuer, we are not required to adopt, and have not adopted, such guidelines.

Shareholder Approval Policy. Pursuant to the amendment to the corporate governance standards that was approved by the Securities and Exchange Commission on June 30, 2003, the New York Stock Exchange requires, with limited exceptions, that shareholder approval be obtained with respect to any equity-compensation plan, which is generally defined as a plan or other arrangement that provides for the delivery of equity securities (either newly issued or treasury shares) of the listed company to any employee, director or other service provider as compensation for services. We follow Bahamian laws that do not apply specific rules to equity compensation plans; they are considered an issue of shares which does not require shareholder approval.

The New York Stock Exchange also requires that, with certain exceptions specified in its rules, shareholder approval be obtained prior to issuance of common stock or securities convertible into or exercisable for common stock (1) to a director, an officer, a substantial security holder or a party related to any of them if the number of shares of common stock which are to be issued or are issuable upon conversion exceeds 1% of the number of shares of common stock or voting power outstanding before the issuance, (2) in any transaction or series of transactions, if the voting power of the common stock is equal to or exceeds 20% of the voting power outstanding before the issuance or if the number of shares of the common stock is equal to or exceeds 20% of the number of shares outstanding before the issuance, and (3) that will result in a change of control of the issuer. We follow Bahamian laws which do not require shareholder approval with respect to the issuance of common stock or securities convertible into or exercisable for common stock. Under Bahamian laws, these are considered an issuance of shares which does not require shareholder approval.

On June 6, 2002, the Corporate Accountability and Listing Standards Committee of the New York Stock Exchange issued a report recommending that the Exchange adopt significant changes to its corporate governance listing standards. On August 16, 2002, the New York Stock Exchange filed with the Securities and Exchange Commission proposed changes to its corporate governance standards which reflect the findings of the Committee. The areas of corporate governance covered by the proposed changes include the definition and role of independent directors, committees under the board of directors, corporate governance guidelines, codes of business conduct and ethics, shareholder approval of equity-compensation plans, and annual certifications by chief executive officers. On June 30, 2003, the Securities and Exchange Commission approved the portion of the proposed

corporate governance standards relating to shareholder approval of equity-compensation plans, which is described under "Shareholder Approval Policy" above. Also, in light of the promulgation by the Securities and Exchange Commission of Rule 10A-3 pursuant to Section 301 of the Sarbanes-Oxley Act, on April 4, 2003, the New York Stock Exchange filed with the Securities and Exchange Commission an amendment to the remainder of its proposed rule changes in order to reflect the requirements of Rule 10A-3. That portion of the proposed rule changes, as amended, became effective upon the Securities and Exchange Commission's approval on November 4, 2003.

The rules will generally continue to grant home country practices exemptions to foreign private issuers listed on the New York Stock Exchange, including us, but, pursuant to the requirements of Rule 10A-3, those provisions of the amended corporate governance standards that implement the requirements of Rule 10A-3 will be applicable to listed foreign private issuers. Among such requirements, a foreign private issuer listed on the New York Stock Exchange will be required to have an audit committee consisting of at least three directors all of whom must be independent under the standards set forth in paragraph (b) of Rule 10A-3, and the audit committee will be required to be directly responsible for the appointment, compensation, retention and oversight of the work of the accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer, unless one or more of the exemptions set forth in Rule 10A-3 apply. These new corporate governance standards of the New York Stock Exchange will become applicable to foreign private issuers listed on the New York Stock Exchange on July 31, 2005. The Company plans to take appropriate steps with respect to its corporate governance system by July 31, 2005 so that its audit committee satisfies the requirements set forth in Rule 10A-3.

(D) Employees

Set forth below is a table showing the approximate total number of employees at our properties worldwide by geographic location for the periods indicated.

	At December 31,		
	2003	2002	2001
The Bahamas	5,785	5,800	5,560
U.S.	425	425	400
Other	75	70	60
Total:	6,285	6,295	6,020

In addition to the above, as of December 31, 2003, we had approximately 5,200 employees under management at our One&Only properties in Mauritius, Dubai, the Maldives and Mexico. We do not employ a significant number of temporary workers.

Union Contract Arrangements—The Bahamas

In The Bahamas, as of December 31, 2003, approximately 3,700 of our employees were represented by The Bahamas Hotel, Catering and Allied Workers Union. Kerzner International Bahamas Limited participates in The Bahamas Hotel Employers Association, which represents resort operators in the Paradise Island-New Providence Island area. The association has signed a new contract with the union that will expire on January 7, 2008. Labor relations in The Bahamas have been unstable at times with occasional work stoppages occurring, not only at Atlantis, but also at publicly run entities such as the Bahamian Electric Corporation and Bahamas Telephone Company. As the country's largest private employer, we are sometimes the target of labor disputes. See "Item 3. Key Information, (D) Risk Factors—Work stoppages and other labor disputes could harm our financial condition and results of operations."

(E) Share Ownership

The Kerzner Family Trust, which is a trust controlled by Mr. S. Kerzner, beneficially owns 6,379,747 Ordinary Shares (which includes 1,096,836 Ordinary Shares subject to currently exercisable options and 20,074 restricted Ordinary Shares that are vested, all of which were granted pursuant to the Plans and transferred to The Kerzner Family Trust by Mr. S. Kerzner, as well as 4,495,794 Ordinary Shares held by WLG, a subsidiary of The Kerzner Family Trust), which represents approximately 21.1% of the outstanding Ordinary Shares. The options held by The Kerzner Family Trust have exercise prices ranging from $18.125 to $35.00 and expiration dates ranging from January 31, 2007 to August 4, 2010. Of the 6,379,747 Ordinary Shares beneficially owned by The Kerzner Family Trust, 767,043 represent Ordinary Shares over which WLG has the right to vote through certain proxy arrangements with Kersaf. See table in "Item 7. Major Shareholders and Related Party Transactions, (A) Major Shareholders—Restructuring of Relationship with Majority Shareholder." Mr. S. Kerzner has sole dispositive power over the Ordinary Shares held by WLG as Mr. S. Kerzner controls WLG. Familienstiftung Von Rantzau-Essberger, a family trust of Heinrich von Rantzau (and also the sole shareholder of CMS), owns 36,500 Ordinary Shares, and CMS beneficially owns an additional 3,608,393 Ordinary Shares. See table in "Item 7. Major Shareholders and Related Party Transactions, (A) Major Shareholders." Each of our other directors and officers beneficially owns less than 1% of outstanding Ordinary Shares.

For a description of options granted to our directors, executive officers and other key employees, see "(B) Compensation" above.

Item 7. Major Shareholders and Related Party Transactions

(A) Major Shareholders

As of December 31, 2003, we had 30,283,689 Ordinary Shares outstanding. The following table sets forth certain information as of December 31, 2003 (or certain other dates, to the extent indicated below), regarding the beneficial ownership of our Ordinary Shares by: (i) any person who is known to us to be the owner of more than five percent of any class of our voting securities and (ii) our directors and officers as a group. Due to the arrangements described below, certain of our Ordinary Shares are beneficially owned by several parties.

Beneficial Owner	Number of Shares	Percent of Shares
Caledonia Investments plc ("Caledonia")	6,575,336(1)	21.7
World Leisure Group Limited ("WLG") and its affiliates	6,379,747(2)	21.1
Kersaf Investments Limited ("Kersaf")	1,983,679(3),(5)	6.6
Baron Capital Group, Inc. ("Baron")	5,562,232(4)	18.4
Cement Merchants SA ("CMS")	3,644,893(5),(6)	12.0
FMR Corp.	3,031,400(7)	10.0
Directors and officers as a group (excluding shares beneficially owned by Solomon Kerzner)(8)	*	*

* Less than five percent of outstanding voting securities.

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(1) Consists of: (i) 5,808,293 Ordinary Shares held by Caledonia and (ii) 767,043 Ordinary Shares over which Caledonia has a proxy (see Note 3 below).

(2) Consists of: (i) 4,495,794 Ordinary Shares held for the account of WLG, (ii) 767,043 Ordinary Shares over which WLG has a proxy (see Note 3 below) and (iii) 1,096,836 Ordinary Shares subject to currently exercisable options and 20,074 restricted Ordinary Shares that are vested, all of which were transferred to The Kerzner Family Trust by Mr. S. Kerzner.

(3) Consists of (i) 1,173,679 Ordinary Shares held by Royale Resorts International Limited ("RRIL") and 510,000 Ordinary Shares held by Royale Resorts Holdings Limited ("RRHL"), a wholly owned subsidiary of RRIL, each of which companies are jointly owned by Kersaf and CMS (73.3% by Kersaf and 26.7% by CMS) and (ii) 300,000 Ordinary Shares owned by Sun International Inc., a wholly owned subsidiary of Kersaf.

Kersaf does not have any voting rights with respect to its Ordinary Shares of Kerzner International. In connection with the July 2001 restructuring of our majority shareholder, Kersaf and certain of its affiliates granted irrevocable proxies, in varying amounts, to vote all of its Ordinary Shares to Caledonia, WLG and CMS (the "Kersaf Proxy Shares"). Therefore, the amounts presented in this table for Caledonia and WLG each include 767,041 of the Kersaf Proxy Shares. The amounts presented in this table for CMS include the remaining 449,592 of Kersaf Proxy Shares.

On March 29, 2004, Kersaf filed with the SEC an amendment to its Schedule 13D filed on July 19, 2001, in which it disclosed that certain of its affiliates RRIL, RRHL and Sun International Inc., sold 498,900 Ordinary Shares between October 10, 2003 and March 26, 2004. Amounts presented in this table do not reflect the information contained in the Schedule 13D/A filed by Kersaf on March 29, 2004.

(4) Based upon information contained in the Schedule 13G/A filed by Baron on February 13, 2004.

(5) Amounts presented in this table reflect the beneficial ownership by each of Kersaf and CMS of the 1,173,679 Ordinary Shares held by RRIL and the 510,000 Ordinary Shares held by RRHL, for a total of 1,683,679 Ordinary Shares over which they share dispositive power due to their joint ownership of RRIL and RRHL.

In addition, pursuant to an agreement entered in July 2001, RRHL and RRIL granted to CMS an option to purchase all or a portion of 1,150,000 of our Ordinary Shares then held by RRHL and RRIL. The number of Ordinary Shares subject to this option is currently 449,592 Ordinary Shares. This option expires on July 2, 2006. Amounts presented in this table treat all of the Ordinary Shares subject to this option as being beneficially owned by both Kersaf and CMS, both due to the shared rights of disposition described in the preceding paragraph and the option.

On March 29, 2004, Kersaf filed with the SEC an amendment to its Schedule 13D filed on July 19, 2001, in which it disclosed that certain of its affiliates RRIL, RRHL and Sun International Inc., sold 498,900 Ordinary Shares between October 10, 2003 and March 26, 2004. Amounts presented in this table do not reflect the information contained in the Schedule 13D/A filed by Kersaf on March 29, 2004.

(6) Consists of: (i) 1,173,679 Ordinary Shares held by RRIL and the 510,000 Ordinary Shares held by RRHL over which CMS and Kersaf share dispositive power as discussed in Note 5 above, (ii) 1,815,421 Ordinary Shares acquired in November and December 2002 in a series of transactions with RRIL, RRHL and another affiliate of Kersaf, (iii) 109,293 Ordinary Shares received as a dividend on May 31, 2003, as reported in the Schedule 13D/A filed on June 13, 2003 by CMS and (iv) 36,500 Ordinary Shares held directly by Familienstiftung Von Rantzau-Essberger, the sole shareholder of CMS.

(7) Based upon information contained in the Schedule 13G/A filed by FMR Corp. and certain affiliates on February 10, 2004.

(8) If the directors and officers as a group were to exercise their vested options, they would own 4.4% of the Ordinary Shares outstanding as of December 31, 2003 (excluding shares beneficially owned by Solomon Kerzner).

As of December 31, 2003, we had approximately 707 holders of record of approximately 30,283,689 Ordinary Shares, excluding 7,072,000 Ordinary Shares held as treasury stock. As of December 31, 2003, there were an estimated 688 U.S. holders of record holding approximately 48.4% of our issued and outstanding Ordinary Shares.

All of our Ordinary Shares have the same voting rights.

The amounts reflected in this "Major Shareholders" section are compiled and derived from SEC filings by each of Caledonia, WLG, Kersaf, Baron, CMS and FMR and other sources.

(B) Related Party Transactions

Set forth below is a summary of certain agreements that have been entered into or transactions that have occurred involving us and any of our subsidiaries, affiliates or key management.

Restructuring of Relationship with Majority Shareholder

On July 3, 2001, we announced the restructuring of our majority shareholder, SIIL, and the resolution of certain matters with SIIL and certain of its shareholders. Pursuant to the restructuring, SIIL was dissolved and its shareholders received interests in us directly proportionate to their interests in SIIL. The former shareholders of SIIL currently beneficially own approximately 39.2% of our issued and outstanding shares. SIIL was owned in equal thirds by Kersaf, Caledonia and WLG, a company controlled by a Kerzner family trust. SIIL previously was governed by a shareholders agreement pursuant to which all major decisions of SIIL required the unanimous consent of its shareholders. Kersaf operates a number of hotel, casino and resort properties in southern Africa under the "Sun International" name and there had been some confusion regarding the use of the "Sun International" name by both Kersaf and us. In October 2001, we commenced a lawsuit against Kersaf and certain of its subsidiaries. See "Item 8. Financial Information, (A) Consolidated Statements and Other Financial Information—Legal Proceedings—Kersaf Litigation." In November 2002, we reached a further settlement with SIIL's former shareholders to resolve certain outstanding issues. See below "Global Settlement." As part of the July 2001 restructuring:

- The SIIL shareholders agreement was terminated effective July 3, 2001, and SIIL was dissolved in May 2002. SIIL's former shareholders now hold their shares in us directly.
- CMS, a partner in Kersaf's hotel, casino and resort management activities in southern Africa, obtained options to purchase a portion of our Ordinary Shares owned by Kersaf. As part of the restructuring agreements, Heinrich von Rantzau, a principal of CMS, joined our Board of Directors.
- Kersaf, Caledonia and WLG agreed to certain standstill provisions through June 2006 pursuant to which each of them would refrain from proposing or consummating certain extraordinary corporate transactions involving us, including any merger or the sale of substantially all of our assets. See below "Registration Rights and Governance Agreement."
- Pursuant to a registration rights and governance agreement, we granted certain registration rights to Kersaf, Caledonia, WLG, CMS and certain of their respective affiliates, and Kersaf agreed to sell not less than 2.0 million of our Ordinary Shares in a registered public offering before June 30, 2002 (which date was subsequently extended to February 28, 2003), subject to certain extensions. Kersaf satisfied this obligation by completing the Kersaf Offering on December 18, 2002. See below "Global Settlement."
- The duration of appointment of our directors, consisting of Mr. S. Kerzner, Mr. Buckley, Mr. Siegel, Mr. Marks and Mr. von Rantzau, have been extended until our annual general shareholders meeting in 2004.

- We agreed that, after a transition period not to exceed one year from July 3, 2001, we would cease using the names "Sun" and "Sun International" and, as between the parties, Kersaf would have exclusive rights to use such names. In July 2002, we changed our corporate name to Kerzner International Limited. We do not believe that we have experienced any change in our business or operations as a result of the name change.
- Kersaf was granted the right to pursue a potential resort development project in Port Ghalib, Egypt, and we would have received between 25% and 50% of Kersaf's gross receipts from this project when and if it was consummated. However, as part of the November 2002 settlement, we relinquished all of our rights to an interest in this project. See below "Global Settlement."
- In July 2001, Kersaf made a one-time payment of $3.5 million to us and issued a secured note to us with a principal amount of $12.0 million and a maturity date of June 30, 2003. In December 2001, Kersaf repaid in full the principal amount of the note and accrued interest.
- Kersaf agreed to continue to make an annual payment to us pursuant to a long-term contract, which payment was approximately $3.3 million in 2003 and 2002. See below "—Long-Term Contract Fees." As part of the November 2002 settlement, Kersaf's obligation to make this payment was terminated effective December 2, 2002.

Global Settlement

In November 2002, we entered into a settlement agreement with Kersaf and certain of our other principal shareholders that, among other things, settled certain outstanding claims that we had with Kersaf and amended certain provisions of the July 2001 restructuring agreements relating to our former majority shareholder described in "Restructuring of Relationship with Majority Shareholder" above. As part of the July 2001 restructuring agreements, Kersaf agreed to, among other things, sell at least 2.0 million of our Ordinary Shares in a registered public offering, adhere to a certain non-compete agreement, continue to make an annual payment to us pursuant to a long-term contract, which payment was approximately $3.3 million in 2003 and 2002, and grant us an interest in a proposed project in Port Ghalib, Egypt. In October 2001, we filed a lawsuit in New York against Kersaf and certain of its affiliates alleging, among other things, that Kersaf had breached its non-compete obligation under the July 2001 restructuring agreements. As part of the November 2002 settlement agreement:

- We agreed to terminate the outstanding lawsuit related to Kersaf and certain of its affiliates, and each of the parties to the settlement agreement released all other parties to the settlement agreement from any and all claims, subject to certain limited exceptions;
- Certain contractual arrangements were terminated, including Kersaf's non-compete agreement and Kerzner's rights in Kersaf's project in Port Ghalib, Egypt;
- Kersaf paid us $32.0 million, plus interest accruing at a rate of 7.0% per annum from December 2, 2002, out of the proceeds of the Kersaf Offering in full satisfaction of a note delivered to us in connection with the settlement agreement;
- The date by which Kersaf was obligated to sell at least 2.0 million of our Ordinary Shares in a registered public offering was extended from October 31, 2002 to February 28, 2003, which obligation was satisfied by Kersaf by completing the Kersaf Offering on December 18, 2002; and
- Kersaf's obligation to make the annual payment referred to above was terminated effective December 2, 2002.

Registration Rights and Governance Agreement

As part of the SIIL reorganization, we entered into a registration rights and governance agreement with Kersaf, WLG, Caledonia, CMS and certain of their respective affiliates, which was amended as part of the November 2002 settlement. This agreement, and a related proxy, governs the voting of Kersaf's Ordinary Shares that are subject to a proxy discussed above in "(A) Major Shareholders." Among other things, under this agreement, as amended:

- Kersaf, Caledonia, WLG and CMS agreed to certain transfer restrictions that generally limit the ability of each party to purchase or sell our Ordinary Shares. As part of the November 2002 settlement, this agreement was modified so that Kersaf will no longer have the right to enforce these transfer restrictions.
- Each of Kersaf, Caledonia, CMS, WLG and certain of their respective affiliates were granted certain demand registration rights that may require us to register all or part of their Ordinary Shares of Kerzner in one or more registered public offerings from time to time as follows: (i) Kersaf agreed to sell not less than 2.0 million of our shares in a registered public offering before June 30, 2002 (which date was subsequently extended to February 28, 2003), subject to certain extensions (the "Minimum Year One Sale"), (ii) following such offering, Kersaf and certain of its affiliates have one or more demand registration rights each covering no less than 1.0 million Ordinary Shares, (iii) following March 31, 2002, Caledonia and certain of its affiliates have one or more demand registration rights each covering no less than 1.0 million Ordinary Shares, (iv) following June 30, 2003, WLG and certain of its affiliates have one demand registration right covering no less than 0.5 million Ordinary Shares and, following the earlier of June 30, 2004, and the date Caledonia and certain of its affiliates have disposed of 2.5 million of their Ordinary Shares, one or more demand registration rights each covering no less than 1.0 million Ordinary Shares, and (v) following March 31, 2002, CMS and certain of its affiliates have one or more demand registration rights each covering no less than 1.0 million Ordinary Shares. Kersaf satisfied the Minimum Year One Sale by completing a secondary offering of 2.3 million of our Ordinary Shares on December 18, 2002.
- Each of Kersaf, Caledonia, CMS and WLG were granted the right to sell certain of their Ordinary Shares through our brokers in open market transactions.
- If Kersaf sells more than 4.0 million shares pursuant to one or more underwritten public offerings, we will receive a portion of the net proceeds (less certain commissions, fees and expenses) from those shares sold by Kersaf in excess of four million shares in the following amounts:
  - if the price per share is less than or equal to $27.00 per share, five percent of such net proceeds;
  - if the price per share is greater than $27.00 but less than $30.375, five percent of such net proceeds plus 50% of the amount by which the price per share exceeds $27.00; and
  - if the price per share is greater than $30.375, ten percent of such proceeds.
- We submitted to our shareholders an amendment to our articles of association that was adopted in September 2001 and set the term of our existing directors to expire at our annual general meeting in 2004.
- We agreed to include in the slate of directors submitted by us to our shareholders for election one individual designated by each of WLG, Caledonia and CMS, subject to their retaining a minimum beneficial ownership of our Ordinary Shares.

- Kersaf has agreed until June 30, 2006 not to acquire any of our shares. In addition, subject to certain rights of first refusal as between themselves, each of Caledonia, WLG and CMS has agreed not to acquire any additional shares of Kerzner in excess of 0.9 million, in the case of Caledonia and WLG, and 4.0 million, in the case of CMS, prior to June 30, 2006, in each case subject to certain exceptions.
- Kersaf, Caledonia, CMS and WLG agreed to refrain from proposing or consummating certain extraordinary corporate transactions involving us, including any merger or the sale of substantially all of our assets, unless an independent third party proposes such an extraordinary corporate transaction and our Board of Directors determines to enter into discussions or negotiations with that third party.

This summary is qualified in its entirety by reference to the particular provisions of the registration rights and governance agreement, which can be found as Exhibit 10.8 to our registration statement on Form F-4 filed on September 21, 2001, and the settlement agreement, which can be found as Exhibit 99.2 to our Form 6-K filed on November 8, 2002, both of which you should review carefully.

Harborside at Atlantis

We entered into a series of promissory notes with Harborside at Atlantis to fund 50% of the construction cost of the timeshare units on Paradise Island in The Bahamas. These notes amounted to $15.0 million at December 31, 2003. We earn interest on these advances at a rate equal to one-month LIBOR plus 250 basis points, which was 3.62% at December 31, 2003. The loans were made simultaneously with loans from Starwood, which mirror the amounts, terms and conditions of our loans. Our loans and the Starwood loans are *pari passu* with respect to payments of principal and accrued interest and such payments will be made in cash, as it is available from the sale of timeshare units. Of the amount advanced to Harborside at Atlantis, the Company does not anticipate repayment within the next twelve months.

Harborside at Atlantis was closed from the end of August 2002 through early December 2002 in order to repair significant damage resulting from adverse weather primarily due to Hurricane Michelle. The approximate $28.3 million in property damage at our Paradise Island properties excluded our $6.9 million share of construction remediation costs at Harborside at Atlantis in 2002 and our $1.8 million share in 2003. During 2002, we recorded equity losses of $5.2 million resulting from the $6.9 million remediation charge offset by $1.7 million equity earnings from Harborside at Atlantis' operations. During the fourth quarter of 2003, our portion of insurance recovery related to the remediation costs was $1.5 million and therefore the loss for the year ended December 31, 2003 has been reduced by that amount. Harborside at Atlantis is still in negotiation with its insurers and may receive additional recovery during 2004.

We provide marketing, administrative and development services to Harborside at Atlantis from which we earned fees of $1.8 million, $1.6 million and $1.4 million for the years ended December 31, 2003, 2002 and 2001 respectively.

Management Services and Fees

We provide development, management and marketing services to SRL, a Mauritius company in which we own a 20.4% equity interest, and to all resorts owned by SRL, through 2023. The management services we provide to SRL are sub-contracted by One&Only (Indian Ocean) Management Limited ("One&Only Management"), a company owned 80% by us and 20% by SRL, to Kerzner. We provide all development and marketing services to SRL and receive fees for providing such services.

Pursuant to an assignment from us, One&Only Management provides management services to the One&Only Kanuhura, a Maldives company, in which we currently own a 20% equity interest. The terms of the management agreement run concurrent with the terms of a lease between the One&Only Kanuhura and the government of the Maldives to lease the One&Only Kanuhura. That lease expires in 2026 and is subject to extension. Similar to our agreements in Mauritius, we provide all development and marketing services to the One&Only Kanuhura.

We provide management services to Harborside, a joint venture in which we own a 50% equity interest.

We provide management services to the One&Only Palmilla, a deluxe, five-star property located near Cabo San Lucas. In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022.

In June 2002, we entered into management and development agreements for a 130-room luxury resort in Kaafu Atoll, the Maldives that we expect to open in 2005. The management and development agreements related to this property are co-terminus with the owner's lease, which expires in 2020. SRL's board of directors has approved the exercise of its right to participate on a proportionate basis (currently 20%) with us in connection with the Kaafu Atoll project and therefore the management agreement for that property will be held by One&Only Management.

We also have management, development and/or marketing agreements with respect to each of our projects in Dubai (see "Item 4. Information on the Company, (B) Business Overview—The Properties—One&Only—Middle East"), Havana, Cuba (see "Item 4. Information on the Company, (B) Business Overview—The Properties—One&Only—Cuba") and Cape Town, South Africa (see "Item 4. Information on the Company, (B) Business Overview—The Properties—One&Only—South Africa"). As of December 31, 2003, we had not received any management, development or marketing fees associated with these projects.

Office Lease

Effective February 2002, we entered into a lease agreement with Tennyson Properties Limited, which we believe was an arm's length transaction, whereby we are leasing office space in Buckinghamshire in the United Kingdom for a period of 15 years. The annual rent is approximately £205,000 (which is the equivalent of approximately $365,000 at December 31, 2003) and is subject to increase every five years to the current fair market value. Tennyson Properties Limited is owned by a family trust established by Solomon Kerzner.

Long-Term Contract Fees

As part of the restructuring of our then majority shareholder, SIIL, Kersaf agreed to pay us $32.1 million in December 2002. Of this amount, $21.3 million (which represents the future payments that were to be received over the term of the underlying agreements) is classified as deferred revenue. This long-term contract fee payment was established at $2.4 million in 1994 and increased at a rate of 3.3% per year and has been paid annually. We received our last payment on December 2, 2002, and pursuant to the settlement agreement with Kersaf, described above in "Global Settlement," Kersaf's obligation to make payments was terminated effective as of that date. See Note 20—Gain on Settlement of Territorial and Other Disputes in the accompanying consolidated financial statements.

(C) Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

(A) Consolidated Statements and Other Financial Information

Please refer to Item 18 for our consolidated financial statements and the independent auditors' report.

Legal Proceedings

Other Litigation

The Company is involved in certain litigation and claims incidental to its business. The Company does not believe, based on currently available information, that these matters will have a material adverse effect on the accompanying consolidated financial statements.

Enforceability Of Civil Liabilities

We are a Bahamian international business company incorporated under the International Business Companies Act, 2000 of the Commonwealth of The Bahamas. Certain of our directors and executive officers reside outside the U.S. A substantial portion of the assets of such persons and a certain portion of our assets are located outside the U.S. As a result, in the opinion of Harry B. Sands and Company, our Bahamian counsel, it may be difficult or impossible to effect service of process within the U.S. upon such persons, to bring suit in the U.S. or to enforce, in the U.S. courts, any judgment obtained there against such persons predicated upon any civil liability provisions of the U.S. federal securities laws. It is unlikely that Bahamian courts would entertain original actions against Bahamian companies, their directors or officers predicated solely upon U.S. federal securities laws. Furthermore, judgments predicated upon any civil liability provisions of the U.S. federal securities laws are not directly enforceable in The Bahamas. Rather, a lawsuit must be brought in The Bahamas on any such judgment. Subject to consideration of private international law, in general, a judgment obtained after due trial by a court of competent jurisdiction, which is final and conclusive as to the issues in connection, is actionable in Bahamian courts and is impeachable only upon the grounds of (i) fraud, (ii) public policy and (iii) natural justice.

Gaming debts may not be legally enforced in certain foreign jurisdictions or in certain jurisdictions within the U.S. As a result, we may be unable to collect gaming debts from patrons of our casinos who reside in such jurisdictions.

Dividend Policy

Pursuant to our Articles of Association, the Board of Directors may from time to time declare dividends. We historically have not paid dividends and there are currently no plans to declare any dividends.

(B) Significant Changes

Except as otherwise disclosed in this Annual Report, there has been no significant change in our financial position since December 31, 2003.

Item 9. The Offer and Listing

(A) Offer and Listing Details

The Ordinary Shares do not trade on any foreign exchange. The Ordinary Shares have been listed and traded on the NYSE since March 1, 1996. On March 29, 2004, the closing price of our Ordinary Shares on the NYSE was $46.18.

The following tables set forth the range of high and low closing sale prices of the Ordinary Shares as reported on the NYSE during the periods shown.

For the year:

	High	Low
2003	$39.02	$19.37
2002	31.20	18.80
2001	28.50	17.13
2000	23.75	15.88
1999	47.49	17.31

For the quarter:

	High	Low
2003: 4th quarter	$39.02	$34.78
3rd quarter	37.60	30.11
2nd quarter	32.21	22.25
1st quarter	23.45	19.37
2002: 4th quarter	24.74	18.80
3rd quarter	25.13	22.25
2nd quarter	31.20	24.24
1st quarter	27.21	22.95

For the month:

	High	Low
2004 February	$42.30	$38.47
2004 January	43.00	39.22

(B) Plan of Distribution

Not applicable.

(C) Markets

Since March 1, 1996, our Ordinary Shares have been listed and traded on the NYSE. Our Ordinary Shares are not listed on and do not trade on any other exchange.

(D) Selling Shareholders

Not applicable.

(E) Dilution

Not applicable.

(F) Expenses of the Issue

Not applicable.

Item 10. Additional Information

(A) Share Capital

Not applicable.

(B) Memorandum and Articles of Association

The Restated Articles of Association of Kerzner, dated as of June 26, 2001, were filed with the SEC as an exhibit to our Form 20-F Annual Report for the year ended December 31, 2000 in file

number 1-04226. Subsequent amendments, dated as of September 24, 2001, to these Restated Articles of Association were filed with the SEC with our proxy statement for the annual general meeting held on September 24, 2001.

The Amended and Restated Memorandum of Association of Kerzner was filed with the SEC as an exhibit to our Registration Statement on Form F-4, filed on November 1, 1996 in file number 333-15409. A subsequent amendment, dated as of May 17, 2002, to this Amended and Restated Memorandum of Association was filed with the SEC as an exhibit to our Registration Statement on Form F-4/A, filed on August 12, 2002 in file number 333-96705.

A description of certain provisions of the Company's Amended and Restated Memorandum of Association and Restated Articles of Association is incorporated by reference to the "Description of Capital Stock" section of the Company's Form F-3 filed with the SEC on May 23, 2002 in file number 333-88854.

Kerzner is registered under number 46,600B at the Companies Registry of The Bahamas. Kerzner's purpose, as stated in the Memorandum, is "to engage in any act or activity that is not prohibited under any law for the time being in force in the Commonwealth of The Bahamas."

(C) Material Contracts

The following is a summary of each material contract in which we or any of our subsidiaries have been a party to for the past two years.

Heads of Agreement

On May 26, 2003, Kerzner entered into a new Heads of Agreement with the Government of The Bahamas. A complete description of the Heads of Agreement and the Phase III Expansion can be found at "Item 4. Information on the Company, (B) Business Overview—Certain Matters Affecting Our Bahamian Operations—Heads of Agreement" and "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, Paradise Island."

Indenture

On August 14, 2001, Kerzner and KINA (together, the "Companies") issued $200.0 million principal amount of 8⅞% 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 8⅞% Senior Subordinated Notes were advanced to Kerzner International Bahamas Limited ("KIB") to repay amounts outstanding under the Revolving Credit Facility. Therefore, interest expense related to the 8⅞% Senior Subordinated Notes is offset by affiliated interest income from KIB.

In May 2002, the Companies issued an additional $200.0 million of 8⅞% 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 8⅞% Senior Subordinated Notes, which are unsecured obligations, are unconditionally guaranteed by substantially all of the wholly-owned subsidiaries of Kerzner and KINA. Interest on the 8⅞% Senior Subordinated Notes is payable semi-annually and commenced on February 15, 2002. The indenture for the 8⅞% 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 Revolving Credit Facility

On November 13, 2001, Kerzner, KINA and KIB, as co-borrowers, entered into an amended and restated revolving credit facility with a syndicate of lenders. This facility is described in "Item 4. Information on the Company, (A) History and Development of the Company—Reorganization of Capital Structure—Amended Revolving Credit Facility."

Letter Agreement dated December 14, 2001 to the Amended Revolving Credit Facility

On December 14, 2001, we entered into a letter agreement relating to the Amended Revolving Credit Facility which increased the amount of foreign currency letters of credit available to us from an aggregate principal amount of $3,000,000 to an aggregate principal amount of $30,000,000.

First Amendment dated May 8, 2002 to the Amended Revolving Credit Facility

On May 8, 2002, we entered into an amendment to the Amended Revolving Credit Facility (the "First Amendment"). The First Amendment was entered into in order to permit us to purchase or redeem all of the outstanding $200.0 million aggregate principal amount of our 9% Senior Subordinated Notes. On May 8, 2002, we commenced a tender offer and consent solicitation related to the 9% Senior Subordinated Notes and purchased substantially all of such notes on June 5, 2002. All 9% Senior Subordinated Notes that remained outstanding after the tender offer was completed were redeemed on June 21, 2002. See "Item 4. Information on the Company, (A) History and Development of the Company—Reorganization of Capital Structure."

Letter Agreement dated May 22, 2002 to the Amended Revolving Credit Facility

On May 22, 2002, we entered into a letter agreement relating to the Amended Revolving Credit Facility pursuant to which we requested and were granted a $100.0 million increase in the aggregate amount of borrowings that could be outstanding at any one time under the revolving credit facility. After giving effect to such increase, the aggregate amount of borrowings that could be outstanding at any one time was $300.0 million. We and the lenders have since agreed, effective January 1, 2003, to calculate borrowings available under our Amended Revolving Credit Facility using a borrowing base, such that we can draw the lesser of a borrowing base or the commitment amount. See below "Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility." We and the lenders have also since agreed to a permanent reduction in commitments such that the maximum amount of borrowings that may be outstanding is $253.5 million less the amount of any letters of credit outstanding. This amount reflects the permanent reduction in commitments of $46.5 million related to our guarantee of the same amount in connection with the local project financing at the One&Only Palmilla.

As of December 31, 2003, the Company had $237.0 million of borrowings available under the Amended Revolving Credit Facility.

Letter Agreement dated August 30, 2002 to the Amended Revolving Credit Facility

On August 30, 2002, we entered into a letter agreement relating to the Amended Revolving Credit Facility that amended the amount of per occurrence "all risks" insurance that we were required to maintain on our properties. Prior to the execution of the letter agreement, we were required to maintain insurance in amounts not less than the replacement value of our properties. The letter agreement provided that (a) from July 1, 2002, to June 30, 2003, the required level of per occurrence "all risks" insurance on our properties be equal to the lesser of the full replacement value of such property or the amount of such insurance reasonably available to us on commercially reasonable terms and (b) after July 1, 2003, the amount of any deductible related to our per occurrence "all risks" insurance will not be permitted to exceed $15.0 million and the sum of the aggregate principal amount

of all of our outstanding borrowings under the revolving credit facility will not be permitted to exceed the amount of per occurrence "all risks" insurance we maintain from time to time on our properties. The limitation on the aggregate principal amount of all of our outstanding borrowings was replaced with a borrowing base calculation pursuant to the Third Amendment dated May 15, 2003 discussed below. See "Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility."

Second Amendment dated November 20, 2002 to the Amended Revolving Credit Facility

On November 20, 2002, we entered into a second amendment to the Amended Revolving Credit Facility (the "Second Amendment"). The Second Amendment was entered into in order to permit us to purchase or redeem all of our outstanding 8⅝% Senior Subordinated Notes. On November 27, 2002, we called for redemption the entire outstanding principal amount of such notes and on December 27, 2002, we redeemed them at a redemption price of $1,043.13 per $1,000 of principal amount outstanding plus accrued interest. See "Item 4. Information on the Company, (B) History and Development of the Company—Reorganization of Capital Structure."

Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility

On May 15, 2003, we entered into a Third Amendment to the Amended Revolving Credit Facility (the "Third Amendment"). The Third Amendment was entered into in order to, among other things, calculate borrowings available under the Amended Revolving Credit Facility using a borrowing base calculation, such that we can draw the lesser of the borrowing base or the commitment amount. The borrowing base is generally the sum of: (i) the amount of "all risks" insurance maintained from time to time on the Bahamas Property, as defined, and on the buildings situated thereon; (ii) the value of undeveloped land owned by the Company under the Amended Revolving Credit Facility on Paradise Island, which for purposes thereof is deemed to be $150.0 million; (iii) the cost basis of the Company's investment in luxury resort hotels (defined to include the One&Only Palmilla and any luxury resort properties in which the Company make an investment in after January 1, 2003 that enables the Company to control management of such properties); (iv) the product of six times the consolidated EBITDA, as defined, attributable to the management contracts of the Company and those under One&Only (Indian Ocean) Management Limited and their significant subsidiaries; and (v) the estimated net present value of the payments due to the Company pursuant to the Relinquishment Agreement for purposes thereof is deemed to be $185.0 million.

Mohegan Sun Agreements

In February 1998, TCA and the Mohegan Tribe entered into the Relinquishment Agreement pursuant to which TCA receives the Relinquishment Fees and a development services agreement pursuant to which TCA agreed to develop the Project Sunburst expansion for a $14.0 million development fee. These agreements are described in "Item 4. Information on the Company, (A) History and Development of the Company."

Atlantis, The Palm

In September 2003, we entered into agreements to form a joint venture with Nakheel LLC, a government-owned entity in Dubai, to develop Atlantis, The Palm. The Company and Nakheel have each agreed to invest $60 million in equity financing to the Atlantis, The Palm project, with the balance of the financing, which may include an equity component, expected to be raised at the local level. As part of the Company's equity commitment to the project, it expects to invest approximately $20 million in 2004. As part of this transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The development services agreement provides for Kerzner to receive a $15.0 million fee for development, (exclusive of our equity investment in the venture). As of December 31, 2003, we have $1.2 million of deferred costs related to Atlantis, The Palm. The transaction remains subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

Management Agreements

In November 2003, we entered into agreements to manage and develop Hotel Saratoga, a 100-room hotel currently under renovation in Havana, Cuba. Kerzner is assisting in the design and renovation of the hotel and will manage the completed hotel for a term of 10 years with an option for a further 10 years. Pursuant to the terms of our agreements, we receive a base management fee and marketing fee, each calculated as a percentage of gross revenue. We will also be entitled to incentive fees if certain profit levels are achieved by the hotel. In addition, certain out-of-pocket expenses associated with our development of the hotel will be reimbursed to us from revenues from the hotel's operations.

In November 2003, we entered into an agreement with Victoria & Alfred Waterfront (Pty) Limited to develop a new luxury hotel at the highest end of the market in Cape Town, South Africa. We intend to form a joint venture in which we will own a minority interest to develop and operate a new 150-room One&Only luxury hotel.

In September 2003, we agreed to form a joint venture with a government-owned entity in Dubai to develop Atlantis, The Palm. See "Item 4. Information on the Company, (B) Business Overview—The Properties—Destination Resorts—Atlantis, The Palm." As part of the transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The transaction remains subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

In September 2002, we purchased a 50% ownership interest in the 115-room the One&Only Palmilla, a deluxe, five-star property located near Cabo San Lucas in Baja, Mexico for approximately $40.8 million, including transaction costs. In connection with the purchase, we entered into long-term management and development agreements related to the property that will expire in 2022. In connection with the recently-completed expansion of the resort, we guaranteed $46.5 million of the debt-financing that the One&Only Palmilla obtained from third-parties. In addition, we agreed to provide One&Only Palmilla with $14.0 million of completion loans in 2004, $3.0 million of which has already been advanced. See "Item 5. Operating and Financial Review and Prospects, (C) Operating Results—Off-Balance Sheet Arrangements." As part of the Palmilla joint venture's operating agreement, the owner has the right to require us to acquire the remaining 50% interest from the owner for a price of $36.3 million, plus 50% of Palmilla's working capital, with the price subject to adjustment, during the first year of the option period. See "Item 5. Operating and Financial Review and Prospects, (F) Tabular Disclosure of Contractual Obligations."

In June 2002, we entered into management and development agreements for a 130-room luxury resort on Kaafu Atoll, the Maldives that we expect to open in 2005. The management and development agreements related to this property are co-terminus with the owner's lease, which expires in 2020. SRL's board of directors has approved the exercise of its right to participate on a proportionate basis (currently 20%) with us in connection with the Kaafu Atoll project and therefore the management agreement for that property will be held by One&Only Management. As part of this development, we have committed to provide certain financing arrangements to the current owner of the resort in an aggregate principal amount of up to $50.0 million to ensure completion of the new resort and provide for working capital on a standby basis. See "Item 5. Operating and Financial Review and Prospects, (B) Liquidity and Capital Resources—Off-Balance Sheet Arrangements."

We have long-term management contracts with each of five hotels in Mauritius that are owned by SRL: the One&Only Le Saint Géran, the One&Only Le Touessrok, La Pirogue, Le Coco Beach and Sugar Beach. The term of each of these management agreements was extended from 2008 until 2023 in December 2002 when we entered into an agreement with SRL to form One&Only Management for the purpose of, among other things, managing the five properties owned by SRL in Mauritius and the One&Only Kanuhura in the Maldives. Effective January 1, 2003, SRL owns 20% of One&Only Management, and we own the remaining 80%. Subject to certain conditions, SRL's ownership interest

will increase incrementally through 2009 for no consideration, at which time it will own 50% of the new management company. In connection with the formation of One&Only Management, we transferred to it all of our Mauritius management agreements and the Kanuhura management agreement, and SRL purchased 20% of our debt and equity interests in the One&Only Kanuhura. Pursuant to a subcontract arrangement with One&Only Management, we provide the comprehensive management services to the five Mauritius resorts and receive a management fee calculated as a percentage of revenues and adjusted EBITDA, as defined. One&Only Management also is entitled to a marketing fee calculated as a percentage of revenues, although it has subcontracted to us all marketing services and benefits thereof with respect to the five Mauritius resorts.

In July 2001, we entered into a management agreement to provide comprehensive management services to the One&Only Kanuhura Sun Resort and Spa in the Maldives. Pursuant to an assignment from us in connection with the formation of One&Only Management, One&Only Management now provides management services to the One&Only Kanuhura. The management fee is calculated as percentages of revenue and adjusted EBITDA and it expires in 2026. One&Only Management also receives a marketing fee calculated as a percentage of revenues, although it has subcontracted to us all marketing services, and related benefits with respect to the One&Only Kanuhura.

We have a management agreement to manage the recently expanded One&Only Royal Mirage Hotel in Dubai, which originally opened in August 1999. Pursuant to this agreement, we receive a management fee calculated as a percentage of revenues and gross operating profits, as defined. The management fee schedule may be renegotiated after 10 years. This management agreement expires in 2019.

Harborside at Atlantis Joint Venture

In 1999, we formed a joint venture with Starwood Vacation Ownership, Inc. ("SVO") (formerly Vistana, Inc.) a subsidiary of Starwood, to develop a timeshare project on Paradise Island adjacent to Atlantis, Paradise Island called Harborside at Atlantis. We and SVO each hold a 50% interest in Harborside at Atlantis. As part of the joint venture, we contributed land and Vistana contributed cash based on the number of timeshare units to be developed.

Purchase Agreement between the Company and Colony

The Purchase Agreement among KINA, as parent, GGRI, Inc., as Seller and Colony as Buyer (the "Purchase Agreement") was dated October 30, 2000. The contract was entered into between the parties to effect the Resorts Atlantic City Sale described in "Item 4. Information on the Company, (A) History and Development of the Company." The Resorts Atlantic City Sale was completed on April 25, 2001, for a purchase price of approximately $144.5 million, including accrued interest (the "Resorts Atlantic City Sale"). The proceeds received from Colony consisted of approximately $127.0 million in cash and an unsecured $17.5 million note which was paid in full in March 2002. Pursuant to the Purchase Agreement, the sale was conditioned on the approval by the New Jersey Casino Control Commission and on Colony receiving financing.

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 $40.0 million. In February 2004, we and Colony agreed to terminate the Atlantic City Option and entered into a new agreement pursuant to which we will sell the undeveloped real estate adjacent to Resorts Atlantic City to a wholly owned subsidiary (the "Purchaser") of Colony RIH Holdings, Inc. for a purchase price of $40.0 million. The purchase price will be paid in the form of a promissory note which will mature on March 10, 2009 (the "NJ Note"). The NJ Note will begin accruing interest on September 30, 2004 at a rate of 4.0%, which such rate will step up at various intervals from the closing date of the transaction. All principal and interest due under the NJ Note will be due on March 10, 2009, which date may be accelerated by us upon certain events. The NJ Note will be secured by a first mortgage on the property sold and will be guaranteed by

Colony RIH Holdings, Inc. (the direct parent company of the Purchaser) initially in an amount limited to $20 million, which will generally increase in increments of $5 million annually. The NJ Note will also be guaranteed by Resorts International Hotel and Casino, Inc. This guarantee will go into effect when that company's outstanding public indebtedness, which is due on March 9, 2009, has been paid. The sale was completed on March 18, 2004.

NY Project Development Services Agreement

In March 2001, TCNY entered into a Development Services Agreement with the Stockbridge-Munsee Tribe for the development of a casino project in the Catskill region of the State of New York. The Development Agreement was amended and restated in February 2002. Pursuant to the Development Agreement, as amended, TCNY will provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Catskill Project. If the development takes place, TCNY will earn a fee of 5% of revenues (as defined in the Development Agreement) as compensation for its services (subject to certain priorities), beginning with the opening of the Catskill Project and continuing for a period of twenty years.

Internet Gaming Agreement

In February 2002, we agreed to sell 50% of Kerzner Interactive Limited to Station, who paid us a non-refundable deposit of $4.5 million in July 2002. Subsequently, this agreement was restructured and Station received an option through early January 2003 to purchase 50% of the operation in consideration for the $4.5 million previously received. Since that time, we concluded that this business would not be economically viable in the short to medium term. We discontinued the operations of Kerzner Interactive Limited during the first quarter of 2003 and the Company and Station mutually agreed to terminate this transaction. See "Item 4. Information on the Company, (B) Business Overview—Internet Gaming" for more information.

Northampton, England Gaming License

On April 9, 2003 we announced that we had agreed to acquire from LCI for $2.1 million a gaming license and property located in the city center of Northampton, England. We have submitted an application for a certificate of consent to the Gaming Board of Great Britain in order to transfer of the gaming license and expect this process to be completed by during the second quarter of 2004. We ultimately expect to develop and operate a new casino facility on an approximate 30,000 square foot site. The development of this facility is subject to the approval of local planning authorities.

Bahamas Union Contract Arrangements

In the Bahamas, as of December 31, 2003, approximately 3,700 of our employees were represented by The Bahamas Hotel, Catering and Allied Workers Union. Kerzner International Bahamas Limited participates in The Bahamas Hotel Employers Association, which represents resort operators in the Paradise Island-New Providence Island area. The association has signed a new contract with the union that will expire on January 7, 2008.

(D) Exchange Controls

The Central Bank of The Bahamas (the "Central Bank") must approve any payments made to companies, including us, which are non-resident companies for exchange control purposes. The Central Bank has granted approved investment status in respect of our holding of the capital stock of our Bahamian subsidiaries. The granting of such status will mean that all payments of a current nature, including the repatriation of dividends or other distributions to us out of the revenues of our Bahamian subsidiaries and any proceeds received on the sale of such subsidiaries will be routinely approved by the Central Bank following proper application. Any other payments to us by our Bahamian subsidiaries will require standard approval by the Central Bank.

There currently are no limitations on the right of nonresident or foreign owners to hold or vote the Ordinary Shares imposed by foreign law or by our Articles of Association.

(E) Taxation

Certain U.S. Federal Income Tax Considerations

The following is a general discussion of certain U.S. federal income tax consequences to the acquisition, ownership and disposition of Ordinary Shares. For purposes of this discussion, a "U.S. Holder" means an individual citizen or resident of the U.S., a corporation or entity treated as a corporation organized under the laws of the U.S. or of any state or political subdivision thereof, or an estate or trust the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

Rules regarding partnerships are complex. Partners in partnerships should consult their tax advisers regarding the implications of owning Ordinary Shares.

This discussion is not intended to be exhaustive and is based on statutes, regulations, rulings and judicial decisions currently in effect. This discussion does not consider any specific circumstances of any particular U.S. Holder and applies only to U.S. Holders that hold Ordinary Shares as a capital asset. Investors are urged to consult their tax advisers regarding the U.S. federal tax consequences of acquiring, holding and disposing of Ordinary Shares, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.

Ownership of Ordinary Shares

Dividends on Ordinary Shares paid to U.S. Holders will be treated as dividend income for U.S. federal income tax purposes to the extent of our undistributed current or accumulated earnings and profits as computed for U.S. federal income tax purposes. In the case of an individual U.S. Holder, such dividend income will be eligible for a maximum tax rate of 15% for dividends received before January 1, 2009, provided that such holder holds the Ordinary Shares for at least 60 days and certain other conditions are satisfied. Furthermore, such dividends will generally not be eligible for the dividends received deduction available to certain U.S. corporations under Section 243 of the Internal Revenue Code of 1986, as amended.

We are not a "passive foreign investment company" (a "PFIC"), a "foreign personal holding company" (an "FPHC") or a "controlled foreign corporation" (a "CFC") for U.S. federal income tax purposes. We are not a CFC, since U.S. persons each owning (directly, indirectly or by attribution) 10% or more of the voting power or of our stock ("10% Shareholders") do not collectively own more than 50% of the voting power or value of our stock, or an FPHC, since it is not the case that five or fewer individuals who are U.S. citizens or residents own (directly, indirectly, or by attribution) more than 50% of the voting power or value of our stock. If more than 50% of the voting power or value of our stock were owned (directly, indirectly or by attribution) by 10% Shareholders, we would become a CFC and each such 10% Shareholder would be required to include in its taxable income as a constructive dividend an amount equal to its share of a portion of our undistributed income. If more than 50% of the voting power or value of our stock were owned (directly, indirectly or by attribution) by five or fewer individuals who are citizens or residents of the U.S. and if at least 60% of our income consisted of certain interest, dividend or other enumerated types of income, we would be an FPHC. If we were an FPHC, each U.S. Holder (regardless of the amount of stock owned by such U.S. Holder) would be required to include in its taxable income as a constructive dividend its share of our undistributed income of specified types. If our foreign ownership interests were to decrease, or if U.S. persons were to acquire a greater ownership interest in our foreign stock holders, then it is possible that we could become a CFC or FPHC if we otherwise satisfied the tests set forth above.

We are not a PFIC because we do not anticipate that more than 75% of our annual gross income will consist of certain "passive" income or more than 50% of the average value of our assets in any

year will consist of assets that produce, or are held for the production of, such passive income. If such income and asset tests were not met and we were to become a PFIC, U.S. Holders would, in certain circumstances, be required to pay an interest charge together with tax calculated at maximum rates on certain "excess distributions" (defined to include any gain on the sale of stock).

If we were a FPHC or a PFIC, an individual U.S. Holder would not be eligible for the 15% tax rate on dividends discussed in the first paragraph of this section.

Any gain or loss on the sale or exchange of Ordinary Shares by a U.S. Holder will be a capital gain or loss. If the U.S. Holder has held such Ordinary Shares for more than one year, such gain or loss will be a long-term capital gain or loss.

Annual filings of Form 5471 may be required from certain U.S. persons owning 10% or more of our stock.

Certain Bahamian Tax Considerations

The following is a brief and general summary of certain Bahamian tax matters as they may relate to the Company and the holders of the Ordinary Shares of the Company. The discussion is not exhaustive and is based on Bahamian law currently in effect.

The Bahamas does not impose any income, capital gains or withholding taxes. Therefore, the Company will not be subject to income tax in The Bahamas on an ongoing basis and dividends paid on Ordinary Shares to holders thereof will not be subject to a Bahamian withholding tax. The Company, however, is subject to gaming taxes and other governmental fees and charges. There are no reciprocal tax treaties with The Bahamas.

(F) Dividends and Paying Agents

Not applicable.

(G) Statement by Experts

Not applicable.

(H) Documents on Display

Kerzner is subject to the informational requirements of the Exchange Act and files reports and other information with the SEC. You may read and copy all or any portion of the Annual Report and its exhibits at the public reference facilities maintained by the SEC, 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, and at its regional office at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. You may request copies of all or any portion of these documents, upon payment of a duplication fee, by writing to the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain more information about the public reference room by calling the SEC at 1-800-SEC-0330. Our reports and other information filed with the SEC are also available to the public from commercial document retrieval services and the website maintained by the SEC at www.sec.gov.

(I) Subsidiary Information

Please refer to "Item 4. Information on the Company, (C) Organizational Structure" for a list of our significant subsidiaries. A list of our significant subsidiaries is filed with this Annual Report as Exhibit 8. See "Item 19. Exhibits."

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Our major market risk exposure is interest rate risk directly related to our bank debt and interest rate swaps on our fixed rate debt. For the nine months ended September 30, 2003, we had interest rate swaps on $200.0 million of our fixed rate debt. At the end of September 2003 we cancelled

$25.0 million notional amount of our interest rate swaps and accordingly, as of December 31, 2003 we had interest rate swaps on $175.0 million of our fixed rate debt. We attempt to limit our exposure to interest rate risk by managing the mix of fixed and variable rate debt, and by entering into variable interest rate swap agreements to hedge a portion of our fixed rate debt. See "Item 5. Operating and Financial Review and Prospects, (B) Liquidity and Capital Resources—Interest Rate Swap Agreements" for further discussion. These interest rate swap agreements are entered into with a number of financial institutions with investment grade credit ratings, thereby minimizing the risk of credit loss.

We prepare our financial statements in U.S. dollars. Our most significant non-U.S. operations are in The Bahamas. Due to current governmental policies in The Bahamas that equate one Bahamian dollar to one U.S. dollar, we believe that we do not have material market risk exposures in this jurisdiction relative to changes in foreign exchange rates. Due to the stability of the other markets in which we operate, we also believe that we do not have material market risk exposures in these jurisdictions relative to changes in foreign exchange rates.

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. The fair value of fixed rate debt is based on the market value on the balance sheet date plus accrued interest to the last payment date. The fair value of interest rate swaps is determined from representations of financial institutions and represents the discounted future cash flows through maturity or expiration using current rates, and is effectively the amount we would pay or receive to terminate the agreements.

Interest Rate Sensitivity

The table below provides information about the Company's derivative instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency.

December 31, 2003 (In Thousands of Dollars) Asset (Liability)	Expected Maturity Date							Fair Value December 31, 2003
	2004	2005	2006	2007	2008	Thereafter	Total	
Fixed rate debt:								
8⅞% Notes	$ —	$ —	$ —	$ —	$ —	$(400,000)	$(400,000)	$(443,915)
Interest rate swaps:								
Notional amount	$ —	$ —	$ —	$ —	$ —	$ 175,000	$ 175,000	$ 11,839
Average pay rate (a)								4.177%
Average receive rate	8.875%	8.875%	8.875%	8.875%	8.875%	8.875%		8.875%

(a) Based on average spreads ranging from 2.95-3.02% plus six-month LIBOR.

In connection with our interest rate swap agreements, for every 100 basis points that LIBOR increases or decreases, interest expense correspondingly changes by $1.75 million per annum.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

As of the end of the period covered by this report, the Company's management (with the participation of its chief executive officer and chief financial officer) conducted an evaluation pursuant to Rule 13a-15 promulgated under the Exchange Act, of the effectiveness of the design and operation 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, the Company's chief executive officer and chief financial officer concluded that as of the end of the period covered by this report such disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the year ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Our audit committee consists of Messrs. Buckley, Marks and Siegel. The Board of Directors has determined that our audit committee does not have an "audit committee financial expert," as defined in new rules promulgated by the SEC. Although a person with such qualifications does not serve on the audit committee, the Board of Directors believes that the members of the audit committee collectively possess the knowledge and experience to oversee and assess the performance of our management and auditors, the quality of our disclosure controls, the preparation and evaluation of our financial statements and our financial reporting. Our Board of Directors also believes that the members of the audit committee collectively possess the understanding of audit committee functions necessary to diligently execute their responsibilities. Biographical information for each member of the audit committee is available in Item 6 of this Annual Report.

Item 16B. Code of Ethics

We have a Code of Business Conduct and Ethics applicable to all of our employees, officers and directors (including our principal executive officer and our principal financial and accounting officer). A copy of this Code of Business Conduct and Ethics is attached as Exhibit 11.2 to this Annual Report and is available in print on request. Since its adoption in 2003, there have been no amendments or waivers to this Code of Business Conduct and Ethics.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed or to be billed to us by Deloitte & Touche LLP, our principal accountants, for the following categories of fees from each of the last two years:

	2003	2002
	(in thousands)	
Audit fees	$1,025	$ 500
Audit-related fees (1)	982	573
Tax fees (2)	125	107
Total fees	$2,132	$1,180

(1) Audit-related fees consist of assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. This category includes fees related to the performance of audits and attest services not required by statute or regulations, audits of the Company's benefit plans, additional compliance procedures related to performance of the review or audit of our financial statements, the review of prospectuses, offering memoranda, registration statements, issuance of consent letters and accounting consultations regarding the application of GAAP to proposed and current transactions.

(2) Tax fees consist of tax compliance, tax advice and tax planning services.

The audit committee has concluded that the provision of the non-audit services listed above is compatible with maintaining the independence of our principal accountants.

The audit committee is responsible for making a recommendation to shareholders for appointing and removing the independent auditor, setting their compensation and overseeing their work. The audit committee has a policy for the pre-approval of all audit and permissible non-audit services provided by the independent auditor. The audit committee pre-approved 100% of the fees for 2003.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

(A) List of Financial Statements and Financial Statement Schedules

Independent Auditors' Report F-2
Consolidated Balance Sheets F-3
Consolidated Statements of Income F-4
Consolidated Statements of Changes in Shareholder Equity F-5
Consolidated Statements of Cash Flows F-6
Notes to Consolidated Financial Statements F-7

Item 19. Exhibits

EXHIBITS

Exhibit Numbers	Description	Incorporation by Reference to
1.1	Restated Articles of Association of Kerzner dated as of June 26, 2001	Exhibit 1 to Form 20-F Annual Report of Kerzner for the year ended December 31, 2000, filed on July 2, 2001, File No. 001-04226
1.2	Amendment to Restated Articles of Association of Kerzner dated as of September 24, 2001	Exhibit 3.3 to Registration Statement on Form F-4, filed on July 18, 2002, File No. 333-96705-36
1.3	Amended and Restated Memorandum of Association of Kerzner	Exhibit 3.1 to Registration Statement on Form F-4, filed on November 7, 1996, File No. 333-15409
1.4	Amendment to Memorandum of Association of Kerzner	Exhibit 3.6 to Registration Statement on Form F-4/A, filed on August 12, 2002, File No. 333-96705-36
1.5	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
1.6	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
1.7	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
1.8	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
2.1	Form of Inter-Borrower Agreement dated as of March 10, 1997, between Kerzner 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
2.2(a)	Purchase Agreement dated August 9, 2001, among Kerzner and KINA, as issuers, the subsidiary 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 purchasers	Exhibit 2.3(a) to Form 20-F Annual Report of Kerzner for the year ended December 31, 2001, filed on May 30, 2002, File No. 001-04226

Exhibit Numbers	Description	Incorporation by Reference to
2.2(b)	Purchase Agreement dated May 9, 2002, among Kerzner and KINA, as issuers, the subsidiary 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(b) to Form 20-F Annual Report of Kerzner for the year ended December 31, 2001, filed on May 30, 2002, File No.001-04226
2.2(c)	Indenture dated as of August 14, 2001, among Kerzner and KINA, as issuers, the Guarantors party thereto, and The Bank of New York, as trustee	Exhibit 2(c) to Form 6-K of Kerzner, filed on August 24, 2001, File No. 001-04226
2.2(d)	Supplemental Indenture dated as of September 19, 2001 to Indenture dated as of August 14, 2001	Exhibit 99(a) to Form 6-K of Kerzner, filed on September 20, 2001, File No. 001-04226
2.2(e)	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
2.2(f)	Third Supplemental Indenture dated as of November 18, 2002 to Indenture dated as of August 14, 2001	Exhibit 99.2 to Form 6-K of Kerzner, filed on November 21, 2002, File No. 001-04226
2.2(g)	Fourth Supplemental Indenture dated as of May 7, 2003 to Indenture dated as of August 14, 2001	Exhibit 99(1) to Form 6-K of Kerzner, filed on June 4, 2003, File No. 001-04226
2.2(h)	Form of 8⅞% Senior Subordinated Note due 2011	Exhibit 2(c) to Form 6-K of Kerzner, filed on August 24, 2001, File No. 001-04226
2.2(i)	Form of Guarantee with respect to 8⅞% Senior Subordinated Note due 2011	Exhibit 2(c) to Form 6-K of Kerzner, filed on August 24, 2001, File No. 001-04226
2.2(j)	Registration Rights Agreement dated as of August 14, 2001, among Kerzner 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 2(b) to Form 6-K of Kerzner, filed on August 24, 2001, File No. 001-04226
2.2(k)	Registration Rights Agreement dated as of May 20, 2002, among Kerzner 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 for the year ended December 31, 2001, filed on May 30, 2002, File No. 001-04226
4.1	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

Exhibit Numbers	Description	Incorporation by Reference to
4.2	Promissory Note between Colony and KINA dated as of April 25, 2001	Exhibit 2 to Form 6-K of Kerzner, filed on May 8, 2001, File No. 001-04226
4.3(a)	Fourth Amended and Restated Revolving Credit Facility dated as of November 13, 2001 among Kerzner, 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
4.3(b)	Letter Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of December 14, 2001	Exhibit 4.3(b) to Form 20-F Annual Report of Kerzner for the year ended December 31, 2002, filed on June 30, 2003, File No. 001-04226
4.3(c)	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
4.3(d)	Letter Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of May 22, 2002	Exhibit 4.3(d) to Form 20-F Annual Report of Kerzner for the year ended December 31, 2002, filed on June 30, 2003, File No. 001-04226
4.3(e)	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, filed on December 6, 2002, File No. 001-04226
4.3(f)	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, filed on December 6, 2002, File No. 001-04226
4.3(g)	Third Amendment to the Fourth Amended and Restated Revolving Credit Agreement dated as of May 15, 2003	Exhibit 4.3(g) to Form 20-F Annual Report of Kerzner for the year ended December 31, 2002, filed on June 30, 2003, File No. 001-04226
4.4	Heads of Agreement dated May 26, 2003, between Kerzner and the Government of the Commonwealth of The Bahamas	Exhibit 99(2) to Form 6-K of Kerzner, filed on May 28, 2003, File No. 001-04226
4.5	Second Amended and Restated Development Services Agreement dated as of February 6, 2002 among the Stockbridge-Munsee Tribe, the Stockbridge-Munsee Tribal Gaming Authority, Trading Cove New York, LLC, KINA and Waterford Gaming Group, LLC	Exhibit 10 to Form 10-Q Quarterly Report of KINA for the quarter ended March 31, 2002, filed on May 15, 2002, File No. 001-04748
4.6	Development Services Agreement dated February 7, 1998 between the Mohegan Tribal Gaming Authority and Trading Cove Associates	Exhibit 2.1 to Form 20-F/A of Kerzner for the year ended December 31, 1997, filed on September 3, 1998, File No. 001-04226
4.7	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 for the year ended December 31, 1997, filed on September 3, 1998, File No. 001-04226

Exhibit Numbers	Description	Incorporation by Reference to
4.8	Agreement in Principle between Kerzner International Limited and Nakheel LLC, dated September 22, 2003	Filed herewith as Exhibit 4.8
4.9	Stock Purchase Agreement dated as of February 14, 2002, by and among Station Casinos, Inc., Station Online, Inc., Kerzner and Kerzner Interactive Limited	Exhibit 4.8 to Form 20-F Annual Report of Kerzner for the year ended December 31, 2001, filed on May 30, 2002, File No. 001-04226
4.10	Registration Rights and Governance Agreement dated as of July 3, 2001, by and among Kerzner, Sun International Investments Limited, World Leisure Group Limited, Kersaf Investments Limited, Caledonia Investments PLC, Mangalitsa Limited, Cement Merchants SA, Rosegrove Limited, Royale Resorts Holdings Limited and Sun International Inc.	Exhibit C to Schedule 13-D of Mangalitsa Limited with respect to Kerzner, filed on July 13, 2001, File No. 005-48645
4.11	Omnibus Agreement dated as of July 3, 2001, by and among Kerzner, Sun International Investments Limited, World Leisure Group Limited, Kersaf Investments Limited, Caledonia Investments PLC, Rosegrove Limited, Royale Resorts Holdings Limited, Royale Resorts International Limited, Sun International Inc., Sun Hotels International, Sun Hotels Limited, World Leisure Investments Limited, Solomon Kerzner, Peter Buckley, Derek Aubrey Hawton, Sun International Management Limited (a British Virgin Islands company), Cement Merchants SA, Sun International Management Limited (a Swiss company), Sun International Management (UK) Limited, Hog Island Holdings Limited and Mangalitsa Limited	Exhibit 10.9 to Registration Statement on Form F-4, filed on September 21, 2001, File No. 333-69780
4.12	Supplemental Agreement to the Original Shareholders' Agreement and to the Rosegrove Shareholders Agreement dated as of July 3, 2001, by and among Kersaf Investments Limited, Sun International Inc., Kerzner, Royale Resorts Holdings Limited, World Leisure Investments Limited, Sun Hotels Limited, World Leisure Group Limited, Royale Resorts International Limited, Caledonia Investments PLC, Solomon Kerzner, Sun International Management Limited (a British Virgin Islands company), Rosegrove Limited, Sun International Management Limited (a Swiss company), Mangalitsa Limited and Hog Island Holdings Limited	Exhibit A to Schedule 13-D of Mangalitsa Limited with respect to Kerzner, filed on July 13, 2001, File No. 005-48645
4.13	Irrevocable Proxy Agreement dated as of July 3, 2001, by and among Kerzner, Sun International Investments Limited, World Leisure Group Limited, Kersaf Investments Limited, Caledonia Investments PLC, Mangalitsa Limited, Cement Merchants SA, Rosegrove Limited, Royale Resorts Holdings Limited and Sun International Inc.	Exhibit B to Schedule 13-D of Mangalitsa Limited with respect to Kerzner, filed on July 13, 2001, File No. 005-48645

Exhibit Numbers	Description	Incorporation by Reference to
4.14	Trade Name and Trademark Agreement dated as of July 3, 2001, by and among Kerzner, Sun International Investments Limited and World Leisure Group Limited, as Assignors, and Sun International Management Limited, as Assignee	Exhibit 10.12 to Registration Statement on Form F-4, filed on September 21, 2001, File No. 333-69780
4.15	Promissory Note dated July 3, 2001 between Royale Resorts Holdings Limited, as Maker, and Kerzner, as Payee	Exhibit 10.13 to Registration Statement on Form F-4, filed on September 21, 2001, File No. 333-69780
4.16	Stock Pledge Agreement dated as of July 3, 2001, between Royale Resorts Holdings Limited, as Pledgor, and Kerzner	Exhibit 10.14 to Registration Statement on Form F-4, filed on September 21, 2001, File No. 333-69780
4.17	Settlement Agreement dated as of November 1, 2002, by and among Kerzner, Kersaf Investments Limited, Royale Resorts Holdings Limited, Sun International Management Limited, World Leisure Group Limited, Caledonia Investments PLC, Mangalitsa Limited and Cement Merchants SA	Exhibit 99.2 to Form 6-K of Kerzner, filed on November 8, 2002, File No. 001-04226
4.18	Kerzner Deferred Compensation Plan	Exhibit 99.1 to Registration Statement on Form S-8, filed on October 11, 2002, File No. 333-100522
4.19	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
4.20	Plantation, Florida Lease Agreement	Exhibit 4.19 to Form 20-F Annual Report of Kerzner for the year ended December 31, 2002, filed on June 30, 2003, File No. 001-04226
4.21	Kerzner International Limited 2003 Stock Incentive Plan	Filed herewith as Exhibit 4.21
4.22	Master Agreement among Kerzner International North America, Inc., Colony RIH Holdings, Inc., Resorts International Hotel and Casino, Inc., Resorts Real Estate Holdings, Inc., Resorts International Hotel, Inc. and New Pier Operating Company, Inc., dated as of February 1, 2004.	Filed herewith as Exhibit 4.22
4.23	Purchase and Sale Agreement by and between Kerzner International North America, Inc., as Seller, and Resorts Real Estate Holdings, Inc., as Purchaser, dated as of February 1, 2004.	Filed herewith as Exhibit 4.23
6	Computation of earnings per share	Incorporated by reference to Note 2 of the Notes to the Consolidated Financial Statements
8	Subsidiaries of Kerzner	Filed herewith as Exhibit 8
11.1	Kerzner Audit Committee Charter	Filed herewith as Exhibit 11.1
11.2	Kerzner Code of Business Conduct and Ethics	Filed herewith as Exhibit 11.2

Exhibit Numbers	Description	Incorporation by Reference to
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 12.1
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 12.2
13.1	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 13.1
14.1	Consent of Deloitte & Touche LLP	Filed herewith as Exhibit 14.1
14.2	Consent of PricewaterhouseCoopers LLP	Filed herewith as Exhibit 14.2
14.3	Consent of Ernst & Young LLP	Filed herewith as Exhibit 14.3
14.4	Trading Cove Associates financial statements December 31, 2003, 2002 and 2001	Filed herewith as Exhibit 14.4

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

KERZNER INTERNATIONAL LIMITED

Date: March 30, 2004

By: /s/ JOHN R. ALLISON

Name: John R. Allison

Title: Executive Vice President—Chief Financial Officer

KERZNER INTERNATIONAL LIMITED

Consolidated Financial Statements as of December 31, 2003 and 2002 and for the Three Years Ended December 31, 2003

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Kerzner International Limited:

We have audited the accompanying consolidated balance sheets of Kerzner International Limited and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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, for the years ended December 31, 2003, 2002 and 2001. The Company's equity of $14.4 million and $8.9 million in TCA's net assets at December 31, 2003 and 2002, respectively, and of $34.0 million, $30.1 million and $24.3 million in TCA's net income for the years ended December 31, 2003, 2002, and 2001 are included in the accompanying consolidated financial statements. The financial statements of TCA were audited by other auditors whose report 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 11% of consolidated net 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kerzner International Limited and subsidiaries, as of December 31, 2003 and 2002 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

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.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 29, 2004

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.), which is a wholly owned subsidiary of Kerzner International Limited, 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 LIMITED
CONSOLIDATED BALANCE SHEETS
(In thousands of US dollars, except per share data)

	December 31, 2003	December 31, 2002 (as restated, see Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,232	$ 34,012
Restricted cash	1,445	4,842
Trade receivables, net	38,397	43,114
Due from affiliates	13,949	21,013
Inventories	10,418	8,969
Prepaid expenses and other assets	15,360	14,312
Total current assets	139,801	126,262
Property and equipment, net	1,154,004	1,112,375
Notes receivable	—	13,720
Due from affiliates—non-current	34,842	24,379
Deferred tax asset, net	10,473	6,119
Deferred charges and other assets, net	33,656	36,298
Investments in associated companies	83,152	75,886
Total assets	$1,455,928	$1,395,039
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 304	$ 275
Accounts payable and accrued liabilities	172,233	145,724
Capital creditors	4,639	1,538
Total current liabilities	177,176	147,537
Deferred revenue	14,652	18,028
Other long-term liabilities	7,290	2,697
Long-term debt, net of current maturities	417,220	497,756
Total liabilities	616,338	666,018
Commitments and contingencies (Note 23)		
Shareholders' equity:		
Ordinary shares, $.001 par value	37	35
Capital in excess of par	744,246	703,050
Retained earnings	268,411	196,839
Accumulated other comprehensive loss	(7,736)	(8,134)
Deferred compensation	(2,599)	—
	1,002,359	891,790
Treasury stock	(162,769)	(162,769)
Total shareholders' equity	839,590	729,021
Total liabilities and shareholders' equity	$1,455,928	$1,395,039

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

KERZNER INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of US dollars, except per share data)

	For the Year Ended December 31,		
	2003	2002	2001
		(As restated, see Note 2)	
Revenues:			
Gaming	$138,587	$129,916	$188,907
Rooms	188,235	184,776	180,569
Food and beverage	130,879	131,377	128,392
Tour operations	40,790	41,063	36,348
Real estate related	—	—	9,771
TCA development and other fees	1,755	1,326	2,873
Management, development and other fees	13,422	10,396	9,410
Other revenues	68,424	65,618	57,939
Insurance recovery	2,819	1,100	2,000
Gross revenues	584,911	565,572	616,209
Less: promotional allowances	(23,579)	(22,210)	(40,773)
Net revenues	561,332	543,362	575,436
Cost and expenses:			
Gaming	63,283	63,746	96,431
Rooms	33,395	33,381	30,538
Food and beverage	89,502	88,560	86,495
Tour operations	35,406	36,767	32,041
Other operating expenses	85,175	81,116	89,146
Real estate related	—	—	2,865
Selling, general and administrative	100,837	91,460	89,064
Corporate expenses	37,260	29,227	25,106
Depreciation and amortization	55,782	55,486	51,010
Gain on replacement of damaged assets	(2,514)	—	—
Restructuring costs (reversal)	—	(1,000)	5,732
Pre-opening expenses	—	—	2,280
Gain on net assets held for sale	—	—	(2,232)
Cost and expenses	498,126	478,743	508,476
Relinquishment fees—equity earnings in TCA	33,960	30,041	24,263
Income from operations	97,166	94,660	91,223
Other income (expense):			
Interest income	3,394	3,419	5,301
Interest expense, net of capitalization	(29,264)	(39,104)	(60,375)
Equity in earnings (losses) of associated companies	(320)	(5,209)	2,210
Gain on settlement of territorial and other disputes	1,479	14,459	—
Loss on early extinguishment of debt	—	(20,525)	—
Other, net	(686)	60	—
Other expense, net	(25,397)	(46,900)	(52,864)
Income from continuing operations before provision for income taxes and minority interest	71,769	47,760	38,359
Provision for income taxes	(162)	(96)	(1,090)
Minority interest	(1,340)	—	—
Income from continuing operations	70,267	47,664	37,269
Income (loss) from discontinued operations, net of income tax effect	1,305	(8,061)	(4,608)
Net income	$ 71,572	$ 39,603	$ 32,661

KERZNER INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(In thousands of US dollars, except per share data)

	For the Year Ended December 31,		
	2003	2002	2001
		(As restated, see Note 2)	
Basic earnings per share:			
Income from continuing operations	$ 2.46	$ 1.71	$ 1.39
Income (loss) from discontinued operations	0.04	(0.29)	(0.18)
Earnings per share—basic	$ 2.50	$ 1.42	$ 1.21
Weighted average number of shares outstanding-basic	28,575	27,891	26,885
Diluted earnings per share:			
Income from continuing operations	$ 2.39	$ 1.67	$ 1.34
Income (loss) from discontinued operations	0.05	(0.28)	(0.17)
Earnings per share—diluted	$ 2.44	$ 1.39	$ 1.17
Weighted average number of shares outstanding-diluted	29,377	28,544	27,826

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

KERZNER INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2003, 2002 and 2001

(In thousands of US dollars)

	Ordinary Shares		Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Deferred Compensation	Total Shareholders' Equity	Comprehensive Income (Loss) for the Period
	Shares	Amount							
Balance at December 31, 2000, as originally reported	33,874	$34	$680,784	$129,321	$(5,543)	$(162,769)	$ —	$641,827	
Prior period adjustment	—	—	—	(4,746)	—	—	—	(4,746)	
Balance at December 31, 2000*	33,874	34	680,784	124,575	(5,543)	(162,769)	—	637,081	
Translation reserves	—	—	—	—	(3,010)	—	—	(3,010)	$(3,010)
Exercise of share options	556	—	7,930	—	—	—	—	7,930	—
Net income	—	—	—	32,661	—	—	—	32,661	32,661
Balance at December 31, 2001*	34,430	34	688,714	157,236	(8,553)	(162,769)	—	674,662	29,651
Translation reserves	—	—	—	—	419	—	—	419	419
Exercise of share options	808	1	14,701	—	—	—	—	14,702	—
Repurchase of ordinary shares	(16)	—	(365)	—	—	—	—	(365)	—
Net income	—	—	—	39,603	—	—	—	39,603	39,603
Balance at December 31, 2002*	35,222	35	703,050	196,839	(8,134)	(162,769)	—	729,021	40,022
Translation reserves	—	—	—	—	398	—	—	398	398
Exercise of share options	2,074	2	39,005	—	—	—	—	39,007	—
Repurchase of ordinary shares	(13)	—	(408)	—	—	—	—	(408)	—
Issuance of Restricted Share Awards	73	—	2,599	—	—	—	(2,599)	—	—
Net income	—	—	—	71,572	—	—	—	71,572	71,572
Balance at December 31, 2003	37,356	$37	$744,246	$268,411	$(7,736)	$(162,769)	$(2,599)	$839,590	$71,970

* Activity for the years ended December 31, 2001 and 2002 and balances as of December 31, 2000, 2001 and 2002 have been restated. See Note 2—Restatement and Reclassification for further discussion of this restatement.

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

KERZNER INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US dollars)

	For the Year Ended December 31,		
	2003	2002	2001
		(As restated, see Note 2)	
Cash flows from operating activities:			
Net income	$ 71,572	$ 39,603	$ 32,661
(Income) loss on discontinued operations, net of income tax effect	(1,305)	8,061	4,608
Loss on early extinguishment of debt	—	20,525	—
Depreciation and amortization	55,782	55,486	51,010
Amortization of debt issuance costs, premiums and discounts	1,217	1,868	4,202
Gain on net assets held for sale	—	—	(2,232)
Gain on insurance proceeds received for replaced assets	(2,514)	—	—
Loss on disposition of other assets	451	227	760
Equity in (earnings) losses of associated companies, net of dividends received	(3,646)	5,980	(2,021)
Provision for doubtful receivables	1,326	3,204	6,355
Deferred income tax benefit	(11,732)	(8,184)	(3,874)
Net change in working capital accounts:			
Restricted cash	75	101	30
Trade receivables	(619)	(8,754)	1,007
Due from affiliates	6,764	(5,166)	150
Inventories and prepaid expenses and other assets	(2,506)	(9,086)	5,275
Accounts payable and accrued liabilities	16,996	13,753	2,538
Net change in other balance sheet accounts:			
Deferred revenue	(3,376)	18,028	—
Deferred charges and other assets	785	(3,781)	(529)
Long-term liabilities	1,674	2,866	—
Other	1,199	158	2,107
Net cash provided by continuing operations	132,143	134,889	102,047
Cash provided by (used in) discontinued operations	523	(7,619)	(7,379)
Net cash provided by operating activities	132,666	127,270	94,668
Cash flows from investing activities:			
Payments for property and equipment, net of insurance proceeds received	(50,849)	(39,524)	(67,590)
Net proceeds from the sale of other assets	1,099	126	2,547
Acquisition of tour operator, net of cash acquired	1,384	—	—
Acquisition of assets from Club Méditerranée (Bahamas) Limited	(20,049)	—	—
Deposit and purchase of land and casino license	(6,147)	—	—
Purchase of notes receivable	—	(13,704)	—
Proceeds received from sale of Resorts Atlantic City, net	—	—	123,514
Proceeds received for repayment of notes receivable	13,409	18,018	12,000
Deposits received	1,250	4,500	—
Advances to affiliates, net of repayments	(12,053)	(258)	(8,695)
Acquisition of equity interest in associated companies	—	(40,812)	(3,768)
Deferred contract acquisition costs	(2,115)	(214)	—
Sale of debt and equity interest in the One&Only Kanuhura	1,464	—	—
Other	—	(278)	(432)
Net cash (used in) provided by investing activities	(72,607)	(72,146)	57,576
Cash flows from financing activities:			
Proceeds from exercise of share options	39,007	14,702	7,930
Proceeds from issuance of debt	—	206,000	200,000
Borrowings	29,600	111,000	103,500
Repurchase of ordinary shares	(408)	(365)	—
Debt issuance and modification costs	(140)	(4,665)	(8,805)
Early redemption of debt	—	(313,135)	—
Repayment of borrowings	(101,898)	(63,283)	(448,732)
Net cash used in financing activities	(33,839)	(49,746)	(146,107)
Increase in cash and cash equivalents	26,220	5,378	6,137
Cash and cash equivalents at beginning of period	34,012	28,634	22,497
Cash and cash equivalents at end of period	$ 60,232	$ 34,012	$ 28,634

KERZNER INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In thousands of US dollars)

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

	For the Year Ended December 31,		
	2003	2002	2001
		(As restated, see Note 2)	
Interest paid	$27,914	$37,586	$43,644
Income taxes paid	4,166	1,871	5,166
Promissory Note issued by Colony in connection with the Resorts Atlantic City Sale	—	—	17,500
Change in fair value of interest rate swap agreements	7,735	25,077	5,503
Equipment acquired under capital lease obligations	—	438	16
Note payable and taxes related to Club Méditerranée (Bahamas) Limited in connection with asset acquisition	18,500	—	—

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

Note 1—Organization and Basis of Presentation

Organization

Kerzner International Limited ("Kerzner") an international resort and gaming company, was incorporated in 1993 under the laws of the Commonwealth of The Bahamas. In these notes to consolidated financial statements, the words "Company," "we," "our" and "us" refer to Kerzner together with its subsidiaries as the context may require.

We are a leading developer and operator of premier destination resorts, luxury resort hotels and gaming properties worldwide. In our destination resort business, we own and operate the Atlantis, Paradise Island resort and casino complex ("Atlantis, Paradise Island") located in The Bahamas. In our gaming business, we developed and earn revenue from the Mohegan Sun Casino located in Uncasville, Connecticut. Our gaming business also includes the costs associated with the potential development of a casino complex located in the greater London area and in Northampton, United Kingdom. In our luxury resort hotel business, we operate nine beach resorts at locations in Mauritius, the Maldives, Dubai, Mexico, and The Bahamas.

Prior to April 25, 2001, we owned a resort and casino property in Atlantic City, New Jersey ("Resorts Atlantic City"), and we completed the sale of Resorts Atlantic City to an unaffiliated entity on April 25, 2001. During 2002, we operated an Internet gaming venture through a subsidiary, Kerzner Interactive Limited ("Kerzner Interactive"). The operations of Kerzner Interactive were discontinued during the first quarter of 2003. As a result, the operating results of Kerzner Interactive for the years ended December 31, 2002 and 2001 have been reclassified to loss from discontinued operations, net of income tax effect in the accompanying consolidated statements of operations.

Destination Resorts

The Bahamas

Through certain of our Bahamian subsidiaries, we own and operate Atlantis, Paradise Island, our flagship property. Atlantis, Paradise Island is an ocean-themed destination casino resort located on Paradise Island, The Bahamas. Atlantis, Paradise Island features three interconnected hotel towers, the Royal Tower, the Coral Tower and the Beach Tower. Atlantis, Paradise Island also has a full service marina and an extensive marine environment that includes the world's largest open-air aquarium. We also own and operate a water plant and other improvements on Paradise Island.

In 1999, through one of our Bahamian subsidiaries, we formed a joint venture with Vistana, Inc., now known as Starwood Vacation Ownership ("Starwood Vacation"), a subsidiary of Starwood Hotels and Resorts Worldwide Inc. ("Starwood"), to develop a timeshare project on Paradise Island adjacent to Atlantis, Paradise Island ("Harborside at Atlantis"). Starwood Vacation and the Company each own a 50% interest in the joint venture. Construction was completed by February 2001 and sales of the timeshare units began in May 2000. Our share of earnings (losses) from Harborside at Atlantis is included in equity in earnings (losses) of associated companies in the accompanying consolidated statements of operations. In addition, we earn fees for marketing, administrative and development services provided to Harborside at Atlantis, which are included in management and other fees in the accompanying consolidated statements of operations.

On May 27, 2003, we announced that we had reached a new Heads of Agreement with the Bahamian Government with respect to the Atlantis, Paradise Island expansion on Paradise Island (the "Phase III Expansion"). The Phase III Expansion is divided into two parts, ("Phase III-A and Phase

III-B"). Phase III-A began in late 2003 and is expected to be completed in 2005. Phase III-B, if we determine to pursue this phase, would commence in late 2004 and would be expected to be completed in late 2006.

Dubai

On September 22, 2003, we announced that we have agreed to form a joint venture with Nakheel LLC, an entity owned by the Government of Dubai, to develop Atlantis, The Palm. The first phase is to include a resort and an extensive water theme park situated on prime beachfront. Atlantis, The Palm will be located on The Palm, Jumeirah, land reclamation project in Dubai, United Arab Emirates. The agreement provides for additional land available for future development.

Gaming

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"). 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") pursuant to which effective January 1, 2000, TCA turned 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.

As noted above, 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. These fees are included within TCA development and other fees in the accompanying consolidated statement of operations. See Note 3—Summary of Significant Accounting Policies—Revenue Recognition for further discussion.

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. Equity earnings from TCA are reflected within relinquishment fees—equity earnings in TCA as a component of operating income in the accompanying consolidated statement of operations.

One&Only

In December 2002, we began to operate and market certain of our luxury resort hotels which are managed and/or owned under the "One&Only" brand in connection with our corporate name change. One&Only emphasizes the uniqueness of each of the respective properties in the luxury resort market and consists of a collection of premier properties that primarily operate in the five-star, deluxe end of the resort market. These One&Only managed properties are located in The Bahamas, Mauritius, Dubai, Mexico and the Maldives. We also have three properties under development or renovation, which will be managed as One&Only properties, located in the Victoria & Alfred Waterfront in Cape Town, South Africa, the Kaafu Atoll in the Maldives and in Havana, Cuba. We currently market six of our nine luxury resorts under the One&Only brand.

We manage the resorts in Mauritius, Dubai, the Maldives and Mexico, under long-term management contracts and receive management fees based upon a percentage of the revenues and adjusted gross operating profits of these properties. Such amounts are included in management and other fees in the accompanying consolidated statements of operations. Our share of earnings or losses from the properties resulting from our ownership interests in Mauritius, the Maldives, and Mexico are included in equity in earnings (losses) of associated companies in the accompanying consolidated statements of operations.

The Bahamas

In Paradise Island, The Bahamas, we own and operate the One&Only Ocean Club, a high end luxury resort hotel. In 2000, we completed construction of an addition to the One&Only Ocean Club, as well as Dune, a beachfront restaurant operated by well-known restaurateur Jean-Georges Vongerichten. In addition, we completed the Tom Weiskopf-designed championship Ocean Club Golf Course and Clubhouse, which opened to the public in January 2001. In connection with the Phase III Expansion, we are currently constructing three luxury villas which we expect to be completed by the summer of 2004.

Mauritius

In Mauritius, we manage and own interests in five beach resorts ("Mauritius Resorts") including the One&Only Le Saint Géran Hotel, the One&Only Le Touessrok Hotel, La Pirogue, Le CoCo Beach and Sugar Beach Resort Hotel. Through June 16, 2000, we owned a 22.8% interest in Sun Resorts Limited ("SRL"), the company that owns the Mauritius Resorts. Effective June 16, 2000, SRL issued additional shares of stock under a rights issue in which we did not exercise our rights, effectively reducing our ownership interest to 20.4%. Additionally, during 2003 and 2002, La Pirogue and the One&Only Le Touessrok, respectively, went through a major redevelopment.

The Maldives

In the Maldives, located approximately 600 miles southwest of the southern tip of India, we manage the One&Only Kanuhura Resort & Spa (the "One&Only Kanuhura"), a luxury resort located on Kanuhura Island. Effective August 1, 2001, we acquired a 25% ownership interest in Kanuhura for approximately $3.8 million. Effective January 1, 2003, we own a 20% interest in Kanuhura as we sold 20% of our interest in the One&Only Kanuhura to SRL. During 2002, we entered into management and development agreements for a luxury resort hotel to be constructed in The Maldives, on Medhufinolhu Island in the North Malé Atoll ("Kaafu Atoll"), that we expect to open in 2005.

See Note 16—Related Party Transactions—Extension of Mauritius Management Contracts, for discussion of an agreement with SRL entered into in connection with the management of resorts in Mauritius and the Maldives.

Dubai

In Dubai, we manage the One&Only Royal Mirage. In December 2002, we completed a major expansion of the One&Only Royal Mirage.

Mexico

In Mexico, we manage and own a 50% interest in the One&Only Palmilla Resort, a luxury resort located in Baja, Mexico near Cabo San Lucas. During 2002, we acquired our interest in the resort and entered into long-term management and development agreements for the property. In April 2003, the One&Only Palmilla Resort commenced an expansion project that increased the room count and significantly upgraded the amenities and public areas offered by the resort. The expansion was completed in early 2004 and was financed by the One&Only Palmilla Resort through local project financing, which is supported by a $46.5 million guarantee from Kerzner, and, to a lesser extent, through subordinated advances from Kerzner. See Note 23—Commitments and Contingencies.

New York

Through Kerzner New York, Inc. ("KNY"), a wholly owned subsidiary, we own 50% of Trading Cove New York, LLC ("TCNY"), a Delaware limited liability company. TCNY is managed by KNY 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 ("Stockbridge-Munsee Tribe") for the development of a casino project (the "Catskill 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 to recover lands within the state that it alleges were wrongfully taken from the tribe. The Court had stayed the litigation since April 1995, but in July 2003, the Court lifted the stay in an effort to advance the litigation. Presently, there are cross motions for summary judgment filed by the parties concerning procedural jurisdictional issues, which motions are being considered by the Court.

Pursuant to the TCNY Development Agreement, as amended, TCNY will provide preliminary funding, certain financing and exclusive development services to the Stockbridge-Munsee Tribe in conjunction with the Catskill Project. If the Catskill Project is approved, TCNY will earn a fee of 5% of revenues as compensation for these services, as defined in the Development Agreement, beginning with the opening of the Catskill Project and continuing for a period of twenty 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 Catskill Project. In February 2002, the Tribe filed a Land to Trust Application with the US Department of the Interior, Bureau of Indian Affairs (the "BIA"), for the Catskill 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. The plaintiffs have 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 Catskill Project.

The Catskill Project is contingent upon the receipt of numerous federal, state and local approvals 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. 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 and Reclassifications

Subsequent to the issuance of its December 31, 2002 consolidated financial statements, the Company determined that it was necessary to restate its consolidated financial statements as of December 31, 2002 and for the two years then ended.

During 2003, the Company reviewed the accounting treatment with respect to the disposition of Resorts Atlantic City in 2001. The Company completed the sale of Resorts Atlantic City on April 25, 2001 (see Note 4—Business Acquisitions and Dispositions, Sale of Resorts Atlantic City in the accompanying notes to consolidated financial statements). The financial results of Resorts Atlantic City from the period January 1, 2001 to April 24, 2001 were previously excluded from our reported consolidated statement of operations for the year ended December 31, 2001. In connection with the restatement, the accompanying consolidated statement of operations for the year ended 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 for the period from January 1, 2001 to April 24, 2001 of $4.9 million is included within the accompanying consolidated statement of operations together with a gain on net assets held for sale, resulting in no impact on consolidated net income for the year ended December 31, 2001 from this adjustment.

The Company has also made certain reclassifications and adjustments related to its investment in TCA. As the Company accounts for its investment in TCA under the equity method of accounting, the Company has reclassified amounts related to its investment in TCA as of December 31, 2002 and 2001 that had previously been included in deferred charges and other assets and due from affiliates-current

to investment in associated companies in the accompanying consolidated balance sheets in order to properly state our investment in TCA. We record equity income from TCA in "relinquishment fees—equity earnings in TCA" as a component of operating income in the accompanying consolidated statements of operations. Amounts earned under the TCA Development Agreement are included in "TCA development and other fees" in the accompanying consolidated statements of operations. The Company has reclassified such amounts previously reported within management and other fees to relinquishment fees—equity earnings in TCA and TCA development and other fees due to the significance of the amounts earned from TCA and to reclassify the equity earnings from TCA from revenues to a component of operating income. In addition, during the years ended December 31, 2002 and 2001, we made adjustments to relinquishment fees in order to properly state the amount of equity earnings from TCA as a result of the impact on our consolidated financial statements from the restatement of TCA's financial statements. The restatement of TCA's financial statements was announced on May 21, 2003 and the primary effect of the restatement was to recognize as an expense certain contractual liabilities owed to its partners and their affiliates for prior services performed under contract. Such adjustments included a reclassification from amortization expense in order to properly state our earnings from TCA.

The Company has also made certain other adjustments and reclassifications to its historically reported consolidated balance sheets and statements of operations. With respect to the consolidated statements of operations, these other adjustments include reclassifying the Company's equity loss from TCNY from selling, general and administrative expenses to equity in earnings (losses) of associated companies in the accompanying consolidated statements of operations for the year ended December 31, 2001, adjustments made to selling, general and administrative expenses and corporate expenses in order to correct for the understatement of operating expenses, partially offset by a correction of bad debt expense.

Certain other balance sheet adjustments and reclassifications as of December 31, 2002 and 2001 include the reclassification of certain employee notes receivable from trade receivables to deferred charges and other assets, the reclassification of certain affiliated receivables from trade receivables to due from affiliates, an adjustment to correct for the overstatement of the allowance for doubtful accounts, an adjustment to land to correct the carrying value of certain land improperly recorded at the time of land acquisition in 1996 and adjustments to accounts payable and accrued liabilities primarily related to the elimination of certain liabilities originally established at the time of land acquisition in 1996.

The following table details the prior period cumulative effect on retained earnings, that was primarily a result of the under recording of depreciation expense and the effect of the adjustments on our consolidated financial statements from the TCA restatement.

Reconciliation of Accumulated Deficit

(in thousands of US dollars)

Beginning retained earnings December 31, 2000, as previously reported	$129,321
Prior period adjustment	(4,746)
Beginning retained earnings at December 31, 2000, as restated	$124,575

The Company has made other reclassifications to its consolidated financial statements in addition to those resulting from the restatement. Other reclassifications include the reclassification of certain

expenses from corporate expenses to selling, general and administrative expenses in order to conform to our 2003 presentation. Further, pursuant to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections", the Company has reclassified the $20.5 million extraordinary loss related to the early extinguishment of our 8⅝% Senior Subordinated Notes and our 9% Senior Subordinated Notes recognized during the year ended December 31, 2002 to other expense in the accompanying consolidated statements of operations.

Also, we have made certain changes with respect to our presentation of the operating results for Kerzner Interactive. During the first quarter of 2003, the Company discontinued the operations of its online gaming subsidiary, Kerzner Interactive. The operating results of Kerzner Interactive for the years ended December 31, 2002 and 2001 have been reclassified to loss from discontinued operations, net of income tax effect in the accompanying consolidated statements of operations based on the decision in the first quarter of 2003 to discontinue that business.

The consolidated financial statements for the years ended December 31, 2002 and 2001 have been restated to incorporate these adjustments and reclassifications. The following tables are comparisons of the Company's consolidated balance sheet as of December 31, 2002 and the consolidated statements of operations for the years ended December 31, 2002 and 2001, as previously reported and as restated.

KERZNER INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated Balance Sheet

as of December 31, 2002

	As Previously Reported	Adjustments	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 34,012	$ —	$ 34,012
Restricted cash	4,842	—	4,842
Trade receivables, net	44,971	(1,857)(a)	43,114
Due from affiliates	28,042	(7,029)(b)	21,013
Inventories	8,969	—	8,969
Prepaid expenses and other assets	14,312	—	14,312
Total current assets	135,148	(8,886)	126,262
Property and equipment, net	1,128,375	(16,000)(c)	1,112,375
Notes receivable	13,720	—	13,720
Due from affiliates—non-current	24,379	—	24,379
Deferred tax asset, net	6,119	—	6,119
Deferred charges and other assets, net	35,098	1,200 (d)	36,298
Investment in associated companies	66,939	8,947 (e)	75,886
Total assets	$1,409,778	$ (14,739)	$1,395,039
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 275	$ —	$ 275
Accounts payable and accrued liabilities	156,171	(10,447)(f)	145,724
Capital creditors	1,538	—	1,538
Total current liabilities	157,984	(10,447)	147,537
Deferred revenue	18,028	—	18,028
Other long-term liabilities	2,697	—	2,697
Long-term debt, net of current maturities	497,756	—	497,756
Total liabilities	676,465	(10,447)	666,018
Shareholders' equity:			
Ordinary shares, $.001 par value	35	—	35
Capital in excess of par	703,050	—	703,050
Retained earnings	201,131	(4,292)(g)	196,839
Accumulated other comprehensive loss	(8,134)	—	(8,134)
	896,082	(4,292)	891,790
Treasury stock	(162,769)	—	(162,769)
Total shareholders' equity	733,313	(4,292)	729,021
Total liabilities and shareholders' equity	$1,409,778	$ (14,739)	$1,395,039

(a) Amount relates to the reclassification of certain employee notes receivable to deferred charges and other assets as a result of the long-term nature of these notes receivable, certain amounts related to Harborside at Atlantis, reclassified to due from affiliates in order to properly classify this as an affiliated receivable and an adjustment to correct for the overstatement of the allowance for doubtful accounts.

(b) Amount relates to the reclassification of TCA relinquishment fees from due from affiliates to investment in associated companies in order to properly state our investment in TCA, the reclassification of amounts due from Harborside at Atlantis as discussed in (a) and an adjustment to correct for the overstatement of an allowance on an amount due from an affiliate.

(c) Amount reflects the correction of the carrying value of certain land improperly recorded at the time of land acquisition in 1996.

(d) Amount relates to the reclassification of certain employee notes receivable from trade receivables, net as a result of the long-term nature of these notes receivable and the reclassification of amounts related to TCA from deferred charges and other assets, net in order to properly state our investment in TCA.

(e) Amount relates to the reclassification of amounts related to TCA from deferred charges and other assets, net, as discussed in (d) and from due from affiliates as discussed in (b) in order to properly state our investment in TCA.

(f) Amount primarily relates to the elimination of certain liabilities improperly established at the time of land acquisition in 1996.

(g) The following table describes the components of the cumulative effect on retained earnings (in thousands of U.S. dollars):

Cumulative beginning retained earnings adjustment at January 1, 2001	$(4,746)
2001 net income adjustments	1,005
2002 net income adjustments	(551)
	$(4,292)

KERZNER INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	As Previously Reported	Restatement Adjustments	Discontinued Operations, SFAS 145 and Reclassifications	As Restated
Revenues:				
Gaming	$130,669	$ —	$ (753)(a)	$129,916
Rooms	184,776	—	—	184,776
Food and beverage	131,377	—	—	131,377
Tour operations	41,063	—	—	41,063
TCA development and other fees	—	—	1,326(b)	1,326
Management and other fees	41,305	—	(30,909)(b)	10,396
Other revenues	65,618	—	—	65,618
Insurance recovery	1,100	—	—	1,100
Gross revenues	595,908	—	(30,336)	565,572
Less: promotional allowances	(22,210)	—	—	(22,210)
Net revenues	573,698	—	(30,336)	543,362
Cost and expenses:				
Gaming	65,644	—	(1,898)(a)	63,746
Rooms	33,381	—	—	33,381
Food and beverage	88,560	—	—	88,560
Tour operations	36,767	—	—	36,767
Other operating expenses	80,888	228(e)	—	81,116
Selling, general and administrative	92,916	1,176(c)	4,050(f) (6,682)(a)	91,460
Corporate expenses	32,964	313(c)	(4,050)(f)	29,227
Depreciation and amortization	56,306	(480)(d)	(340)(a)	55,486
Restructuring reversal	(1,000)	—	—	(1,000)
Cost and expenses	486,426	1,237	(8,920)	478,743
Relinquishment fees—equity earnings in TCA	—	458(b)	29,583(b)	30,041
Income (loss) from operations	87,272	(779)	8,167	94,660
Other income (expense):				
Interest income	3,525	—	(106)(a)	3,419
Interest expense, net of capitalization	(39,104)	—	—	(39,104)
Equity in losses of associated companies	(5,209)	—	—	(5,209)
Gain on settlement of territorial and other disputes	14,459	—	—	14,459
Loss on early extinguishment of debt	—	—	(20,525)(g)	(20,525)
Other, net	(168)	228(e)	—	60
Other expense, net	(26,497)	228	(20,631)	(46,900)
Income (loss) from continuing operations before provision for income taxes	60,775	(551)	(12,464)	47,760
Provision for income taxes	(96)	—(h)	—	(96)
Income (loss) from continuing operations	60,679	(551)	(12,464)	47,664
Extraordinary loss on early extinguishment of debt, net of income tax Effect	(20,525)	—	20,525(g)	—
Loss from discontinued operations, net of income tax effect	—	—	(8,061)(a)	(8,061)
Net income (loss)	$ 40,154	$ (551)	$ —	$ 39,603

Consolidated Statement of Operations

for the Year Ended December 31, 2002
(Continued)

	As Previously Reported	As Restated
Basic earnings per share		
Income from continuing operations	$ 2.18	$ 1.71
Extraordinary loss on early extinguishment of debt	(0.74)	—
Loss from discontinued operations	—	(0.29)
Earnings per share—basic	$ 1.44	$ 1.42
Weighted average number of shares outstanding—basic	27,891	27,891
Diluted earnings (loss) per share		
Income (loss) from continuing operations	$ 2.13	$ 1.67
Extraordinary loss on early extinguishment of debt	(0.72)	—
Loss from discontinued operations	—	(0.28)
Earnings per share—diluted	$ 1.41	$ 1.39
Weighted average number of shares outstanding—diluted	28,544	28,544

(a) In connection with the discontinuation of Kerzner Interactive during the first quarter of 2003, the Company has reclassified its results of operations, including $0.8 million and $1.9 million of gaming revenue and expenses, respectively, for the year ended December 31, 2002 to loss from discontinued operations. In addition, $6.7 million of selling, general and administrative expenses, $0.3 million of depreciation and amortization and $0.1 million of interest income have been reclassified to loss from discontinued operations, net of income tax effect.

(b) Reclassification of $29.6 million of relinquishment fees—equity earnings in TCA, $1.3 million of development and other fees earned from TCA to segregate these fees from management and other fees due to the significance of the amounts earned from TCA and to reclassify the equity in earnings from TCA from revenues to a component of operating income. In addition, an adjustment of $0.5 million is reflected in order to properly state the amount of equity earnings in TCA earned as a result of the impact on our consolidated financial statements from the TCA restatement.

(c) Amounts represent adjustments to selling, general and administrative expenses and corporate expenses in order to correct for the understatement of operating expenses partially offset by a correction of bad debt expense.

(d) Amount represents a $0.5 million reduction to amortization expense in order to properly state our investment in TCA as a result of the restatement of TCA.

(e) Amount represents adjustment to appropriately classify loss on sale of fixed assets from other expense, net to other operating expenses.

(f) Amount represents the reclassification of certain expenses from corporate expenses to selling, general and administrative expenses which have been made to conform to our 2003 presentation.

(g) Reclassification of the extraordinary loss on early extinguishment of our 8⅝% Senior Subordinated Notes and our 9% Senior Subordinated Notes from extraordinary loss to other expense in connection with the adoption of SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" in the first quarter of 2003. The applicable net income tax effect was $0.

(h) There was no impact on income taxes due to the effect of the above adjustments.

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

	As Previously Reported	Resorts International Hotel, Inc. Results Jan 1, 2001 to April 24, 2001(a)	Restatement Adjustments	Discontinued Operations and Reclassifications	As Restated
Revenues:					
Gaming	$116,490	$72,417	$ —	$ —	$188,907
Rooms	176,573	3,996	—	—	180,569
Food and beverage	121,415	6,977	—	—	128,392
Tour operations	36,348	—	—	—	36,348
Real estate related	9,771	—	—	—	9,771
TCA development and other fees	—	—	—	2,873 (b)	2,873
Management and other fees	36,806	—	—	(27,396)(b)	9,410
Other revenues	56,416	1,523	—	—	57,939
Insurance recovery	2,000	—	—	—	2,000
Gross revenues	555,819	84,913	—	(24,523)	616,209
Less: promotional allowances	(22,778)	(17,995)	—	—	(40,773)
Net revenues	533,041	66,918	—	(24,523)	575,436
Cost and expenses:					
Gaming	60,444	35,987	—	—	96,431
Rooms	29,625	913	—	—	30,538
Food and beverage	82,856	3,639	—	—	86,495
Tour operations	32,041	—	—	—	32,041
Other operating expenses	80,094	8,292	760 (e)	—	89,146
Real estate related	2,865	—	—	—	2,865
Selling, general and administrative	80,206	10,492	(785)(c) (849)(i)	—	89,064
Corporate expenses	25,106	—	—	—	25,106
Depreciation and amortization	51,490	5,325	(5,805)(d)	—	51,010
Restructuring costs	5,732	—	—	—	5,732
Pre-opening expenses	6,904	—	—	(4,624)(f)	2,280
Gain on net assets held for sale	—	—	(2,232)(g)	—	(2,232)
Cost and expenses	457,363	64,648	(8,911)	(4,624)	508,476
Relinquishment fees—equity earnings in TCA	—	—	(260)(b)	24,523 (b)	24,263
Income from operations	75,678	2,270	8,651	4,624	91,223
Other income (expense):					
Interest income	7,471	510	(2,664)(h)	(16)(f)	5,301
Interest expense, net of capitalization	(52,702)	(7,673)	—	—	(60,375)
Equity in earnings (losses) of associated companies	3,059	—	(849)(i)	—	2,210
Other, net	(760)	—	760 (e)	—	—
Other expense, net	(42,932)	(7,163)	(2,753)	(16)	(52,864)

	As Previously Reported	Resorts International Hotel, Inc. Results Jan 1, 2001 to April 24, 2001(a)	Restatement Adjustments	Discontinued Operations and Reclassifications	As Restated
Income (loss) from continuing operations before provision for income taxes	32,746	(4,893)	5,898	4,608	38,359
Provision for income taxes	(1,090)	—	— (k)	—	(1,090)
Income from continuing operations	31,656	(4,893)	5,898	4,608	37,269
Loss from discontinued operations, net of income tax effect	—	—	—	(4,608)(f)	(4,608)
Net income (loss)	$ 31,656	$ (4,893)(j)	$ 5,898	—	$ 32,661
Basic earnings per share:					
Income from continuing operations	$ 1.18				$ 1.39
Loss from discontinued operations, net of income tax effect	—				(0.18)
Earnings per share—basic	$ 1.18				$ 1.21
Weighted average number of shares outstanding—basic	26,885				26,885
Diluted earnings per share:					
Income from continuing operations	$ 1.14				$ 1.34
Loss from discontinued operations, net of income tax effect	—				(0.17)
Earnings per share—diluted	$ 1.14				$ 1.17
Weighted average number of shares outstanding—diluted	27,826				27,826

(a) Amounts represent the operating results of Resorts International Hotel, Inc. ("RIH") for the period from January 1, 2001 to April 24, 2001, as reported in Colony RIH Holdings, Inc.'s Form 10-K for the year ended December 31, 2002, in order to reflect the sale of Resorts Atlantic City on April 25, 2001. The Company previously reflected the sale as of December 31, 2000. Following the closing of the transaction on April 25, 2001, Colony RIH Holdings, Inc. became the indirect 100% owner of all of the capital stock of RIH, which owns and operates Resorts Atlantic City.

(b) Amount represents the reclassification of $27.4 million of relinquishment fees—equity earnings in TCA, $2.9 million of development and other fees earned from TCA to segregate these fees from management and other fees due to the significance of the amounts earned from TCA and to reclassify the equity in earnings from TCA revenues to a component of operating income. In addition, an adjustment of $0.3 million is reflected in order to properly state the amount of equity earnings in TCA earned as a result of the impact on our consolidated financial statements from the TCA restatement.

(c) Amounts represent adjustments to selling, general and administrative expenses to correct for the overstatement of certain operating expenses.

(d) As Resorts Atlantic City was classified as an asset held for sale, the Company ceased depreciation and amortization of its long-lived assets as of December 31, 2000, and accordingly, the expense is offset against the net loss incurred from the period January 1, 2001 to April 24, 2001. In addition, this amount includes a

$0.5 million reduction to amortization expense in order to properly state our investment in TCA as a result of the impact on our consolidated financial statements from the TCA restatement.

(e) Amount represents an adjustment to appropriately classify loss on sale of fixed assets from other expense, net to income from operations.

(f) In connection with the discontinuation of Kerzner Interactive during the first quarter of 2003, the Company has reclassified the results of operations of Kerzner Interactive, including $4.6 million of pre-opening expenses and $16 thousand of interest income, to loss from discontinued operations, net of income tax effect.

(g) Adjustment relates to the recording of the gain on net assets held for sale resulting from the inclusion of the operating results of RIH, as discussed in (a). The following table summarizes the components of the gain on net assets held for sale (in thousands of U.S. dollars):

Net loss of Resorts (j)	$(4,893)
Depreciation and amortization (d)	5,325
Interest income (h)	(2,664)
Gain on net assets held for sale	$(2,232)

(h) During the period January 1, 2001 to April 24, 2001, the Company recognized approximately $2.7 million of interest income earned from Colony in connection with the sale of Resorts. This amount is offset against the net loss incurred by Resorts for the period from January 1, 2001 to April 24, 2001 and has reduced interest income as previously reported by Kerzner.

(i) Adjustment relates to the reclassification of Trading Cove New York equity in losses from selling, general and administrative expenses to equity in earnings (losses) of associated companies.

(j) Net loss of RIH from the period January 1, 2001 to April 24, 2001, as reported in Colony RIH Holding Inc.'s Form 10-K for the year ended December 31, 2002.

(k) There was no impact on income taxes due to the effect of the above adjustments.

Note 3—Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and costs and expenses during the reporting period. On a regular basis, management evaluates its estimates. Actual results could differ from those estimates.

We provide allowances for doubtful accounts arising from casino, hotel and other services, which are based upon a specific review of certain 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, calculation of inventory reserves, fair values of

financial instruments and guarantees, calculation of income tax liabilities and contingencies, 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.

Cash Equivalents and Restricted Cash

We consider all of our short-term money market securities purchased with original maturities of three months or less at the time of purchase to be cash equivalents. For all periods presented, restricted cash primarily relates to letters of credit for one of our tour operators and a certificate of deposit associated with our revolving credit facility.

Trade receivable and credit risk.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues markers to approved casino customers following background checks and investigations of creditworthiness. At December 31, 2003, a substantial portion of the Company's receivables were due from customers residing in foreign countries. Business or economic conditions or other significant events in these countries could affect the collectibility of such receivables.

Trade receivables, including casino and hotel receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their carrying amount, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2003, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

Inventories

Inventories are carried at the lower of cost (on a first-in, first-out basis) or market value. Inventories consist primarily of food and beverages, operating supplies, retail and other items. Provisions are made, as necessary, to reduce excess or obsolete inventories to their estimated net realizable value.

Property and Equipment and Depreciation

Property and equipment are stated at cost and 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	40 years
Land improvements	14 years
Furniture, machinery and equipment	3–10 years

Expenditures for renewals and betterments which increase the estimated useful life or capacity of the assets are capitalized; expenditures for repairs and maintenance are expensed when incurred. Gains or losses on dispositions of property and equipment are included in other operating expenses in the accompanying consolidated statements of operations.

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

Long-Lived Assets

We review our long-lived assets and certain identifiable 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 a result of the Resorts Atlantic City Sale and the Atlantic City Option, as discussed in Note 4—Business Acquisitions and Dispositions.

Deferred Charges and Other Assets

Deferred charges and other assets primarily consist of the fair value of our interest rate swaps, as discussed in Note 25—Fair Value of Financial Instruments, and debt issuance costs, as discussed in Note 10—Deferred Charges and Other Assets. The Company incurs discounts, structuring fees and other costs in connection with its issuance of debt and in connection with its amended credit facility. Debt issuance costs are capitalized when incurred and amortized to interest expense based on the anticipated debt maturities using the straight-line method, which approximates the effective interest method. Deferred compensation plan investments relate to assets held in a rabbi trust for our deferred compensation plan. This balance also includes long-term prepaid rent amounts relating to a lease entered into during 2002 in connection with the relocation of our office in Plantation, Florida and a deposit and direct costs incurred in connection with the acquisition of a casino license related to development projects in the United Kingdom ("UK").

Investments in Associated Companies

Investments in associated companies represent investments in which the Company maintains an interest in excess of 20% but less than or equal to 50% and 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. Equity in earnings (losses) of associated companies include such proportionate share of income or loss.

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. Goodwill related to certain investments in associated companies is included in the accompanying consolidated balance sheets and was $7.9 million

as of December 31, 2003 and 2002. Equity in earnings of associated companies for the year ended December 31, 2001 is net of $0.3 million of amortization expense related to such goodwill. 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,		
	2003	2002	2001
Net income, as reported	$71,572	$39,603	$32,661
Amortization of goodwill relating to investments in associated companies	—	—	300
Adjusted net income	$71,572	$39,603	$32,961

	For the Year Ended December 31,		
Basic earnings per share:	2003	2002	2001
Earnings per share, as reported	$ 2.50	$ 1.42	$ 1.21
Amortization of goodwill relating to investments in associated companies	—	—	0.01
Adjusted earnings per share	$ 2.50	$ 1.42	$ 1.22

	For the Year Ended December 31,		
Diluted earnings per share:	2003	2002	2001
Earnings per share, as reported	$2.44	$1.39	$1.17
Amortization of goodwill relating to investments in associated companies	—	—	0.01
Adjusted earnings per share	$2.44	$1.39	$1.18

Capital Creditors

Capital creditors represents amounts due to vendors for capital improvement and construction related projects.

Fair Value of Guarantees

In connection with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), on January 1, 2002 we recognize, at the inception of a guarantee, a liability equal to an estimate of the guarantee's fair value for the obligations we have undertaken in issuing a guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. See Note 23—Commitments and Contingencies—Guarantees for fair value of guarantees recognized.

Accumulated Other Comprehensive Loss

Financial statements of foreign entities in which the Company maintains an investment are prepared in their respective local currencies and translated into US dollars at the current exchange rates for assets and liabilities and an average rate for the year for revenues and expenses. Net gains or losses resulting from the translation of foreign financial statements are charged or credited to the currency translation adjustment component of accumulated other comprehensive loss. Other comprehensive income (loss) have no tax impact as they relate to translation reserves on investments owned by foreign entities that are not subject to taxation.

Treasury Stock

Ordinary shares, which were repurchased and held in treasury, are stated at cost in the accompanying consolidated balance sheets.

Revenue Recognition

We recognize the net win from casino gaming activities (the difference between gaming wins and losses) as gaming revenues.

Hotel, food and beverage, and other operating revenues are recognized as services are performed. Advance deposits on rooms are deferred and included in customer deposits and unearned revenues within accounts payable and accrued liabilities until services are provided to the customer. The retail value of accommodations, food and beverage, and other services furnished to hotel/casino guests without charge is included in gross revenue and then deducted as promotional allowances. (See "Promotional Allowances" below for further discussion.)

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.

Real estate related revenues from the sale of luxury home sites at Ocean Club Estates on Paradise Island are recognized upon delivery of the completed lots to the purchasers at closing. Deposits collected in advance of closing are deferred and included in customer deposits and unearned revenues within accounts payable and accrued liabilities.

TCA development and other fees include amounts earned from the TCA Development Agreement and certain guaranteed payments earned from TCA.

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 fees—equity earnings in TCA as a component of operating income in the accompanying consolidated statements of operations.

Revenue generated from construction services performed pursuant to the terms of the TCA Development Agreement and other development agreements 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 at the end of each period pursuant to estimated total costs to complete the contract.

Management, development and other fees include amounts charged to unconsolidated affiliates for hotel management, executive management and project consulting and are recorded when earned.

Other revenues primarily represent incidental revenues generated from hotel operations at Atlantis, Paradise Island including the marina, the golf course, retail shops, and rental income from retail establishments located within the hotel. Other revenues also include the annual contribution payment related to a settlement with a majority shareholder. For additional information see Note 20-Gain on Settlement of Territorial and Other Disputes.

Insurance recovery represents proceeds received for business interruption amounts relating to Hurricane Michelle, which are recorded when realized.

Promotional Allowances

On January 1, 2001, the Company changed its method of accounting for customer incentives at Resorts Atlantic City to conform to Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer ("EITF 01-9"). The impact of this adoption in 2001 was $6.3 million of Resorts Atlantic City customer incentives being reclassified from gaming cost and expenses to promotional allowances and $4.2 million of such customer incentives being reclassified from net gaming revenues to promotional allowances.

The retail value of accommodations, food, beverage and other services provided to customers without charge is included in gross revenues and deducted as promotional allowances. The estimated departmental costs of providing such promotional allowances are included in gaming cost and expenses as follows:

	For the Year Ended December 31,		
	2003	2002	2001
Rooms	$2,363	$2,373	$ 5,209
Food and beverage	6,727	6,428	11,066
Other	441	426	1,359
	$9,531	$9,227	$17,634

Advertising Expense

We expense advertising costs as incurred. Advertising expense was $16.1 million, $15.8 million, and $12.2 million for the years ended December 31, 2003, 2002 and 2001, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Pre-Opening Expenses

Pre-opening expenses are charged to expense as incurred. For the year ended December 31, 2001, pre-opening expenses were $2.3 million and related to the expansion of the Ocean Club Golf Course on Paradise Island. During the years ended December 31, 2003 and 2002, we did not incur any pre-opening expenses.

Foreign Currency

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are reported at the rates of exchange prevailing at those dates. Any gains or losses arising on monetary assets and liabilities from a change in exchange rates subsequent to the date of the transaction have been included in corporate expenses in the accompanying consolidated financial statements. These amounts were not significant for the years ended December 31, 2003, 2002 and 2001.

The financial statements of our equity method investees and certain subsidiaries are translated from their local currencies into US dollars using current and historical exchange rates. Translation adjustments resulting from this process are reported separately and accumulated as a component of accumulated other comprehensive income (loss) in shareholders' equity in the accompanying consolidated balance sheets. Upon sale or liquidation of our investments, the translation adjustment would be reported as part of the gain or loss on sale or liquidation.

Costs of Management and Development Agreements

The Company expenses any costs incurred relating to the pursuit of business acquisitions while the potential acquisition process is ongoing. Whenever the Company enters into a definitive agreement in connection with a management or development agreement, any direct incremental costs are deferred and amortized to expense over the period of the underlying agreements. Such costs are deferred only when the income on such contracts is expected to exceed the related costs incurred. Deferred contract acquisition costs are included in deferred charges and other assets in the accompanying consolidated balance sheets.

Capitalized Interest

The Company capitalizes interest costs associated with debt incurred in connection with major construction projects. When debt is not specifically identified as being incurred in connection with a construction project, the Company capitalizes interest on amounts expended on the project at the Company's average cost of borrowed capital. Capitalization of interest ceases when a project is substantially complete or construction activities are no longer underway. The amounts capitalized during the years ended December 31, 2003, 2002 and 2001 were $0.4 million, $0.2 million and $1.1 million, respectively.

Gain on Replacement of Damaged Assets

Gain on replacement of damaged assets represents insurance proceeds received in excess of the net book value of assets damaged during Hurricane Michelle.

Minority Interest

Effective January 1, 2003, we entered into an agreement with SRL to form a new company for the purpose of, among other things, managing the five properties owned by SRL in Mauritius and the One&Only Kanuhura in the Maldives. SRL initially will own 20% of the new entity, to be known as One&Only (Indian Ocean) Management Limited ("One&Only Management"), and we will own the remaining 80%. Subject to certain conditions, SRL's ownership interest will increase incrementally through 2009 for no consideration, at which time SRL will own 50% of One&Only Management. As of and for the year ended December 31, 2003, we have consolidated One&Only Management, with SRL's 20% interest in the operations of One&Only Management reflected as a minority interest in the accompanying consolidated statement of operations and a minority interest liability reflected within the accompanying 2003 consolidated balance sheet.

Income Taxes

We are subject to income taxes in certain jurisdictions in which we conduct business. Accordingly, the accompanying consolidated statements of operations include a provision for income taxes based on prevailing tax laws of those jurisdictions.

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.

Earnings Per Share Data

The following is a reconciliation of the shares used in our earnings per share computations (shares in thousands):

	For the Year Ended December 31,		
	2003	2002	2001
Weighted average shares used in basic computations	28,575	27,891	26,885
Dilutive stock options and restricted shares outstanding	802	653	941
Weighted average shares used in diluted computations	29,377	28,544	27,826

The net income amount used as the numerator in calculating basic and diluted earnings per share is the net income in the accompanying consolidated statements of operations. The effect of certain options and restricted shares was not included in the computation of diluted earnings per share in 2003, 2002 and 2001 because their effect would have been anti-dilutive. The number of options not included in the computation for the years 2003, 2002 and 2001 were 2.2 million, 1.3 million, and 2.0 million, respectively.

Stock-Based Compensation

We have elected to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" as interpreted in FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" in accounting for compensation under our stock option plans in lieu of the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148 ("SFAS 123").

Accordingly, we have not recognized any compensation expense for those stock options granted at option prices equal to the fair market value of the common stock at the date of grant. The fair value of options granted during 2003, 2002 and 2001 was estimated as of the respective dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions. The weighted average fair value of options granted in 2003, 2002 and 2001 was $12.44, $7.53, and $9.64, respectively.

	For the Year Ended December 31,		
	2003	2002	2001
Risk-free interest rate	3.2%	4.7%	4.7%
Expected volatility	37.2%	37.3%	37.3%
Expected life of options in years	4-5	4-5	4-5
Expected dividend yield	—	—	—

The following table illustrates the effect on net income and earnings per share if Kerzner had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

	For the Year Ended December 31,		
	2003	2002	2001
Net income, as reported	$71,572	$39,603	$32,661
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	3,699	6,448	10,051
Pro forma net income	$67,873	$33,155	$22,610
Earnings per share:			
Basic—as reported	$ 2.50	$ 1.42	$ 1.21
Basic—pro forma	$ 2.38	$ 1.19	$ 0.84
Diluted—as reported	$ 2.44	$ 1.39	$ 1.17
Diluted—pro forma	$ 2.31	$ 1.16	$ 0.81

Derivative Financial Instruments

The Company's derivatives consist of interest rate swap agreements used to manage the impact of interest rate changes on our long-term debt obligations and have been accounted for as fair value hedges in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133").

Reclassifications

Certain amounts included in the prior years consolidated financial statements have been reclassified to conform with the current year's presentation. See Note 2—Restatement and Reclassifications for further discussion.

Recent Accounting Pronouncements

Consolidation of Variable Interest Entities

In December 2003, the FASB issued revised Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"). 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. This interpretation applies immediately to variable interest entities created after December 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date.

The provisions of FIN 46R are required to be applied to an interest held in a variable interest entity, commonly referred to as a special purpose entity, at the end of the first reporting period ending after December 15, 2003. Application to all entities is required in financial statements for periods ending after March 15, 2004. We have determined that the One&Only Palmilla, in which we have a 50% equity interest, constitutes a variable interest entity that is subject to consolidation in accordance with the provisions of FIN 46R as the related operating agreement contains a put option that, if exercised, would obligate us to purchase the remaining 50% of the entity, resulting in us being the primary beneficiary of the entity. We expect to consolidate the results of operations of the One&Only Palmilla into our consolidated statements of operations for the quarter ended March 31, 2004.

See Note 4—Business Acquisitions and Dispositions and Note 19—Investments In and Equity in Earnings (Losses) in Associated Companies for more information on the One&Only Palmilla.

Note 4—Business Acquisitions and Dispositions

Kerzner Interactive Disposition

Through a wholly owned subsidiary, the Company previously owned and operated Kerzner Interactive, an online Internet gaming site. Kerzner Interactive allowed play only in jurisdictions that permitted online gaming and, as these jurisdictions have become more restrictive in their acceptance of play, the market size has been reduced and competition has intensified. Without the potential for expansion into other markets, including the United States, the outlook for new business substantially decreased. As a result, during the first quarter of 2003, the Company discontinued the operations of Kerzner Interactive.

On February 15, 2002, the Company entered into an agreement with Station Casinos, Inc. ("Station"), pursuant to which Station agreed to purchase a 50% interest in Kerzner Interactive. The companies later renegotiated the original agreement such that Station purchased an option from us in July 2002 for $4.5 million to buy a 50% interest in Kerzner Interactive. As of December 31, 2002, the option payment is included within accounts payable and accrued liabilities in the accompanying consolidated financial statements. The Company and Station mutually agreed to terminate this transaction in January 2003. As a result, the $4.5 million non-refundable deposit was recognized as income during the first quarter of 2003 and was offset by net losses incurred while winding down the operations of the business, including the write-down of net assets and other associated costs.

The operating results of Kerzner Interactive for the years ended December 31, 2002 and 2001 are as follows and have been reclassified to loss from discontinued operations, net of income tax effect in the accompanying consolidated statements of operations:

	For the Years Ended December 31,		
	2003	2002	2001
Revenues	$ —	$ 753	$ —
Expenses	(3,195)	(8,921)	(4,624)
Other income	4,500	107	16
Net income (loss)	$ 1,305	$(8,061)	$(4,608)

As of December 31, 2003 and 2002, the assets and liabilities of Kerzner Interactive were as follows:

	December 31,	
	2003	2002
Cash and cash equivalents	$260	$6,043
Restricted cash	—	3,322
Other current assets	—	427
Non-current assets	—	963
Current liabilities	78	8,838

World Leisure Holidays Acquisition

Effective January 1, 2003, we acquired 100% of the voting equity interests of World Leisure Holidays, Inc. ("WLH"), a tour operator located in South Africa to support our One&Only business, particularly the SRL properties and the One&Only Kanuhura. We paid $0.6 million to SRL to acquire WLH, which amount approximated both its fair value and net book value at the date of acquisition, resulting in the recognition of no goodwill. WLH results for the year ended December 31, 2003 are included in the consolidated statement of operations. The pro-forma effect of this acquisition to the results of operations as of December 31, 2003, 2002 and 2001 was insignificant. There were no contingent payments, options or commitments and there was no purchased research and development assets with this acquisition.

As of January 1, 2003, the assets and liabilities of WLH were as follows:

Cash and cash equivalents	$1,990
Other current assets	416
Non-current assets	55
Current liabilities	1,813
Non-current liabilities	—

UK Development Project and Acquisition of Casino License

In April 2003, we made a $4.0 million payment as consideration for the potential development of a casino and hotel in the greater London area which is subject to numerous conditions, including the enactment of appropriate gaming legislation in the UK and the granting of applicable gaming board, licensing, planning and council permissions. We also made a $1.3 million and $0.8 million payment for the acquisition of a casino license and land, respectively, in Northampton, England.

Palmilla Acquisition

On September 12, 2002, we acquired a 50% ownership interest in the 115-room Palmilla Resort, a deluxe, five-star property located near Cabo San Lucas in Baja, Mexico, for approximately $40.8 million, including direct acquisition costs. This acquisition was funded through a combination of cash on hand and borrowings under our revolving credit facility as part of our strategy to expand our luxury resort business. In connection with the purchase, we entered into long-term management and development contracts related to the property that will expire in 2022. As part of the operating agreement, the owner has the right to require us to acquire the remaining 50% interest from the owner for a price of $36.3 million, plus 50% of Palmilla's working capital, with the price subject to adjustment,

as defined in the purchase agreement, during the first year of the option period. The purchase price during the second year of the option period is based on a formula, as defined. This option period begins on September 12, 2005 and expires on September 12, 2007.

In February 2004, the One&Only Palmilla Resort completed an expansion project, which began in April 2003 and increased the room count to 172 rooms and significantly upgraded the amenities and public areas offered by the resort. The expansion was financed primarily through local project financing, which is supported by a Kerzner guarantee of $46.5 million, and, to a lesser extent, through subordinated advances from Kerzner. See further discussion of guarantee at Note 23—Commitments and Contingencies.

Kanuhura Acquisition

On August 1, 2001, we acquired a 25% ownership interest in the Kanuhura Resort & Spa, a luxury resort located on Kanuhura Island in the Maldives, which is approximately 600 miles southwest of the southern tip of India, for $3.8 million. In connection with the purchase, we entered into a long-term management contract related to the property that will expire in 2023. On January 1, 2003, we sold 20% of our equity interest in the One&Only Kanuhura to SRL at our net book value of $1.5 million, resulting in no gain or loss on the transaction. As a result, we now have a 20% ownership interest in the One&Only Kanuhura.

Sale of Resorts Atlantic City

Through a wholly owned subsidiary, 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 sale price of approximately $144.0 million, including accrued interest (the "Resorts Atlantic City Sale"). The proceeds received from Colony consisted of approximately $123.5 million in cash, net of costs incurred subsequent to closing, 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, $79.0 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"). The remaining $48.0 million of cash proceeds from the Resorts Atlantic City Sale was used to permanently reduce borrowings outstanding by us under a bank credit facility.

If this transaction had been consummated on January 1, 2001, on a pro forma basis, our results of operations for the year ended December 31, 2001 would have been:

	December 31, 2001
Net revenues	$532,781
Net income	$ 32,661
Basic EPS	$ 1.21
Diluted EPS	$ 1.17

The above pro forma information is not necessarily indicative of what our results of operations 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 sale price of $40.0 million, which option could 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 in exchange for an option extension payment of $1.3 million which was paid on July 9, 2003 and is being accounted for as a deposit in accounts payable and accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2003. The Atlantic City Option has since contractually expired and in February 2004, we and Colony agreed to terminate the Atlantic City Option and entered into a new agreement pursuant to which we agreed to sell the undeveloped real estate adjacent to Resorts Atlantic City to a wholly owned subsidiary of Colony for a sale price of $40.0 million, effectively honoring the original option price. This transaction was completed on March 18, 2004. The sale price was paid in the form of a promissory note which will mature on March 10, 2009. The net carrying value of the undeveloped real estate included in the Atlantic City Option is $40.0 million, and is included in land within property and equipment, net in the accompanying consolidated balance sheets.

Effective April 25, 2001, the closing date of the Resorts Atlantic City Sale, Colony leased from us certain of the property included in the Atlantic City Option for $100,000 per month. At that time, the lease could 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 both of the years ended December 31, 2003 and 2002, and $0.8 million for the year ended December 31, 2001, and is included in other revenues in the accompanying consolidated statement of operations. This lease terminated upon the sale of the related real estate.

Note 5—Cash Equivalents and Restricted Cash

Cash equivalents at December 31, 2003 and 2002 included reverse repurchase agreements (federal government securities purchased under agreements to resell those securities) under which we had not taken delivery of the underlying securities and investments in a money market fund that invests exclusively in U.S. Treasury obligations. At December 31, 2003, we held reverse repurchase agreements of $17.2 million, all of which matured in the first week of January 2004.

At December 31, 2003 and 2002, restricted cash included $1.0 million of a certificate of deposit held as security on a bank credit facility and $0.4 million of customer deposits related to the sale of home sites at Ocean Club Estates. At December 31, 2002, restricted cash also included $3.3 million on deposit in the Isle of Man related to our internet gaming operation which became unrestricted during the first quarter of 2003 in connection with the discontinuation of the operations of Kerzner Interactive.

Note 6—Trade Receivables, net

The Company extends credit to approved casino customers. These receivables are the principal financial instruments that potentially subject the Company to concentration of credit risk. The Company maintains an allowance for doubtful accounts to reduce the receivables to their estimated collectible amount, which approximates fair value. The collectibility of foreign and domestic receivables could be affected by future business or economic conditions or other significant events in the United States or in the countries in which foreign customers reside.

Components of trade receivables, net were as follows:

	December 31,	
	2003	2002
Gaming	$19,224	$18,857
Less: allowance for doubtful accounts	(5,586)	(6,751)
	13,638	12,106
Hotel and related	17,806	20,766
Other	9,006	12,559
	26,812	33,325
Less: allowance for doubtful accounts	(2,053)	(2,317)
	24,759	31,008
	$38,397	$43,114

Bad debt expense was $1.3 million, $3.2 million and $6.4 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 7—Prepaid Expenses and Other Assets

Components of prepaid expenses and other assets were as follows:

	December 31,	
	2003	2002
Prepaid windstorm and other insurance	$ 8,577	$ 7,963
Prepaid rent-current	1,551	1,246
Prepaid tour operator-related costs	1,808	925
Other	3,424	4,178
	$15,360	$14,312

At December 31, 2003, included in other is a note receivable of $0.6 million relating to a compensation advance made to an employee which is due in April 2004.

Note 8—Property and Equipment, net

Components of property and equipment, net were as follows:

	December 31,	
	2003	2002
Land	$ 259,845	$ 221,693
Land improvements and utilities	228,460	225,005
Buildings and leasehold improvements	654,933	631,855
Furniture, machinery and equipment	234,798	217,827
Construction in progress	53,422	40,031
	1,431,458	1,336,411
Less: accumulated depreciation	(277,454)	(224,036)
	$1,154,004	$1,112,375

Depreciation expense was $55.8 million, $55.5 million and $51.0 million for the years ended 2003, 2002 and 2001, respectively.

On October 29, 2003, we entered into an agreement to acquire the assets of Club Méditerranée (Bahamas) Limited ("Club Med") on Paradise Island for $38.5 million. The site is adjacent to Atlantis, Paradise Island. The existing Club Med resort will be shut down and the land will be held for potential future development. During the year ended December 31, 2003, we paid $20.0 million in connection with the acquisition and the remaining balance to be paid of $18.5 million is included within accounts payable and accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2003, $15.0 million of which is secured by a letter of credit. The remaining $3.5 million represents a stamp tax of 10% of the purchase price which is required to be paid upon the recording of the transaction in The Bahamas. In connection with this acquisition, the Company obtained an option to purchase certain adjacent land lots for an option price of $5.0 million. The option term is for three years and expires on October 29, 2006. The purchase price allocation has not been finalized as we are awaiting an independent valuation of the assets acquired.

Included within land is the cost basis of the land related to the Atlantic City Option, which was $40.0 million as of December 31, 2003 and 2002.

Construction in progress as of December 31, 2003 primarily included $53.4 million of major capital and other projects in development. Construction in progress at December 31, 2002 primarily consisted of $15.0 million of the repair and replacement of assets damaged during Hurricane Michelle as well as $25.0 million of capital and other projects in development.

Note 9—Notes Receivable

As of December 31, 2002, notes receivable consisted primarily of $15.0 million principal amount of London Clubs International ("LCI") senior notes that were purchased at 87.75% of the principal amount. LCI's senior notes bore interest at 7.74% per annum and were due in 2004. As of December 31, 2002, the balance of these notes was $13.6 million and were classified as held-to-maturity securities and, accordingly, the amortized cost was adjusted for accretion of the discount to maturity. Such accretion is included in interest income in the accompanying consolidated statements of operations.

During the year ended December 31, 2003, the Company sold the LCI senior notes. In connection with the sale, the Company received $13.4 million and recorded a loss of $0.8 million which has been included within other, net in the accompanying consolidated statements of operations.

Note 10—Deferred Charges and Other Assets, net

Components of deferred charges and other assets, net were as follows:

	December 31,	
	2003	2002
Interest rate swap asset, net	$10,505	$19,574
Debt issuance costs, net	9,561	11,113
Deposit and casino license for UK development projects	5,346	—
Deferred contract acquisition costs	2,115	214
Deferred compensation plan investments	1,744	141
Prepaid rent	1,324	2,720
Employee notes receivable	1,270	1,909
Other	1,791	627
	$33,656	$36,298

Note 10—Deferred Charges and Other Assets, net (Continued)

Interest rate swap asset is the fair value of these agreements as of December 31, 2003 and 2002 and represents the amount we would have received had they been terminated on that date. See Note 13—Long-Term Debt—Derivative Financial Instruments for further discussion. The interest rate swap asset is $11.8 million as of December 31, 2003. However, in connection with the termination of $25.0 million notional amount of one or our interest rate swap agreements in September 2003, we received $1.4 million. This amount is classified as a contra asset in deferred charges and other assets, net and is being accreted to interest expense over the term of the underlying debt. The balance of the contra asset as of December 31, 2003 is $1.3 million. Debt issuance costs, net relates to costs incurred in connection with our senior subordinated notes and are amortized on a straight-line basis over the term of the underlying debt, which approximates the effective interest method. The amortization of debt issuance costs included in interest expense was $1.2 million, $1.9 million and $4.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Deposit and casino license for UK development projects includes a $4.0 million initial payment made as consideration for the potential development of a casino and hotel in the greater London area which is subject to numerous conditions, including the enactment of appropriate gaming legislation in the UK, and the granting of applicable gaming board, licensing, planning and council permissions and a $1.3 million payment related to the acquisition of a casino license in Northampton, England. The $4.0 million initial payment is refundable if the above conditions are not met.

Deferred contract acquisition costs primarily relate to costs incurred in connection with the development or pursuit of management contracts in connection with Atlantis, The Palm and projects in the UK.

Deferred compensation plan investments relate to assets held in a rabbi trust for our deferred compensation plan. See Note 17—Employee Benefit Plans for further discussion.

Prepaid rent relates to the long-term portion of prepaid rent for our leased offices in Plantation, Florida. The current portion is included in prepaid expenses and other assets.

Employee notes receivable as of December 31, 2003 and 2002 includes $0.8 million in both years related to a secured housing loan and $0.6 million as of December 31, 2002 related to a compensation advance made to an employee, which is being amortized through December 2004. Additionally, amounts of $0.4 million and $0.5 million as of December 31, 2003 and 2002, respectively, relate to funds advanced to an employee for a secured housing loan, which is being amortized through July 2012.

Note 11—Accounts Payable and Accrued Liabilities

Components of accounts payable and accrued liabilities were as follows:

	December 31,	
	2003	2002
Customer deposits and unearned revenues	$ 38,557	$ 37,227
Accrued payroll and related benefits	29,136	29,756
Accrued hotel-related costs and expenses	17,252	16,458
Note payable and accrued taxes related to Club Méditerranée (Bahamas) Limited	18,500	—
Trade payables	14,842	12,323
Accrued gaming-related costs and expenses	11,321	9,750
Accrued interest	10,850	10,686
Accrued taxes	9,251	9,029
Accrued tour operator-related costs and expenses	5,769	2,063
Other	16,755	18,432
	$172,233	$145,724

Note 12—Other Long-Term Liabilities

Components of other long-term liabilities were as follows:

	December 31,	
	2003	2002
Fair value of the One&Only Palmilla guarantee	$2,761	$ —
Deferred rent credit	2,269	2,549
Deferred compensation obligation	1,800	148
Other	460	—
	$7,290	$2,697

The deferred rent credits relates to a building lease entered into during 2002 for our office in Plantation, Florida. For more information on the fair value of the One&Only Palmilla guarantee see Note 23—Commitments and Contingencies. For more information on the deferred compensation obligation see Note 17—Employee Benefits Plans.

Note 13—Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2003	2002
Amended Revolving Credit Facility (a)	$ —	$ 72,000
$400 million 8⅞% Senior Subordinated Notes due 2011 ("8⅞% Senior Subordinated Notes") (b)	417,090	425,300
Other	434	731
	417,524	498,031
Less: amounts due within one year	(304)	(275)
	$417,220	$497,756

Note 13—Long-Term Debt (Continued)

(a) ***Amended Revolving Credit Facility***

On November 13, 2001, Kerzner entered into an amended revolving credit facility (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 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. As of December 31, 2003, there is a permanent reduction to our $300.0 million of outstanding commitments in the amount of $46.5 million related to the local project financing at the One&Only Palmilla. See Note 23—Commitment and Contingencies for further discussion regarding the One&Only Palmilla guarantee. The Lenders have agreed that up to an additional $50.0 million of borrowings may be available under the facility in certain circumstances.

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 ½ 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. After each drawdown on the Amended Revolving Credit Facility, interest is due every three months for the first six months and is due monthly thereafter. At December 31, 2003 and 2002, the weighted average interest rate on amounts outstanding under the Amended Revolving Credit Facility, excluding ongoing commitment, agency and letter of credit fees related to the maintenance of the facility, were 3.50% and 3.60%, respectively. 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 affirmative and restrictive covenants 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. As of December 31, 2003, management believes the Company is in compliance with all of such covenants.

Third Amendment dated May 15, 2003 to the Amended Revolving Credit Facility

On May 15, 2003, we entered into a Third Amendment to the Amended Revolving Credit Facility (the "Third Amendment"). The Third Amendment was entered into in order to, among other things, calculate borrowings available under the Amended Revolving Credit Facility using a borrowing base calculation, such that we can draw the lesser of the borrowing base or the commitment amount. The borrowing base is generally the sum of: (i) the amount of "all risks" insurance maintained from time to time on the Bahamas Property, as defined, and on the buildings situated thereon; (ii) the value of undeveloped land owned by the Company under the Amended Revolving Credit Facility on Paradise Island, which for purposes thereof is deemed to be $150.0 million; (iii) the cost basis of the Company's investment in luxury resort hotels (defined to include the One&Only Palmilla Resort and any luxury resort properties in which the Company makes an investment after January 1, 2003 that enables the Company to control management of such properties); (iv) the product of six times the consolidated EBITDA, as defined, attributable to the Company's management contracts and the Company's share of income of those under One&Only (Indian Ocean) Management Limited and their significant

Note 13—Long-Term Debt (Continued)

subsidiaries; and (v) the estimated net present value of the payments due to the Company pursuant to the Relinquishment Agreement, which for purposes thereof is deemed to be $185.0 million.

As of December 31, 2003, the Company had $237.0 million of borrowings available under the Amended Revolving Credit Facility.

(b) *Issuances of 8⅞% Senior Subordinated Notes*

In August 2001, we issued $200.0 million principal amount of 8⅞% Senior Subordinated Notes due 2011 (the "8⅞% Senior Subordinated Notes"), which, after costs of $6.0 million, resulted in net proceeds of approximately $194.0 million. All of the proceeds received from the issuance of the 8⅞% Senior Subordinated Notes were used to repay amounts outstanding under the Amended Revolving Credit Facility. In May 2002, we issued, at 103%, an additional $200.0 million of 8⅞% Senior Subordinated Notes and used the proceeds of approximately $201.5 million, net of related costs of $4.5 million, to repay the 9% Senior Subordinated Notes pursuant to the redemption of such notes described below.

In connection with the issuance of the $200.0 million 8⅞% Senior Subordinated Notes issued in May 2002 and August 2001 and modifications of the Amended Revolving Credit Facility the Company paid $0.1 million, $4.7 million and $8.8 million, respectively, of debt issuance and modification costs during the years ended December 31, 2003, 2002, and 2001. These costs, net of accumulated amortization, are included in deferred charges and other assets, net in the accompanying consolidated balance sheets.

The 8⅞% Senior Subordinated Notes are all unconditionally guaranteed by substantially all of our wholly owned subsidiaries. Interest on each series of the notes is paid semi-annually on February 15 and August 15. The indenture for the 8⅞% Senior Subordinated Notes contains various restrictive covenants, including limitations on the ability of the issuers and the guarantors to, among other things: (a) incur additional indebtedness, (b) incur certain liens, (c) engage in certain transactions with affiliates and (d) pay dividends and make certain other payments. We believe we are in compliance with all such covenants as of December 31, 2003.

All of our outstanding 8⅞% Senior Subordinated Notes rank *pari passu* with each other and are all subordinated to the Amended Revolving Credit Facility.

Redemption of 9% Senior Subordinated Notes

On May 8, 2002, we commenced a cash tender offer to purchase any and all of our outstanding 9% Senior Subordinated 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, we 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. We used the proceeds from the issuance of the $200.0 million of 8⅞% Senior Subordinated Notes on May 20, 2002 to retire the outstanding 9% Senior Subordinated Notes pursuant to the tender offer and redemption.

See Note 21—Loss on Early Extinguishment of Debt for disclosure of the related loss incurred in connection with the redemption of our 9% Senior Subordinated Notes.

Note 13—Long-Term Debt (Continued)

Issuance and Redemption of 8⅝% Senior Subordinated Notes

On December 15, 1997, we issued $100.0 million principal amount of 8⅝% senior subordinated notes due 2007 ("8⅝ Senior Subordinated Notes"). On November 27, 2002, we called for the redemption of the entire outstanding principal amount of our 8⅝% Senior Subordinated Notes pursuant to the terms of the indenture governing these Notes. We had purchased $25.8 million of the 8⅝% 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, with available cash and borrowings under the Amended Revolving Credit Facility.

See Note 21—Loss on Early Extinguishment of Debt for disclosure of the related loss incurred in connection with our redemption of the 8⅝% Senior Subordinated Notes.

Derivative Financial Instruments

Interest Rate Risk Management

We attempt to limit our exposure to interest rate risk by managing our long-term fixed and variable rate borrowings. In August and December 2001, we entered into fixed-to-variable rate interest rate swap agreements (the "Swap Agreements") designated as fair value hedges of $200 million principal amount of our 8⅞% Senior Subordinated Notes. These Swap Agreements qualify for the "shortcut" method of accounting provided under SFAS 133, which allows for the assumption of no ineffectiveness in our hedging relationship. Accordingly, there is no income statement impact from changes in the fair value of the Swap Agreements. Instead, the changes in the fair value of the Swap Agreements are recorded as an asset or liability on the accompanying consolidated balance sheet with an offsetting adjustment to the carrying value of the related debt.

In September 2003, we cancelled $25.0 million notional amount of our then $200.0 million of interest rate swaps on our 8⅞% Senior Subordinated Notes. We received $1.4 million from this cancellation, which is being accreted to interest expense over the term of the underlying debt.

Included in deferred charges and other assets, net in the accompanying consolidated balance sheets at December 31, 2003 and 2002 is $11.8 million and $19.6 million, respectively, representing the fair value of the Swap Agreements as of that date. This represents the amount we would have received had the Swap Agreements been terminated on that date. This resulted in a corresponding increase to the carrying value of our 8⅞% Senior Subordinated Notes. As of December 31, 2003 and 2002, the aggregate notional principal amount of the Swap Agreements was $175.0 million and $200.0 million, respectively, and they mature in August 2011 concurrent with the 8⅞% Senior Subordinated Notes. For the year ended December 31, 2003 and 2002, the weighted average variable rate on the Swap Agreements was 4.18% and 5.49%, respectively.

As of December 31, 2003 and 2002, after giving effect to the Swap Agreements, our fixed rate borrowings represent approximately 56% and 42% and our variable rate borrowings represent 44% and 58%, respectively, of total borrowings.

During the first seven months of 2001, we were a party to variable-to-fixed rate interest rate swap agreements (the "Prior Swap Agreements") designated as cash flow hedges of our Amended Revolving Credit Facility. In July 2001, we terminated the Prior Swap Agreements, which were scheduled to

Note 13—Long-Term Debt (Continued)

mature at the end of 2001. The costs of terminating these agreements early was $3.4 million and is included in interest expense in the accompanying 2001 consolidated statement of operations.

Credit Exposure

We are exposed to credit-related losses in the event of non-performance by counterparties to our Swap Agreements. We monitor the creditworthiness of the counterparties and presently do not expect default by any of the counterparties. We do not obtain collateral in connection with our derivative financial instruments.

Guarantees

For a description of the Company's guarantees of certain debt of affiliated entities, see Note 23.

Overdraft Loan Facility

Pursuant to a letter of commitment dated September 30, 1994, as amended, between us and The Bank of Nova Scotia, we have a revolving overdraft loan facility (the "Overdraft Facility") in the amount of Bahamian $5.0 million which was equal to US $5.0 million as of December 31, 2003 and 2002. The Overdraft Facility, if utilized, would bear interest at The Bank of Nova Scotia's base rate for Bahamian dollar loans plus 1.5% with repayment subject to annual review. The Overdraft Facility is secured by substantially all of our Bahamian assets and ranks *pari passu* with the Amended Revolving Credit Facility. This facility has never been utilized.

Debt Maturity

Aggregate annual maturities of long-term debt as of December 31, 2003 for each of the next five years and thereafter are as follows:

Year Ending December 31,	
2004	$ 304
2005	130
2006	—
2007	—
2008	—
Thereafter	400,000
	400,434
Debt premium	5,251
Interest rate swap fair value adjustment	11,839
	$417,524

Note 14—Shareholders' Equity

Our authorized, issued and outstanding shares were as follows:

	December 31,	
	2003	2002
Ordinary Shares:		
Par value per share	$ 0.001	$ 0.001
Authorized	250,000	250,000
Issued and outstanding (1)	37,356	35,197
Treasury shares	7,072	7,072
Preference Shares:		
Par value per share	$ 0.001	$ 0.001
Authorized	100,000	100,000
Issued and outstanding	—	—

(1) Includes treasury shares.

Note 15—Stock-Based Compensation

Stock Options

Our shareholders approved stock option plans in 1995 (the "1995 Plan"), 1997 (the "1997 Plan") and in 2000 (the "2000 Plan," and collectively the "Plans") that provide for the issuance of options to acquire an aggregate of 7,500,000 ordinary shares. Pursuant to the Plans, the option prices are equal to the market value per share of the ordinary shares on the date of the grant. The 1995 Plan provided for the options to become exercisable, unless otherwise specified by the Board of Directors and subject to certain acceleration and termination provisions, after two years from the date of grant in respect of 20% of such options, and thereafter in installments of 20% per year over a four-year period. The 1997 Plan provides for the same vesting schedule except that the vesting period begins one year after the grant date. The 2000 Plan provides for the vesting period to begin one year after the grant date in respect of one third of such options, and thereafter in installments of one third per year over the remaining two-year period. Options granted under the Plans have a term of 10 years from the date of grant. The Plans provide for options with respect to ordinary shares to be granted to our directors, officers and employees.

Our Board of Directors approved a stock option plan in December 2003 (the "2003 Plan") that provides for the issuance of options and restricted share awards to acquire an aggregate of 3,000,000 ordinary shares. Pursuant to the 2003 Plan, the prices are equal to the market values per share of the ordinary shares on the date of grant, unless otherwise specifically provided by the compensation committee. Unless otherwise specified by the compensation committee, options and restricted shares shall become vested and exercisable in installments of 25% over a four-year period. Options and restricted shares granted under the 2003 plan have a term of seven years from the date of grant. The 2003 Plan provides for options with respect to ordinary shares to be granted to our directors, officers, employees and consultants of the Company. During December 2003, the Company issued 72,600 shares of restricted shares under the 2003 Plan to certain employees and officers. The stock vesting period ranges from three to four years on either a graduated or cliff vesting basis provided that the recipient is still with the Company. The aggregate market value of the restricted shares at the date of issuance of

Note 15—Stock-Based Compensation (Continued)

$2.6 million has been recorded as deferred compensation, as a separate component of shareholders' equity, and is being amortized over the applicable vesting period.

Our stock option plans provide for the issuance of options to acquire an aggregate of 10,500,000 of our ordinary shares. As of December 31, 2003, options pursuant to these plans had been granted at exercise prices ranging from $11.69 to $41.63. As of December 31, 2003, options to acquire 5,059,000 ordinary shares were outstanding, of which 2,266,000 were exercisable as of that date. Of the 1,796,000 stock options granted during 2003, 1,760,000 were granted during December 2003. All of the options under the 1995 Plan, the 1997 Plan and the 2000 Plan have been granted as of December 31, 2003.

A summary of our stock option activity for 2003, 2002 and 2001 is as follows (options in thousands, except per share data):

	December 31,					
	2003		2002		2001	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Outstanding at beginning of year	5,347	$21.54	5,742	$25.14	6,017	$24.59
Granted	1,796	36.40	1,659	21.17	665	25.22
Exercised	(2,074)	18.81	(776)	17.95	(556)	14.93
Terminated and other	(10)	—	(1,278)	38.14	(384)	29.35
Outstanding at end of year	5,059	27.91	5,347	21.54	5,742	25.14
Exercisable at end of year	2,266	22.95	3,160	21.49	2,965	26.35
Available for grant	1,179		35		239	

The weighted average exercise price and weighted average contractual life of stock options outstanding and exercisable at December 31, 2003 is as follows (options in thousands except per share data):

	Outstanding			Exercisable		
Range of Exercise Prices	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life
$11.69–$19.99	961	$18.41	6.8	931	$18.36	6.4
$20.00–$29.99	1,876	22.65	8.2	884	21.34	8.4
$30.00–$39.99	2,181	36.36	8.7	410	34.99	3.4
$40.00–$41.63	41	41.63	4.9	41	41.63	4.9
	5,059	$27.91	8.1	2,266	$22.95	6.6

Note 15—Stock-Based Compensation (Continued)

Stock Option Tender Offer

On May 7, 2002, our Board of Directors resolved, under certain conditions, to make available to employees and directors holding options with an exercise price higher than $32.00 per share, an offer to surrender all or some of the options granted to them under the Plans. In exchange, such employees and directors would have the possibility, under certain conditions, to be granted new options giving the right to subscribe for 75% of the number of shares as the surrendered options. The exercise price for the new options would be the fair market value of the ordinary shares on the new grant date, which would be no sooner than six months and one day after the cancellation date of the old options, subject to the conditions set forth in the tender offer documents filed with the Securities and Exchange Commission on May 27, 2002, the commencement date of the offer period. The offer to option holders under the exchange program expired on June 25, 2002. The 1,227,600 eligible options that were properly submitted for exchange were accepted and cancelled effective June 26, 2002. Such options represent substantially all those that were eligible for exchange. We granted 920,700 new options, which have similar terms to the cancelled options, in exchange for the cancelled options on December 26, 2002, at a price of $20.07.

Note 16—Related Party Transactions

In the normal course of business, we undertake transactions with a number of unconsolidated affiliated companies. Certain of our subsidiaries provide construction funding, project consulting, operating advances and management services to such affiliates. Due from affiliates, management, development and other fees, and TCA development and other fees consisted of the following:

	December 31,		For the year ended December 31,		
	2003	2002	2003	2002	2001
Harborside at Atlantis	$17,391	$27,686	$ 1,847	$ 1,579	$ 1,407
Trading Cove Associates	227	6,456	1,755	1,326	2,873
One&Only Kanuhura	4,807	5,209	787	383	38
Mauritius Resorts	6,394	5,164	7,619	7,074	6,841
One&Only Royal Mirage	958	389	1,293	1,232	1,124
Kaafu Atoll	16,360	313	394	—	—
One&Only Palmilla Resort	2,654	175	1,482	128	—
	48,791	45,392	15,177	11,722	12,283
Less: amounts due within one year	(13,949)	(21,013)	—	—	—
	$34,842	$24,379	$15,177	$11,722	$12,283

Harborside at Atlantis

In 2000, we entered into a series of promissory notes with Harborside at Atlantis to fund 50% of the construction cost of the timeshare units on Paradise Island in The Bahamas. The balance of these notes was $15.0 million and $19.5 million at December 31, 2003 and 2002, respectively. These promissory notes are due on December 31, 2005. We earn interest on these advances at a rate equal to one-month LIBOR plus 250 basis points, which was 3.62% at December 31, 2003. Interest due from Harborside at Atlantis on these advances was $0.1 million and $0.8 million for the years ended December 31, 2003 and 2002, respectively. The loans were made simultaneously with loans from

Note 16—Related Party Transactions (Continued)

Starwood, which mirror the amounts, terms and conditions of our loans. Our loans and the Starwood loans are *pari passu* with respect to payments of principal and accrued interest and such payments will be made in cash, as it is available from the sale of timeshare units.

Harborside at Atlantis was closed at the end of August 2002 in order to repair significant damage resulting from adverse weather primarily due to Hurricane Michelle. Repairs at Harborside at Atlantis were completed during December 2002 which is when the resort reopened. Amounts due from Harborside at Atlantis as of December 31, 2002 include $2.9 million representing the fair value of services provided by Atlantis, Paradise Island to the timeshare owners of Harborside at Atlantis while Harborside at Atlantis was undergoing construction remediation work and is included within 2002 rooms and food and beverage revenue in the accompanying consolidated statements of operations. As of December 31, 2003, this amount was paid in full by Harborside at Atlantis.

We provide marketing, administrative and development services to Harborside at Atlantis from which we earned fees of $1.8 million, $1.6 million, and $1.4 million for the years ended December 31, 2003, 2002 and 2001, respectively. The amount due from Harborside at Atlantis, related to these services was $1.8 million and $3.5 million as of December 31, 2003 and 2002, respectively.

Trading Cove Associates

We recorded development and other fees from TCA of $1.8 million, $1.3 million and $2.9 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Mauritius Resorts

We have long-term management contracts with each of five hotels in Mauritius that are owned by SRL: the One&Only Le Saint Géran, the One&Only Le Touessrok, La Pirogue, Le Coco Beach and Sugar Beach. The term of each of these management agreements was extended from 2008 until 2023 in December 2002 when we entered into an agreement with SRL to form One&Only Management for the purpose of, among other things, managing the five properties owned by SRL in Mauritius and the One&Only Kanuhura in the Maldives. Effective January 1, 2003, SRL owns 20% of One&Only Management, and we own the remaining 80%. Subject to certain conditions, SRL's ownership interest will increase incrementally through 2009, for no consideration, at which time it will own 50% of the new management company. Pursuant to a subcontract with One&Only Management, we provide the comprehensive management services to the five Mauritius resorts and receive a management fee calculated as a percentage of revenues and adjusted EBITDA, as defined. One&Only Management also is entitled to a marketing fee calculated as a percentage of revenues, although it has subcontracted to us all marketing services and benefits thereof with respect to the five Mauritius resorts. For the years ended December 31, 2003, 2002, and 2001, we have recognized $7.4 million, $5.6 million, and $6.8 million, respectively, related to these management agreements in Mauritius. Additionally, during 2002, we completed a major redevelopment of the One&Only Le Touessrok for which the Company earned project fees of $0.2 million and $1.5 million for the years ended December 31, 2003 and 2002, respectively.

As of and for the year ended December 31, 2003, we have consolidated One&Only Management, with SRL's 20% interest reflected as minority interest in the accompanying consolidated statement of operations and a minority interest liability reflected within accounts payable and accrued liabilities in the accompanying consolidated balance sheet. We signed an agreement with SRL that provides for, among other things, the sale of 20% of our debt and equity interests in the One&Only Kanuhura to

Note 16—Related Party Transactions (Continued)

SRL for which we received $1.5 million. Following this sale, which was effective January 1, 2003, we now have a 20% equity interest in the One&Only Kanuhura.

One&Only Kanuhura

As described above, One&Only Management provides management services to the One&Only Kanuhura, a Maldives company. We previously owned a 25% equity interest until December 31, 2002. Effective January 1, 2003, we now own a 20% equity interest in the One&Only Kanuhura. The terms of the management agreement run concurrent with the terms of a lease between the One&Only Kanuhura and the government of the Republic of Maldives. That lease expires in 2026 and is subject to extension.

During the years ended December 31, 2002 and 2001, we advanced funds to the One&Only Kanuhura in the amount of $3.6 million, excluding accrued interest, which represented our share of funding for operations. In February 2004, we received a $1.1 million repayment of advanced funds from the One&Only Kanuhura. These advances are payable after satisfaction of certain Kanuhura financial obligations which mature no earlier than December 2007. These loans accrue interest at a rate of LIBOR plus 600 basis points.

Fees for management services during the years ended December 31, 2003 and 2002 and for the period from August 1, 2001 through December 31, 2001 were $0.8 million, $0.4 million and $38,000, respectively, and are included in management, development and other fees in the accompanying consolidated statements of operations.

One&Only Royal Mirage

Fees for management services to the One&Only Royal Mirage during the years ended December 31, 2003, 2002 and 2001 were $1.3 million, $1.2 million, and $1.1 million, respectively, and are included in management, development and other fees in the accompanying consolidated statements of operations.

Kaafu Atoll

As discussed in Note 23—Commitments and Contingencies-Commitment with Reethi Rah Pvt. Ltd., on December 4, 2002, we entered into a senior subordinated credit agreement with Reethi Rah Resort Pvt Ltd. and various other financial institutions (the "Senior Lenders"). The agreement, as amended in 2003, obligates Kerzner to make completion loans (in an amount not to exceed $35.0 million) and operating loans (in an amount not to exceed $3.0 million per year, for a four-year period). The purpose of the completion loans is to provide subordinated financing for the building and developing of a new resort on Medhufinolhu, Kaafu Atoll, Republic of Maldives. The loans will be subordinated to all other loans made to Reethi Rah Resort Pvt. Ltd. by the Senior Lenders and will become immediately due and payable upon termination or cancellation of our management agreement related to the property.

As of December 31, 2003, we had entered into a series of completion loans in the amount of $15.4 million, excluding accrued interest, which is included in due from affiliates-non-current in the accompanying consolidated balance sheet. We earn LIBOR plus 500 basis points on these completion loans.

Note 16—Related Party Transactions (Continued)

As of December 31, 2003 and 2002, other amounts incurred in connection with Kaafu Atoll of $1.0 million and $0.3 million, respectively, represent primarily development costs that Kerzner has incurred on behalf of the resort, which will be reimbursed after the opening of the resort.

One&Only Palmilla Resort

Fees for management services to the One&Only Palmilla Resort for both the year ended December 31, 2003 and during the period from September 12, 2002 (the date of acquisition) through December 31, 2002 were $0.1 million and are included in management, development and other fees in the accompanying consolidated statements of operations.

In April 2003, the One&Only Palmilla Resort commenced its expansion and redevelopment, which was completed in February 2004. In connection with the redevelopment, the Company earned $1.4 million of development fees for the year ended December 31, 2003 which are included in management, development and other fees in the accompanying consolidated statements of operations.

As of December 31, 2003 the $2.7 million due from One&Only Palmilla Resort relates to management services, development fees and other advances.

Office Lease

Effective February 2002, we entered into a lease agreement with Tennyson Properties Limited, whereby we are leasing office space in Buckinghamshire in the United Kingdom for a period of 15 years. The annual rent is approximately £205,000 (which is the equivalent of approximately $365,000 at December 31, 2003) and is subject to increase every five years to the current fair market value. Tennyson Properties Limited is owned by a family trust established by Solomon Kerzner, chairman of the Company.

Note 17—Employee Benefit Plans

Certain of our subsidiaries participate in a defined contribution plan covering substantially all of their full-time employees. We make contributions to this plan based on a percentage of eligible employee contributions. Total expenses for this plan were $267,000, $185,000, and $446,000 for the years ended December 31, 2003, 2002 and 2001, respectively. The period from January 1, 2001 to April 24, 2001 included plan expenses of Resorts Atlantic City.

In addition to the plan described above, union and certain other employees of our subsidiaries in The Bahamas, and formerly Resorts Atlantic City, are covered by multi-employer defined benefit pension plans to which employers make contributions. In connection with these plans, we expensed contributions of $7.0 million, $6.7 million and $6.4 million for the years ended December 31, 2003, 2002 and 2001, respectively.

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 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

Note 17—Employee Benefit Plans (Continued)

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 cash surrender value with the resulting change in cash surrender value included in the accompanying consolidated statements of operations. At December 31, 2003 and 2002, the balance of the liability and the corresponding asset each totaled $1.8 million. During the year ended December 31, 2003, the change in cash surrender value amounted to $0.1 million and the change in fair value of the obligation to participants resulted in a $0.2 million charge to corporate expense. During the years ended December 31, 2003 and 2002, the Deferred Compensation Plan did not have a significant impact on our operating results.

Note 18—Restructuring Expense

Restructuring costs in 2001 were comprised of severance payments made to employees who were terminated due to lower occupancy levels at Atlantis, Paradise Island subsequent to the terrorist attacks on September 11, 2001. By the end of 2002, all amounts related to the restructuring had been paid.

There were a total of 278 employees terminated pursuant to the restructuring which included 57 administrative positions, 198 hotel employees and 23 employees on our development staff. Of the total $5.7 million expense recorded in 2001, 17 employees were not released and, accordingly, the remaining $4.7 million had been paid out to a total of 261 employees by the end of 2002. The remaining balance of $1.0 million was reversed in 2002 as fewer employees were released and the amounts were settled for less than originally planned.

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies

Components of investments in associated companies were as follows:

	December 31,		Ownership
	2003	2002	Interest
One&Only Palmilla Resort	$38,757	$40,668	50%
Sun Resorts Limited (Mauritius Resorts)	23,598	22,818	20.4%
Trading Cove Associates	14,427	8,947	50%
One&Only Kanuhura	1,864	2,393	20%
Harborside at Atlantis	2,697	(632)	50%
Trading Cove New York	1,758	1,692	50%
Other	51	—	50%
	$83,152	$75,886	

Our proportionate share of earnings or losses from these entities is reflected in equity in earnings (losses) of associated companies in the accompanying consolidated statements of operations, except for equity earnings related to our investment in TCA, which are included in relinquishment fees—equity earnings in TCA as a component of operating income in the accompanying consolidated statements of operations 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.

In the normal course of business, we undertake transactions with a number of unconsolidated affiliated companies. See Note 16—Related Party Transactions for further discussion.

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies (Continued)

One&Only Palmilla Resort

Effective September 12, 2002, we acquired our 50% interest in the One&Only Palmilla Resort. The following represents summarized information of the One&Only Palmilla Resort as of December 31, 2003 and 2002 and for the year ended December 31, 2003 and the period from September 12, 2002 through December 31, 2002:

	For the year ended December 31, 2003	For the period from September 12, 2002 through December 31, 2002
Revenues	$9,521	$5,467
Loss from operations	(9,402)	(449)
Loss before income taxes	(9,417)	(443)
Net loss	(9,384)	(287)

	As of December 31,	
	2003	2002
Current assets	$ 13,196	$ 6,324
Non-current assets	145,406	79,171
Total assets	158,602	85,495
Current liabilities	12,768	4,587
Non-current liabilities	85,382	—
Shareholders' equity	60,452	80,908

During the year ended December 31, 2003 and for the period from September 12, 2002 through December 31, 2002, we have recognized approximately $4.8 million and $0.1 million, respectively, in equity losses from associated companies in the accompanying consolidated statements of operations. The equity loss for the year ended December 31, 2003 includes $4.3 million of our 50% share of the pre-opening expenses associated with the redevelopment of the One&Only Palmilla.

Mauritius Resorts

Through June 16, 2000, we owned a 22.8% interest in SRL, or Mauritius Resorts. Effective June 16, 2000, SRL issued additional shares of stock under a rights issue in which we did not participate, effectively reducing our ownership interest to 20.4%. The following represents summarized

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies (Continued)

financial information of SRL as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 (converted to US dollars at the appropriate exchange rate).

	For the Year Ended December 31,		
	2003	2002	2001
Revenues	$102,264	$78,058	$93,398
Income from operations	27,071	19,448	25,277
Income before income taxes	17,837	14,331	20,136
Net income	10,941	8,510	17,482

	As of December 31,	
	2003	2002
Current assets	$ 24,556	$ 23,971
Non-current assets	310,171	269,411
Total assets	334,727	293,382
Current liabilities	49,351	52,186
Non-current liabilities	136,016	99,739
Shareholders' equity	149,360	141,457

During the years ended December 31, 2003, 2002 and 2001, we received dividends from SRL of $1.5 million, $2.3 million and $2.9 million, respectively. We recognized $2.3 million, $1.7 million and $3.3 million of equity earnings from SRL during the years ended December 31, 2003, 2002 and 2001, respectively.

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 TCA Development Agreement and the Relinquishment Agreement in connection with the Mohegan Sun.

Relinquishment fees represent our share of the net earnings from TCA pursuant to the Relinquishment Agreement. In accordance with such agreement, TCA earns a fee, equal to 5% of gross 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 Mohegan Sun 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 Mohegan Sun 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

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies (Continued)

Mohegan Sun. The following represents summarized information of TCA as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001.

	For the Year Ended December 31,		
	2003	2002	2001
Revenues	$69,798	$59,066	$46,970
Total expenses	6,884	3,996	3,476
Interest and dividend income	6	13	33
Net income	62,920	55,083	43,527

	As of December 31,	
	2003	2002
Current assets	$26,143	$24,502
Non-current assets	2,440	2,665
Total assets	28,583	27,167
Current liabilities	1,071	10,521
Non-current liabilities	—	—
Partners' capital	27,512	16,646

Our equity in earnings from TCA totaled $34.0 million, $30.0 million and $24.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. Such amounts do not equal 50% of the reported net income of TCA, primarily as a result of a priority distribution.

One&Only Kanuhura

The following represents summarized financial information of the One&Only Kanuhura as of December 31, 2003 and 2002 and for the years ended December 31, 2003 and 2002 and for the period from August 1, 2001 through December 31, 2001.

	For the year ended December 31, 2003	For the year ended December 31, 2002	For the period from August 1, 2001 through December 31, 2001
Revenues	$14,796	$10,595	$ 3,809
Income (loss) from operations	2,766	(421)	(1,261)
Income (loss) before income taxes	460	(2,633)	(2,564)
Net income (loss)	460	(2,633)	(2,564)

	As of December 31,	
	2003	2002
Current assets	$ 4,702	$ 3,372
Non-current assets	28,536	28,249
Total assets	33,238	31,621
Current liabilities	4,966	6,165
Non-current liabilities	29,874	28,596
Shareholders' deficiency	(1,602)	(3,140)

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies (Continued)

For the years ended December 31, 2003 and 2002 and for the period from August 1, 2001 (the date of acquisition) through December 31, 2001, we have recognized ($0.1) million, $0.7 million, and $0.7 million, respectively, in equity earnings (losses) from the One&Only Kanuhura.

Harborside at Atlantis

Harborside at Atlantis constructs, sells and manages timeshare units on Paradise Island, The Bahamas. Construction was completed in February 2001 and sales of timeshare units began in May 2000. As of December 31, 2003 and 2002, 89% and 64%, respectively, of the timeshare units were sold. The following represents summarized financial information of Harborside at Atlantis as of and for the years ended December 31, 2003, 2002 and 2001.

	For the Year Ended December 31,		
	2003	2002	2001
Revenues	$43,818	$ 37,411	$35,371
Income (loss) from operations	6,136	(11,023)	1,372
Income (loss) before income taxes	6,659	(10,428)	1,372
Net income (loss)	$ 6,659	$(10,428)	$ 1,372

	As of December 31,	
	2003	2002
Current assets	$68,487	$97,469
Non-current assets	22,955	9,255
Total assets	91,442	106,724
Current liabilities	48,739	99,356
Non-current liabilities	30,040	1,364
Shareholders' equity	$12,663	$ 6,004

For the years ended December 31, 2003, 2002 and 2001, we have recognized $3.3 million, $(5.2) million, and $0.5 million, respectively in equity earnings (losses) from Harborside at Atlantis. Included within equity in earnings (losses) from Harborside at Atlantis for the years ended December 31, 2003 and 2002 are $1.8 million and $6.9 million, respectively, of charges which represent our share of construction remediation costs. The remediation costs for the year ended December 31, 2003 have been reduced by the amount of insurance recovery realized by Harborside at Atlantis related to the settlement of the remediation claim of $3.0 million, our portion of which is $1.5 million.

Trading Cove New York

Through a wholly owned subsidiary, we own a 50% interest in, and are a managing member of, TCNY, along with Waterford Development New York, LLC. The following represents summarized information of TCNY as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001.

Note 19—Investments in and Equity in Earnings (Losses) of Associated Companies (Continued)

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,		
	2003	2002	2001
Total revenues and other income	$ 1	$11	$13
Total expenses	7	6	15
Net income (loss)	$(6)	$ 5	$(2)

	As of December 31,	
	2003	2002
Current assets	$ 295	$ 436
Non-current assets	9,798	7,353
Total assets	10,093	7,789
Current liabilities	147	137
Non-current liabilities	—	—
Members' equity	$9,946	$7,652

During the years ended December 31, 2003, 2002 and 2001 we recognized $1.1 million, $1.0 million and $0.9 million, respectively, of equity losses in TCNY.

Note 20—Gain on Settlement of Territorial and Other Disputes

Majority Shareholder Reorganization

In July 2001, we announced the restructuring of our then majority shareholder, Sun International Investments Limited ("SIIL"), and the resolution of certain matters, including a territorial dispute, with SIIL and certain of its shareholders (collectively the "Reorganization"). At the time of the Reorganization, SIIL and its shareholders beneficially owned approximately 67% of our issued and outstanding ordinary shares (the "Ordinary Shares"). SIIL was itself owned in equal thirds by Kersaf Investments Limited ("Kersaf"), Caledonia Investments PLC and World Leisure Group Limited, a company controlled by a Kerzner family trust. SIIL previously was governed by a shareholders' agreement pursuant to which all major decisions of SIIL required the unanimous consent of its shareholders. In connection with the Reorganization, among other things, SIIL was dissolved and the shareholders' agreement governing SIIL was terminated. Accordingly, SIIL's shareholders obtained direct ownership of their Ordinary Shares. In addition, SIIL's shareholders agreed to certain standstill provisions in effect through June 2006, pursuant to which each of them would refrain from proposing or consummating certain extraordinary corporate transactions involving the Company, including any merger or the sale of substantially all of our assets.

Pursuant to a registration rights and governance agreement executed in connection with the Reorganization, we granted certain registration rights to SIIL's shareholders in respect of the ordinary shares held by them, in part in order to facilitate the required sale of at least 2,000,000 of Kersaf's Ordinary Shares in a registered public offering, which requirement was satisfied on December 12, 2002. We agreed that, after a transition period not to exceed one year from June 30, 2001, we would cease, and we have ceased, using the names "Sun" and "Sun International." In connection with the

Note 20—Gain on Settlement of Territorial and Other Disputes (Continued)

Reorganization, Kersaf agreed to pay us $15.5 million. This was settled by a one-time cash payment of $3.5 million and the issuance of a 5-year, $12.0 million note, bearing interest at 9% per annum. In December 2001, the principal amount of the note and accrued interest thereon was repaid in full. Of this amount, we recognized a $1.5 million and $5.1 million net gain on the settlement of this territorial dispute during the years ended December 31, 2003 and 2002, respectively.

Subsequent Disputes and Settlement with Kersaf Investments Limited

As part of the Reorganization, the Company and Kersaf agreed to restructure certain agreements which included, among other things, an obligation for Kersaf to sell at least 2,000,000 shares of the Company's shares in a registered public offering, certain non-compete agreements, the continuation of an obligation of Kersaf to pay Kerzner an annual payment of approximately $3.3 million (the "Contribution Payment"), and an agreement pursuant to which Kerzner was granted an interest in a proposed project in Port Ghalib, Egypt (the "Egypt Project"). In October 2001, the Company filed a lawsuit against Kersaf and certain related entities in New York alleging, among other things, that Kersaf had breached its non-compete obligation. Kersaf and the Company executed a settlement agreement that resolved all of these outstanding matters on November 1, 2002.

According to the settlement agreement, among other things, (i) Kersaf was obligated, and on December 18, 2002 satisfied this obligation, to sell at least 2,000,000 shares in a registered public offering; (ii) Kersaf's obligation to make the Contribution Payment was terminated effective December 1, 2002 and; (iii) Kersaf paid us $32.1 million in December 2002. Of this amount, $18.0 million and $21.3 million (which represents the future payments that were to be received over the original term of the underlying Mauritius management contracts) is classified as deferred revenue as of December 31, 2003 and 2002, respectively. The long-term portion of $14.6 million and $18.0 million as of December 31, 2003 and 2002, respectively, is included within deferred revenue and the current portion of $3.4 million and $3.3 million is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. These amounts will be recognized as other revenues over the term of the original underlying Mauritius management contracts, which extended through December 2008. The remaining amount of $9.4 million, net of $1.4 million of direct legal expenses, was recognized in the fourth quarter of 2002 as an additional gain on settlement of territorial and other disputes. In exchange for this settlement, we agreed to terminate all existing lawsuits related to Kersaf and have released all parties from any related claims and we shall no longer have any interest in the Egypt Project.

Note 21—Loss on Early Extinguishment of Debt

Pursuant to the adoption of the SFAS 145, we have reclassified the $20.5 million extraordinary loss on early extinguishment of debt recognized during the year ended December 31, 2002 in connection with the Company's refinancing of its long-term debt from an extraordinary loss to other expense in the accompanying consolidated statement of operations. Of this amount, $14.6 million related to our repurchase and redemption of the entire outstanding balance of $200 million principal amount of our 9% Senior Subordinated Notes. The remaining $5.9 million related to the repurchase and redemption of our $100 million principal amount of 8⅝% Senior Subordinated Notes. This loss consisted of the premium paid on the repurchase and redemption of the notes, the non-cash charge to write-off the balance of the related debt issuance costs, the remaining unamortized discount on the notes and other direct costs. The applicable net income tax effect was insignificant.

Note 22—Income Taxes

A significant portion of our operations are located in The Bahamas where there are no income taxes. In 2003, 2002 and 2001, the income tax provisions relating to U.S. and other non-Bahamian operations were as follows:

	For the Year Ended December 31,		
	2003	2002	2001
Current:			
Federal	$ 7,917	$ 5,939	$ 3,502
State	3,393	2,341	1,462
Foreign	584	—	—
	11,894	8,280	4,964
Deferred:			
Federal	(11,732)	(8,184)	(3,874)
	$ 162	$ 96	$ 1,090

The effective tax rate on income varies from the statutory U.S. federal tax rate as a result of the following factors:

	For the Year Ended December 31,		
	2003	2002	2001
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Non-U.S.-source income	(25.4)	(37.0)	(29.2)
State tax cost	4.7	5.8	—
NOLs, extraordinary item and temporary differences for which a valuation allowance has been provided	—	12.8	—
Reduction of valuation allowance relating to prior years' operating loss utilized	(16.4)	(20.4)	(14.5)
Branch profit taxes and other taxes on U.S. services	—	—	8.8
Other	2.3	4.0	3.2
Effective tax rate	0.2%	0.2%	3.3%

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.

Note 22—Income Taxes (Continued)

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

	December 31,	
	2003	2002
Non-current deferred tax liabilities:		
Basis differences on property and equipment	$ —	$ (561)
Total deferred tax liabilities	—	(561)
Non-current deferred tax assets:		
NOL carryforwards	183,629	223,709
Basis differences on property and equipment	527	—
Basis differences on land held for investment, development or resale	3,961	4,104
Book reserves not yet deductible for tax return purposes	2,954	1,898
Tax credit carryforwards	3,216	2,677
Other	4,998	3,786
Total deferred tax assets	199,285	236,174
Valuation allowance for deferred tax assets	(188,812)	(229,494)
Deferred tax assets, net of valuation allowance	10,473	6,680
Non-current net deferred tax assets	$ 10,473	$ 6,119

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. We considered these factors in reaching our conclusion to reduce the valuation allowance during 2003, 2002 and 2001 which resulted in a reduction to our provision for income taxes.

For federal income tax purposes, Kerzner International North America, Inc. ("KINA"), one of our wholly-owned subsidiaries, had net operating loss ("NOL") carryforwards of approximately $524.7 million at December 31, 2003, of which $247.2 million are unrestricted as to use. However, due to the change of ownership of KINA in 1996, $277.5 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, with an additional $7.7 million becoming available in 2009. The remaining Pre-Change NOLs are expected to expire unutilized, including the $61.0 million of Pre-Change NOLS that expired in 2003.

Our restricted NOL carryforwards expire as follows: $36.6 million in 2005, $23.5 million in 2006, and $3.9 million in 2007. Our unrestricted NOLs expire as follows: $26.7 million in 2007, $56.5 million in 2008, $8.0 million in 2011, $57.0 million in 2012, $32.4 million in 2019, $17.7 million in 2020 and $48.9 million in 2021.

Note 23—Commitments and Contingencies

Lease Obligations

We lease office space in numerous locations throughout the United States and Europe for sales and marketing, public relations, tour operations and travel reservation services and other administrative services. These offices support our operations in The Bahamas. In addition, we have obligations under certain operating leases related to equipment acquired for our operations in The Bahamas.

Future minimum lease obligations under various non-cancelable operating leases with terms in excess of one year at December 31, 2003 are as follows (in thousands of US dollars):

Year Ending December 31,	
2004	$ 2,413
2005	1,912
2006	2,324
2007	1,819
2008	1,748
Thereafter	18,058
	$28,274

Casino License

The operations of casinos in The Bahamas are subject to regulatory controls. The operator must obtain a casino license and the license must be periodically renewed and is subject to revocation at any time.

Heads of Agreement

We have an agreement with the Bahamian government, which we refer to as the Heads of Agreement, that governs our gaming taxes and fees in The Bahamas and provides us with certain tax incentives to encourage us to further expand Atlantis, Paradise Island. On May 26, 2003, we restated the Heads of Agreement in anticipation of the Atlantis, Paradise Island Phase III expansion as previously discussed in Note 1—Organization and Basis of Presentation. The restated Heads of Agreement for the year ended December 31, 2003 maintains the basic casino tax and fee structure, which was effective for the years ended December 31, 2002 and 2001. Under this basic casino tax and fee structure we paid an annual license fee of $100,000 per thousand square feet of casino space, a minimum annual casino win tax of $4.3 million on all gaming win up to $20.0 million, a 12.5% win tax on gaming win between $20.0 million and $120.0 million and a 10% gaming tax on all gaming win in excess of $120.0 million. The Company is entitled to a $5.0 million reduction to the annual casino license fees and a 45% credit against all win tax on gaming win between $20.0 million and $120.0 million. The casino win tax and annual license fee is included in gaming costs and expenses in the accompanying consolidated statements of operations and was $11.5 million, $12.2 million and $10.9 million for the years ended December 31, 2003, 2002 and 2001, respectively.

In order to secure the tax incentives described in the preceding paragraph, we are obligated to commence construction on aspects of Phase III-A by December 31, 2003 and commence construction on the balance of Phase III-A by June 30, 2004. In the event that we do not proceed with Phase III-B, there will be a proportionate scaling back of the casino fee and tax incentives.

As we commenced construction of Phase III-A by December 31, 2003 the basic tax and fee structure was amended so that all gaming win in excess of $20.0 million is subject to win tax of 10% and is effective for a period of 20 years after the earlier of the completion of the Phase III Expansion or December 31, 2007. In addition, the 45% credit against all win tax shall become 50% against all win tax on gaming win over $20.0 million. However, the 50% credit will not apply to gaming win in excess of $175 million in any year through 2010 and $200 million in each succeeding year. These credits also apply from the commencement of construction of Phase III-A in 2003, and shall extend for a period of 11 years from the Relevant Date, as defined.

The restated Heads of Agreement also provides for an extension of our joint marketing agreement with the Bahamian government pursuant to which the Bahamian government agreed to match our contribution, up to $4.0 million annually, toward the direct costs related to staging certain marketing events, public relations activities and the production and placement of advertisements in all media to promote the destination and our Paradise Island properties, including the Phase III expansion. This joint marketing agreement will expire on December 31, 2007.

The Heads of Agreement also required that Sun International Investment Limited ("SIIL") control a majority of our board of directors until June 30, 2004. As part of the restructuring of SIIL, we entered into a governance agreement with the shareholders of SIIL that, among other things, required us to submit to our shareholders an amendment to our articles of association that would set the term of our existing directors to expire at our annual general meeting in 2004. At our annual shareholders meeting in September 2001, the amendment to our articles of association was adopted and our existing directors were elected to terms expiring in 2004.

Guarantees

As of December 31, 2003, the Company had executed various guarantees. As discussed in Note 3—Summary of Significant Accounting Policies, the Company has adopted the disclosure provisions of FIN 45 and has adopted the recognition and measurement provisions for any guarantees entered into or modifications to existing guarantees after December 31, 2002. With respect to the Company's existing guarantee related to the One&Only Palmilla Resort, the fair value of $2.8 million has been estimated and recorded as of December 31, 2003 for our $46.5 million guarantee entered into after December 31, 2002 with the One&Only Palmilla Resort as discussed below. The fair value of the guarantee is included in other long-term liabilities in the accompanying consolidated 2003 balance sheet.

In connection with the One&Only Palmilla Resort operating agreement, we agreed that in the event that the One&Only Palmilla Resort obtained third-party debt financing for its planned redevelopment, we would guarantee certain amounts of such financing. The purpose of these guarantees was to assist the One&Only Palmilla Resort in obtaining financing for its redevelopment on commercially reasonable terms. On August 1, 2003, the One&Only Palmilla Resort secured a senior credit facility (the "Senior Credit Facility") in the amount of $88.5 million, of which Kerzner has guaranteed $46.5 million. In 2003, we have recorded the fair value of these guarantees in accordance with the provisions of FIN 45. 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. As of December 31, 2003, amounts outstanding under the Senior Credit Facility totaled $86.4 million. In addition, to the extent that One&Only Palmilla incurs expenditures that we approve in excess of budgeted amounts and for which it is otherwise unable to obtain third-party financing, we have agreed to make unsecured subordinated loans to the One&Only Palmilla resort in the amount of such expenditures.

In connection with our purchase of a 25% initial equity interest in the One&Only Kanuhura, we were required to guarantee certain of its obligations, totaling $10.7 million to its other shareholders.

We are not obligated under these guarantees unless the property's senior bank debt agreement prevents available cash flow from being distributed to the shareholders, nor until Kanuhura repays certain senior debt owed to us. As of December 31, 2003, the amount of senior debt owed to us was $3.6 million, excluding accrued interest. Our obligations under these guarantees expire when the underlying obligations are repaid. Upon our having to satisfy these guarantees, we shall be deemed to have made a loan to the One&Only Kanuhura on the same terms of the underlying note that was satisfied.

Commitment with Reethi Rah Resort Pvt. Ltd.

On December 4, 2002, we entered into a senior subordinated credit agreement with Reethi Rah Resort Pvt Ltd and various other financial institutions (the "Senior Lenders"). The agreement obligates Kerzner to make completion loans (in an amount not to exceed $35.0 million) and operating loans (in an amount not to exceed $3.0 million per year, for a four-year period). The purpose of the completion loans is to provide subordinated financing for the building and developing of a new resort on Medhufinolhu, Kaafu Atoll, Republic of Maldives. The purpose of the operating loans is to provide working capital on a standby basis to the new resort once it has opened. Among other conditions, Kerzner is not obligated to make any completion loan after the resort has opened or until Reethi Rah Resort Pvt Ltd has borrowed a minimum of $20.0 million from the Senior Lenders. Kerzner is not obligated to make any operating loans unless, among other conditions, the resort has opened for business to the general public. Once made, both the completion loans and the operating loans will be subordinated to all other loans made to the borrower by the Senior Lenders and will become immediately due and payable upon termination or cancellation of our management agreement related to the property. As of December 31, 2003 the Company had $15.4 million of completion loans outstanding, excluding accrued interest, to the resort.

As a condition to entering into the senior subordinated credit agreement, we obtained a personal guarantee from Mohamed Adil, an indirect holder of the majority of outstanding shares in Reethi Rah Resort Pvt Ltd., pursuant to which Mr. Adil unconditionally guaranteed all of the payment and performance obligations of Reethi Rah Resort Pvt Ltd. to Kerzner under the senior subordinated credit agreement and certain other agreements relating to the resort. Reethi Rah Resort Pvt Ltd. also granted us a security interest in substantially all of the assets that will comprise the new resort, including a long-term lease that Reethi Rah Resort Pvt Ltd. has obtained from the government of the Maldives.

Atlantis, The Palm Commitment

In September 2003, we entered into agreements to form a joint venture with Nakheel LLC, a government-owned entity ("Nakheel"), in Dubai to develop Atlantis, The Palm. The first phase of the project will include a resort and an extensive water theme park situated on beachfront property. Atlantis, The Palm will be located on The Palm, Jumeirah, a land reclamation project in Dubai. We and Nakheel have each agreed to invest $60 million in the form of equity financing to the project, with the balance of the financing, which may include an equity component, expected to be raised at the project level. As part of the transaction, Kerzner has agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. The transaction remains subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

Executive and Employee Bonus Plans

In 1998, we created a bonus plan for certain of our executives that was payable based upon the attainment of specified earnings per share. A portion of the bonus was payable in ordinary shares that vested over a three-year period. The compensation expense related to the 1998 bonus plan amounted to $0, $0 and $0.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. During

the year ended December 31, 2002, 32,000 shares of restricted stock were exercised. The bonus plan in effect for the years 2001 through 2002 does not provide for the issuance of Ordinary Shares.

Effective for the years 2003, 2002 and 2001, we have a bonus plan whereby our employees, including officers, will qualify for bonuses if we attain either certain levels of earnings or earnings per share, 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 80% of the respective employee's base salary. Bonuses ranging from 4% to 54% were granted in 2003 to our officers and employees. The compensation expense related to this bonus plan amounted to $13.8 million, $17.0 million and $3.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Litigation, Claims and Assessments

The Company is involved in certain litigation and claims incidental to its business. The Company does not believe, based on currently available information, that these matters will have a material adverse effect on the accompanying consolidated financial statements.

Note 24—Segment Information

SFAS No. 131 "Disclosures about Segments of an Enterprise Related Information" requires the disclosure of information regarding our operations based upon how management makes operating decisions and assesses the performance of such segments and certain information about geographic areas. We develop and operate premier resort casinos and other properties throughout the world and manage our business in three segments: Destination Resorts, Gaming and One&Only. Our Destination Resorts segment is currently our largest and most important segment from both a gross revenue and net income perspective. Management previously viewed the Company as operating solely in one business segment—the resort and casino business—which was conducted in various geographical areas. However, in 2003, as our businesses grew and evolved, management began to view the Company as operating in three distinct segments.

Our Destination Resorts segment includes our flagship mega-resort property, Atlantis, Paradise Island, our tour operator which supports Atlantis, Paradise Island, PIV, Inc., and our 50% investment in Harborside at Atlantis. In addition, management expects that our future growth will further define and reinforce these segments. Accordingly, commencing with our 2003 consolidated financial statements, we will report our business in three segments: the Destination Resorts segment, the Gaming segment, and the One&Only segment. In addition, once we begin development and finalize a joint venture with Nakheel LLC, an entity owned by the government of Dubai, the Destination Resorts segment will include Atlantis, The Palm, which is expected to include a resort and an extensive water theme park located on the Palm, Jumeirah, a land reclamation project in Dubai, United Arab Emirates. The Gaming segment consists of relinquishment and development fee income from Mohegan Sun in Uncasville, Connecticut, Resorts Atlantic City (which we owned until April 25, 2001) and the costs associated with the potential development of a casino complex located in the greater London area and Northampton. The One&Only segment is comprised of our luxury resort hotel businesses which consist of premier properties that primarily operate in the five-star deluxe end of the resort market. The One&Only segment includes the One&Only Ocean Club located on Paradise Island, The Bahamas, and resorts located in Mauritius, the Maldives, Mexico and Dubai. We have also entered into agreements to develop and manage a second property in the Maldives, a property on the Victoria & Alfred Waterfront in Cape Town, South Africa and a property in Havana, Cuba, all of which will be operated under the One&Only brand. As each segment operates in various geographic areas, they are delineated within the tables that follow.

We evaluate the performance of our segments based on their respective revenues generated after direct operating costs, and depreciation and amortization attributable to each segment which we refer to as their contribution to net income. Corporate expenses, interest income and expense, income taxes and other income and expenses are not allocated to the segments but are separately evaluated. The accounting policies of these reportable segments are the same as those disclosed in Note 3—Summary of Significant Accounting Policies.

Note 24—Segment Information (Continued)

The following tables are an analysis of net revenues, contribution to consolidated net income and total assets, depreciation and amortization of goodwill and capital additions by segment:

Net Revenues

	For The Year Ended December 31,		
	2003	2002	2001
Destination Resorts:			
Atlantis, Paradise Island(1)			
Hotel and other	$350,115	$347,707	$325,692
Insurance recovery	2,819	1,100	2,000
Casino	138,587	129,916	116,490
	491,521	478,723	444,182
Tour operations	28,875	29,026	26,091
Gross revenues	520,396	507,749	470,273
Less: promotional allowances	(23,579)	(22,210)	(22,778)
	496,817	485,539	447,495
Gaming:			
Connecticut(2)	1,755	1,326	2,873
United Kingdom	—	—	—
New Jersey(3)			
Casino	—	—	72,417
Hotel and other	—	—	12,496
Gross Revenue	—	—	87,786
Less: promotional allowances	—	—	(17,995)
	1,755	1,326	69,791
One&Only:			
Ocean Club	34,186	31,200	26,165
Other resorts(4)	11,575	8,817	8,003
	45,761	40,017	34,168
Real estate related—Ocean Club Estates	—	—	9,771
Other segments	16,999	16,480	14,211
Net revenues	$561,332	$543,362	$575,436

(1) Consists of revenues from Atlantis, Paradise Island, the Company's wholly owned tour operator, PIV, Inc., the Ocean Club Golf Course and marketing fee income from our 50% owned timeshare, Harborside at Atlantis.

(2) Consists of development and other fees related to the Mohegan Sun, a casino and entertainment complex.

(3) Consists of revenue from Resorts, Atlantic City. The Company sold RIH on April 25, 2001 and accordingly, excluded the results of operations of Resorts, Atlantic City subsequent to that date.

(4) Consists of management and development fees from the Company's One&Only resort businesses located in Mauritius, Mexico, Dubai and the Maldives.

Note 24—Segment Information (Continued)

Contribution to Net Income

	For The Year Ended December 31,		
	2003	2002	2001
Destination Resorts:			
Atlantis, Paradise Island(1)	$93,788	$77,514	$66,050
Gaming:			
Connecticut(2)	35,715	31,367	27,136
United Kingdom	(329)	—	—
New Jersey(3)	—	—	7,595
	35,386	31,367	34,731
One&Only:			
Ocean Club	4,720	3,999	1,447
Other resorts(4)			
Management, development and other fees	10,292	8,817	8,003
Direct expenses	(12,187)	(8,061)	(1,944)
Equity in earnings (losses) of associated companies	(2,565)	934	2,588
	260	5,689	10,094
General corporate	(33,928)	(26,119)	(20,848)
Restructuring (costs) reversal	—	1,000	(5,732)
Real estate related—Ocean Club Estates	—	—	6,906
Gain on net assets held for sale	—	—	2,232
Interest income	3,394	3,419	5,301
Interest expense, net of capitalization	(29,264)	(39,104)	(60,375)
Gain on settlement of territorial and other disputes	1,479	14,459	—
Loss on early extinguishment of debt, net of income tax effect	—	(20,525)	—
Other, net	(686)	60	—
Provision for income taxes	(162)	(96)	(1,090)
Income (loss) from discontinued operations, net of income tax	1,305	(8,061)	(4,608)
Net income	$71,572	$39,603	$32,661

(1) Consists of earnings before interest and taxes from Atlantis, Paradise Island, the Company's wholly owned tour operator, PIV, Inc., the Ocean Club Golf Course and marketing fee income and equity in earnings (losses) from our 50% owned timeshare, Harborside at Atlantis.

(2) Consists of relinquishment fees—equity earnings in TCA, development and other fees related to the Mohegan Sun, a casino and entertainment complex.

(3) Consists of the results of operations of Resorts Atlantic City. The Company sold RIH on April 25, 2001 and accordingly, excluded the results of operations of Resorts Atlantic City subsequent to that date.

(4) Consists of management, development and other fees and equity in earnings (losses) in associated companies from the Company's One&Only resort businesses located in Mauritius, Mexico, Dubai and the Maldives.

Note 24—Segment Information (Continued)

Total Assets, Depreciation and Amortization of Goodwill and Capital Additions

	As of December 31, 2003	Year Ended December 31, 2003	
	Total Assets	Depreciation and Amortization	Capital Additions
Destination Resorts:			
Atlantis, Paradise Island(1)	$1,129,988	$50,996	$46,707
Gaming:			
Connecticut(3)	14,654	—	—
United Kingdom	1,748	1	2,276
	16,402	1	2,276
One&Only:			
One&Only Ocean Club	63,009	3,678	802
One&Only Other Resorts(2)	81,077	247	476
	144,086	3,925	1,278
General Corporate	165,452	860	588
	$1,455,928	$55,782	$50,849

	As of December 31, 2002	Year Ended December 31, 2002	
	Total Assets	Depreciation and Amortization	Capital Additions
Destination Resorts:			
Atlantis, Paradise Island(1)	$1,093,203	$50,709	$37,729
Gaming:			
Connecticut(3)	15,398	—	—
United Kingdom	—	—	—
One&Only:			
One&Only Ocean Club	66,158	3,951	596
One&Only Other Resorts(2)	69,902	69	721
	136,060	4,020	1,317
General Corporate	150,378	757	478
	$1,395,039	$55,486	$39,524

	Year Ended December 31, 2001	
	Depreciation and Amortization	Capital Additions
Destination Resorts:		
Atlantis, Paradise Island	$46,477	$54,003
Gaming:		
Connecticut	—	—
United Kingdom	—	—
One&Only:		
One&Only Ocean Club	3,602	11,879
One&Only Other Resorts	83	29
	3,685	11,908
General Corporate	848	1,679
	$51,010	$67,590

Note 24—Segment Information (Continued)

(1) Includes assets from Atlantis, Paradise Island, the Company's wholly owned tour operator, PIV, Inc., the Ocean Club Golf Course and the Company's investment in Harborside at Atlantis.

(2) Includes our investments in associated companies related to the Company's One&Only resort businesses located in Mauritius, Mexico and the Maldives.

(3) Includes our 50% investment in TCA.

Note 25—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, other current assets, accounts payable, accrued liabilities and variable rate debt: the amounts reported in the accompanying consolidated balance sheets approximate fair value due to the nature and short-term maturities of such assets and liabilities; (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, 2003 was approximately $443.9 million as compared to its carrying value of $417.1 million and the fair value of our fixed rate debt at December 31, 2002 was approximately $421.8 million as compared to its carrying value of $425.3 million); (c) swap agreements: the fair value of our swap agreements was determined from the representations of financial institutions. The fair value of our swap agreements at December 31, 2003 and 2002 equal their carrying value of $11.8 million and $19.6 million, respectively, and are included in deferred charges and other assets in the accompanying consolidated balance sheets.

Note 26—Supplemental Condensed Consolidating Financial Information

Our 8⅞% Senior Subordinated Notes were co-issued by the Company and one of its wholly owned subsidiaries, KINA. The 8⅞% Senior Subordinated Notes are guaranteed by substantially all of our wholly owned subsidiaries (the "Subsidiary Guarantors") and are jointly and severally irrevocably and unconditionally guaranteed. Separate financial statements of the Subsidiary Guarantors are not presented because we have determined that they would not be material to investors. The following supplemental financial information sets forth condensed consolidating balance sheets, statements of operations and statements of cash flows for each of the co-issuers of the 8⅞% Senior Subordinated Notes, Kerzner and KINA, and, on a combined basis, for the Subsidiary Guarantors. Kerzner's non-guarantor subsidiaries are minor and, therefore, are not separately presented.

Kerzner International Limited

(In thousands of US dollars)

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Balance Sheet at December 31, 2003

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 143	$ 17,026	$ 39,207	$ 3,856	$ 60,232
Restricted cash	—	—	1,445	—	1,445
Trade receivables, net	61	69	38,084	183	38,397
Due from affiliates	259,366	21,923	(265,790)	(1,550)	13,949
Inventories	—	—	10,418	—	10,418
Prepaid expenses and other assets	125	657	20,881	(6,303)	15,360
Total current assets	259,695	39,675	(155,755)	(3,814)	139,801
Property and equipment, net	—	52,862	1,077,231	23,911	1,154,004
Due from affiliates—non-current	19,889	200,000	(185,047)	—	34,842
Deferred tax asset, net	—	10,473	—	—	10,473
Deferred charges and other assets, net	10,971	9,643	13,042	—	33,656
Investment in subsidiaries	566,984	10	—	(566,994)	—
Investment in associated companies	1,864	—	87,534	(6,246)	83,152
Total assets	$859,403	$312,663	$ 837,005	$(553,143)	$1,455,928
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ —	$ —	$ 304	$ —	$ 304
Accounts payable and accrued liabilities	7,974	22,603	144,130	(2,474)	172,233
Capital creditors	—	—	4,639	—	4,639
Total current liabilities	7,974	22,603	149,073	(2,474)	177,176
Deferred revenue	—	—	14,652	—	14,652
Other long-term liabilities	—	4,561	2,729	—	7,290
Long-term debt, net of current maturities	11,839	405,251	130	—	417,220
Total liabilities	19,813	432,415	166,584	(2,474)	616,338
Shareholders' equity	839,590	(119,752)	670,421	(550,669)	839,590
Total liabilities and shareholders' equity	$859,403	$312,663	$ 837,005	$(553,143)	$1,455,928

Kerzner International Limited

(In thousands of US dollars)

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Balance Sheet at December 31, 2002

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,398	$ 2,996	$ 26,475	$ 3,143	$ 34,012
Restricted cash	—	—	4,842	—	4,842
Trade receivables, net	61	1,186	42,024	(157)	43,114
Due from affiliates	239,820	40,071	(258,878)	—	21,013
Inventories	—	—	8,969	—	8,969
Prepaid expenses and other assets	57	73	14,182	—	14,312
Total current assets	241,336	44,326	(162,386)	2,986	126,262
Property and equipment, net	—	53,925	1,034,539	23,911	1,112,375
Notes receivable	13,600	—	120	—	13,720
Due from affiliates — non-current	4,925	200,000	(180,546)	—	24,379
Deferred tax asset, net	—	6,119	—	—	6,119
Deferred charges and other assets, net	19,574	8,614	8,110	—	36,298
Investment in subsidiaries	494,756	10	—	(494,766)	—
Investment in associated companies	2,393	—	80,518	(7,025)	75,886
Total assets	$776,584	$312,994	$ 780,355	$(474,894)	$1,395,039
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ —	$ 19	$ 256	$ —	$ 275
Accounts payable and accrued liabilities	27,989	20,246	94,503	2,986	145,724
Capital creditors	—	—	1,538	—	1,538
Total current liabilities	27,989	20,265	96,297	2,986	147,537
Deferred revenue	—	—	18,028	—	18,028
Other long-term liabilities	—	148	2,549	—	2,697
Long-term debt, net of current maturities	19,574	405,726	72,456	—	497,756
Total liabilities	47,563	426,139	189,330	2,986	666,018
Shareholders' equity	729,021	(113,145)	591,025	(477,880)	729,021
Total liabilities and shareholders' equity	$776,584	$312,994	$ 780,355	$(474,894)	$1,395,039

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2003

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Casino and resort revenues	$ —	$ —	$525,773	$ (4,732)	$521,041
Less: promotional allowances	—	—	(23,579)	—	(23,579)
	—	—	502,194	(4,732)	497,462
Tour operations	—	—	40,790	—	40,790
TCA development and other fees	—	—	1,755	—	1,755
Management and other fees	—	17,558	(4,136)	—	13,422
Insurance recovery	—	—	2,819	—	2,819
Other	—	1,816	3,268	—	5,084
Affiliated sales	—	—	10,143	(10,143)	—
	—	19,374	556,833	(14,875)	561,332
Equity in subsidiaries earnings	71,362	—	—	(71,362)	—
Expenses:					
Casino and resort expenses	—	(6)	284,622	(13,261)	271,355
Tour operations	—	—	35,420	(14)	35,406
Selling, general and administrative	(275)	1,184	102,471	(2,543)	100,837
Management fee	1,400	—	(1,400)	—	—
Corporate expenses	5,401	11,034	19,882	943	37,260
Gain on replacement of damaged assets	—	—	(2,514)	—	(2,514)
Depreciation and amortization	—	49	55,733	—	55,782
	6,526	12,261	494,214	(14,875)	498,126
Relinquishment fees—equity earnings in TCA	—	—	33,960	—	33,960
Income (loss) from operations	64,836	7,113	96,579	(71,362)	97,166
Other income (expenses):					
Interest income	1,793	175	1,426	—	3,394
Interest expense, net of capitalization	9,103	(36,009)	(2,358)	—	(29,264)
Affiliated interest income	(9,103)	18,278	(1)	(9,174)	—
Affiliated interest expense	—	—	(9,174)	9,174	—
Equity in losses of associated companies	(51)	—	(269)	—	(320)
Gain on settlement of territorial and other disputes	1,479	—	—	—	1,479
Other, net	(775)	104	(15)	—	(686)
Income (loss) from continuing operations before income taxes and minority interest	67,282	(10,339)	86,188	(71,362)	71,769
Benefit (provision) for income taxes	—	3,732	(3,894)	—	(162)
Minority interest	—	—	(1,340)	—	(1,340)
Income (loss) from continuing operations	67,282	(6,607)	80,954	(71,362)	70,267
Income (loss) from discontinued operations, net of income tax effect	4,290	—	(2,985)	—	1,305
Net income (loss)	$71,572	$(6,607)	$ 77,969	$(71,362)	$ 71,572

Kerzner International Limited

(In thousands of US dollars)

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2002

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Casino and resort revenues	$ —	$ —	$512,025	$ (4,781)	$507,244
Less: promotional allowances	—	—	(22,210)	—	(22,210)
	—	—	489,815	(4,781)	485,034
Tour operations	—	—	41,063	—	41,063
TCA development and other fees	—	—	1,326	—	1.326
Management and other fees	—	16,801	(6,405)	—	10,396
Insurance recovery	—	—	1,100	—	1,100
Other	—	1,280	3,163	—	4,443
Affiliated sales	—	—	10,339	(10,339)	—
	—	18,081	540,401	(15,120)	543,362
Equity in subsidiaries earnings	39,262	—	—	(39,262)	—
Expenses:					
Casino and resort expenses	—	—	279,646	(12,843)	266,803
Tour operations	—	—	36,772	(5)	36,767
Selling, general and administrative	2,361	1,297	90,074	(2,272)	91,460
Management fee	1,100	—	(1,100)	—	—
Corporate expenses	5,771	9,095	14,361	—	29,227
Depreciation and amortization	—	75	55,411	—	55,486
Restructuring reversal	—	—	(1,000)	—	(1,000)
	9,232	10,467	474,164	(15,120)	478,743
Relinquishment fees—equity earnings in TCA	—	—	30,041	—	30,041
Income (loss) from operations	30,030	7,614	96,278	(39,262)	94,660
Other income (expenses):					
Interest income	1,474	704	1,241	—	3,419
Interest expense, net of capitalization	(846)	(36,638)	(1,620)	—	(39,104)
Affiliated interest income	1,046	18,249	—	(19,295)	—
Affiliated interest expense	—	—	(19,295)	19,295	—
Equity in losses of associated companies	(658)	—	(4,551)	—	(5,209)
Gain on settlement of territorial and other disputes	14,459	—	—	—	14,459
Loss on early extinguishment of debt	(5,901)	(14,624)	—	—	(20,525)
Other, net	—	(158)	218	—	60
Income (loss) from continuing operations before income taxes	39,604	(24,853)	72,271	(39,262)	47,760
Benefit (provision) for income taxes	(1)	2,238	(2,333)	—	(96)
Income (loss) from continuing operations	39,603	(22,615)	69,938	(39,262)	47,664
Loss from discontinued operations, net of income tax effect	—	—	(8,061)	—	(8,061)
Net income (loss)	$39,603	$(22,615)	$ 61,877	$(39,262)	$ 39,603

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2001

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Casino and resort revenues	$ —	$ —	$558,141	$ (6,289)	$551,852
Less: promotional allowances	—	—	(40,773)	—	(40,773)
	-	—	517,368	(6,289)	511,079
Tour operations	—	—	36,348	—	36,348
TCA development and other fees	—	—	2,873	—	2,873
Management and other fees	—	15,087	(5,677)	—	9,410
Real estate related	—	—	9,771	—	9,771
Insurance recovery	—	—	2,000	—	2,000
Other	—	893	3,062	—	3,955
Affiliated sales	—	—	9,742	(9,742)	—
	—	15,980	575,487	(16,031)	575,436
Equity in subsidiary earnings	39,636	—	—	(39,636)	—
Expenses:					
Casino and resort expenses	—	664	316,323	(14,377)	302,610
Tour operations	—	—	32,061	(20)	32,041
Selling, general and administrative	—	1,237	89,461	(1,634)	89,064
Management fee	634		(634)	—	—
Real estate related	—	—	2,865	—	2,865
Corporate expenses	3,006	6,716	15,384	—	25,106
Depreciation and amortization	—	124	50,886	—	51,010
Restructuring costs	—	—	5,732	—	5,732
Pre-opening expenses	—	—	2,280	—	2,280
Gain on net assets held for sale	—	—	(2,232)	—	(2,232)
	3,640	8,741	512,126	(16,031)	508,476
Relinquishment fees—equity earnings in TCA	—	—	24,263	—	24,263
Income (loss) from operations	35,996	7,239	87,624	(39,636)	91,223
Other income (expense):					
Interest income	742	4,296	263	—	5,301
Interest expense, net of capitalization	(10,938)	(27,736)	(21,701)	—	(60,375)
Affiliated interest income	7,575	6,931	(1)	(14,505)	—
Affiliated interest expense	—	—	(14,505)	14,505	—
Equity in earnings (losses) of associated companies	(714)	—	2,924	—	2,210
Income (loss) from continuing operations before income taxes	32,661	(9,270)	54,604	(39,636)	38,359
Benefit (provision) for income taxes	—	3,095	(4,185)	—	(1,090)
Income (loss) from continuing operations	32,661	(6,175)	50,419	(39,636)	37,269
Loss on discontinued operations, net of income tax effect	—	—	(4,608)	—	(4,608)
Net income (loss)	$32,661	$(6,175)	$ 45,811	$(39,636)	$ 32,661

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2003

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ (17,874)	$(8,776)	$158,080	$ 713	$ 132,143
Cash provided by discontinued operations	—	—	523	—	523
Net cash provided by (used in) operating activities	(17,874)	(8,776)	158,603	713	132,666
Cash flows from investing activities:					
Payments for property and equipment, net of insurance proceeds received	—	(14)	(50,835)	—	(50,849)
Net proceeds from the sale of other assets	—	848	251	—	1,099
Acquisition of tour operator, net of cash acquired	—	—	1,384	—	1,384
Acquisition of Club Mediterranee (Bahamas) Limited	—	—	(20,049)	—	(20,049)
Deposit and purchase of land and casino license	—	—	(6,147)	—	(6,147)
Proceeds received for repayment of notes receivable	13,339	—	70		13,409
Deposit received	—	—	1,250	—	1,250
Advances to affiliates, net of repayments	(36,782)	21,991	2,738	—	(12,053)
Costs of business acquisitions, management and development agreements	—	—	(2,115)	—	(2,115)
Sale of debt and equity interest in the One&Only Kanuhura	1,464	—	—	—	1,464
Net cash provided by (used in) investing activities	(21,979)	22,825	(73,453)	—	(72,607)
Cash flows from financing activities:					
Proceeds from the exercise of share options	39,007	—	—	—	39,007
Borrowings	—	—	29,600	—	29,600
Cancellation of ordinary shares	(408)	—	—	—	(408)
Debt issuance and modification costs	—	—	(140)	—	(140)
Repayment of borrowings	—	(19)	(101,879)	—	(101,898)
Net cash provided by (used in) financing activities	38,599	(19)	(72,419)	—	(33,839)
Increase (decrease) in cash and cash equivalents	(1,254)	14,030	12,731	713	26,220
Cash and cash equivalents at beginning of period	1,398	2,996	26,475	3,143	34,012
Cash and cash equivalents at end of period	$ 144	$17,026	$ 39,206	$ 3,856	$ 60,232

Kerzner International Limited
(In thousands of US dollars)
Note 26—Supplemental Condensed Consolidating Financial Information (Continued)
Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2002

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ 9,314	$ (7,332)	$ 135,088	$(2,181)	$ 134,889
Cash used in discontinued operations	—	—	(7,619)	—	(7,619)
Net cash provided by (used in) operating activities	9,314	(7,332)	127,469	(2,181)	127,270
Cash flows from investing activities:					
Payments for property and equipment, net of insurance proceeds received	—	(14)	(39,510)	—	(39,524)
Net proceeds from sale of other assets	—	—	126	—	126
Purchase of notes receivable	(13,704)	—	—	—	(13,704)
Proceeds received for repayment of notes receivable	—	18,018	—	—	18,018
Deposit received	4,500	—	—	—	4,500
Advances to affiliates, net of repayments	87,021	(1,389)	(85,890)	—	(258)
Acquisition of equity interest in associated company	—	—	(40,812)	—	(40,812)
Deferred contract acquisition costs	—	—	(214)	—	(214)
Other	—	(158)	(120)	—	(278)
Net cash provided by (used in) investing activities	77,817	16,457	(166,420)	—	(72,146)
Cash flows from financing activities:					
Proceeds from the exercise of share options	14,702	—	—	—	14,702
Proceeds from issuance of debt	—	206,000	—	—	206,000
Borrowings	—	—	111,000	—	111,000
Cancellation of ordinary shares	(365)	—	—	—	(365)
Debt issuance and modification costs	—	(4,301)	(364)	—	(4,665)
Early redemption of debt	(104,135)	(209,000)	—	—	(313,135)
Repayment of borrowings	—	(70)	(63,213)	—	(63,283)
Net cash provided by (used in) financing activities	(89,798)	(7,371)	47,423	—	(49,746)
Increase (decrease) in cash and cash equivalents	(2,667)	1,754	8,472	(2,181)	5,378
Cash and cash equivalents at beginning of period	4,065	1,242	18,003	5,324	28,634
Cash and cash equivalents at end of period	$ 1,398	$ 2,996	$ 26,475	$ 3,143	$ 34,012

Kerzner International Limited
(In thousands of US dollars)

Note 26—Supplemental Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2001

	Kerzner	KINA	Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ 2,044	$ (7,014)	$ 72,624	$ 34,393	$ 102,047
Cash used in discontinued operations	—	—	(7,379)	—	(7,379)
Net cash provided by (used in) operating activities	2,044	(7,014)	65,245	34,393	94,668
Cash flows from investing activities:					
Payments for property and equipment, net of insurance proceeds received	—	(400)	(67,190)	—	(67,590)
Net proceeds from the sale of other assets	—	2,196	351	—	2,547
Proceeds received from the sale of Resorts Atlantic City, net	—	120,850	2,664	—	123,514
Proceeds received from repayment of note receivable	12,000	—	—	—	12,000
Advances to affiliates, net of repayments	54,520	(228,352)	179,180	(14,043)	(8,695)
Acquisition of equity interest in associated companies	(3,768)	—	—	—	(3,768)
Other	—	—	(432)	—	(432)
Net cash provided by (used in) investing activities	62,752	(105,706)	114,573	(14,043)	57,576
Cash flows from financing activities:					
Proceeds from the exercise of share options	7,934	—	—	—	7,934
Proceeds from issuance of debt	—	200,000	—	—	200,000
Borrowings	—	—	103,500	—	103,500
Debt issuance and modification costs	(500)	(6,250)	(2,055)	—	(8,805)
Repayment of borrowings	(68,270)	(79,063)	(301,403)	—	(448,736)
Net cash used in financing activities	(60,836)	114,687	(199,958)	—	(146,107)
Increase (decrease) in cash and cash equivalents	3,960	1,967	(20,140)	20,350	6,137
Cash and cash equivalents at beginning of period	105	(725)	38,143	(15,026)	22,497
Cash and cash equivalents at end of period	$ 4,065	$ 1,242	$ 18,003	$ 5,324	$ 28,634

Note 27—Subsequent Event

Wembley Investment

On March 10, 2004, we announced that we entered into a joint venture, BLB Investors, L.L.C. ("BLB"), with an affiliate of Starwood Capital Group Global, L.L.C. ("Starwood") and an affiliate of Waterford Group, L.L.C. ("Waterford") for the purpose of acquiring an interest in Wembley plc ("Wembley"), which owns gaming and track operations in the United States and race tracks in the United Kingdom. Wembley's United States operations include its flagship property, Lincoln Park in Rhode Island, where it owns a greyhound racetrack.

BLB, which is 25% owned by us, 25% owned by Waterford, and 50% owned by Starwood, acquired on March 10, 2004 from funds managed by Active Value Fund Managers Limited ("Active Value") 2,811,108 shares of Wembley's issued share capital. Our proportionate share of this investment was approximately $10.2 million. BLB also entered into other arrangements with Active Value on March 10th and March 18th relating to the purchase of Active Value's remaining 4,921,392 shares of Wembley's issued share capital, which could increase its total holdings in Wembley up to approximately 22% (subject in all cases to necessary notifications and filings and waiting periods expiring under the Hart-Scott-Rodino Antitrust Improvements Act of 1976).

CONFIDENTIAL OFFERING MEMORANDUM

kerzner[SM]

$200,000,000
2.375% Convertible Senior Subordinated Notes Due 2024

The notes are convertible, at your option, prior to the maturity date into cash and our ordinary shares in the following circumstances:

- during any fiscal quarter commencing after the date of original issuance of the notes, if the closing sale price of our ordinary shares over a specified number of trading days during the previous quarter is more than 120% of the Conversion Price of the notes on the last trading day of the previous quarter;
- if we have called the particular notes for redemption and the redemption has not yet occurred;
- during the five trading day period immediately after any five consecutive trading day period in which the trading price of the notes per $1,000 principal amount for each day of such period was less than 95% of the product of the closing sale price of our ordinary shares on such day multiplied by the number of shares of our ordinary shares issuable upon conversion of $1,000 principal amount of the notes; or
- upon the occurrence of specified corporate transactions.

Holders may convert any outstanding notes into cash and ordinary shares at an initial Conversion Price per share of $58.24. This represents a Conversion Rate of approximately 17.1703 ordinary shares per $1,000 principal amount of notes. Subject to certain exceptions described in "Description of the Notes," at the time notes are tendered for conversion, the value (the "Conversion Value") of the cash and our ordinary shares, if any, to be received by a holder converting $1,000 principal amount of the notes will be determined by multiplying the Conversion Rate by the Ten Day Average Closing Stock Price, which equals the average of the closing per share prices of our ordinary shares on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion. We will deliver the Conversion Value to holders as follows: (1) an amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted or (b) the aggregate principal amount of the notes to be converted, and (2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, an amount in shares (the "Net Shares"), determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "Net Share Amount"). We will pay the Principal Return and deliver the Net Shares, if any, as promptly as practicable after determination of the Net Share Amount. The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Stock Price. Our ordinary shares are listed on the New York Stock Exchange under the symbol "KZL." On March 30, 2004, the closing sale price of our ordinary shares on the New York Stock Exchange was $43.79 per share.

The notes will bear interest at a rate of 2.375% per annum. Interest on the notes is payable in arrears on April 15 and October 15 of each year, beginning on October 15, 2004.

The notes will mature on April 15, 2024. We may redeem some or all of the notes at any time on or after April 21, 2014 at a redemption price, payable in cash, of 100% of the principal amount of the notes, plus accrued and unpaid interest and including additional interest, if any, up to but not including the date of redemption. Holders may require us to repurchase all or a portion of their notes on April 15, 2014 and April 15, 2019 at 100% of the principal amount of the notes, plus accrued and unpaid interest and including additional interest, if any, up to but not including the date of repurchase, payable in cash. Upon a change in control, as defined in the indenture governing the notes, holders may require us to repurchase all or a portion of their notes, payable in cash equal to the principal amount of the notes plus accrued and unpaid interest and additional interest, if any, up to but not including the date of repurchase.

The notes will be our unsecured senior subordinated obligations and will rank junior in right of payment to all of our existing and future senior indebtedness and equal in right of payment to all of our senior subordinated indebtedness, including our 8⅞% Senior Subordinated Notes due 2011. The notes will not be guaranteed by any of our subsidiaries and therefore will be effectively subordinated to our subsidiaries' guarantees of our 8⅞% Senior Subordinated Notes due 2011.

We have granted Deutsche Bank Securities Inc., as representative of the initial purchasers, an option to purchase up to $30.0 million aggregate principal amount of additional notes. We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. The notes will be eligible for trading in The PORTAL® Market of the Nasdaq Stock Market, Inc.

Investing in the notes and our ordinary shares issuable upon their conversion involves risks. See "Risk Factors" beginning on page 13.

The notes and our ordinary shares issuable upon their conversion have not been registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction. Unless they are registered, the notes and our ordinary shares issuable upon their conversion may be offered only in transactions that are exempt from registration under the Securities Act of 1933 and other applicable securities laws. Accordingly, we are offering the notes only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933. For further details about eligible offers and resale restrictions, see "Notice to Investors; Transfer Restrictions."

Price: 100% plus accrued interest, if any

The initial purchasers will purchase the notes from us and offer them to you, subject to certain conditions. The notes will be delivered in global form through the book-entry delivery system of The Depository Trust Company on or about April 5, 2004.

Deutsche Bank Securities
Sole Book-Running Manager

Bear, Stearns & Co. Inc.
Joint Lead Manager

JPMorgan

CIBC World Markets

Wells Fargo Securities, LLC

The date of this offering memorandum is March 30, 2004.

This offering memorandum is confidential and is being furnished by us in connection with an offering of the notes exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), solely for the purpose of enabling a prospective investor to consider purchasing the notes. The information contained in this offering memorandum has been provided by us and other sources identified in this offering memorandum. Nothing contained in or incorporated by reference, in this offering memorandum with respect to such information is, or should be relied upon as, a promise or representation. Any reproduction or distribution of this offering memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the notes offered by this offering memorandum is prohibited. Each offeree of the notes, by accepting delivery of this offering memorandum, agrees to the foregoing.

The notes and our ordinary shares issuable upon conversion of the notes have not been approved or recommended by any U.S. federal or state or foreign securities commission or regulatory authority. Furthermore, those authorities have not been requested to confirm the accuracy or determine the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making your investment decision, you should only rely on the information contained in this offering memorandum, including the information we are incorporating by reference, and your own examination of us and the terms of the notes. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum. We are offering to sell the notes only in places where offers and sales of the notes are permitted.

This offering memorandum is a confidential document that we are providing only to prospective buyers of the notes. You should read this offering memorandum before deciding to buy any notes. You must not:

- use this offering memorandum for any other purpose;
- make copies of any part of this offering memorandum or give a copy of it to any other person; or
- disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the notes. You may contact us at any time if you need additional information. By purchasing any notes, you acknowledge that:

- **you have reviewed this offering memorandum;**
- **you have had an opportunity to request from us any additional information that you need from us, and have reviewed that additional information; and**
- **the initial purchasers are not responsible for, and are not making, any representation to you concerning our future performance or the accuracy or completeness of this offering memorandum.**

We are not providing you with any legal, business or tax advice in this offering memorandum. You should consult your own advisors to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the notes. You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or

possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase the notes. Neither we nor the initial purchasers are responsible for your compliance with these legal requirements.

We are making this offering of the notes in reliance upon an exemption from the registration requirements of the Securities Act. This exemption applies to offers and sales of securities that do not involve a public offering. By purchasing notes, you will be deemed to have made various representations and agreements that are described in this offering memorandum under the heading "Notice to Investors; Transfer Restrictions." The notes will be initially purchased in accordance with such exemption by the initial purchasers.

The notes will be subject to restrictions on transfer and resale that are set forth under the heading "Notice to Investors; Transfer Restrictions." By purchasing notes, you represent and agree to all of those provisions contained in that section of this offering memorandum. You may have to bear the financial risks of investing in the notes for an indefinite period of time.

We have agreed to register the resale of the notes and our ordinary shares issuable upon conversion of the notes with the Securities and Exchange Commission (the "Commission") in order to allow the holders to resell their notes or ordinary shares. Additional information will be payable on the interest payment dates if we do not comply with our agreement regarding registration of the notes and ordinary shares. See "Description of the Notes—Registration Rights."

The notes will initially be represented by permanent global certificates in fully registered form without coupons, and will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, New York, New York, as depositary.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents we have incorporated by reference contain "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 ordinary shares and other matters. Statements in this offering memorandum that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act. Forward-looking statements, including, without limitation, those relating to our future business prospects, revenues and income, wherever they occur in this offering memorandum, 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 offering memorandum. These risks and uncertainties include, but are not limited to, those relating 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, foreign currency fluctuations, pending litigation, the impact of actual or threatened terrorist activity or war on the economy in general and the travel and leisure industries in particular, acts of God, including hurricanes and other natural disasters (which may result in uninsured losses), 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) and the risk

factors discussed under the heading "Risk Factors" in this offering memorandum and our other filings with the Commission.

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 offering memorandum. 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 offering memorandum or to reflect the occurrence of unanticipated events.

You should carefully read the factors described in the "Risk Factors" section of this offering memorandum for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

MARKET DATA

Market data used in this offering memorandum, including the information relating to our relative position in the resort and gaming markets, is based upon our good faith estimates, which are based upon our review of internal surveys, independent industry publications and other publicly available information. Although we believe that these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

SECURITIES AND EXCHANGE COMMISSION REVIEW

In the course of the review by the Commission of the registration statement that we intend to file, the Commission may ask us to make changes to the description of our business and other information and financial data included or incorporated by reference in this offering memorandum. Comments by the Commission on the registration statement may require modification or reformulation of the information contained or incorporated by reference in this offering memorandum and any required modification or reformulation could be significant.

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OFFERING MEMORANDUM SUMMARY

The following summary contains basic information about us and this offering. It does not contain all of the information that you should consider in making your investment decision. You should read and consider carefully all of the information in this offering memorandum, including the information set forth under "Risk Factors," as well as the more detailed financial information, including the consolidated statements and related notes thereto, appearing elsewhere or incorporated by reference into this offering memorandum. Unless the context otherwise indicates, references to "we," "us," and "our" are to Kerzner International Limited, or Kerzner, and its subsidiaries, including Kerzner International North America, Inc., or KINA, taken as a whole.

The Company

We are the developer, owner and operator of Atlantis, Paradise Island, a 2,317-room island destination resort in The Bahamas, and a leading developer and operator of gaming entertainment properties and luxury resort hotels worldwide. Atlantis, Paradise Island, our flagship property, is a premier destination resort property that we believe has strong brand recognition. We recently have entered into an agreement to form a joint venture to develop and manage a second Atlantis resort—Atlantis, The Palm—in Dubai, United Arab Emirates.

Our gaming business is focused on owning, developing or managing casino properties in attractive markets where we can capitalize on our development and operating expertise. We developed and earn income from Mohegan Sun in Uncasville, Connecticut, which is among the largest and most profitable casinos in the United States.

Our luxury resort hotel business consists of a collection of premier properties that primarily operate in the five-star, deluxe end of the resort market in The Bahamas, Mauritius, Dubai, the Maldives and Mexico under the One&Only brand. We also expect to develop additional properties in Cape Town, South Africa, the Maldives and Havana, Cuba.

Businesses

Atlantis, Paradise Island

Atlantis is a unique, ocean-themed destination resort located on Paradise Island, The Bahamas. Atlantis features an unusual architectural design and decor, beaches, lagoons, and a wide range of gaming, entertainment and other amenities.

Since we acquired the property in 1994, we have invested approximately $1.0 billion to create a premier destination resort that caters to multiple segments of the resort and casino gaming markets. Atlantis features three interconnected hotel towers built around a 7-acre lagoon and a 34-acre marine environment that includes the world's largest open-air aquarium. Atlantis also features a 100,000 square foot entertainment complex that includes the largest casino in the Caribbean market, 16 restaurants, approximately 88,000 square feet of convention space, a sports center and 30,000 square feet of high-end retail space. The 63-slip, full service Marina at Atlantis generates among the highest average docking rates in the Caribbean market and can accommodate yachts up to 200 feet in length. We also developed Harborside at Atlantis, a timeshare project located adjacent to Atlantis, through a joint venture with Starwood Hotels and Resorts Worldwide, Inc.

We believe Atlantis has demonstrated operating resilience despite a general weakness in the travel market and the economy over the past several years. Atlantis has maintained its revenue per available room over this period, which for the twelve months ended December 31, 2003, 2002 and 2001 was $201, $199 and $194, respectively. During 2003, Atlantis achieved an average occupancy of 80%, an average daily rate of $251 and its highest annual gross revenues of $520.4 million. We believe this average daily rate to be one of the highest average daily rates in the world during that period for a resort hotel in excess of 1,000 rooms.

Atlantis is master-planned for expansion. We currently own approximately 514 acres on Paradise Island, including approximately 95 acres of undeveloped land. In addition, we entered into an agreement to purchase an additional 20 acres of beachfront property adjacent to Atlantis from Club Méditerranée (Bahamas) Limited that includes what we believe to be one of the last remaining premier beaches available for development on Paradise Island. We believe our undeveloped land and the significant existing infrastructure on Paradise Island give us the ability to increase the size of the Atlantis resort from its current 2,317 rooms to approximately 5,000 rooms.

In order to capitalize on the popularity of Paradise Island and to leverage our investment in Atlantis and the Ocean Club, in May 2003 we announced plans for a Phase III expansion in The Bahamas. The Phase III expansion is expected to include the following components:

- a new 1,200-room hotel to be located adjacent to Atlantis and the Club Med site;
- expansion of Atlantis' convention facilities by at least 50,000 square feet;
- the addition of three new luxurious villas to the One&Only Ocean Club;
- the addition of four new restaurants and additional retail space on a seven-acre site adjacent to the Atlantis Marina (the "Marina Village");
- expansion of Atlantis' existing water-themed attractions including, subject to environmental approvals, a new dolphin encounter attraction;
- an expansion that will add approximately 116 additional timeshare units to Harborside at Atlantis; and
- a new 18-hole golf course on Athol Island, which lies just east of Paradise Island.

We expect to complete the expansion in two phases. The first phase, which commenced in August 2003 and is expected to be completed by the end of 2005, will consist of the Ocean Club villas and the Marina Village and Harborside expansions. The second phase, which is expected to commence by the end of 2004 and be completed by Christmas 2006, is planned to include the 1,200-room hotel and expansion of Atlantis' existing convention facilities, the additional water-themed attractions and the new golf course.

Atlantis, The Palm

On September 22, 2003, we announced that we had agreed to form a joint venture with Nakheel LLC, an entity owned by the Government of Dubai, to develop Atlantis, The Palm. We currently estimate that the first phase of the project will cost at least $650 million and will include a 1,000-room resort and extensive water park situated on 1.5 miles of beachfront property. Atlantis, The Palm will be located on The Palm, Jumeirah, a $1.5 billion land reclamation project in Dubai, United Arab Emirates. We and Nakheel have each agreed to invest $60 million in the form of equity financing to the project, with the balance of the financing, which may include an equity component, expected to be raised at the project level.

Atlantis, The Palm enables us to leverage our investment in the Atlantis brand and offer the product in Dubai, which we believe is one of the fastest growing tourism markets in the world. Dubai is an international aviation hub located less than eight hours from Europe and the Far

East. We have operating and development expertise in Dubai through our development and management of the One&Only Royal Mirage. We believe that Dubai represents an ideal location for a second Atlantis resort, as Dubai's government has expressed a commitment to decrease the economy's dependence on oil and has focused on increasing tourism as one of the means to achieve that goal. In addition, Dubai offers predictable year-round weather, significant airlift capacity and substantial existing infrastructure.

We expect to commence construction on Atlantis, The Palm in 2005 and we anticipate that the project will be completed by late 2007.

As part of this transaction, we have agreed to enter into a development services agreement and a long-term management agreement with the joint venture company. This transaction is subject to various closing conditions, including obtaining all requisite governmental consents and binding commitments for the necessary financing.

Mohegan Sun

In Connecticut, we developed the Native American-themed Mohegan Sun and managed the property from its opening in October 1996 until the end of 1999 through Trading Cove Associates, or TCA, a partnership in which we are a managing partner and own a 50% interest. We believe Mohegan Sun is one of the premier casino gaming entertainment properties and one of the most profitable casinos in the United States. Through TCA, we managed the development of an approximate $1.0 billion expansion of the property. The expanded property 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, including a 34-story, 1,200-room luxury hotel. Pursuant to an agreement between TCA and the Mohegan Tribe, TCA is entitled to receive annual payments equal to five percent of gross revenues generated by the property from January 2000 through December 2014. Mohegan Sun reported gross revenues of $1.3 billion for its fiscal year ended September 30, 2003, a 14.2% increase over the comparable period of 2002.

One&Only Resorts

Our One&Only business consists of a collection of premier luxury resort properties that primarily operate in the five-star, deluxe end of the market. In December 2002, we introduced our One&Only brand for all but three of our luxury resort properties.

We are currently developing premier properties that we expect will be marketed under our One&Only brand and are actively seeking additional properties to add to our One&Only portfolio. We value outstanding design, unusual locations and genuine hospitality at our resorts and do not believe in applying simple "formulas." We believe that all of our One&Only properties, most of which have been constructed or renovated within the last four years, offer guests a singularly distinctive experience.

As of December 31, 2003, we were managing approximately 2,000 rooms. As part of our strategy, we sometimes take ownership positions in the properties that we operate. As of December 31, 2003, the properties we operated were as follows:

Property	Location	Percentage Ownership	Number of Rooms
One&Only Ocean Club	The Bahamas	100.0%	106
One&Only Palmilla	Mexico	50.0%	172
One&Only Le Saint Géran(1)	Mauritius	20.4%	163
One&Only Le Touessrok(1)	Mauritius	20.4%	200
One&Only Kanuhura	Maldives	20.0%	100
One&Only Royal Mirage	Dubai	—	466
Sugar Beach Resort(1)	Mauritius	20.4%	238
La Pirogue Hotel(1)	Mauritius	20.4%	248
Le Coco Beach Hotel(1)	Mauritius	20.4%	333

(1) Interest owned through Sun Resorts Limited.

The following properties are currently under development and will be marketed under the One&Only brand:

Property	Location	Percentage Ownership	Number of Rooms
Cape Town	South Africa	(1)	150
Kaafu Atoll	Maldives	—	130
Hotel Saratoga	Cuba	—	100

(1) Minority interest to be determined.

In The Bahamas, we own and operate the One&Only Ocean Club ("Ocean Club"), a high-end luxury resort hotel with 106 rooms and suites located on Paradise Island. The Ocean Club also features a 7,159-yard championship golf course designed by Tom Weiskopf and a clubhouse with 120-luxury oceanfront home sites situated around the golf course. During May 2003, Ocean Club was named best luxury resort in the Atlantic/Caribbean region by *Departures*, the luxury lifestyle magazine published exclusively for American Express Platinum and Centurion card members. The property achieved an average occupancy of 79% and an average daily rate of $722 during 2003, compared to 68% and $695, respectively, in 2002 and 64% and $610, respectively, in 2001. As part of the Phase III expansion, we have commenced development of three high-end luxury villas. The expansion is expected to be completed by the summer of 2004.

In September 2002, we purchased a 50% ownership interest in the One&Only Palmilla ("Palmilla"), a deluxe five-star property located near Cabo San Lucas in Baja, Mexico, that features a 27-hole Jack Nicklaus-designed championship golf course. Palmilla is located on what we believe to be an outstanding site with the most extensive beach coverage of any of the leading hotels in Cabo San Lucas. We have entered into a long-term management and development agreement related to the property that will expire in 2022. Palmilla had its grand re-opening in February 2004 after the completion of after an approximate $102 million renovation and expansion that increased the room count to 172 rooms and significantly upgraded the resort's amenities and public areas. Palmilla was rated as one of the "Top 25 International Golf Resorts" in 2002 by *Condé Nast Traveler* magazine.

In Mauritius, located in the Indian Ocean, we manage and own interests in five beach resorts. The One&Only Le Saint Géran ("Le Saint Géran) and the One&Only Le Touessrok ("Le Touessrok") offer five-star accommodations and we believe that such properties are among the

finest beach resorts in the world. Le Saint Géran and Le Touessrok have been rated as among the world's finest leisure hotels by *Condé Nast Traveler* magazine. Le Saint Géran, which is classical in style, also was voted "Hotel of the Year 2002" by *Tatler* magazine in the United Kingdom. We completed a major redevelopment of Le Touessrok in December 2002. The resort includes new restaurants, a new spa, a new golf course and other amenities to enhance its position in the luxury resort market.

In the Maldives, located approximately 600 miles southwest of the southern tip of India, we manage and own an interest in the One&Only Kanuhura ("Kanuhura"), a 100-room luxury resort located on Kanuhura Island. Kanuhura was selected as "Hideaway of the Year 2001" by readers of *Hideaway* magazine. We have also entered into management and development agreements for a 130-room luxury resort to be constructed in the Maldives, on Kaafu Atoll, that we expect to open in 2005.

In the Middle East, we manage the One&Only Royal Mirage ("Royal Mirage") in Dubai, a luxury 466-room hotel the first phase of which opened in August 1999. For the twelve months ended December 31, 2003, the One&Only Royal Mirage achieved revenue per available room of $149, which we believe to be one of the highest in Dubai.

We are actively exploring selected markets and evaluating expansion opportunities around the world to increase our presence in the luxury resort market. As part of this strategy, we intend to leverage our portfolio of properties and our experience as an owner, operator and developer of premier luxury resort hotels.

Business Strategy and Strengths

Our growth strategy is to maximize returns by:

- developing and expanding our Paradise Island operations by capitalizing on the strength of our Atlantis brand, existing infrastructure and developable land;
- leveraging the highly successful Atlantis brand through the creation of new Atlantis resorts in select markets worldwide;
- pursuing gaming opportunities in attractive markets throughout the world, including the United Kingdom; and
- managing additional premier properties under our One&Only brand to exploit what we believe is an underserved niche in the luxury resort market.

We believe the following key competitive strengths will contribute to the successful implementation of our strategy:

Unique Property Design and Development. We approach each new project with no preconceived notions and no formula, and we believe that our properties provide a unique combination of design, theme and location. We believe our ability to offer a unique resort experience and our commitment to high standards of service differentiates us from our competitors.

Significant Growth Potential Through Our Development Pipeline. We recently have announced plans to expand Atlantis and the One&Only Ocean Club on Paradise Island and to develop a second Atlantis resort in Dubai. We expect that these projects, together with additional One&Only properties that we expect to develop and manage in Cape Town, Havana, the Maldives and other attractive markets, will increase our future revenues. In addition, we believe that opportunities in the United Kingdom and other markets provide us with significant growth potential.

Attractive Markets with Significant Barriers to Entry. Both Atlantis, Paradise Island and the Mohegan Sun, each of which generate a significant portion of our revenues and operating earnings, are strategically located in attractive markets with significant barriers to entry, including agreements with local and state governments (including certain exclusivity arrangements) and limited availability of development sites.

Proven Premium Pricing. Given the strong reputation and distinctive character of our properties and our disciplined rate strategy, we believe we can continue to achieve average daily rates above the industry average. Atlantis, Paradise Island and Ocean Club achieved average daily rates for the twelve months ended December 31, 2003 of $251 and $722, respectively.

Strong Brand Awareness of Our Properties. We extensively promote the properties we own or manage through an integrated marketing strategy that includes innovative advertising, strategic partnerships with other premium brands and hosting high-profile public relations events. According to market research completed by Hall & Partners, Atlantis has strong brand awareness in the United States achieving high ratings with United States customers as a warm weather destination.

Diverse Revenue Stream. Room revenues, casino revenues, and food and beverage revenues each contribute a significant portion of our total revenues. For example, room, casino, and food and beverage revenues from our Paradise Island operations contributed 34%, 25% and 24%, respectively, of our total Paradise Island gross revenues for the twelve months ended December 31, 2003. We believe this diversification limits our dependence on any one operating segment.

Strong Management Team with a Successful Track Record. Our management team averages over 20 years of experience in the travel and leisure industry and has a track record of successfully designing, developing and operating destination resorts and luxury hotels throughout the world. We have successfully developed and managed destination resorts as well as luxury boutique hotels.

RECENT DEVELOPMENTS

Wembley Investment

On March 10, 2004, we announced that we entered into a joint venture, BLB Investors, L.L.C. ("BLB"), with an affiliate of Starwood Capital Group, L.L.C. ("Starwood") and an affiliate of Waterford Group, L.L.C. ("Waterford") for the purpose of acquiring an interest in Wembley plc ("Wembley"), which owns gaming and track operations in the United States and race tracks in the United Kingdom. Wembley's United States operations include its flagship property, Lincoln Park in Rhode Island, where it owns a greyhound racetrack with 2,272 video lottery terminals.

BLB, which is 25% owned by us, 25% owned by Waterford, and 50% owned by Starwood, acquired on March 10, 2004 from funds managed by Active Value Fund Managers Limited ("Active Value") 2,811,108 shares of Wembley's issued share capital (representing approximately 8% of Wembley), at a price of £8.00 per share. BLB also entered into arrangements with Active Value on March 10th and March 18th relating to the purchase of Active Value's remaining 4,921,392 shares of Wembley's issued share capital (representing approximately 14% of Wembley), which could increase its total holdings in Wembley to approximately 22% (subject in all cases to necessary notifications and filings and waiting periods expiring under the Hart-Scott-Rodino Antitrust Improvements Act of 1976). There can be no certainty that BLB will make an offer for Wembley, and, if an offer is made, whether it would be successful.

BLB has an option to purchase 2,391,178 of Active Value's remaining shares (representing approximately 6.9% of Wembley) at £8.00 per share if it announces a firm offer for all of Wembley's issued share capital on or before March 30, 2004. If there is such an announcement, BLB has agreed to purchase all 4,921,392 of Active Value's remaining shares (representing approximately 14% of Wembley) at the offer price (which may be £8.00 per share or greater). If BLB has not announced a firm offer for all of Wembley's issued share capital on or before March 30, 2004, Active Value may put 520,576 Wembley shares (representing 1.5% of Wembley) to BLB at a price of £8.00 per share.

On January 27, 2004, MGM Mirage announced that it has made an offer for all of Wembley's outstanding shares at £7.50 per share. The boards of MGM Mirage and Wembley have announced that they have reached agreement to recommend the terms of MGM Mirage's bid to its shareholders. Approval of MGM Mirage's bid is dependent on its receiving the affirmative vote of three-fourths in value of the holders of Wembley's shares.

Our principal executive offices are located at Coral Towers, Paradise Island, The Bahamas. Our telephone number is (242) 363-3000. Our corporate website is located at www.kerzner.com. Information contained in our website is not incorporated by reference into this offering memorandum.

THE OFFERING

Issuer	Kerzner International Limited
Securities Offered	$200 million aggregate principal amount of 2.375% Convertible Senior Subordinated Notes Due 2024. We have also granted Deutsche Bank Securities Inc., as representative of the initial purchasers, an option to purchase up to $30.0 million aggregate principal amount of additional notes.
Issue Price	100% of the principal amount of the notes, plus accrued interest, if any.
Maturity	April 15, 2024.
Ranking	The notes will be our unsecured senior subordinated obligations, will rank junior to all of our existing and future senior debt, including debt under our revolving credit facility and will rank equal to our existing and future senior subordinated debt, including our $400 million of 8⅞% Senior Subordinated Notes due 2011 (our "8⅞% senior subordinated notes"). The notes will be effectively subordinated to our existing and future secured indebtedness, including indebtedness under our revolving credit facility, to the extent of the value of the assets securing that secured indebtedness. The notes will not be guaranteed by our subsidiaries and so will be effectively subordinated to our subsidiaries' existing and future liabilities. Because our 8⅞% senior subordinated notes are co-issued by KINA and guaranteed by substantially all of our subsidiaries, the notes will be effectively subordinated to our 8⅞% senior subordinated notes. As of December 31, 2003, our subsidiaries had approximately $169 million of trade payables and accrued liabilities (including capital creditors and excluding guarantees of indebtedness under our revolving credit facility, our 8⅞% senior subordinated notes and intercompany indebtedness). As of December 31, 2003, we had $0.4 million of senior secured indebtedness outstanding in the form of capitalized leases, $16.5 million of letters of credit outstanding under our revolving credit facility, $237.0 million of availability under our revolving credit facility and $400 million of outstanding 8⅞% senior subordinated notes.
Interest	The notes will bear interest at an annual rate equal to 2.375%. Interest will be payable semi-annually in arrears on April 15 and October 15 of each year, each an interest payment date, beginning October 15, 2004.

Conversion Rights	Holders may surrender notes for conversion into cash and our ordinary shares prior to the maturity date in the following circumstances: • during any fiscal quarter commencing after the date of original issuance of the notes, if the ordinary share price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price in effect on that 30th trading day; • if we have called the particular notes for redemption and the redemption has not yet occurred; • during the five trading day period immediately after any five consecutive trading day period in which the trading price of $1,000 principal amount of the notes for each day of such five consecutive trading day period was less than 95% of the product of the ordinary share price on such day multiplied by the Conversion Rate on such day; or • upon the occurrence of specified corporate transactions described under "Description of the Notes—Conversion Rights." Upon the occurrence of any of the circumstances described above, holders may convert any outstanding notes into cash and ordinary shares at an initial "Conversion Price" per share of $58.24. This represents a "Conversion Rate" of approximately 17.1703 ordinary shares per $1,000 principal amount of notes. Subject to certain exceptions described in "Description of the Notes," once notes are tendered for conversion, the value (the "Conversion Value") of the cash and ordinary shares, if any, to be received by a holder converting $1,000 principal amount of the notes will be determined by multiplying the Conversion Rate by the Ten Day Average Closing Share Price (as defined below). We will deliver the Conversion Value to holders as follows: (1) an amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted, (2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, an amount in whole shares (the "Net Shares"), determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "Net Share Amount"), and (3) an amount in cash in lieu of any fractional ordinary shares. We will pay the Principal Return and cash in lieu of fractional shares and deliver the Net Shares, if any, as promptly as practicable after determination of the Net Share Amount. The number of

Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Share Price. The Ten Day Average Closing Share Price will be the average of the closing per share prices of our ordinary shares on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion.

In certain circumstances the Conversion Price will be subject to adjustment. See "Description of the Notes—Conversion Rights—Conversion Price Adjustments."

If we declare a cash dividend or cash distribution to all or substantially all of the holders of our ordinary shares, the Conversion Price shall be decreased to equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend or distribution by the following fraction:

$$\frac{\text{(Pre-Dividend Sale Price—Dividend Adjustment Amount)}}{\text{(Pre-Dividend Sale Price)}}$$

"Pre-Dividend Sale Price" means the average ordinary share price for the three consecutive trading days ending on the trading day immediately preceding the record date for such dividend or distribution. "Dividend Adjustment Amount" means the full amount of the dividend or distribution to the extent payable in cash applicable to one ordinary share.

The "ordinary share price" on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date for our ordinary share as reported in composite transactions on the principal United States securities exchange on which our ordinary shares are traded or, if our ordinary shares are not listed on a United States national or regional securities exchange, as reported by The Nasdaq System.

A "trading day" means any regular or abbreviated trading day of the New York Stock Exchange.

Upon conversion of the notes, the holder will not receive any additional cash payment representing accrued but unpaid interest or additional interest, if any.

See "Description of the Notes—Conversion Rights."

Optional Redemption . . . . . We cannot redeem the notes before April 21, 2014. We may redeem some or all of the notes at any time on or after April 21, 2014, at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and additional interest, if any, up to but not

	including the date of redemption, payable in cash. See "Description of the Notes—Optional Redemption of the Notes."
Redemption Based upon Gaming Laws	The notes are subject to redemption requirements imposed by gaming laws and regulations of gaming authorities in jurisdictions in which we conduct gaming operations. See "Description of the Notes—Required Regulatory Redemption."
Optional Tax Redemption	Under certain circumstances, we may redeem the notes in whole but not in part upon not less than 30 nor more than 60 days notice at a price equal to the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date fixed for redemption. See "Description of the Notes—Optional Tax Redemption."
Repurchase of Notes at the Option of the Holder	Holders may require us to repurchase all or a portion of their notes on April 15, 2014 and April 15, 2019 for a repurchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and additional interest, if any, up to but not including the date of repurchase, payable in cash. See "Description of the Notes—Repurchase of Notes at the Option of the Holder."
Change in Control	If a change in control, as that term is defined in "Description of the Notes—Right to Require Repurchase of Notes Upon a Change in Control," occurs, holders will have the right to require us to repurchase all or a portion of their notes for a period of time after the change in control. The repurchase price will be equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and additional interest, if any, up to but not including the date of repurchase, payable in cash.
Sinking Fund	None.
Registration Rights	Pursuant to a registration rights agreement with the initial purchasers, we will file a shelf registration statement with the SEC with respect to resales of the notes and the ordinary shares issuable upon conversion of the notes. We will: • on or prior to the 90th day after the first date of original issuance of the notes, file a shelf registration statement with the SEC covering resales of the notes and ordinary shares issuable on conversion of the notes; and • use commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act no later than 225 days after the first date of original issuance of the notes.

	If we fail to comply with certain of our obligations under the registration rights agreement, we will be required to pay additional interest to the holders of the notes and additional dividends to the holders of any ordinary shares issued upon conversion of the notes.
Use of Proceeds	We estimate that the net proceeds after expenses from the offering will be approximately $195.0 million ($224.0 million if the initial purchasers exercise their option to purchase additional notes in full). We intend to use these proceeds to fund future capital expenditures and for general corporate purposes. See "Use of Proceeds."
Book-Entry Form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the securities will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. See "Description of the Notes—Book-Entry System."
Transfer Restrictions	The notes and ordinary shares issuable upon conversion of the notes have not been registered under the Securities Act or any other securities laws and are therefore subject to restrictions on transfer. Holders of the notes will agree to restrict resales and other transfers of the notes and the ordinary shares issued upon conversion of the notes, until the expiration of the applicable holding period in Rule 144(k) of the Securities Act, solely (1) to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act, (2) pursuant to an exemption from registration under the Securities Act provided by Rule 144, (3) pursuant to an effective registration statement under the Securities Act, or (4) to us or one of our subsidiaries. See "Notice to Investors; Transfer Restrictions."
PORTAL® Trading of Notes	The notes will be eligible for trading in The PORTAL® Market of the Nasdaq Stock Market, Inc.
Risk Factors	See "Risk Factors" and the other information in, and incorporated by reference into, this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Listing of Ordinary Shares	Our ordinary shares are listed on the New York Stock Exchange under the symbol "KZL."

RISK FACTORS

Investing in the notes involves a high degree of risk. You should carefully consider the following risks, as well as the other information contained in this offering memorandum before investing in our notes. If any of the following risks actually occurs, our business, financial condition, operating results or prospects could be harmed. In that case, the trading price of our notes could decline, and you might lose all or a part of your investment. You should refer to the information set forth in this offering memorandum as well as the documents and financial statements incorporated by reference in this offering memorandum.

Risks Related to our Business

The resort and casino industries are highly competitive and increases in competition could adversely affect our financial performance.

Our properties compete with other resorts, hotels and casinos, including land-based casinos, riverboat, dockside and cruise ship casinos and other forms of gaming, as well as other forms of entertainment. If other properties operate more successfully, if existing properties are enhanced or expanded, or if additional hotels or casinos are established in and around the markets where we conduct business, we may lose market share. In particular, the expansion, upgrading or construction of competing resort or casino properties in or near any market from which we attract or expect to attract a significant number of customers could have a significant adverse effect on our business, financial condition and results of operations.

A number of our competitors are larger and have greater financial and other resources than we do. In addition, a number of jurisdictions have legalized gaming and other jurisdictions are considering the legalization and/or expansion of gaming. This could open markets in which we currently compete to new entrants and could create new markets that may compete as tourist destinations. Our gaming operations compete, and will in the future compete, with all forms of existing legalized gaming and with new forms of gaming that may be legalized in the future. Our competitive position could be materially adversely affected by larger competing companies, new entrants, new markets and new forms of gaming, and our revenues could decline, harming our financial condition.

New projects and expansion and renovation efforts are inherently subject to significant development and construction risks.

We regularly evaluate potential development opportunities and engage in expansion, development and renovation projects at properties that we develop or operate, including expansions, developments and upgrades of our Paradise Island and luxury resort properties. Each of these projects, including the Phase III Expansion on Paradise Island and the development of Atlantis, The Palm in Dubai, will be subject to the many risks in expanding or renovating an existing enterprise or developing new projects, including unanticipated design, construction, regulatory, environmental and operating problems, and the significant risks commonly associated with implementing an expansion strategy in new markets. In particular, any such projects are subject to the risks associated with the following:

- the availability of financing and the terms and covenants in our revolving credit facility and other debt;
- shortages in materials;
- insufficient public infrastructure improvements or maintenance;
- shortages of skilled labor or work stoppages;

- unforeseen construction, scheduling, engineering, environmental or geological problems;
- weather interference, floods, fires or other casualty losses;
- the failure to obtain required licenses, permits or approvals;
- difficulties and uncertainties associated with the regulatory environment in non-U.S. jurisdictions;
- regulatory or private litigation arising out of projects; and
- unanticipated cost increases and budget overruns.

For example, many of our projects are subject to regulation at the national, state and local levels in their respective jurisdictions, which could adversely affect the progress of our projects. In order to proceed with projects, we may need to, among other things, notify authorities of our proposals or submit environmental statements. We could be sanctioned for any failure to follow any of these procedures, including fines or even temporary closure of our work sites. We cannot guarantee that we will be successful in obtaining required permits and approvals. Delays and compliance costs associated with our projects as a result of regulatory obstacles could have a material adverse effect on our business, financial condition or results of operations.

The anticipated costs and construction period for projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with architects and contractors. The cost of any project may vary from initial expectations, and we, or the owners of the property, may have a limited amount of capital resources to fund cost overruns on any project. If cost overruns cannot be financed on a timely basis, the completion of one or more projects may be delayed until adequate funding is available. The completion dates of development projects could also differ significantly from expectations for construction-related or other reasons. We cannot ensure that any project will be completed, if at all, on time or within established budgets. Significant delays or cost overruns on projects could have a material adverse effect on our business, financial condition or results of operations.

Litigation may also impede or delay our ability to complete construction or expansion projects. We have on occasion been named as a defendant in lawsuits brought to delay, alter or enjoin projects in which we have been involved. If litigation is successfully brought against us as a result of our expansion or renovation projects around the world, it could have a material adverse effect on our business, financial condition or results of operations.

In addition, although we design our projects for existing facilities to minimize disruption of business operations, expansion and renovation projects require, from time to time, portions of the existing operations to be closed or disrupted. Any extended disruptions in our operations could have a material adverse effect on our business, financial condition or results of operations.

If we are unable to finance our expansion, development and renovation projects as well as capital expenditures through cash flow and borrowings, our expansion, development and renovation efforts could be jeopardized.

If we are unable to finance existing or future projects with cash flow from operations or borrowings, we will have to adopt one or more alternatives, such as reducing or delaying planned expansion, development and renovation projects and other capital expenditures, selling assets, restructuring indebtedness, obtaining equity financing or joint venture partners, or modifying our revolving credit facility. These sources of funds may not be sufficient to finance existing or future projects, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our revolving credit facility and the indenture governing our

8⅞% senior subordinated notes contain certain restrictions on our ability to incur additional indebtedness, and our future indebtedness will likely contain similar restrictions. Effective January 1, 2003, our revolving credit facility was amended in order to calculate borrowings under that facility based on a borrowing base, such that we can draw the lesser of a borrowing base or the commitment amount. If we are unable to secure additional financing, we could be forced to limit or cancel expansion, development or renovation projects, which may adversely affect our business, financial condition and results of operations.

We are subject to extensive governmental gaming regulations, which may harm our business.

Our operation of gaming facilities is subject to extensive governmental regulations. Regulatory authorities typically require various registrations, licenses, findings of suitability and approvals to be held by operators of gaming facilities. The regulatory authorities in these jurisdictions generally have broad discretion in the granting, renewal, suspension and revocation of licenses and require that such registrations, licenses, findings and approvals be renewed or updated periodically. Our necessary key personnel and we are currently qualified to do business in all the jurisdictions in which we operate gaming facilities. We cannot assure you that any new or permanent licenses, permits or approvals that may be required by us, our key employees and our partners, if applicable, in the future will be granted or that our existing licenses, permits and approvals will be renewed or will not be suspended or revoked in the future. The failure to receive or renew licenses or the suspension or revocation of licenses could harm our reputation and result in a loss of revenues, which could materially adversely affect our business, financial condition and results of operations.

Our gaming operations are subject to significant taxation and fees that, if increased, could harm our profitability.

Our gaming operations are subject to significant taxation and fees. Such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our gaming operations in The Bahamas and will likely incur significant taxes and fees in any other jurisdictions, including the United Kingdom, in which we conduct gaming operations in the future. Any material increase in existing taxes and fees, the adoption of new taxes or fees, or the loss or reduction of any existing or future tax incentives, could have a material adverse effect on our profitability.

Our business is seasonal and severe weather conditions could adversely affect our business, results of operations or financial condition, or further increase our insurance premiums and deductibles.

Historically, our revenues and operating profits in The Bahamas have been higher during the first quarter, the prime tourist season, than in successive quarters. Higher revenues and earnings are typically realized from the Mauritius properties during the fourth quarter of the year and from Mohegan Sun during the second and third quarters of the year. If any of these properties were unable to accommodate guests during such periods for any reason, including disruptions caused by weather, our revenues and profits could be adversely affected.

The Bahamas and Mauritius are subject to tropical weather and storms, which, if severe, could adversely affect our operations and tourism. Similarly, inclement weather can adversely affect the revenues that we derive from Mohegan Sun, as the principal means of transportation to this property is by automobile or bus. In September 1999, Hurricane Floyd, a hurricane rated by the United States National Weather Service as a category five, its highest rating, passed within 60 miles of Paradise Island. Our Paradise Island properties suffered approximately $45.0 million of property damage that took three months to repair. This property damage was

covered by our insurance policies in place at that time. In November 2001, Hurricane Michelle impacted our Paradise Island properties. Although minimal disruption in our operations was caused by the storm, our properties (other than Harborside at Atlantis, Paradise Island, which was closed from August 2002 through December 2002 due to water damage resulting primarily from Hurricane Michelle) suffered approximately $28.3 million in damage that was substantially covered by our insurance policies. The approximate $28.3 million in property damage at our Paradise Island properties excluded our $6.9 million share of construction remediation costs at Harborside in 2002 and our $1.8 million share in 2003. During 2002, we recorded equity losses of $5.2 million resulting from the $6.9 million remediation charge offset by $1.7 million equity earnings from Harborside's operations. During the fourth quarter of 2003, our portion of insurance recovery related to the remediation costs was $1.5 million and therefore the loss for the year ended December 31, 2003 has been reduced by that amount. Harborside is still in negotiation with its insurers and may receive additional recovery during 2004.

We cannot assure you that our business and, consequently, our results of operations or financial condition, will not be adversely affected by severe weather conditions in the future, which could cause significant damage and suspension in service provided to our patrons, further increases in our insurance premiums and per occurrence deductibles or cancellations of, or decreases in, our coverage, and harm to our business.

Work stoppages and other labor disputes could harm our financial condition and results of operations.

In The Bahamas, a union represents approximately 3,700 of our approximately 5,900 employees. We participate in an employer association whose existing contract with the union will expire on January 7, 2008. Labor relations in The Bahamas have been unstable at times over the last few years and there have been occasional work stoppages. As the country's largest private employer, we are sometimes the target of labor disputes. Any protracted labor disputes or work stoppages affecting any of the properties that we own or operate could reduce our revenues. In addition, many of the public sector industries in The Bahamas, such as electricity, telecommunication and airport facilities, are unionized. The Bahamian government's labor relations with these unions have been unstable at times and there have been work stoppages on occasion that have been disruptive to our business.

Lack of sufficient air service could adversely affect our revenues and profits.

Most patrons of our Paradise Island, One&Only and other hotel operations arrive by air. Although we consider the current level of air service to our properties in The Bahamas, Mauritius, Mexico, Dubai and the Maldives to be adequate, any interruption or reduction of air service to any such locations could restrict the growth of our businesses, negatively affect our competitive position and adversely affect our revenues and profits.

We are subject to environmental, health and safety laws and regulations and our noncompliance or a significant regulatory change could adversely affect our business, results of operations or financial condition.

Our operations are regulated under a number of federal, provincial, state and local laws and regulations that govern, among other things, the handling of waste materials, some of which are classified as hazardous materials, and the discharge of hazardous materials into the environment. Our operations are subject to stringent regulations relating to protection of the environment and waste handling. In addition to liability for our own noncompliance, these laws and regulations may expose us to liability for the noncompliance of other parties, without regard to whether we were negligent. Sanctions for noncompliance with applicable environmental laws and regulations

may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. Furthermore, we may be liable for costs for environmental cleanup at currently or previously owned or operated properties or off-site locations. Our failure to comply with existing laws or regulations, the adoption of new laws or regulations with additional or more rigorous compliance standards, or the more vigorous enforcement of environmental laws or regulations could significantly harm our business by increasing our expenses and limiting our future opportunities.

We do not own, manage or control Mohegan Sun and the revenues that we derive from the Mohegan Sun are therefore outside of our control.

In 2003, we earned $35.7 million, or approximately 37% of our income from operations, from TCA, which is party to a relinquishment agreement with the Mohegan Tribal Gaming Authority. Pursuant to the agreement, in exchange for relinquishing its right to manage Mohegan Sun, TCA is entitled to receive 5% of Mohegan Sun's gross revenues through December 2014. As a result, decisions that affect Mohegan Sun's business or operations, and therefore the revenues that TCA earns under the agreement, are outside of our control.

A small number of our shareholders control a significant percentage of our Ordinary Shares and are able to control decisions affecting our company.

As of December 31, 2003, Caledonia Investments PLC ("Caledonia") had the right to vote approximately 21.7% of our issued and outstanding ordinary shares. In addition, Cement Merchants SA ("CMS"), Baron Capital Group, Inc. ("Baron") and FMR Corp. ("FMR") beneficially owned approximately 12.0%, 18.4% and 10.0%, respectively, of our issued and outstanding ordinary shares. As of December 31, 2003, The Kerzner Family Trust and its subsidiary, World Leisure Group ("WLG"), both of which are controlled by Mr. Sol Kerzner, beneficially owned approximately 21.1% of our issued and outstanding ordinary shares. If any combination of these principal shareholders act together, they may be able to effectively control the outcome of substantially all matters requiring shareholder approval, including the election of our directors, thereby controlling our management, policies and business operations. For example, WLG, Caledonia, CMS, Baron and FMR, or combinations thereof, could combine to use this voting power to block our ability to obtain certain types of financing for development plans, renovations or expansions, which could materially adversely affect our ability to develop our business and pursue our strategies.

You may have difficulty enforcing judgments against us or our directors or management that reside outside the United States.

Kerzner is an international business company incorporated under the laws of the Commonwealth of The Bahamas. Certain of our directors and executive officers reside outside the United States. In addition, a substantial portion of the assets of our directors and officers and of our assets are located outside the United States. As a result, it may be difficult or impossible to:

- effect service of process within the United States upon us or these persons; or
- enforce, against us or these persons, in the United States, court judgments obtained in the U.S. courts, including judgments relating to U.S. federal securities laws.

It is unlikely that Bahamian courts would entertain original actions against Bahamian companies, their directors or officers predicated solely upon U.S. federal securities laws. Furthermore, judgments based upon any civil liability provisions of the U.S. federal securities laws are not directly enforceable in The Bahamas. Rather, a lawsuit must be brought in The Bahamas on any

such judgment. Subject to consideration of private international law, in general, a judgment obtained after due trial by a court of competent jurisdiction, which is final and conclusive as to the issues in connection, is actionable in Bahamian courts and is impeachable only upon the grounds of fraud, public policy and natural justice.

We may have difficulty enforcing gaming debts in certain foreign jurisdictions or in certain jurisdictions within the U.S., which could negatively affect our operating results.

Gaming debts may not be legally enforced in certain foreign jurisdictions or in certain jurisdictions within the U.S. A substantial portion of the customers at Atlantis reside in the U.S. As a result, we may be unable to collect gaming debts from our patrons who reside in such jurisdictions, which could negatively affect our operating results.

Reassessments of and changes to our business plans could hinder our development and result in charges or fees that could harm our financial condition and results of operations.

We are regularly reviewing our business plans in light of a variety of factors, including the availability of financing, regulatory and political considerations, competition and other business and strategic concerns. As a result of such assessments, our management may choose to change such plans, which could result in failure to expand and could also cause us to incur fees or charges. We cannot assure you that we will carry forward and complete any proposed business plans.

Energy price increases may adversely affect our cost of operations and our revenues.

Resorts use significant amounts of electricity, natural gas and other forms of energy. Although we have not experienced shortages of energy, substantial increases in the cost of electricity or natural gas may negatively affect our operating results. The extent of any impact is subject to the magnitude and duration of the energy price increases and could be material. In addition, energy price increases in locations that constitute a significant source of customers for our properties could result in a decline in disposable income of potential customers and a decrease in visitation and spending at our properties, which could negatively impact revenues.

Additional increases in our insurance premiums and deductibles may increase our costs and impair our ability to obtain or maintain insurance on our properties.

Due to changes in the insurance market arising prior to the September 11, 2001 terrorist attacks and the effects of such attacks, it has become more difficult and more expensive to obtain insurance. We may encounter difficulty in obtaining or renewing property or casualty insurance on our properties primarily due to the fact that we have a concentration of assets in one market which is subject to the potential negative impact of hurricanes. In addition, such insurance may be more limited and may not cover catastrophic risks or terrorist acts at current levels or at all. Even if we are able to renew our policies or to obtain new policies at levels and with limitations consistent with our current policies, we cannot be sure that we will be able to obtain such insurance at premium rates that are commercially reasonable. In addition to the "all risks" coverage described below, we have insured Atlantis, Paradise Island for up to $300.0 million per occurrence (and in an annual aggregate amount) from damages directly resulting from certain terrorist acts to cover property damage and related business interruption losses. If any such event were to affect all or part of one or more of our properties, it is possible that we would suffer a substantial loss beyond what is covered by our insurance policies.

In 2002, with regard to our Paradise Island property insurance, our "all risk" premiums increased from approximately $4.6 million in the 2001 Policy Year ("Policy Years" are defined as

June 1 of that year through May 31 of the following year) to a total of approximately $14.1 million in the 2002 Policy Year and our deductibles also increased from $4.0 million per occurrence in 2001 to $15.0 million per occurrence with an annual aggregate deductible of $30.0 million. For the 2003 Policy Year, our premiums for Paradise Island property insurance have decreased to $13.6 million with the deductibles remaining the same as the 2002 Policy Year. The amount of our "all risk" property and business interruption insurance (inclusive of our per occurrence deductible) in the 2003 Policy Year commencing June 1, 2003 is $175.0 million, as compared to $150.0 million in the 2002 Policy Year and $1.0 billion in the 2001 Policy Year. In addition, our "all risk" insurance policies now exclude from coverage certain losses and damages that were covered under our prior insurance policies. If we are forced to reduce, or prevented from obtaining or renewing, insurance coverage with respect to the occurrence of certain casualties, we could be exposed to heavy losses in the event that severe damage results from any such occurrence.

Acts of terrorism and war could adversely affect the travel market and reduce our operating revenues.

The terrorist attacks of September 11, 2001 had a significant impact on the travel and tourism industries in which we operate. The significant reduction in both business and leisure air travel following that date significantly reduced visitation to all our properties, including our Paradise Island properties, during the fourth quarter of 2001 and early 2002, resulting in a significant decline in our operating results during this period. On March 19, 2003, the U.S. and coalition forces commenced a war with Iraq. Although the official combat in the war with Iraq ceased in May 2003, the U.S. and coalition forces still maintain a presence in Iraq and terrorist activities still remain a threat. These events, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business and results of operations. Future acts of terror, anti-terrorist efforts, war or other armed conflicts involving the United States or other countries may again reduce our guests' willingness to travel, which could have a material adverse effect on the U.S. and global economies and on our business, results of operations and financial condition.

Deterioration in general economic and market conditions could adversely affect our business.

Our business is affected by general economic and market conditions, particularly in the United States and Europe. A large portion of our business at Atlantis, Paradise Island is generated by group convention sales and individual tour and travel. A recession or economic slowdown could cause a reduction in group sales bookings or the willingness or ability of tourists to book vacations at Atlantis, Paradise Island, which could materially adversely affect our operating results.

Risks Related to an Investment in the Notes and Our Ordinary Shares

Our substantial indebtedness could adversely affect our operations and financial results and prevent us from fulfilling our obligations under the notes.

We have now, and after the offering will continue to have, a significant amount of indebtedness. As of December 31, 2003, after giving effect to this offering and assuming no exercise of the initial purchasers option to purchase $30.0 million of additional notes, we would have had approximately $617 million of indebtedness and shareholders' equity of approximately $840 million.

Our substantial indebtedness could have important consequences for you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes;

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a competitive disadvantage to competitors with less indebtedness; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

Failure to comply with the covenants in the agreements governing our indebtedness could result in an event of default which, if not cured or waived, could have a significant adverse effect on us.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors, some of which are beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures and expansion efforts depends on our ability to generate cash in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. In addition, our ability to borrow funds under our revolving credit facility in the future will depend on our continued compliance with certain financial covenants in the revolving credit facility and any amendments thereto.

We cannot assure you that our business will generate cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, indebtedness under our existing revolving credit facility, our 8⅞% senior subordinated notes, or to fund our other liquidity needs. As a result, we may need to refinance all or a portion of such indebtedness on or before maturity. We cannot assure you that we will be able to refinance or amend the terms of any of our indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow or refinance our indebtedness on commercially reasonable terms would have a material adverse effect on our financial condition, results of operations and ability to satisfy our obligations under the notes.

Your right to receive payment on the notes is junior to all of our senior indebtedness.

The notes will be general unsecured obligations, junior in right of payment to all existing and future senior indebtedness of the issuer, including obligations under our revolving credit facility and will be effectively subordinated to the debt and other obligations of our subsidiaries, including the guarantees of our 8⅞% senior subordinated notes. The notes will not be secured by any of our assets, and as such will also be effectively subordinated to any secured indebtedness that we or our subsidiaries may have now or may incur in the future to the extent of the value of the assets securing that indebtedness.

If we are declared bankrupt, become insolvent or are liquidated or reorganized, any indebtedness that ranks ahead of the notes will be entitled to be paid in full from our assets before any payment may be made with respect to the notes. In any such case, we cannot assure you that we would have sufficient assets to pay amounts due on the notes. As a result, holders of the notes may receive less, proportionally, than the holders of indebtedness senior to the notes. The subordination provisions of the indenture will also provide that we can make no payment to you during the continuance of payment defaults on our senior indebtedness, and payments to you may be suspended for a period of up to 180 days if a non-payment default exists under our senior indebtedness. See "Description of the Notes—Subordination."

At December 31, 2003, we had $0.4 million of senior secured indebtedness outstanding in the form of capitalized leases, $16.5 million of letters of credit outstanding under our revolving credit facility, $237.0 million of unused availability under our revolving credit facility. In addition, our revolving credit facility permits, subject to the terms and conditions of such agreement, the incurrence of additional indebtedness, some or all of which may be senior indebtedness. See "Description of Other Indebtedness—Revolving Credit Facility."

We are a holding company and depend on the business of our subsidiaries to satisfy our obligations under the notes.

We are a holding company and our subsidiaries conduct substantially all of our consolidated operations and own substantially all of our consolidated assets. Consequently, our cash flow and our ability to pay our indebtedness depends on our subsidiaries' cash flow and their payment of funds to us. Our subsidiaries may not be obligated to make funds available to us for payment on the notes or otherwise. In addition, our subsidiaries' ability to make any payments to us will depend on their earnings, the terms of their indebtedness, business and tax considerations, legal and regulatory restrictions and economic conditions. The ability of our subsidiaries to make payments to us is also governed by the gaming laws of certain jurisdictions, which may place limits on the amount of funds which may be transferred to us and may require prior or subsequent approval for any payments to us. Payments to us are also subject to legal and contractual restrictions.

The notes will be junior to the indebtedness of our subsidiaries and effectively subordinated to our 8⅞% senior subordinated notes.

The notes will be issued by Kerzner International Limited and will be structurally subordinated to the existing and future claims of our subsidiaries' creditors, including any claims under the guarantees of our 8⅞% senior subordinated notes. Holders of the notes will not be creditors of our subsidiaries. Because our 8⅞% senior subordinated notes are co-issued by KINA and guaranteed by substantially all of our subsidiaries, the notes will be effectively subordinated to our 8⅞% senior subordinated notes. Any claims of holders of the notes to the assets of our subsidiaries derive from our own equity interests in those subsidiaries. Claims of our subsidiaries' creditors will generally have priority as to the assets of our subsidiaries over our own equity interest claims and will therefore have priority over the holders of the notes. Our subsidiaries' creditors may include:

- general creditors;
- trade creditors;
- secured creditors;
- our bank lenders, to the extent our subsidiaries have guaranteed our obligations under our revolving credit facility;
- holders of our 8⅞% senior subordinated notes; and
- taxing authorities.

As of December 31, 2003, as adjusted to give effect to the issuance and sale of the notes offered hereby, our subsidiaries would have had approximately $169 million of trade payables and accrued liabilities (including capital creditors and excluding guarantees of our indebtedness and intercompany indebtedness).

There are no restrictive covenants in the indenture governing the notes and we and our subsidiaries may still be able to incur substantially more indebtedness. This could further exacerbate the risks described above.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, transactions with affiliates, incurrence of liens, or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional debt, including secured indebtedness. A higher level of indebtedness increases the risk that we may default on our indebtedness. Any indebtedness we may incur under our revolving credit facility will be senior to the notes. If new indebtedness is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our indebtedness or that future working capital, borrowings or equity financing will be available to pay or refinance such indebtedness.

Upon conversion of the notes, you may receive less proceeds than expected because the value of our ordinary shares may decline between the day that you exercise your conversion right and the day the value of your shares is determined.

The conversion value that you will receive upon conversion of your notes is in part determined by the average of the closing prices per ordinary share on the New York Stock Exchange for the ten consecutive trading days beginning on the second trading day immediately following the day the notes are tendered for conversion. Accordingly, if the price of our ordinary shares decreases after you tender your notes for conversion, the conversion value you receive may be adversely affected.

We may be unable to repurchase your notes as required under the indenture upon a change in control or on the specified dates at the option of the holder or pay you cash upon conversion of your notes.

Upon a change in control, as defined in the indenture, and on April 15, 2014 and April 15, 2019, you will have the right to require us to repurchase your notes for cash. In addition, upon conversion of the notes, you will have the right to receive a cash payment. If we do not have sufficient funds to pay the repurchase price for all of the notes you tender upon a change in control, the cash due upon repurchases of the notes on April 15, 2014 or April 15, 2019 or the cash due upon conversion, an event of default under the indenture governing the notes would occur as a result of such failure. The occurrence of certain of the events that would require us to repurchase the notes may constitute a default under our existing revolving credit facility. If we are required to make a change of control offer for the notes, we also likely will need to offer to repurchase our 8⅞% senior subordinated notes, of which an aggregate principal amount of $400 million was outstanding as of December 31, 2003. Future indebtedness we incur may have similar provisions. We cannot assure you that sufficient funds will be available when necessary to make any required purchases. See "Description of the Notes—Repurchase of Notes at the Option of the Holder" and "—Right to Require Repurchase of Notes Upon a Change in Control."

Our reported earnings per share may be more volatile because of the conversion contingency provision of the notes.

Holders of the notes are entitled to convert the notes into cash and shares of our ordinary shares, among other circumstances, if the share price for the periods described in this offering memorandum is more than 120% of the conversion price. Unless and until this contingency or another conversion contingency is met, our ordinary shares underlying the notes are not included in the calculation of our basic or diluted earnings per share. Should this contingency be

met, diluted earnings per share would, depending on the relationship between the interest on the notes and the earnings per ordinary share, be expected to decrease as a result of the inclusion of the underlying shares in the fully diluted earnings per share calculation. Volatility in our share price could cause this contingency to be met in one quarter and not in a subsequent quarter, increasing the volatility of fully diluted earnings per share.

We expect that the trading value of the notes will be significantly affected by the price of our ordinary shares and other factors.

The market price of the notes is expected to be significantly affected by the market price of our ordinary shares. This may result in greater volatility in the trading value of the notes than would be expected for nonconvertible debt securities. In addition, the notes have a number of features, including conditions to conversion, which, if not met, could result in a holder receiving less than the value of our ordinary shares into which a note would otherwise be convertible. These features could adversely affect the value and the trading prices of the notes.

You may have to pay taxes with respect to distributions on our ordinary shares that you do not receive.

The conversion price of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See "Description of the Notes—Conversion Rights—Conversion Price Adjustments." If the conversion price is adjusted, you might be treated as receiving a constructive distribution from us, resulting in ordinary income to you for U.S. federal income tax purposes, even though you would not receive any cash related to that adjustment and even though you might not exercise your conversion right. See "Certain Tax Consequences—Material U.S. Federal Income Tax Consequences—Conversion Price Adjustments."

We may require you to dispose of your notes or redeem your notes if required by applicable gaming regulations.

Gaming authorities to whom we or any of our subsidiaries are or may become subject have the power to investigate any of our debt security holders, including holders of the notes. Generally, these gaming authorities may, in their discretion, require a holder of any of our debt securities to file applications, be investigated and be found suitable to own our debt securities, and the costs of the investigation of such finding of suitability generally will be the responsibility of such holder. Any person who fails or refuses to apply for a finding of suitability or a license within a specified time after being ordered to do so by such gaming authorities may be found unsuitable. In addition, under certain circumstances, we have the right, at our option, to cause a holder to dispose of our notes or to redeem our notes in order to comply with gaming laws to which we are subject. See "Description of the Notes—Required Regulatory Redemption."

There is no prior public market for the notes, so if an active trading market does not develop for the notes you may not be able to resell them.

We cannot assure you that an active trading market will develop for the notes. We do not intend to apply for a listing of the notes on a securities exchange or any automated dealer quotation system, although the notes sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL market. We have been informed by the initial purchasers that they intend to make a market in the notes after we complete this offering. However, the initial purchasers have no obligation to do so and may cease their market making activity at any time without notice. In addition, market making will be subject to the limits imposed by the Securities

Act and the Exchange Act. The liquidity of the trading market in these notes, and the market price quoted for these notes, may be adversely affected by:

- changes in the overall market for high yield or convertible securities;
- changes in our financial performance or prospects;
- changes in the prospects for companies in our industries generally;
- the number of holders of notes;
- the interest of securities dealers in making a market for the notes; and
- prevailing interest rates.

As a result, we cannot assure you that an active trading market will develop for these notes.

The price of our ordinary shares may fluctuate substantially, which could negatively affect the holders of our ordinary shares.

The trading price of our ordinary shares fluctuates. Between January 1, 2003 and March 30, 2004, the closing sale price of our ordinary shares has ranged from a high of $46.46 per ordinary share to a low of $19.24 per ordinary share. The market price of our ordinary shares may fluctuate substantially due to:

- fluctuations in the price of the stock of the public companies in the hotel or casino business;
- announcements of acquisitions and other agreements as part of our expansion strategy;
- airline industry problems;
- weather related catastrophes;
- additions or departures of key personnel;
- announcements of legal proceedings or regulatory matters;
- terrorist acts and other acts of war; and
- general volatility in the stock market.

The market price of our ordinary shares could also fluctuate substantially if we fail to meet or exceed securities analysts' expectations of our financial results or if there is a change in financial estimates or securities analysts' recommendations. In addition, the stock market has experienced volatility that has affected the market prices of equity securities of many companies and that has often been unrelated to the operating performance of these companies. A number of other factors, many of which are beyond our control, could also cause the market price of our ordinary shares to fluctuate substantially.

In the past, companies that have experienced volatility in the market price of their stock have been the objects of securities class action litigation. If we were to be the object of securities class action litigation, it could result in substantial costs and diversion of management's attention and resources, which could materially harm our results of operations, financial condition or liquidity.

Future sales or the possibility of future sales of a substantial amount of our ordinary shares may depress the price of our ordinary shares.

Future sales of substantial amounts our ordinary shares in the public market could adversely affect prevailing market prices of our ordinary shares and could impair our ability to raise capital through future sales of our equity securities. Excluding the ordinary shares the notes are

convertible into, upon completion of this offering, we will have approximately 30.3 million shares outstanding (excluding treasury shares).

We have registered under the Securities Act and issued 10,740,000 of our ordinary shares, all of which are freely tradable (other than by an affiliate of our company as that term is defined in the Securities Act) without restriction. In addition, from time to time, our employees exercise stock options that result in freely tradeable shares being held by such employees. Any remaining ordinary shares may be sold in the public market only if registered under the Securities Act or if they qualify for resale under Rules 144 or 144(k) under the Securities Act. In addition, we have granted registration rights to certain of our shareholders, which, if exercised, would require us to register a significant portion of the remaining ordinary shares for sale in one or more public offerings. Sales of our ordinary shares pursuant to Rules 144 or 144(k) could adversely affect the market price of our ordinary shares.

We, WLG, Caledonia and CMS and each of our directors and certain of our officers have agreed, subject to certain exceptions, not to dispose of or hedge any ordinary shares or any securities convertible into or exchangeable for our ordinary shares without the prior consent of Deutsche Bank Securities Inc., as representative of the initial purchasers, for a period of 60 days from the date of this offering memorandum. Notwithstanding the foregoing, beginning 30 days after the date of this offering memorandum, certain of such shareholders will be able to sell our ordinary shares in connection with the exercise of options to purchase ordinary shares. Following the expiration of the lock-up period, we, WLG, Caledonia and CMS and each of our officers and directors will be able to dispose of certain of their ordinary shares pursuant to the terms of the registration rights and governance agreement. Such sales, or the perception thereof, could depress the price of our ordinary shares.

We may issue our ordinary shares from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of our ordinary shares that we may issue may in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisitions and investments.

Our issuance of preference shares could adversely affect the market value of our ordinary shares

The issuance of preference shares with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preference shares could adversely affect the market price for our ordinary shares by making an investment in the ordinary shares less attractive. For example, investors in the ordinary shares may not wish to purchase common stock at a price above the conversion price of a series of convertible preference shares because the holders of the preference shares would effectively be entitled to purchase ordinary shares at the lower conversion price causing economic dilution to the holders of ordinary shares.

Some provisions in the registration rights and governance agreement and our memorandum of association may have the effect of discouraging change of control events.

We, Kersaf, WLG, Caledonia and CMS have entered into a registration rights and governance agreement that sets forth various rights and obligations regarding their ownership of our ordinary shares. The registration rights and governance agreement includes certain provisions that could have an anti-takeover effect, including restrictions on their respective abilities to enter into certain business combinations with us, which could deprive holders of our ordinary shares the opportunity to sell their ordinary shares at a premium over prevailing market prices.

Our Memorandum of Association currently authorizes a class of 100,000,000 preference shares that may be issued in one or more series by our board of directors without further action by the shareholders on such terms and with such rights, preferences and designations as our board of directors may determine. Furthermore, our Memorandum of Association currently authorizes 250,000,000 ordinary shares, of which only 30,283,689 were issued and outstanding as of December 31, 2003. Such additional ordinary shares or preference shares could be available for use in opposing a hostile takeover attempt and deprive holders of our ordinary shares of the opportunity to sell their ordinary shares at a premium over prevailing market prices.

Bahamian law differs from the laws in effect in the United States and holders of our ordinary shares may have more difficulty in protecting their interests than would shareholders of a corporation incorporated in the United States.

Our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bahamian company, we are governed by the International Business Companies Act 2000, as amended, of The Bahamas. The International Business Companies Act differs in some material respects from the laws generally applicable to United States corporations and shareholders, including:

- Interested Director Transactions: Bahamian law generally allows companies to enter into any transaction or arrangement in which any of the directors have an interest. Directors may also be present at a meeting at which a vote approving a transaction or arrangement in which they have an interest, so long as they have disclosed their interest and the transaction or arrangement is approved or ratified by all of the shareholders. United States companies are generally required to obtain the approval of a majority of disinterested directors or the approval of shareholders before entering into any transaction or arrangement in which their directors have an interest, unless the transaction or arrangement is fair to the company at the time it is authorized by the company's board or shareholders.
- Business Combinations with Interested Shareholders: United States companies generally may not enter into business combinations with significant shareholders or their affiliates, unless the business combination has been approved by the board in advance or by a supermajority of shareholders, or the business combination meets specified conditions. There is no similar law in The Bahamas. We and certain of our principal shareholders have entered into an agreement that limits such shareholders' ability to enter into certain business combinations with us.
- Shareholder Suits: The circumstances in which a shareholder may bring a derivative action in The Bahamas are significantly more limited than in the United States. In general, under Bahamian law, derivative actions are permitted only when the act complained of is alleged to be beyond the corporate power of the company, is illegal or would result in the violation of the company's memorandum and articles of association. In addition, the Bahamian courts would consider permitting a derivative action for acts that are alleged to constitute a fraud against the minority shareholders or, for instance, acts that require the approval of a greater percentage of the company's shareholders than those who actually approved them.

USE OF PROCEEDS

We estimate that the net proceeds after expenses from the offering will be approximately $195.0 million ($224.0 million if the initial purchasers exercise their option to purchase additional notes in full). We intend to use these proceeds, along with cash on hand and borrowings under our revolving credit facility, to fund future capital expenditures which may include, among other things, development costs for the Phase III expansion on Paradise Island, our equity investment in Atlantis, The Palm and for general corporate purposes.

CAPITALIZATION

The following table sets forth our cash position and capitalization as of December 31, 2003 and our cash position and capitalization as of December 31, 2003, as adjusted to give effect to this offering:

	As of December 31, 2003	
	Actual	As Adjusted(a)
	(in thousands)	
Cash and cash equivalents	$ 60,232	$ 255,107
Restricted cash	1,445	1,445
Total cash and cash equivalents	$ 61,677	256,552
Long-term debt (including current maturities):		
Revolving credit facility(b)	$ —	$ —
8⅞% senior subordinated notes due 2011(c)	400,000	400,000
Premium on 8⅞% senior subordinated notes due 2011	5,251	5,251
Interest rate swap fair value adjustment(d)	11,839	11,339
2.375% convertible senior subordinated notes	—	200,000
Capitalized leases and other debt	434	434
Total debt	417,524	617,024
Shareholders' equity	839,590	839,590
Total capitalization	$1,257,114	$1,456,614

(a) Assumes no exercise of the initial purchasers' option to purchase $30.0 million of additional notes.

(b) Subject to certain conditions, our revolving credit facility permits aggregate borrowings of up to $237.0 million.

(c) Excludes the fair value effect of the interest rate swap agreements related to our 8⅞% senior subordinated notes.

(d) Represents the fair value effect of the interest rate swap agreements related to our 8⅞% senior subordinated notes.

RATIO OF EARNINGS TO FIXED CHARGES

We have calculated the ratio of earnings to fixed charges by dividing earnings by fixed charges. For the purpose of computing the ratio of earnings to fixed charges, "earnings" is defined as pretax income (loss) from continuing operations before adjustment for minority interest, plus fixed charges, amortization of capitalized interest, distributed income of equity investees and less interest capitalized, minority interest in pre-tax income of subsidiaries that have not incurred fixed charges and income or loss from equity investees. "Fixed charges" consist of interest expense, amortization of debt issuance costs and premium and that portion of rental expense that we believe to be representative of the interest component.

Year Ended December 31,(a)				
1999	2000(b)	2001	2002	2003
2.26	—	1.62	2.37	3.30

(a) The financial statements for the years ended December 31, 2002, 2001, 2000 and 1999 were restated. See "Note 2—Restatement and Reclassifications" to our consolidated financial statements incorporated by reference to this offering memorandum.

(b) Earnings were insufficient to cover fixed charges by $120,004,000 for the year ended December 31, 2000.

SELECTED HISTORICAL FINANCIAL DATA

The following table contains selected financial and other data as of and for each of the years in the five-year period ended December 31, 2003 that has been derived from our consolidated financial statements prepared in accordance with U.S. GAAP, certain of which are incorporated by reference into this offering memorandum. The information set forth below is not necessarily indicative of future operations and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information incorporated by reference into this offering memorandum. Amounts are reported in U.S. dollars.

	Year Ended December 31,				
	1999 (a)	2000 (b)	2001 (c)	2002 (d)	2003 (e)
	(In thousands of U.S. Dollars, except per share data)				
Consolidated Statements of Operation Data:					
Revenues:					
Gaming	$ 351,545	$ 367,935	$ 188,907	$ 129,916	$ 138,587
Rooms	164,831	194,008	180,569	184,776	188,235
Food and beverage	137,100	147,718	128,392	131,377	130,879
Tour operations	28,714	33,192	36,348	41,063	40,790
Real estate related	—	108,650	9,771	—	—
TCA development and other fees	5,008	7,245	2,873	1,326	1,755
Management, development and other fees	7,616	12,187	9,410	10,396	13,422
Other revenues	45,910	49,208	57,939	65,618	68,424
Insurance recovery	14,209	—	2,000	1,100	2,819
Gross revenues	754,933	920,143	616,209	565,572	584,911
Net revenues	704,693	868,364	575,436	543,362	561,332
Relinquishment fees—equity earnings in TCA	33,618	19,508	24,263	30,041	33,960
Gain (write-down) on net assets held for sale	—	(229,208)	2,232	—	—
Income (loss) from operations	110,877	(71,187)	91,223	94,660	97,166
Equity in earnings (losses) from associated companies	2,628	4,225	2,210	(5,209)	(320)
Income (loss) from discontinued operations, net of income tax effect	—	—	(4,608)	(8,061)	1,305
Net income (loss)	66,267	(115,447)	32,661	39,603	71,572
Basic earnings (loss) per share	$ 1.98	$ (3.74)	$ 1.21	$ 1.42	$ 2.50
Weighted average number of shares outstanding—basic (in thousands)	33,465	30,849	26,885	27,891	28,575
Diluted earnings (loss) per share	$ (1.95)	$ (3.74)	$ 1.17	$ 1.39	$ 2.44
Weighted average number of shares outstanding—diluted (in thousands)	34,005	30,849	27,826	28,544	29,377

	Year Ended December 31,				
	1999	2000	2001	2002	2003
	(In thousands of U.S. Dollars)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents, and restricted cash	$ 40,210	$ 24,148	$ 33,152	$ 38,854	$ 61,677
Total assets	1,645,799	1,438,776	1,337,740	1,395,039	1,455,928
Long-term debt, including current portion	579,133	669,138	518,492	498,031	417,524
Shareholders' equity	891,428	637,081	674,662	729,021	839,590

	Year Ended December 31,				
	1999 (a)	2000 (b)	2001 (c)	2002 (d)	2003 (e)
Other Financial Data (In thousands of U.S. Dollars):					
Depreciation and amortization	56,750	59,743	51,010	55,486	55,782
Capital expenditures	205,046	155,892	67,590	39,524	50,849
Paradise Island Operating Data:					
Atlantis					
Average number of rooms available	2,326	2,326	2,316	2,317	2,317
Average occupancy	81.4%	83.2%	77.1%	81.1%	79.9%
Average daily rate	$ 211	$ 242	$ 252	$ 245	$ 251
Spending per occupied room (f)	$ 157	$ 166	$ 174	$ 176	$ 178
Average number of slot machines	979	975	959	944	902
Average win per slot machine per day	$ 136	$ 144	$ 138	$ 155	$ 163
Average number of table games	77	79	79	79	79
Average win per table game per day	$ 2,934	$ 2,813	$ 2,367	$ 2,642	$ 2,948
Ocean Club					
Average daily rate	$ 535	$ 513	$ 610	$ 695	$ 722
Average occupancy	66.6%	70.6%	64.1%	68.3%	78.8%
Mohegan Sun Operating Data (In thousands of U.S. Dollars):					
Gross Revenues (g)	$ 725,510	$ 809,314	$ 859,608	1,121,060	$1,280,514

(a) The results of operations for the year ended December 31, 1999 include pre-opening costs of $5.4 million related to a renovation completed at Resorts Atlantic City in July 1999.

(b) The results of operations for the year ended December 31, 2000 include a $229.2 million write-down of the carrying value of Resorts Atlantic City and a related option to purchase certain real estate from us to their net realizable value and $7.6 million of pre-opening expenses related to the expansion of the One&Only Ocean Club and the Ocean Club Golf Course.

(c) The results of operations for the year ended December 31, 2001 include the results of operations of Resorts Atlantic City from January 1, 2001 to April 24, 2001 and $2.3 million of pre-opening expenses related to the Ocean Club Golf Course.

(d) The results of operations for the year ended December 31, 2002 include a loss on the early extinguishment of debt of $20.5 million related to the redemption and repurchase of our 9% Senior Subordinated Notes and our 8⅝% Senior Subordinated Notes and a $14.5 million gain on settlement of territorial and other disputes in connection with a settlement with a major shareholder.

(e) The operations of our online gaming subsidiary, Kerzner Interactive, were discontinued during the first quarter of 2003. We recognized $4.5 million of income related to an option agreement with Station Casinos, Inc. which was terminated during the first quarter of 2003. This amount was partially offset by expenses and write-offs related to the termination of Kerzner Interactive's operations. In addition, the results of operations for the year ended December 31, 2003 include a $1.5 million gain on settlement of territorial and other disputes in connection with a settlement with a major shareholder.

(f) Spending per occupied room represents total food and beverage revenue divided by the total number of rooms occupied for the given period.

(g) Information for the Mohegan Tribal Gaming Authority ("MTGA") for each of the fiscal years ended from 1999 through 2003 is as set forth in MTGA's Forms 10-K filed with the SEC for the periods indicated. MTGA operates on a fiscal year end of September 30 and therefore the information presented represents information for the fiscal years ended September 30 of each respective year.

PRICE RANGE OF OUR ORDINARY SHARES AND DIVIDEND POLICY

Our ordinary shares are traded on the New York Stock Exchange under the symbol "KZL." The following table sets forth, for the periods indicated, the range of high and low closing sale prices for our ordinary shares on the New York Stock Exchange. On March 30, 2004, the closing price of our ordinary shares on the New York Stock Exchange was $43.79 per share.

	High	Low
Fiscal Year Ended December 31, 2002		
First Quarter	$27.21	$22.95
Second Quarter	$31.20	$24.24
Third Quarter	$25.13	$22.25
Fourth Quarter	$24.75	$18.10
Fiscal Year Ended December 31, 2003		
First Quarter	$23.65	$19.24
Second Quarter	$31.07	$22.25
Third Quarter	$37.60	$30.11
Fourth Quarter	$39.02	$34.78
Fiscal Year Ending December 31, 2004		
First Quarter (through March 30, 2004)	$46.46	$38.47

As of December 31, 2003, we had approximately 715 holders of record of approximately 30,283,689 ordinary shares, excluding 7,072,000 ordinary shares held as treasury stock. As of December 31, 2003, there were an estimated 688 U.S. holders of record holding approximately 48.4% of our issued and outstanding ordinary shares.

We have never declared or paid cash dividends on our ordinary shares and we do not anticipate making any cash dividend payments to our ordinary shareholders for the foreseeable future. We currently intend to retain our future earnings to fund our working capital, debt service, capital expansions and improvements and for general corporate purposes. In addition, our ability to pay dividends is limited by the terms of our debt instruments. See "Description of Other Indebtedness."

DESCRIPTION OF THE NOTES

We will issue the notes under an indenture between us and The Bank of New York, as trustee. The following description is only a summary of the material provisions of the notes, the related indenture and the registration rights agreement. We urge you to read the indenture, the notes and the registration rights agreement in their entirety because they, and not this description, define your rights as holders of the notes. You may request copies of these documents at our address shown under the caption "Incorporation of Certain Documents By Reference." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. For purposes of this section, references to the "we," "us," "our" and "Kerzner" include only Kerzner International Limited and not its subsidiaries.

General

We plan to issue the notes in an aggregate principal amount of $200,000,000 ($230,000,000 if Deutsche Bank Securities Inc., as representative of the initial purchasers, exercises its option to purchase additional notes in full). The notes are our unsecured senior subordinated obligations and will mature on April 15, 2024, unless earlier redeemed at our option as described under "—Optional Redemption of the Notes," repurchased by us at a holder's option on certain dates as described under "—Repurchase of Notes at the Option of the Holder," or upon a change in control of Kerzner as described under "—Right to Require Repurchase of Notes Upon a Change in Control" or converted at a holder's option as described under "—Conversion Rights." The indenture does not contain any restriction on the payment of dividends, the incurrence of indebtedness or liens or the repurchase of our securities, and does not contain any financial covenants. Other than as described under "—Right to Require Repurchase of Notes Upon a Change in Control," the indenture contains no covenants or other provisions that afford protection to holders of notes in the event of a highly leveraged transaction.

Interest

The notes will bear interest at the rate per annum of 2.375%, payable semi-annually in arrears on April 15 and October 15 of each year, commencing October 15, 2004, to the persons in whose names such notes are registered at the close of business on the April 1 or October 1 immediately preceding such interest payment date. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Conversion Rights

Subject to the restrictions described in this "Description of the Notes," a holder may convert any outstanding notes into cash and our ordinary shares at an initial "Conversion Price" per share of $58.24 in accordance with the conversion mechanism set forth below. This represents an initial "Conversion Rate" of approximately 17.1703 of our ordinary shares per $1,000 principal amount of the notes. The Conversion Price and resulting Conversion Rate are, however, subject to adjustment as described below under "—Conversion Price Adjustments." A holder may convert notes only in denominations of $1,000 and integral multiples of $1,000.

General

Holders may surrender notes for conversion into cash and our ordinary shares prior to the maturity date in the following circumstances:

- during any fiscal quarter commencing after the date of original issuance of the notes, if the ordinary share price (as defined below) for at least 20 trading days in the period of 30

consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price on that 30th trading day;

- if we have called the particular notes for redemption and the redemption has not yet occurred;
- during the five trading day period immediately after any five consecutive trading day period in which the trading price of $1,000 principal amount of the notes for each day of such five consecutive trading day period was less than 95% of the product of the ordinary share price on such day multiplied by the Conversion Rate on such day; or
- upon the occurrence of specified corporate transactions.

Subject to certain exceptions described below under "—Conversion Upon Satisfaction of Trading Price Condition" and "—Conversion Upon Specified Corporate Transactions," once notes are tendered for conversion, holders tendering the notes will be entitled to receive, per $1,000 principal amount of notes, cash and our ordinary shares, the aggregate value of which (the "Conversion Value") will be equal to the product of:

(1) the Conversion Rate then in effect; and

(2) the average of the ordinary share prices for the ten consecutive trading days (appropriately adjusted to take into account the occurrence during such period of stock splits, stock dividends and similar events) beginning on the second trading day immediately following the day the notes are tendered for conversion (the "Ten Day Average Closing Share Price").

Subject to certain exceptions described below and under "—Conversion Upon Satisfaction of Trading Price Condition" and "—Conversion Upon Specified Corporate Transactions," we will deliver the Conversion Value of the notes surrendered for conversion to converting holders as follows:

(1) an amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted;

(2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, an amount in whole shares (the "Net Shares"), determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "Net Share Amount"); and

(3) an amount in cash in lieu of any fractional ordinary shares.

The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Share Price. The cash payment for fractional shares also will be based on the Ten Day Average Closing Share Price.

The Conversion Value, Principal Return, Net Share Amount and the number of Net Shares will be determined by us at the end of the ten consecutive trading day period beginning on the second trading day immediately following the day the notes are tendered for conversion. We refer to the last day of such period as the Determination Date.

We will pay the Principal Return and cash in lieu of fractional shares and deliver the Net Shares, if any, as promptly as practicable after the Determination Date, but in no event later than four business days thereafter.

Delivery of the Principal Return, Net Shares and cash in lieu of fractional shares will be deemed to satisfy our obligation to pay the principal amount of the notes and accrued interest and any additional interest payable on the notes, except as described below. Accrued interest and any additional interest will be deemed paid in full rather than canceled, extinguished or forfeited.

Except as described in this paragraph, no holder of notes will be entitled, upon conversion of the notes, to any actual payment or adjustment on account of accrued but unpaid interest (including additional interest, if any) on a converted note, or on account of dividends or distributions on our ordinary shares issued in connection with the conversion. If notes are converted after a regular record date and prior to the opening of business on the next interest payment date, including the date of maturity, holders of such notes at the close of business on the regular record date will receive the interest (and additional interest, if any) payable on such notes on the corresponding interest payment date notwithstanding the conversion. In such event, when the holder surrenders the note for conversion, the holder must deliver payment to us of an amount equal to the interest payable on the interest payment date (including additional interest, if any) on the principal amount to be converted. The foregoing sentence shall not apply to notes called for redemption on a redemption date within the period between the close of business on the record date and the opening of business on the interest payment date, or to notes surrendered for conversion on the interest payment date.

If you wish to exercise your conversion right, you must deliver an irrevocable conversion notice in accordance with the provisions of the indenture, together, if the notes are in certificated form, with the certificated security, to the trustee who will, on your behalf, convert the notes into cash and our ordinary shares. You may obtain copies of the required form of the conversion notice from the trustee. If a holder of a note has delivered notice of its election to have such note repurchased as a result of a change in control, such note may be converted only if the notice of election is withdrawn as described under "—Right to Require Repurchase of Notes Upon a Change of Control."

The "ordinary share price" on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date for our ordinary shares as reported in composite transactions on the principal United States securities exchange on which our ordinary shares are traded or, if our ordinary shares are not listed on a United States national or regional securities exchange, as reported by The Nasdaq System.

A "trading day" means any regular or abbreviated trading day of The New York Stock Exchange.

The "trading price" of the notes on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of notes obtained by the trustee for $5,000,000 principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, which may include any of the initial purchasers; provided that if at least three such bids cannot reasonably be obtained by the trustee, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the trustee, this one bid shall be used. If the trustee cannot reasonably obtain at least one such bid or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price of the notes will be determined in good faith by the trustee, taking into account in such determination such factors as it, in its sole discretion after consultation with us, deems appropriate. The trustee shall not be required to determine the trading price of the notes unless requested in writing by us.

Conversion Upon Satisfaction of Ordinary Share Price Condition

A holder may surrender any of its notes for conversion during any fiscal quarter commencing after the issuance of the notes, if the ordinary share price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price on that 30th trading day.

Conversion Upon Notice of Redemption

A holder may surrender for conversion any note called for redemption at any time prior to the close of business on the day that is two business days prior to the redemption date, even if the notes are not otherwise convertible at such time.

Conversion Upon Satisfaction of Trading Price Condition

A holder may surrender any of its notes for conversion during the five trading day period immediately after any five consecutive trading day period in which the trading price of $1,000 principal amount of the notes (as determined following a request by a holder of the notes in accordance with the procedures described below) for each day of such five consecutive trading day period was less than 95% of the product of the ordinary share price on such day multiplied by the number of shares issuable upon conversion of $1,000 principal amount of the notes (the "trading price condition") in the manner described above under "—Conversion Rights—General"; *provided that*, if on the date of any conversion pursuant to the trading price condition, the ordinary share price on such date is greater than the Conversion Price on such date but less than 120% of the Conversion Price on such date, then the Conversion Value the holder will be entitled to receive will be equal to the principal amount of the notes surrendered plus accrued but unpaid interest (including additional interest, if any) as of the conversion date.

The trustee shall have no obligation to determine the trading price of the notes unless we have requested such determination in writing, and we shall have no obligation to make such request unless a holder provides us with reasonable evidence that the trading price of the notes on any date would be less than 95% of the product of the ordinary share price on such date and the Conversion Rate then in effect. At such time, we shall instruct the trustee to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price of the notes is greater than or equal to 95% of the product of the ordinary share price and the Conversion Rate.

Conversion Upon Specified Corporate Transactions

If we elect to:

- distribute to all holders of our ordinary shares rights, warrants or options entitling them to subscribe for or purchase, for a period expiring not more than 60 days after the date of distribution, our ordinary shares at less than the average ordinary share price for the ten trading days immediately preceding the date that such distribution was first publicly announced; or
- make a distribution (other than in respect of a tender offer or exchange offer) to all holders of our ordinary shares that has a per share value exceeding 10% of the ordinary share price on the trading day immediately preceding the date that such distribution was first publicly announced that does not result in a Conversion Price adjustment or a right to receive cash under "Conversion Price Adjustments" below,

we must notify the holders of notes at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place. This provision shall not apply if the holder of a note otherwise participates in the distribution on an as-converted basis solely into our ordinary shares at the then applicable Conversion Price without conversion of such holder's notes; *provided, however*, that holders of notes will have the right to do so only if we specifically so elect in connection with such transaction.

In addition, if we reclassify our ordinary shares or are a party to a consolidation, merger, share exchange, sale of all or substantially all of our properties and assets or other similar transaction, in each case pursuant to which our ordinary shares would be converted into cash, securities or other property, a holder may surrender its notes for conversion at any time from and after the effective date of such transaction until and including the date that is 30 days after the effective date of such transaction. If the transaction also constitutes a change in control, such holder can instead require us to repurchase all or a portion of its notes as described under "—Right to Require Repurchase of Notes Upon a Change in Control."

Conversion Price Adjustments

We will adjust the Conversion Price if (without duplication):

(1) we issue our ordinary shares to all holders of our ordinary shares as a dividend or distribution on our ordinary shares;

(2) we subdivide or combine our outstanding ordinary shares;

(3) we issue to all holders of our ordinary shares rights, warrants or options entitling them to subscribe for or purchase, for a period expiring not more than 60 days after the date of distribution, our ordinary shares at less than the average ordinary share price for the ten trading days immediately preceding the date that such distribution was first publicly announced;

(4) we distribute to all holders of our ordinary shares evidences of our indebtedness, shares of our capital stock (other than our ordinary shares), other securities or other assets, or rights, warrants or options, excluding: (a) those rights, warrants or options referred to in clause (3) above; (b) any dividend or distribution paid in cash referred to in clause (5) below; and (c) those dividends and distributions referred to in clause (1) above;

(5) we declare a cash dividend or cash distribution to all or substantially all of the holders of our ordinary shares. If we declare such a cash dividend or cash distribution, the Conversion Price shall be decreased to equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend or distribution by the following fraction:

$$\frac{\text{(Pre-Dividend Sale Price—Dividend Adjustment Amount)}}{\text{(Pre-Dividend Sale Price)}}$$

provided that if the numerator of the foregoing fraction is less than $1.00 (including a negative amount), then in lieu of any adjustment under this clause (5), we shall make adequate provision so that each holder of notes shall have the right to receive upon conversion, in addition to the cash and ordinary shares issuable upon such conversion (as provided above in —"General"), the amount of cash such holder would have received had such holder converted its notes solely into our ordinary shares at the then

applicable Conversion Price immediately prior to the record date for such cash dividend or cash distribution;

"Pre-Dividend Sale Price" means the average ordinary share price for the three consecutive trading days ending on the trading day immediately preceding the record date for such dividend or distribution. "Dividend Adjustment Amount" means the full amount of the dividend or distribution to the extent payable in cash applicable to one ordinary share.

(6) we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our ordinary shares to the extent that the cash and value of any other consideration included in the payment per ordinary shares has a fair market value that exceeds the ordinary share price on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; or

(7) someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing of the offer, our board of directors is not recommending rejection of the offer. The adjustment referred to in this clause will only be made if: (a) the tender offer or exchange offer is for an amount that increases the offeror's ownership of our ordinary shares to more than 25% of the total shares of our outstanding ordinary shares, and (b) the cash and value of any other consideration included in the payment per ordinary share has a fair market value that exceeds the ordinary share price on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer. However, the adjustment referred to in this clause will not be made if, as of the closing of the offer, the offering documents with respect to such offer disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our properties and assets.

If we reclassify our ordinary shares or we are a party to a consolidation, merger, share exchange, sale of all or substantially all of our properties and assets or other similar transaction, in each case pursuant to which our ordinary shares are converted into cash, securities, or other property, then at the effective time of the transaction, a holder's right to convert its notes into cash and our ordinary shares will be changed into a right to convert such notes into the kind and amount of cash, securities and other property that such holder would have received if such holder had converted such notes solely into our ordinary shares at the then applicable Conversion Price immediately prior to the effective date of such transaction.

The Conversion Price will not be adjusted for the issuance of our ordinary shares (or securities convertible into or exchangeable for our ordinary shares), except as described above. For example, the Conversion Price will not be adjusted upon the issuance of our ordinary shares under any present or future employee benefit plan or program of ours.

We will not issue fractional ordinary shares to a holder who converts a note. In lieu of issuing fractional shares, we will pay cash based on the Ten Day Average Closing Share Price.

If the conversion price is adjusted, you might be treated as receiving a constructive distribution from us, resulting in ordinary income to you for U.S. federal income tax purposes, even though you would not receive any cash related to that adjustment and even though you might not exercise your conversion right. See "Certain Tax Consequences—Material U.S. Federal Income Tax Consequences—Conversion Price Adjustments."

We may from time to time reduce the Conversion Price if our board of directors determines that this reduction would be in the best interests of Kerzner. Any such determination by our

board of directors will be conclusive. Any such reduction in the Conversion Price must remain in effect for at least 20 trading days or such longer period as may be required by law. In addition, we may from time to time reduce the Conversion Price if our board of directors deems it advisable to avoid or diminish any income tax to holders of our ordinary shares resulting from any stock or rights distribution on our ordinary shares.

Ranking

The notes will be our unsecured senior subordinated obligations, will rank junior to all of our existing and future senior debt, including debt under our revolving credit facility and will rank equal to our existing and future senior subordinated debt. The notes will be effectively subordinated to our existing and future secured indebtedness, including indebtedness under our revolving credit facility, to the extent of the value of the assets securing that secured indebtedness. As of December 31, 2003, we had $0.4 million of senior secured indebtedness outstanding in the form of capital leases, $16.5 million of letters of credit outstanding under our revolving credit facility, $237.0 million of additional availability under our revolving credit facility and $400 million 8⅞% senior subordinated notes due 2011. The notes will be effectively subordinated to our subsidiaries' existing and future liabilities, including guarantees of our 8⅞% senior subordinated notes. As of December 31, 2003, our subsidiaries had approximately $169 million of trade payables and accrued liabilities (which includes capital creditors and excludes guarantees of our indebtedness and intercompany indebtedness). Our subsidiaries have guaranteed the repayment of our borrowings under the revolving credit facility.

Subordination

The indenture will provide that no payment of any kind or character from any source may be made by or on behalf of us, on account of the principal of, premium, if any, or interest (including additional interest or Additional Amounts, if any) on the notes (including any repurchases of notes and rescission payments), or on account of the redemption provisions of the notes, for cash or property, (i) upon the maturity of any of our senior indebtedness by lapse of time, acceleration (unless waived) or otherwise, unless and until all principal of, premium, if any, the interest on and any fee or other amount due in respect of such senior indebtedness are first paid in full, or (ii) in the event of default in the payment of any principal of, premium, if any, or interest on or any fee or other amount due in respect of our senior indebtedness when it becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise (a "Payment Default"), unless and until such Payment Default has been cured or waived or otherwise has ceased to exist.

Upon (i) the happening of an event of default (other than a Payment Default) that permits the holders of senior indebtedness to declare such senior indebtedness to be due and payable and (ii) written notice of such event of default given to the trustee by the representative of the lenders under the Credit Agreement or the holders of at least $25 million principal amount outstanding of any other Senior Debt or their representative (a "Payment Blockage Notice"), then, unless and until such event of default has been cured or waived or otherwise has ceased to exist (including by reason of the repayment in full of such senior indebtedness in cash or cash equivalents), no payment (by set-off or otherwise) may be made by or on behalf of us on account of the principal of, premium, if any, or interest (including additional interest, if any) or Additional Amounts on the notes, including any repurchases of notes and rescission payments; *provided, however*, that so long as our Credit Agreement is in effect, a Payment Blockage Notice may only be given by the Representative under the Credit Agreement unless otherwise agreed in writing by the requisite lenders under the Credit Agreement.

Notwithstanding the foregoing, unless the Senior Debt in respect of which such event of default exists has been declared due and payable in its entirety within 179 days after the Payment Blockage Notice is delivered as set forth above (the "Payment Blockage Period") (and such declaration has not been rescinded or waived), at the end of the Payment Blockage Period, we shall be required to pay all sums not paid to the holders of the notes during the Payment Blockage Period due to the foregoing prohibitions and to resume all other payments as and when due on the notes. Any number of Payment Blockage Notices may be given; provided, however, that (i) not more than one Payment Blockage Notice shall be given within a period of any 360 consecutive days, and (ii) no default that existed upon the date of such Payment Blockage Notice or the commencement of such Payment Blockage Period (whether or not such event of default is on the same issue of Senior Debt) shall be made the basis for the commencement of any other Payment Blockage Period, unless such event of default shall have been cured or waived for a period of not less than 90 days.

Upon any distribution of our assets upon any dissolution, winding up, total or partial liquidation or reorganization of us, whether voluntary or involuntary, in bankruptcy, insolvency, receivership or a similar proceeding or upon assignment for the benefit of creditors or any marshalling of assets or liabilities, (i) the holders of all Senior Debt, will first be entitled to receive payment in full in cash or cash equivalents before the holders of the notes are entitled to receive any payment on account of principal of, premium, if any, and interest (including additional interest, if any) or Additional Amounts on the notes, including any repurchases of notes and rescission payments other than payments by way of the issuance of Junior Securities and (ii) any payment or distribution of our assets of any kind or character from any source, whether in cash, property or securities other than Junior Securities, to which the holders or the trustee on behalf of the holders would be entitled (by set-off or otherwise), except for the subordination provisions contained in the indenture, will be paid by the liquidating trustee or agent or other person making such a payment or distribution directly to the holders of such Senior Debt or their representative to the extent necessary to make payment in full in cash or cash equivalents on all such Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

In the event that, notwithstanding the foregoing, any payment or distribution of assets (other than, where applicable, Junior Securities) shall be received by the trustee or the holders of the notes at a time when such payment or distribution is prohibited by the foregoing provisions, such payment or distribution shall be held in trust for the benefit of the holders of such Senior Debt, and shall be paid or delivered by the trustee or such holders of the notes, as the case may be, to the holders of such Senior Debt remaining unpaid or unprovided for or to their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, ratably according to the aggregate principal amounts remaining unpaid on account of such Senior Debt held or represented by each, for application to the payment of all such Senior Debt remaining unpaid, to the extent necessary to pay all such Senior Debt in full in cash or cash equivalents or otherwise to the extent holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents after giving effect to any concurrent payment or distribution to the holders of such Senior Debt.

No provision contained in the indenture or the notes will affect our obligation, which is absolute and unconditional, to pay, when due, principal of, premium, if any, interest and additional interest on the notes. The subordination provisions of the indenture and the notes will not prevent the occurrence of any default or event of default under the indenture or limit the rights of the trustee or any holder of the notes to pursue any other rights or remedies with respect to the notes.

As a result of these subordination provisions, in the event of the liquidation, bankruptcy, reorganization, insolvency, receivership or similar proceeding or an assignment for the benefit of our creditors or a marshalling of our assets or liabilities, holders of the notes of the notes may receive ratably less than other creditors.

Certain Definitions:

"Credit Agreement" means the Fourth Amended and Restated Revolving Credit Facility dated as of November 13, 2001 among Kerzner, KINA and Kerzner International Bahamas Limited, various financial institutions as Lenders and Canadian Imperial Bank of Commerce, as administrative agent, providing for providing for a revolving credit facility, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such credit agreement and/or related documents may be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders, and, subject to the proviso to the next succeeding sentence, irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term "Credit Agreement" shall include agreements in respect of interest swap and hedging obligations entered into for bona fide hedging purposes and not entered into for speculative purposes with lenders party to the Credit Agreement or their affiliates and shall also include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any Credit Agreement and all refundings, refinancings and replacements of any Credit Agreement, including any agreement (i) extending or shortening the maturity of any indebtedness incurred thereunder or contemplated thereby, (ii) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers include one or more of Kerzner and its subsidiaries and their respective successors and assigns, (iii) increasing the amount of indebtedness incurred thereunder or available to be borrowed thereunder, or (iv) otherwise altering the terms and conditions thereof in a manner not prohibited by the terms hereof.

"Junior Security" means any of our capital stock (other than disqualified capital stock) and any our indebtedness, that (i) is subordinated in right of payment to Senior Debt at least to the same extent as the notes, (ii) has no scheduled installment of principal due, by redemption, sinking fund payment or otherwise, on or prior to the stated maturity of the notes, (iii) does not have covenants or default provisions materially more beneficial to the holders of the notes than those in effect with respect to the notes on the issue date and (iv) was authorized by an order or decree of a court of competent jurisdiction that gave effect to (and states in such order or decree that effect has been given to) the subordination of such securities to all of our Senior Debt not paid in full in cash or cash equivalents in connection with such reorganization; provided that all such Senior Debt is assumed by the reorganized corporation and the rights of the holders of any such Senior Debt are not, without the consent of such holders, altered by such reorganization, which consent shall be deemed to have been given if the holders of such Senior Debt, individually or as a class, shall have approved such reorganization.

"Senior Debt" means our indebtedness (including and together with all monetary obligations in respect of the Credit Agreement, and interest, whether or not allowable, accruing on indebtedness incurred pursuant to the Credit Agreement after the filing of a petition initiating any proceeding under any bankruptcy, insolvency or similar law or which would have accrued but for such filing) arising under the Credit Agreement or that, by the terms of the instrument creating or evidencing such indebtedness, is expressly designated Senior Debt and made senior in right of payment to the notes; provided, that in no event shall Senior Debt include (a) indebtedness to any subsidiary of ours or any officer, director or employee of us or any of our subsidiaries (other than indebtedness that is required to be pledged to the lenders under the

credit agreement), (b) indebtedness incurred in violation of the terms of the indenture including, without limitation, indebtedness claiming to be subordinated to any other indebtedness and senior to the notes, (c) indebtedness to trade creditors, (d) disqualified capital stock (which generally means any equity security of ours that is convertible, exercisable or exchangeable, or that is redeemible or repurchable by us at the option of the holder thereof, prior to the maturity of the notes), and (e) any liability for taxes owed or owing by us.

Optional Redemption of the Notes

Beginning on April 21, 2014, we may redeem the notes, in whole at any time, or in part from time to time, for cash at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest (including additional interest, if any) up to but not including the date of redemption. We will give not less than 30 days' nor more than 60 days' notice of redemption by mail to holders of the notes.

If we opt to redeem less than all of the notes at any time, the trustee will select or cause to be selected the notes to be redeemed by any method that it deems fair and appropriate. In the event of a partial redemption, the trustee may select for redemption portions of the principal amount of any note in principal amounts of $1,000 and integral multiples thereof.

Required Regulatory Redemption

If a holder or a beneficial owner of a note is required by any gaming authority to be found suitable to hold the notes, the holder shall apply for a finding of suitability within 30 days after a gaming authority requests or sooner if so required by such gaming authority. The applicant for a finding of suitability must pay all costs of the investigation for such finding of suitability. If a holder or beneficial owner is required to be found suitable to hold the notes and is not found suitable by a gaming authority, the holder shall, to the extent required by applicable law, dispose of his notes within 30 days or within that time prescribed by a gaming authority, whichever is earlier. If the holder fails to dispose of its notes within such time period, we may, at our option, redeem the holder's notes (a "Required Regulatory Redemption") at, depending on applicable law, (i) the principal amount thereof, together with accrued and unpaid interest and liquidated damages, if any, to the date of the finding of unsuitability by a gaming authority, (ii) the amount that such holder paid for the notes, (iii) the lowest of clauses (i) and (ii) or (iv) such other amount as may be determined by the appropriate gaming authority. See "Risk Factors—We may require you to dispose of your notes or redeem your notes if required by applicable gaming regulations."

"Gaming authority" means any regulatory body responsible for a gaming license held by Kerzner or a subsidiary of Kerzner or any agency (including, without limitation, any agency established by a United States Federally-recognized Indian tribe to regulate gaming on such tribe's reservation) which has, or may at any time after the issue date have, jurisdiction over the gaming activities of us or any of our subsidiaries or any successor to such authority.

Repurchase of Notes at the Option of the Holder

A holder has the right to require us to repurchase all or a portion of its notes on April 15, 2014 and 2019. We will repurchase the notes for an amount of cash equal to 100% of the principal amount of the notes on the date of repurchase, plus accrued and unpaid interest (including additional interest, if any) up to but not including the date of repurchase.

We will be required to give notice on a date not less than 30 business days prior to each date of repurchase to the trustee and all holders at their addresses shown in the register of the

registrar, and to beneficial owners as required by applicable law, stating among other things, the procedures that holders must follow to require us to repurchase their notes.

Subject to applicable law, repurchase notice given by a holder electing to require us to repurchase its notes will be irrevocable. Rule 13e-4 under the Securities Act of 1934 requires the dissemination of certain information to security holders if an issuer tender offer occurs and may apply if the repurchase option becomes available to holders of the notes. We will comply with this rule, Rule 14e-1 and any other tender offer rules under the Securities Exchange Act of 1934 which may then be applicable and file Schedule TO (or any similar schedule) to the extent applicable at that time.

Payment of the repurchase price for the notes will be made promptly following the later of the date of repurchase and the time of delivery of the notes.

If the paying agent holds money sufficient to pay the repurchase price of the note on the business day following the date of repurchase in accordance with the terms of the indenture, then, immediately after the date of repurchase, the note will cease to be outstanding, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the repurchase price upon delivery of the note.

Our ability to repurchase notes may be limited by the terms of our then existing indebtedness or financing agreements. If we are obligated to repurchase the notes, there can be no assurance that we will be able to obtain all required consents under our then existing indebtedness or have available funds sufficient to repay indebtedness and to pay the repurchase price for all the notes we may be required to repurchase. Our ability to pay cash to holders electing to require us to repurchase the notes also may be limited by our then existing financial resources. We cannot assure you that sufficient funds will be available when necessary to make any required repurchases. We would need to seek third-party financing to the extent we do not have available funds to meet our repurchase obligations. However, there can be no assurance that we would be able to obtain any such financing. See "Risk Factors—Risks Relating to an Investment in the Notes and our Ordinary Shares."

No notes may be repurchased at the option of holders if there has occurred and is continuing an event of default with respect to the notes, other than a default in the payment of the repurchase price with respect to such notes.

Mandatory Redemption or Repurchase

Except as described in this offering memorandum under "—Right to Require Repurchase of Notes Upon a Change in Control" and "—Repurchase of Notes at the Option of the Holder," we are not required to repurchase or redeem the notes. There are no sinking fund payments.

Right to Require Repurchase of Notes Upon a Change in Control

If a change in control (as defined below) occurs, each holder of notes may require that we repurchase all or a portion of the holder's notes on the date fixed by us that is not less than 30 days nor more than 45 days after we give notice of the change in control. We will repurchase the notes for an amount of cash equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including additional interest, if any) up to but not including the date of repurchase.

A "Change of Control" means

- any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets, on a consolidated basis, of Kerzner in one transaction or a series of related transactions (in each case other than to a person that is a Permitted Holder);
- any merger or consolidation of Kerzner with or into any person if, immediately after giving effect to such transaction, any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) (other than one or more Permitted Holders) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the surviving entity or entities;
- any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) (other than one or more Permitted Holders) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of Kerzner then outstanding normally entitled to vote in elections of directors;
- during any period of 12 consecutive months after the issue date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of Kerzner (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of Kerzner was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Kerzner then in office; or
- the adoption of a plan relating to the liquidation or dissolution of Kerzner.

The definition of "change in control" includes a phrase relating to the sale, lease, exchange or other transfer of "all or substantially all" of our properties and assets. Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase such notes as a result of a sale, lease, exchange or other transfer of less than all of our properties and assets to another person or Group may be uncertain.

The terms "beneficial owner" and "beneficially own" will be determined in accordance with Rules 13d-3 and 13d-5 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any successor provision, except that (i) a person shall be deemed to have "beneficial ownership" of all our ordinary shares that the person has the right to acquire, whether exercisable immediately or only after the passage of time and (ii) any percentage of beneficial ownership shall be determined using the definition in clause (i) in both the numerator and the denominator.

"Permitted Holder" means Solomon Kerzner, his immediate family or a trust or similar entity existing solely for his benefit or for the benefit of his immediate family.

On or before the 20th business day after a change in control, we must mail to the trustee and all holders of the notes a notice of the occurrence of the change in control and of the repurchase right arising as a result thereof, stating the procedures that a holder of notes must follow in order to exercise the repurchase right.

On the date of repurchase, we will deposit with a paying agent an amount of money sufficient to pay the aggregate repurchase price of the notes that is to be paid on the date of repurchase. Payment of the repurchase price for the notes will be made promptly following the later of the date of repurchase and the time of delivery of the notes.

If the paying agent holds money sufficient to pay the repurchase price of the note on the business day following the date of repurchase in accordance with the terms of the indenture, then, immediately after the date of repurchase, the note will cease to be outstanding, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the repurchase price upon delivery of the note.

The repurchase notice given by a holder electing to require that we repurchase the holder's notes may be withdrawn by the holder by a written notice of withdrawal delivered to the paying agent prior to the close of business on the repurchase date. The notice of withdrawal shall state:

- the principal amount being withdrawn;
- the principal amount, if any, not being withdrawn; and
- if certificated notes have been issued, the certificate numbers of the notes being withdrawn.

In connection with any change in control repurchase offer, we expect to comply with any tender offer rules under the Exchange Act that may then be applicable.

Our ability to repurchase notes may be limited by the terms of our then existing indebtedness or financing agreements. We will use reasonable best efforts within 30 days following any change in control to:

- obtain the consents under all indebtedness required to permit the repurchase of the notes pursuant to a change in control offer; or
- repay in full all indebtedness and terminate all commitments under all indebtedness, the terms of which would prohibit the repurchase of the notes under a change in control offer.

If we are obligated to make a change in control offer, there can be no assurance that we will be able to obtain all required consents under our then existing indebtedness or have available funds sufficient to repay indebtedness and to pay the change in control repurchase price for all the notes tendered under a change in control offer. Our ability to pay cash to holders of notes following the occurrence of a change in control also may be limited by our then-existing financial resources. We cannot assure you that sufficient funds will be available when necessary to make any required repurchases. We would need to seek third-party financing to the extent we do not have available funds to meet our repurchase obligations. However, there can be no assurance that we would be able to obtain any such financing. See "Risk Factors—Risks Relating to an Investment in the Notes and our Ordinary Shares."

The effect of these provisions granting the holders the right to require us to repurchase the notes upon the occurrence of a change in control may make it more difficult for any person or Group to acquire control of us or to effect a business combination with us.

Our obligation to make a change in control offer will be satisfied if a third party makes the change in control offer in the manner and at the times and otherwise in compliance in all material respects with the requirements applicable to a change in control offer made by us and purchases all notes properly tendered and not withdrawn under the change in control offer.

No notes may be repurchased at the option of holders if there has occurred and is continuing an event of default with respect to the notes, other than a default in the payment of the repurchase price with respect to such notes.

Consolidation, Merger and Sale of Assets

We may, without the consent of the holders of any of the notes, consolidate or merge with or into (whether or not we are the surviving person) another person or sell, lease, exchange or

otherwise transfer (in one transaction or a series of related transactions) all or substantially all our properties and assets to any other person, if:

- we are the resulting or surviving corporation, or the successor, transferee or lessee, if other than us, is a corporation, limited partnership, limited liability company or other business entity organized and validly existing under the laws of the Commonwealth of The Bahamas, any member country of the European Union, Canada or the United States, any state thereof or the District of Columbia and expressly assumes our obligations under the indenture and the notes by means of a supplemental indenture entered into with the trustee; and
- immediately after giving effect to the transaction, no event of default and no event that, with notice or lapse of time, or both, would constitute an event of default, shall have occurred and be continuing.

Under any consolidation, merger or any sale, lease, exchange or other transfer of our properties and assets as described in the preceding paragraph, the successor company will be our successor and shall succeed to, and be substituted for, and may exercise every right and power of, Kerzner under the indenture. Thereafter, we will be released from our obligations and covenants under the indenture and the notes, except in the case of a lease of all or substantially all of our properties and assets.

Payment of Additional Amounts

We will, subject to certain limitations and exceptions (as set forth below), pay to each holder of notes such amounts (the "Additional Amounts") as may be necessary in order that every net payment or deemed payment of (i) principal, premium, additional interest and interest, if any, with respect to a note, or (ii) net proceeds on the sale, redemption, repurchase, conversion or exchange of a note, each after deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the government of The Bahamas or any authority thereof or therein having power to tax, will result in the receipt by the holders of notes of the amounts that would have been received by them had no such deduction or withholding been required; provided, however, that no such Additional Amounts shall be payable in respect of any note for:

(1) any tax, duty, levy, assessment, or other governmental charge which would not have been imposed but for the fact that such holder:

  (a) is a resident, domiciliary or national of, or engaged in business or maintains a permanent establishment or was physically present in The Bahamas or any political subdivision thereof or therein or otherwise has some connection with The Bahamas other than the mere ownership of, or receipt of payment under, such note;

  (b) presented such note for payment in The Bahamas or any political subdivision thereof or therein, unless such note could not have been presented for payment elsewhere; or

  (c) presented such note for payment more than 30 days after the date on which the payment in respect of such note became due and payable or provided for, whichever is later, except to the extent that the holder would have been entitled to such Additional Amounts if it had presented such note for payment on any day within such period of 30 days;

(2) any estate, inheritance, gift, sales, transfer, or similar tax, assessment or other governmental charge or any taxes, duties, levies, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the notes;

(3) any tax, duty, levy, assessment, or other governmental charge imposed on a holder that is not the beneficial owner of a note to the extent that the beneficial owner would not have been entitled to the payment of Additional Amounts had the beneficial owner directly held the note; or

(4) any combination of items (1), (2) and (3).

Whenever there is mentioned, in any context, the payment of the principal of or any premium or interest on or additional interest, if any, in respect of, any note or the net proceeds received on the sale, redemption, repurchase, conversion or exchange of any note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in the indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the indenture.

Without limiting a holder's right to receive payment of Additional Amounts, in the event that Additional Amounts actually paid with respect to the notes are based on rates of deduction or withholding of Bahamian taxes in excess of the appropriate rate applicable to the holder of such notes and, as a result thereof, such holder of notes is entitled to make a claim for a refund or credit of such excess, then such holder of notes shall, by accepting the notes and receiving a payment of Additional Amounts, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. By making such assignment, the holder of notes makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Optional Tax Redemption

The notes may be redeemed at our option, in whole but not in part, upon not less than 30 nor more than 60 days notice given as provided in the indenture, at any time at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, thereon, plus additional interest, if any, to the date fixed for redemption if, as a result of any change in or amendment to the laws, treaties, rulings or regulations of The Bahamas, or of any political subdivision or taxing authority thereof or therein, or any change in the official position of the applicable taxing authority regarding the application or interpretation of such laws, treaties, rulings or regulations (including a holding, judgment or order of a court of competent jurisdiction) or any execution thereof or amendment thereto, which is enacted into law or otherwise becomes effective after the issue date, we are or would be required on the next succeeding interest payment date to pay Additional Amounts on the notes as a result of the imposition of a Bahamian tax and the payment of such Additional Amounts cannot be avoided by the use of any reasonable measures available to us which do not cause us to incur any material costs. We also shall pay to holders on the redemption date any Additional Amounts then due and which will become due as a result of the redemption or would otherwise be payable.

Prior to the publication of any notice of redemption in accordance with the foregoing, we shall deliver to the trustee an officer's certificate stating that (i) the payment of Additional Amounts cannot be avoided by the use of any reasonable measures available to us which do not cause us to incur any material costs and (ii) we are entitled to effect such redemption based on the written, substantially unqualified opinion of counsel, which counsel shall be reasonably acceptable to the trustee, that we have or will become obligated to pay Additional Amounts as a result of such change or amendment. The notice, once delivered by us to the trustee, will be irrevocable.

Selection and Notice

In the case of a partial redemption (other than a required regulatory redemption), the trustee shall select the notes or portions thereof for redemption on a *pro rata* basis, by lot or in such

other manner it deems appropriate and fair. The notes may be redeemed in part in multiples of $1,000 only.

The notes will not have the benefit of any sinking fund.

Except as required by a gaming authority with respect to a required regulatory redemption, notice of any redemption will be sent, by first class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption to the holder of each note to be redeemed to such holder's last address as then shown upon the registry books of the registrar. Any notice which relates to a note to be redeemed in part only must state the portion of the principal amount equal to the unredeemed portion thereof and must state that on and after the date of redemption, upon surrender of such note, a new note or notes in a principal amount equal to the unredeemed portion thereof will be issued. On and after the date of redemption, interest will cease to accrue on the notes or portions thereof called for redemption, unless we default in the payment thereof.

Modification and Waiver

We and the trustee may enter into one or more supplemental indentures that add, change or eliminate provisions of the indenture or modify the rights of the holders of the notes with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note, no supplemental indenture may, among other things:

- change the stated maturity of the principal of, or payment date of any installment of interest on, any note;
- reduce the principal amount or redemption price of, or the rate of interest on, any note, whether upon acceleration, redemption or otherwise, or alter the manner of calculation of interest or the rate of accrual thereof on any note;
- change the currency in which the principal of any note or interest is payable;
- impair the right to institute suit for the enforcement of any payment of any amount with respect to any note when due;
- adversely affect the rights provided in the indenture to convert any note;
- modify the provisions of the indenture relating to our requirement to repurchase notes:
  - upon a change in control after the occurrence thereof; or
  - on April 15, 2014 and 2019;
- reduce the percentage of principal amount of the outstanding notes necessary to modify or amend the indenture or to consent to any waiver provided for in the indenture;
- waive a default in the payment of any amount or ordinary shares due in connection with any note; or
- make changes to certain sections of the indenture relating to the waiver of past defaults, the holders' right to convert and amendments to the indenture that require consent of each holder.

The holders of a majority in principal amount of the outstanding notes may, on behalf of the holders of all notes:

- waive compliance by us with restrictive provisions of the indenture other than as provided in the preceding paragraph; and
- waive any past default under the indenture and its consequences, except a default in the payment of the principal of, or redemption or purchase price of, or any interest on, any

note or in respect of a provision that under the indenture cannot be modified or amended without the consent of the holder of each outstanding note affected.

Without the consent of any holders of notes, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

- to cure any ambiguity, omission, defect or inconsistency in the indenture;
- to evidence a successor to us and the assumption by the successor of our obligations under the indenture and the notes;
- to make any change that does not adversely affect the rights of any holder of the notes in any material respect, provided that any change to the indenture to conform it to this offering memorandum shall be deemed not to adversely affect the rights of any holder of the notes;
- to comply with the provisions of the Trust Indenture Act, or with any requirement of the SEC in connection with the qualification of the indenture under the Trust Indenture Act;
- to evidence and provide for the acceptance of appointment under the indenture by a successor trustee with respect to the notes; or
- to make provisions with respect to the conversion right of the holders pursuant to the requirements of the indenture.

Events of Default

Each of the following is an event of default under the indenture:

(1) our failure to pay any installment of interest or additional interest, if any, on the notes as and when the same becomes due and payable and the continuance of any such failure for 30 days;

(2) our failure to pay all or any part of the principal, or premium, if any, on the notes when and as the same becomes due and payable at maturity, redemption, by acceleration or otherwise, whether or not prohibited by the subordination provisions of the indenture (including the failure to make cash payments due upon conversion, or make a payment to repurchase notes tendered pursuant to a change of control offer or the failure to repurchase notes at your option on April 15, 2014 and 2019);

(3) our failure to otherwise comply with the covenants described under "—Repurchase of Notes at the Option of the Holder upon a Change of Control," and "—Limitation on Merger, Sale or Consolidation," including failure to provide notice of the occurrence of a change of control on a timely basis;

(4) failure by us or any of our subsidiaries to observe or perform any other covenant or agreement contained in the indenture (except as provided in clauses (1), (2) and (3) above) and the continuance of such failure for a period of 60 days after written notice is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the notes outstanding;

(5) certain events of bankruptcy, insolvency or reorganization in respect of either of us or any of our significant subsidiaries;

(6) a default in indebtedness of us or any of our subsidiaries with an aggregate principal amount in excess of $10 million (a) resulting from the failure to pay any principal at final stated maturity or (b) as a result of which the maturity of such indebtedness has been accelerated prior to its stated maturity; and

(7) final unsatisfied judgments not covered by insurance aggregating in excess of $10 million, at any one time rendered against us or any of our subsidiaries and either (a) the commencement by any creditor of any enforcement proceeding upon any such

judgment that is not promptly stayed or (b) such judgment is not stayed, bonded or discharged within 60 days.

If an event of default (other than an event of default specified in clause (5) above) shall occur and be continuing, the trustee may, and at the written request of the holders of at least 25% in principal amount of outstanding notes shall, declare the principal of and accrued interest on all the notes to be due and payable by written notice to us, and such notice shall specify the respective event of default and that it is a "notice of acceleration". Upon delivery of such notice, the principal of and accrued but unpaid interest (including additional interest, if any) on all the notes shall become immediately due and payable.

If an event of default specified in clause (5) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued but unpaid interest (including additional interest, if any) on all of the outstanding notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

At any time after a declaration of acceleration with respect to the notes, the holders of a majority in aggregate principal amount of the notes may rescind and cancel such declaration and its consequences:

- if the rescission would not conflict with any judgment or decree;
- if all existing events of default have been cured or waived except nonpayment of principal or interest that has become due solely because of such acceleration;
- if interest on overdue installments of interest (to the extent the payment of such interest is lawful) and on overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;
- if we have paid the trustee its reasonable compensation and reimbursed the trustee for its expenses, disbursements and advances; and
- in the event of the cure or waiver of an event of default of the type described in clause (4) of the description above of events of default, the trustee has received an officers' certificate and an opinion of counsel that such event of default has been cured or waived.

No such rescission shall affect any subsequent default or impair any rights arising from a subsequent default.

The holders of a majority in aggregate principal amount of the notes at the time outstanding may waive any existing event of default under the indenture, and its consequences, except an event of default in the payment of the principal of or interest on any notes, an event of default in respect of a provision that cannot be amended without the consent of each holder of notes affected, or an event of default which constitutes a failure to convert any note in accordance with the terms of the indenture.

The holders of the notes may not enforce the indenture or the notes except as provided in the indenture and under the Trust Indenture Act. Subject to the provisions of the indenture relating to the duties of the trustee, the trustee is under no obligation to exercise any of its rights or powers under the indenture at the request, order or direction of any of the holders. Subject to all provisions of the indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

We are required to provide an officers' certificate to the trustee promptly upon our obtaining knowledge of any default or event of default under the indenture, describing such default or event of default and what action we are taking or propose to take with respect thereto. In addition, we must provide to the trustee an annual certification as to the existence of defaults and events of default under the indenture.

Discharge of the Indenture

We may satisfy and discharge our obligations under the indenture by delivering to the trustee for cancellation all outstanding notes or by depositing with the trustee, the paying agent or the conversion agent, if applicable, after the notes have become due and payable, whether at stated maturity or any redemption date, or any repurchase date, or upon conversion or otherwise, cash or our ordinary shares (as applicable under the terms of the indenture) sufficient to pay all of the outstanding notes and paying all other sums payable under the indenture.

Book-Entry System

The notes are issued in the form of global securities held in book-entry form. DTC or its nominee is the sole registered holder of the notes for all purposes under the indenture. Owners of beneficial interests in the notes represented by the global securities hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities are shown on, and transfers are effected only through, records maintained by DTC and its direct and indirect participants. Any such interests may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of their interests, including any right to convert or require repurchase of their interests in the notes, in accordance with the procedures and practices of DTC. Beneficial owners are not holders and are not entitled to any rights under the global securities or the indenture. We and the trustee, and any of our respective agents, shall treat DTC as the sole holder and registered owner of the global securities.

Exchange of Global Securities

The notes, represented by one or more global securities, will be exchangeable for certificated securities in fully registered form with the same terms only if:

- DTC is unwilling or unable to continue as depositary or DTC ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depositary within 90 days;
- we decide to discontinue use of the system of book-entry transfer through DTC or any successor depositary; or
- an event of default under the indenture has occurred and is continuing, and DTC notifies the trustee that it elects to cause the issuance of certificated notes.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" for registered participants, and it facilitates the settlement of transactions among its participants in those securities through electronic computerized book-entry changes in participants' accounts, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, including the initial purchaser, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Registration Rights

We will enter into a registration rights agreement with the initial purchasers of the notes for the benefit of the holders of the notes and our ordinary shares issuable on conversion of the notes. Under this agreement, we will at our cost:

- on or prior to the 90th day after the first date of original issuance of the notes, file a shelf registration statement with the Commission covering resales of the notes and ordinary shares issuable on conversion of the notes;
- use commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act no later than 225 days after the first date of original issuance of the notes; and
- use commercially reasonable efforts to keep the shelf registration statement effective after its effective date until the earlier of: (1) the sale pursuant to the shelf registration statement of all of the notes and any ordinary shares issued upon conversion of the notes; (2) the expiration of the holding period applicable to the notes and our ordinary shares issuable upon conversion of the notes held by non-affiliates of Kerzner under Rule 144(k) under the Securities Act, or any successor provision; and (3) the date on which all of the notes and any ordinary shares issued upon conversion of the notes (i) cease to be outstanding or (ii) have been resold pursuant to Rule 144 under the Securities Act.

We have the right to suspend use of the shelf registration statement during specified periods of time for any bona fide reason, including pending corporate developments and public filings with the SEC and similar events for a period not to exceed 30 days in any three-month period and not to exceed an aggregate of 105 days in any 12-month period. If we fail to file the shelf registration on or prior to the 90th day after the first date of original issuance of the notes, the shelf registration statement is not declared effective on or prior to the 225th day after the first date of original issuance of the notes or, after the shelf registration statement has been declared effective, we fail to keep the shelf registration statement effective or usable in accordance with and during the periods specified in the registration rights agreement, other than the periods during which we are permitted to suspend registration, then, in each case, we will pay additional interest to all holders of notes and additional dividends to all holders of our ordinary shares issued on conversion of notes equal to (i) in respect of each $1,000 principal amount of notes outstanding, at a rate per annum equal to 0.50% of such principal amount, and (ii) in respect of any outstanding ordinary shares issued upon conversion of notes, at a rate per annum equal to 0.50% of the principal amount of notes of an amount equal to $1,000 divided by the conversion rate in effect during such period. So long as the failure to file or become effective or such unavailability continues, we will pay additional interest or additional dividends in cash on April 15 and October 15 of each year to the person who is the holder of record of the notes or ordinary shares issued in respect of the notes, as applicable, on the immediately preceding April 1 and October 1. When such registration default is cured, accrued and unpaid additional interest and additional dividends through the date of cure will be paid in cash on the subsequent interest payment date to the record holder. Holders of ordinary shares issued in respect of the notes that have been transferred pursuant to the shelf registration statement or in accordance with Rule 144 or that are eligible for resale under Rule 144(k) will not be entitled to be included in the shelf registration statement covering resales and shall not be entitled to additional interest or additional dividends.

A holder who elects to sell any notes or ordinary shares pursuant to the shelf registration statement:

- will be required to be named as selling security holder;
- will be required to deliver a prospectus to purchasers;
- will be subject to the civil liability provisions under the Securities Act in connection with any sales; and
- will be bound by the applicable provisions of the registration rights agreement, including indemnification obligations.

We refer to the notes and ordinary shares issuable on conversion of the notes as "registrable securities." Promptly upon request from any holder of registrable securities, we will provide a form of notice and questionnaire, which must be completed and delivered by that holder to us before any intended distribution of registrable securities under the shelf registration statement. To be named as a selling security holder in the shelf registration statement when it first becomes effective, holders must complete and deliver the questionnaire in the form of Appendix A to this offering memorandum at least five business days before the effectiveness of the shelf registration statement. If we receive from a holder of registrable securities a completed questionnaire, together with such other information as we may reasonably request, after the effectiveness of the shelf registration statement, we will prepare and file (a) a prospectus supplement as soon as practicable or (b) if required, a post-effective amendment to the shelf registration statement or an additional shelf registration statement within 20 days of the receipt of such questionnaire to permit the holder to deliver a prospectus to purchasers of registrable securities. Any holder that does not complete and deliver a questionnaire or provide such other information will not be named as a selling security holder in the prospectus and therefore will not be permitted to sell any registrable securities under the shelf registration statement.

Concerning the Trustee

The Bank of New York, will serve as trustee under the indenture. The indenture will contain certain limitations on the rights of the trustee, should it become a creditor of Kerzner, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) after a default has occurred and is continuing, it must eliminate such conflict within 90 days or apply to the Commission for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. If an event of default under the indenture occurs (which is not cured), the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder has offered to the trustee security or indemnity satisfactory to it against any loss, liability or expense.

The indenture will contain certain limitations on the rights of the trustee, should it become a creditor of ours, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) after a default has occurred and is continuing, it must eliminate such conflict within 90 days or apply to the SEC for permission to continue or resign.

Governing Law

The indenture and the notes are governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF CAPITAL STOCK

Under the Kerzner's Memorandum and Articles of Association, Kerzner is currently authorized to issue 250,000,000 ordinary shares and 100,000,000 preference shares par value $.001 per share. As of December 31, 2003, 30,283,689 ordinary shares were issued and outstanding (excluding treasury shares) and no preference shares were issued and outstanding.

Ordinary Shares

Each holder of ordinary shares is entitled to one vote per share on all matters submitted to a vote of shareholders. In the election of directors, no shareholder has cumulative voting rights. Each ordinary share is entitled to share equally in dividends from sources legally available therefor when, as, and if declared by the Kerzner's Board. Upon liquidation or dissolution of Kerzner, whether voluntary or involuntary, each ordinary share is entitled to share equally in the assets of Kerzner available for distribution to the holders of the ordinary shares. No conversion or preemptive rights or redemption or sinking fund provisions are applicable to the ordinary shares. The Bank of New York is the transfer agent for the ordinary shares, and is also Kerzner's registrar.

Preference Shares

Preference shares may be issued from time to time in one or more series with such designations, voting powers, dividend rights, rights of redemption, conversion rights, other special rights, preferences and limitations as may be stated in the resolutions providing for the issue of such preference shares adopted by Kerzner's Board except that Kerzner's Articles of Association prohibit the issuance of any non-voting preference shares which are not entitled to elect at least one director of Kerzner in the case where an event of default in the payment of dividends has occurred and is continuing with respect to such shares. The issuance of preference shares with voting and conversion rights may adversely affect the voting power of the holders of ordinary shares. In addition, because the terms of such preference shares may be fixed by Kerzner's Board without shareholder action, the preference shares could be designated and issued quickly in the event Kerzner requires additional equity capital. The preference shares could also be designated and issued with terms calculated to defeat a proposed acquisition of Kerzner or with terms making the removal of management more difficult. Under certain circumstances, this could have the effect of decreasing the market price of the ordinary shares.

Other Matters

The statements set forth under this heading with respect to the International Business Companies Act 2000 of the Commonwealth of The Bahamas (the "IBCA"), Kerzner's Memorandum and Articles of Association (the "Kerzner Memorandum and Articles") are brief summaries thereof and do not purport to be complete; such statements are subject to the detailed provisions of the IBCA and the Kerzner Memorandum and Articles.

The rights of the holders of ordinary shares are governed principally by the IBCA and the Kerzner Memorandum and Articles.

Dividend Rights

Under the IBCA, a corporation is prohibited from making a distribution to stockholders if, after giving effect thereto: (i) such corporation would be unable to meet its liabilities as they become due in the usual course of its business; and (ii) the realizable value of the assets of such corporation would be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its issued and outstanding share capital.

Holders of ordinary shares are entitled to receive such dividends as may be declared by the Kerzner's Board out of funds legally available for such purpose. Kerzner has never declared or paid a cash dividend on ordinary shares and it does not anticipate doing so in the foreseeable future.

Voting Rights

Holders of ordinary shares vote as a single class on all matters submitted to a vote of the shareholders, with each ordinary share entitled to one vote. Unless otherwise provided by the IBCA or the Kerzner Memorandum and Articles, matters submitted to a vote of Kerzner's must be approved by a majority of the votes cast by Kerzner's shareholders. Holders of ordinary shares are not entitled to cumulative votes in the election of directors.

Directors

Number and Election of Directors. Under the IBCA, the Articles of Association of a corporation may specify the number of directors. The Kerzner Articles of Association currently provide that Kerzner's Board shall consist of five directors each serving until the annual general meeting and then, as elected at such meeting, to serve until the date of the next annual general meeting or, if later, the date his successors shall be duly elected and qualified. Kerzner's shareholders, by resolution, may fill vacancies and newly created directorships. Two of Kerzner's directors must be independent directors (the "Independent Directors"). To qualify as an Independent Director, the director must not be an officer or employee of Kerzner or its subsidiaries and must not otherwise have a relationship which, in the opinion of Kerzner's Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Kerzner's Articles of Association provides that nominations for directors can be made by Kerzner's Board or by any shareholder entitled to vote for the election of directors at a general meeting.

Fiduciary Duties of Directors. Under the IBCA, directors have a duty to perform their duties honestly and in good faith, in a manner they reasonably believe to be in the best interests of the corporation of which they are a director, and with such care, diligence and skill as a reasonably prudent person would use under similar circumstances. The burden of proving that a director did not discharge his duties in such a manner is on the person making the allegation.

Call of Extraordinary General Meetings/Special Meetings

Subject to any provision in the Memorandum of Association or Articles of Association for a lesser percentage, Section 59 of the IBCA permits a meeting of shareholders to be called upon the written request of members holding more than 50% of the outstanding voting shares. Kerzner's Articles of Association provide that Kerzner's Board may convene an extraordinary general meeting whenever it thinks fit or when requested to do so by the holders of at least 10% of the paid-up share capital of Kerzner pursuant to the IBCA.

Action by Stockholders or Shareholders Without a Meeting

Kerzner's charter does not address the subject of shareholder action without a meeting. The IBCA provides for shareholder action without a meeting by the written consent of a majority of shareholders.

Amendment to Kerzner Memorandum

Under the IBCA, shareholders of a corporation such as Kerzner are entitled to amend the Memorandum of Association upon the affirmative vote of a majority of the outstanding ordinary shares. In addition, Section 18 of the IBCA allows the directors to amend the Memorandum of Association where permitted by the Memorandum of Association, the Articles of Association, or the IBCA. The Kerzner Memorandum of Association does not include any such provision.

Amendment to Kerzner Charter

Kerzner's Articles of Association may be amended upon the affirmative vote of a majority of the outstanding ordinary shares. In addition, Section 17 of the IBCA allows the directors to amend the Articles of Association where permitted by the Memorandum of Association, the Articles of Association or the IBCA or upon an affirmative vote of a majority of the directors present at a meeting or by a written consent signed by a majority of directors then in office.

Approval of Mergers and Asset Sales

The IBCA contains certain provisions which address the subject of mergers and asset sales. Kerzner's Articles of Association, however, address the subject in greater detail and provide that any merger or consolidation involving Kerzner or any sale, lease or other direct or indirect disposition of all or substantially all of the assets of Kerzner and its subsidiaries in a transaction or series of related transactions that could reasonably be expected to have an adverse effect on the rights of holders of ordinary shares and, in the case of any merger or consolidation that would result in the holders of ordinary shares no longer having an interest in Kerzner (or the resulting entity, successor or acquiror), it shall be a condition to the consummation of such transaction that Kerzner shall have obtained at its own expense an opinion rendered by an internationally recognized investment banking firm selected by the Independent Directors and engaged to the holders of the ordinary shares. Kerzner's Articles of Association also require approval of 50% of the Independent Directors for any such sale, lease or disposition. To qualify as an Independent Director for purposes of the above provision, the director must not be an officer or employee of Kerzner or its subsidiaries and must not otherwise have a relationship which, in the opinion of Kerzner's Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Amendment to Terms of Ordinary Shares

The rights attached to ordinary shares may only be varied or abrogated by a resolution of Kerzner's Board together with either (i) the consent in writing of the holders of a majority in nominal value of the issued ordinary shares or (ii) a resolution of members holding such ordinary shares passed at a separate meeting of the holders of ordinary shares.

Rights of Appraisal

While not using the term "Appraisal Rights" the IBCA contains a provision which gives rise to a shareholder's rights that is similar to Delaware General Corporation Law concept of appraisal rights under certain circumstances.

Under Section 82 of the IBCA a member of a company such as Kerzner shall be entitled to payment of the fair value of his shares upon dissenting from a merger, unless the company is the surviving company, a consolidation, a sale or transfer or other disposal of more than 50% of the company's assets, a redemption of a minority shares under Section 80 and an arrangement permitted by the courts. If the member and the company cannot agree on the fair value for the shares they shall each designate an appraiser and the two designated appraisers shall together

designate a third appraiser. The three appraisers shall fix the fair value of the shares of the dissenting member which shall be binding on the company and the dissenting member.

Indemnification of Directors and Officers

The IBCA permits a corporation to indemnify officers and directors for liability arising from performance of their duties as officers and directors with certain exceptions. Kerzner's Articles of Association provide for indemnification of officers, directors and agents of Kerzner to the fullest extent permitted under the IBCA provided that such officer, director or agent acted in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of Kerzner and with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

Anti-Takeover Provisions

The IBCA and Kerzner's Articles of Association do not contain any anti-takeover provisions.

Rights of Inspection

Under the IBCA, every member, upon proper written request stating the purpose thereof, may inspect the corporate books and records during usual business hours as long as such inspection is for a proper purpose. A "proper purpose" is defined as any purpose reasonably related to the interest of the inspecting person as a member.

Liquidation Rights

See "Ordinary Shares" above.

Case Law and Court Systems

In The Bahamas, matters arising under the IBCA are adjudicated by the Supreme Court of The Bahamas. Due to the fact that there is no substantial body of case law in The Bahamas interpreting the IBCA, the Supreme Court may look to decisions of other courts in other common law jurisdictions having similar corporate law.

DESCRIPTION OF OTHER INDEBTEDNESS

Revolving Credit Facility

We have a revolving credit facility with a syndicate of banks that currently provides for aggregate borrowings at any one time of up to $253.5 million, subject to certain conditions. This amount reflects a permanent reduction of $46.5 million that occurred effective August 14, 2003. Under the terms of the revolving credit facility, the permanent reduction was required when we guaranteed $46.5 million of local project financing in connection with the redevelopment of the One&Only Palmilla. Our existing revolving credit 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 January 1, 2003, the co-borrowers obtained approval from the required Lenders under our 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. There were no borrowings outstanding as of December 31, 2003 on our revolving credit facility. Under the borrowing base calculation as of December 31, 2003, our borrowing limit was $237.0 million (after giving effect to the Palmilla guarantee referenced above and $16.5 million of letters of credit we had outstanding), as the borrowing base calculation exceeded the commitment amount. Our availability as of December 31, 2003 was $237.0 million, due to the $16.5 million in outstanding letters of credit. All amounts outstanding are unconditionally guaranteed by all significant subsidiaries that are a party to the revolving credit facility.

Loans under the revolving credit facility bear interest at (i) the higher of (a) the administrative agent's base rate or (b) the federal funds rate plus 0.50%, in either case plus an additional 0.25% to 1.75% based on a debt to earnings ratio during the period, which we refer to as the debt ratio, or (ii) the LIBO Rate (as defined) plus 1.25% to 2.75% based on the debt 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. Loans under the revolving credit facility may be prepaid and reborrowed at any time and are due in full on November 8, 2006. Commitment fees are calculated at per year rates ranging from 0.25% to 0.50%, based on the debt ratio, applied to the undrawn amount of the revolving credit facility and are payable quarterly.

The revolving credit facility contains affirmative and restrictive covenants that include:

- restrictions on the payment of dividends and repurchases of certain indebtedness;
- a minimum consolidated net worth; and
- a minimum relationship between EBITDA and (i) interest expense, (ii) total debt and (iii) senior debt.

The revolving credit facility is secured by a pledge of substantially all of our assets.

Overdraft Loan Facility

We have a revolving overdraft loan facility with The Bank of Nova Scotia in the amount of Bahamian $5.0 million (which is equal to U.S. $5.0 million). The overdraft facility bears interest at The Bank of Nova Scotia's base rate for Bahamian dollar loans plus 1.5% with repayment, subject to annual review. The overdraft facility is secured by substantially all of our Bahamian assets and ranks *pari passu* with our revolving credit facility. This facility has never been utilized.

Debt Securities

8⅞% Senior Subordinated Notes

In August 2001, we and KINA co-issued $200.0 million of 8⅞% senior subordinated notes due August 2011. The 8⅞% senior subordinated notes are unconditionally guaranteed by substantially all of our subsidiaries. Interest on the 8⅞% senior subordinated notes is payable semi-annually. In May 2002, we issued an additional $200.0 million of 8⅞% senior subordinated notes due August 2011. The notes issued in May 2002 were issued under the same indenture as the notes issued in August 2001 and have the same terms and vote together as the same series as the notes issued in August 2001.

The indenture for the 8⅞% senior subordinated notes contains certain covenants, including limitations on the ability of the issuers and the guarantors to, among other things:

- incur additional indebtedness;
- incur certain liens;
- engage in certain transactions with affiliates; and
- pay dividends and make certain other payments.

Derivative Financial Instruments

We have interest rate swap agreements designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments on our outstanding 8⅞% senior subordinated notes. As of December 31, 2003, the aggregate notional principal amount of the swap agreements was $175.0 million. The fair value of the swap agreements as of December 31, 2003, $11.8 million.

CERTAIN TAX CONSEQUENCES

Bahamian Taxation of Notes and Ordinary Shares

The following is a brief and general summary of Bahamian tax matters as they may relate to the holders of the notes and ordinary shares. The discussion is not exhaustive and is based on Bahamian law currently in effect.

The Bahamas does not impose any income, capital gains or withholding taxes. Therefore, payments of interest with respect to the notes and dividends with respect to the ordinary shares will not be subject to any withholding tax. In addition, any capital gains realized on the sale or exchange of the notes or ordinary shares will not be subject to Bahamian taxes, and no Bahamian stamp duty will be due with respect to such disposition.

Material U.S. Federal Income Tax Consequences

General

The following is a discussion of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of notes and ordinary shares. The discussion is limited in the following ways:

- The discussion only applies to you if you buy your notes in the initial offering, acquire your ordinary shares upon conversion of such notes and hold your notes and ordinary shares as capital assets (that is, for investment purposes).
- The discussion only applies to you if you are a U.S. Holder (as defined below) and do not have a special tax status (such as dealers in securities or foreign currencies, financial institutions, tax-exempt entities, real estate investment trusts, regulated investment companies, insurance companies, persons subject to the alternative minimum tax, persons holding ordinary shares as part of a hedging, integration, conversion or constructive sale transaction or a straddle, persons owning, directly or indirectly, 10% or more of our voting stock ("10% holders"), and persons whose functional currency is not the U.S. dollar).
- The discussion is based on current law. Changes in the law may change the tax treatment of notes or ordinary shares, possibly with retroactive effect.
- The discussion does not cover U.S. federal estate or non-income tax law, or any state, local or foreign tax law.
- We have not requested a ruling from the Internal Revenue Service (the "IRS") on the tax consequences described below. As a result, the IRS could disagree with this discussion.

For purposes of this discussion, the term U.S. Holder means a beneficial owner of notes or ordinary shares, as applicable, that is:

- an individual U.S. citizen or resident alien;
- a corporation, or entity taxable as a corporation for U.S. federal income tax purposes, that was created under U.S. law (federal or state);
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, if (1) a U.S. court is able to exercise primary supervision over administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) such trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds notes or ordinary shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding notes or ordinary shares, you should consult your tax advisor.

If you are considering buying notes or converting notes into ordinary shares, we suggest that you consult your tax advisor about the U.S. federal, state, local, and foreign tax consequences of the purchase, ownership and disposition of notes or ordinary shares in your particular situation.

U.S. Holders of Notes

Interest

Interest on notes, including any additional interest paid on the notes with respect to a registration default, as described in "Description of the Notes—Registration Rights", and any additional amounts paid as a result of withholding taxes imposed with respect to notes, as described in "Description of the Notes—Payment of Additional Amounts", will be taxable to you as ordinary income at the time the interest accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes.

Interest on notes should be foreign source for U.S. federal income tax purposes, except in the case of 10% holders and related persons, with respect to whom, in certain circumstances, all of a portion of the interest on the notes may be U.S. source.

Sale, Redemption, or Retirement of Notes

On the sale, redemption or retirement of your notes, you will recognize taxable gain or loss equal to the difference, if any, between the amount you receive (other than any amount attributable to accrued but unpaid interest not previously included in income) and your adjusted tax basis in the notes. Your adjusted tax basis in the notes generally will equal your cost. Any amount attributable to accrued but unpaid interest not previously included in income will be taxable to you as ordinary interest income and not as sale proceeds.

Your gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if you held the notes for more than one year. For an individual, currently the maximum tax rate on long-term capital gains is 15% for gains realized prior to January 1, 2009, and 20% for gains realized thereafter. The deductibility of capital losses is subject to limitations.

Your gain or loss should be U.S. source gain or loss for U.S. federal income tax purposes.

Conversion Price Adjustments

The conversion price of notes is subject to adjustment under certain circumstances. See "Description of the Notes—Conversion Rights—Conversion Price Adjustments". If the conversion price is adjusted, you might be treated as receiving a constructive distribution from us, resulting in ordinary income to you to the extent of our current and accumulated earnings and profits. A taxable constructive distribution might result, for example, if the conversion price is adjusted to compensate you for dividends of cash or indebtedness to holders of our ordinary shares even though you would not receive any cash related to that adjustment and even though you may not exercise your conversion right. Generally, your basis in notes should be increased by the amount of any such taxable constructive distribution.

Conversion of Notes

If you surrender notes for conversion and we deliver only cash, you will be taxed as described above under "—Sale, Redemption, or Retirement of Notes." If you surrender notes for conversion and we deliver a combination of ordinary shares and cash, your tax treatment is uncertain. You should consult you tax advisor regarding the proper treatment of the receipt of a combination of cash and ordinary shares upon a conversion of the notes, which may be different than the alternative tax treatments described below.

If the conversion is treated as a recapitalization, you would recognize any gain (but not loss) on the conversion in an amount equal to the lesser of (i) any gain realized and (ii) the cash you receive (other than any cash received in lieu of a fractional share or attributable to accrued but unpaid interest not previously included in income). Such gain should be long-term capital gain if you held the note for more than one year at the time of the conversion. Furthermore, your tax

basis in the ordinary shares received in the conversion (excluding any ordinary shares attributable to accrued but unpaid interest not previously included in income) would be equal to your adjusted tax basis in the notes, reduced by any cash received in the conversion (other than any cash received in lieu of a fractional share or attributable to accrued but unpaid interest not previously included in income) and increased by the amount of any gain recognized on the conversion (other than gain with respect to a fractional share). The holding period for any ordinary shares received (excluding any ordinary shares received that are attributable to accrued but unpaid interest) will include the holding period for the notes.

However, there can be no assurance that a conversion of notes for cash and ordinary shares will be treated as a recapitalization. For example, a conversion instead may be treated as a taxable sale of all of the notes, with respect to which you could recognize gain as described above under "—Sale, Redemption, or Retirement of Notes". Alternatively, a conversion may be treated as a partial taxable sale of a portion of notes for cash, with respect to which you could recognize gain as described above under "—Sale, Redemption, or Retirement of Notes", and a partial recapitalization, as described in the preceding paragraph.

If, upon conversion of notes, cash is received in lieu of a fractional share, you will recognize gain or loss equal to the difference between the amount of cash received in respect of the fractional share and the portion of your adjusted tax basis in the notes allocable to the fractional share.

The amount of any cash and the fair market value of any ordinary shares you receive that is attributable to accrued but unpaid interest not previously included in income will be taxable to you as ordinary income. Your tax basis in any such ordinary shares will equal their fair market value and the holding period will begin on the day following the conversion.

U.S. Holders of Ordinary Shares

Dividends

Distributions on our ordinary shares, if any, including any additional dividends paid on our ordinary shares with respect to a registration default as described in "Description of the Notes—Registration Rights", but excluding certain pro rata distributions of ordinary shares, will be treated as dividend income to the extent paid out of our current or accumulated earnings and profits. This income will be taxable to you as ordinary income on the day you receive it. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of capital, causing a reduction in the adjusted tax basis of your ordinary shares. Any distribution in excess of your adjusted tax basis will be taxed as capital gain.

In the case of an individual, currently such dividend income will be eligible for a maximum tax rate of 15% for dividends received before January 1, 2009, provided that such holder holds the ordinary shares for at least 60 days and certain other conditions are satisfied, including that the shares are readily tradable on an established securities market in the United States and that we are not a PFIC or an FPHC, as defined below. There can be no assurance that these conditions will be met. Dividends paid by us, if any, will not be eligible for the dividends received deduction allowed to corporations under U.S. law.

Depending upon certain facts and circumstances at the time any dividends are paid by us, including as to the income out of which such dividends are paid, all or a portion of such dividends may be U.S. source for U.S. federal income tax purposes, with any remainder being foreign source.

Sale of Ordinary Shares

On your sale of ordinary shares, you will recognize taxable gain or loss equal to the difference, if any, between the amount you receive and your adjusted tax basis in the ordinary shares. Your adjusted tax basis in the ordinary shares generally is equal to your cost, less any distributions treated as a tax-free return of capital, as described above.

Your gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if you held the shares for more than one year. For an individual, currently the maximum tax rate on long-term capital gains is 15% for gains realized prior to January 1, 2009, and 20% for gains realized thereafter.

Your gain or loss should be U.S. source gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company and Foreign Personal Holding Company Status

We do not believe that we are, for U.S. federal income tax purposes, a passive foreign investment company (a "PFIC"), a foreign personal holding company (an "FPHC") or a controlled foreign corporation (a "CFC"). However, there can be no assurance that we will not become a PFIC, FPHC or CFC in the future. If we are or become a PFIC, FPHC or CFC, U.S. Holders of our ordinary shares could be subject to certain additional U.S. federal income tax liabilities. You should consult you tax advisor regarding the consequences to you if we are or become a PFIC, FPHC or CFC.

Backup Withholding and Information Reporting for U.S. Holders

You may be subject to backup withholding at the applicable rate (currently 28%) with respect to payments of interest and dividends on, and gross proceeds from a sale or other taxable disposition of, notes or ordinary shares. These rules apply if you, among other things, (i) fail to furnish a Social Security number or other taxpayer identification number ("TIN") certified under penalties of perjury within a reasonable time after the request therefor; (ii) furnish an incorrect TIN; (iii) fail to properly report interest; or (iv) under certain circumstances, fail to provide a certified statement, signed under penalties of perjury, that the TIN furnished is correct and you are not subject to backup withholding.

Backup withholding is not an additional tax; any amount paid as backup withholding may be credited against your U.S. federal income tax liability, provided the requisite information is timely provided to the IRS. Certain persons are exempt from backup withholding, including corporations, provided their exemption from backup withholding is properly established. You should consult your tax advisor as to your qualification for exemption from backup withholding and the procedure for obtaining such exemption, if available.

We will report to the IRS and to U.S. Holders of notes and ordinary shares the amount of any payments of interest on notes and dividends on our ordinary shares, as well as any amounts withheld with respect to the notes or ordinary shares.

NOTICE TO INVESTORS; TRANSFER RESTRICTIONS

Because the following restrictions will apply unless we cause a registration statement with respect to the resale of the notes and ordinary shares issuable upon conversion of the notes to be declared effective under the Securities Act and your notes or ordinary shares are sold pursuant thereto, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any of the notes or ordinary shares issuable upon conversion of the notes.

The notes and our ordinary shares issuable upon conversion of the notes have not been registered under the Securities Act or any securities laws of any jurisdiction, and may not be offered or sold except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes and the ordinary shares issuable upon conversion of the notes are being offered only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Each purchaser of notes, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A under the Securities Act are used herein as defined therein):

(1) The purchaser is (a) a qualified institutional buyer, (b) aware that the sale to it is being made in reliance on Rule 144A and (c) acquiring the notes for its own account or for the account of a qualified institutional buyer.

(2) The purchaser understands that the notes and ordinary shares issuable upon conversion of the notes are being offered in a transaction not involving any public offering within the meaning of the Securities Act, that the notes and ordinary shares issuable upon conversion of the notes have not been and, except as described in this offering memorandum, will not be registered under the Securities Act and that (a) if prior to the expiration of the applicable holding period specified in Rule 144(k) under the Securities Act it decides to offer, resell, pledge or otherwise transfer any of the notes or ordinary shares issued upon conversion of the notes, such notes and ordinary shares may be offered, resold, pledged or otherwise transferred only (i) to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (iii) pursuant to an effective registration statement under the Securities Act, or (iv) to us, or one of our subsidiaries, in each of cases (i) through (iii) in accordance with any applicable securities laws of any state of the United States, and that (b) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the notes or ordinary shares from it of the resale restrictions referred to in (a) above and will provide us and the trustee (with respect to transfers of notes) or the transfer agent (with respect to transfers of ordinary shares issued upon conversion of the notes) such certificates and other information as they may reasonably require to confirm that the transfer by it complies with the foregoing restrictions, if applicable.

(3) The purchaser understands that the notes and ordinary shares issued upon conversion of the notes will, until the expiration of the applicable holding period set forth in Rule 144(k) under the Securities Act, unless sold pursuant to a registration statement that has been declared effective under the Securities Act or in compliance with Rule 144, bear a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES

ACT OF 1933, AS AMENDED, THE "SECURITIES ACT", AND THIS SECURITY AND THE ORDINARY SHARES ISSUABLE UPON CONVERSION THEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (IV) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THE SECURITY ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE.

The ordinary shares issuable upon conversion of the notes will bear a similar legend;

(4) (a) The purchaser is not an employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or "ERISA," that is subject to Title I of ERISA, a plan that is subject to Section 4975 of the Code, a governmental plan that is subject to federal, state or local law substantially similar to the foregoing provisions of ERISA or the Code, a trustee or other person acting on behalf of any such plan, or any other person or entity whose underlying assets include "plan assets" by reason of any such plan's investment in such entity or (b) such purchase and holding, and any subsequent redemption or conversion of the notes, will not result in a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar law for which there is no applicable statutory, regulatory or administrative exemption.

(5) It:

(a) is able to fend for itself in the transactions contemplated by this offering memorandum;

(b) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the notes; and

(c) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment;

(6) The purchaser has received a copy of the offering memorandum relating to the offering of the notes and acknowledges that (a) neither we nor the initial purchasers or any person representing us or the initial purchasers have made any representation to it with respect to us or the offering and the sale of the notes other than the information contained

or incorporates by reference in this offering memorandum, (b) it has had access to such financial and other information, and (c) has been offered the opportunity to ask questions of Kerzner and received answers thereto, as it deemed necessary in connection with the decision to purchase notes; and

(7) The purchaser understands that Kerzner, the initial purchasers and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and agrees that if any of the representations and acknowledgements deemed to have been made by it by its purchase of the notes are no longer accurate, the purchaser shall promptly notify Kerzner and the initial purchasers. If the purchaser is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account.

The notes will be available initially only in book-entry form. The notes will be issued in the form of one or more global notes bearing the legends set forth in item (3) above.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in the purchase agreement dated the date hereof between us, Deutsche Bank Securities Inc., Bear, Stearns & Co. Inc., J.P. Morgan Securities Inc., CIBC World Markets Corp. and Wells Fargo Securities, LLC, as initial purchasers, have severally agreed to purchase, and we have agreed to sell, $200.0 million aggregate principal amount of notes. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers.

We have been advised by the initial purchasers that the initial purchasers propose to offer and sell the notes to investors at the offering price set forth on the cover page of this offering memorandum. Pursuant to the purchase agreement, we have granted Deutsche Bank Securities Inc., as representative of the initial purchasers, an option to purchase, within 30 days of the first issuance of the notes, up to $30.0 million aggregate principal amount of additional notes, on the same terms and conditions as the original $200.0 million aggregate principal amount of notes that are being purchased.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the $200.0 million aggregate principal amount of the notes if any are purchased. The purchase agreement also provides that we will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act.

The notes and ordinary shares issuable upon conversion of the notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold except in transactions exempt from, or not subject to, the registration requirements of the Securities Act or unless registered under the Securities Act, and hedging transactions involving the notes or ordinary shares issuable upon conversion of the notes may not be conducted, directly or indirectly, unless in compliance with the Securities Act. The notes and ordinary shares issuable upon conversion of the notes will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act. We have been advised by the initial purchasers that they propose to resell the notes solely to qualified institutional buyers in reliance on Rule 144A under the Securities Act. See "Notice to Investors; Transfer Restrictions."

We, WLG, Caledonia and CMS and our directors and executive officers, subject to limited exceptions, have agreed not to directly or indirectly offer, sell, pledge, contract to sell (including any short sale), grant any option to purchase or otherwise dispose of any ordinary shares or enter into any hedging transaction relating to our ordinary shares for a period of 60 days from the date of this offering memorandum without the prior written consent of Deutsche Bank Securities Inc., as representative of the initial purchasers. Notwithstanding the foregoing, beginning 30 days after the date of this offering memorandum, certain of our directors and executive officers may exercise any options granted to them pursuant to any employee, officer or director stock option or similar benefit plan and sell the shares issuable upon such exercise, and we may during this 60 day period:

- issue the notes and the ordinary shares issuable upon conversion of the notes;
- issue any ordinary shares upon the exercise of any option granted under any employee, officer or director stock option or other benefit plan in effect on the date of this offering memorandum;
- issue ordinary shares, stock appreciation rights or share equivalents or warrants, rights or options to purchase any of the foregoing, pursuant to any employee, officer or director stock option or other benefit plan in effect on the date of this offering memorandum; and

- file a registration statement covering resales of the notes and the ordinary shares issuable upon conversion of the notes.

No action has been taken in any jurisdiction, including the U.S., by us or the initial purchasers that would permit public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except in compliance with the laws of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered by this offering memorandum in any jurisdiction in which such an offer or solicitation is unlawful.

In connection with this offering, the initial purchasers may engage in over-allotment, stabilizing transactions and covering transactions in accordance with Regulation M under the Exchange Act with respect to the notes and our ordinary shares:

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers;
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum; and
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.

These stabilizing transactions and covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The notes are new securities for which there currently is no market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The notes are expected to be made eligible for trading in The PORTAL Market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the notes and any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the pendency of any shelf registration statement. Accordingly, we can offer no assurance as to the development or liquidity of any market for the notes.

The initial purchasers or their respective affiliates from time to time have provided in the past and/or may provide in the future investment banking, commercial lending and financial advisory services to us and our affiliates in the ordinary course of business. Such initial purchasers and such affiliates have received or will receive customary compensation in connection with these services. Affiliates of Deutsche Bank Securities Inc., Bear, Stearns & Co. Inc., J.P. Morgan Securities Inc., CIBC World Markets Corp. and Wells Fargo Securities, LLC are agents and lenders under our revolving credit facility.

LEGAL MATTERS

Giselle Pyfrom, Esq., our associate general counsel, will pass upon matters of the laws of the Commonwealth of The Bahamas for us in connection with this offering. Cravath, Swaine & Moore LLP, New York, New York, and our internal counsel, will pass upon certain United States legal matters for us relating to this offering. Skadden, Arps, Slate, Meagher & Flom LLP, Los Angeles, California, will pass upon certain legal matters for the underwriters relating to this offering.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Kerzner as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, incorporated by reference in this offering memorandum, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their report (which expresses an unqualified opinion and includes explanatory paragraphs relating to the Company's adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" in 2002, and the restatement of the 2002 and 2001 consolidated financial statements) incorporated by reference herein.

The financial statements of Trading Cove Associates as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, referred to in the report of Deloitte & Touche LLP have been audited by PricewaterhouseCoopers LLP as stated in their report thereon.

The financial statements of Resorts International Hotel, Inc. for the period from January 1, 2001 to April 24, 2001 referred to in the report of Deloitte & Touche LLP have been audited by Ernst & Young LLP as stated in their report thereon.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, applicable to foreign issuers, and in accordance therewith file reports, including annual reports on Form 20-F, and other information with the SEC. We make available to our shareholders annual reports containing audited financial statements within 180 days of the end of each fiscal year and publish quarterly reports containing selected financial data for the first three quarters of the fiscal year within 60 days from the end of such fiscal quarter (in each case, prepared in accordance with generally accepted accounting principles in the United States). We are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. However, we furnish shareholders with statements with respect to annual or extraordinary meetings of shareholders, as well as such other reports as may from time to time be authorized by the board of directors or be required under law.

You may read and copy this information at the SEC's public reference facilities, Judiciary Plaza, 450 Fifth Street, NW, Room 1024, Washington, D.C. 20549 and at the SEC regional office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain copies of such information by mail from the Public Reference Section of the SEC, 450 Fifth Street, NW, Washington, D.C. 20549, at prescribed rates. The SEC also maintains a website at *http://www.sec.gov* that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company has filed the following documents with the SEC and they are incorporated by reference in this offering memorandum:

- Annual Report on Form 20-F for the fiscal year ended December 31, 2003, filed with the SEC on March 30, 2004; and
- Reports on Form 6-K filed with the SEC on March 30, 2004.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this offering memorandum is modified or superseded for purposes of this offering memorandum to the extent that a statement contained in this offering memorandum or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded does not, except as so modified or superseded, constitute a part of this offering memorandum. In addition, all other documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this offering memorandum and prior to the termination of the offering of the notes shall be deemed incorporated by reference into this offering memorandum and to be a part hereof from the date of filing of such documents or reports, to the extent not superseded by documents or reports subsequently filed.

We will provide without charge to each person to whom a copy of this offering memorandum is delivered, upon the request of such person, a copy of any or all of the documents that are incorporated by reference herein, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents. Written requests should be directed to the Secretary, Kerzner International Limited, Coral Towers, The Bahamas. Telephone requests for such copies should be directed to the general counsel at (242) 363-6017.

APPENDIX A

KERZNER INTERNATIONAL LIMITED

Form of Selling Securityholder Notice and Questionnaire

The undersigned beneficial holder of 2.375% Convertible Senior Subordinated Notes Due 2024 (the "Notes") of Kerzner International Limited (the "Company"), which Notes are convertible into Ordinary Shares, par value $0.001 per share, of the Company (the "Ordinary Shares" and together with the Notes, the "Registrable Securities"), or Ordinary Shares issued upon conversion of the Notes, understands that the Company has filed or intends to file with the Securities and Exchange Commission a registration statement (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended, of the Registrable Securities in accordance with the terms of the Registration Rights Agreement, dated as of April 5, 2004 (the "Registration Rights Agreement"), between the Company and the Initial Purchasers named therein. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling securityholder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions, as described below). Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling securityholders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the Shelf Registration Statement so that such beneficial owners may be named as selling securityholders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the Shelf Registration Statement, the Company will prepare and file (a) a prospectus supplement as soon as practicable or (b) if required, such amendments to the Shelf Registration Statement or an additional Shelf Registration Statement within 20 days of the receipt of such questionnaire, in either case as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities. The Company has agreed to pay additional interest or additional dividends pursuant to the Registration Rights Agreement under certain circumstances as set forth therein.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the related prospectus.

Notice

The undersigned beneficial owner (the "Selling Securityholder") of Registrable Securities hereby gives notice to the Company of its intention to sell or otherwise dispose of Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3) pursuant to the Shelf Registration Statement. The undersigned, by signing and returning

this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the directors and officers of the Company and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, from and against certain losses arising in connection with statements concerning the undersigned made in the Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

Upon any sale of Registrable Securities pursuant to the Shelf Registration Statement, the undersigned will be required to deliver to the Company a Notice of Transfer (completed and signed) in the form provided by the Company and hereby undertakes to do so.

If you need more space for these responses, please attach additional sheets of paper. Please be sure to indicate you name and the number of the item being responded to on each such additional sheet of paper, and to sign each such additional sheet of paper before attaching it to this Questionnaire. Please note that you may be asked to answer additional questions depending on your responses to the following questions.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Securityholder:

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

2. Address for Notices to Selling Securityholder:

_____

_____

Telephone: _____

Fax: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

(a) Type and Principal Amount (or Number of Shares) of Registrable Securities beneficially owned:

_____

(b) CUSIP No(s). of Registrable Securities beneficially owned:

_____

_____

4. Nature of Your Beneficial ownership.

(a) If the name of the beneficial owner of the Registrable Securities set forth in your response to Item 1(a) above is that of a limited partnership, state the names of the general partners of such limited partnership:

_____

_____

(b) With respect to each general partner listed in Item 4(a) above who is not a natural person, and is not publicly held, name each shareholder (or holder of partnership interests, if applicable) of such general partner. If any of these named shareholders are not natural persons or publicly held entities, please provide the same information. This process should be repeated until you reach natural persons or a publicly held entity.

_____

_____

(c) If you are not publicly held, name the entity that exercises voting and dispositive power over the Registrable Securities set forth in Item 3 above (the "Controlling Entity"). If the Controlling Entity is not a natural person or a publicly held entity, please name the entity that controls such Controlling Entity and provide the same information for the entity controlling the Controlling Entity. This process should be repeated until you reach natural persons or a publicly held entity.

(i) Full legal name of Controlling Entity(ies) or natural person(s) who have sole or shared voting or dispositive power over the Registrable Securities:

_____

(ii) Business address (including street address) (or residence if no business address), telephone number and facsimile number of such person(s):

Address: _____

Telephone: _____

Fax: _____

(iii) Name(s) of shareholders: _____

5. Beneficial Ownership of other of the Company's securities owned by the Selling Securityholder:

Except as set forth below in this Item (5), the undersigned is not the beneficial or registered owner of any securities of the Company other than the Registrable Securities listed above in Item (3).

(a) Type and Amount of other securities beneficially owned by the Selling Securityholder:

_____

(b) CUSIP No(s). of such other securities beneficially owned:

_____

6. Relationship with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equityholders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here: _____

7. Plan of Distribution:

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Shelf Registration Statement only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters, broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Securityholder will be responsible for underwriting discounts or commissions or agents' commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. Such sales may be effected in transactions (which may involve cross or block transactions) (i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. The undersigned may also sell the Notes or the Ordinary Shares short and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here: _____

Note: In no event will such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of the Company.

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Shelf Registration Statement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Securityholder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons as set forth therein.

Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Securityholder against certain liabilities.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of the transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing, by hand delivery, first-class mail, or air courier guaranteeing overnight delivery to the address set forth below.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (7) above and the inclusion of such information in the Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the undersigned and received by the Company, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the undersigned with respect to the Registrable Securities beneficially owned by the undersigned and listed in Item (3) above. This Notice and Questionnaire shall be governed in all respects by the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

_____

Beneficial Owner By:

By: _____

Name: _____

Title: _____

Dated: _____

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO:

Kerzner International Limited
Executive Offices
Coral Towers
Paradise Island, The Bahamas
Fax: (832) 351-8701

Attention: General Counsel

You may rely only on the information contained in this offering memorandum. We have not authorized anyone to provide information different than that contained in this offering memorandum. Neither the delivery of this offering memorandum the sale of the notes means that information contained in this offering memorandum is correct after the date of this offering memorandum. This offering memorandum is not an offer or a solicitation of an offer to buy the notes in any circumstances under which the offer or solicitation is unlawful.

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kerzner℠

$200,000,000

2.375% Convertible Senior Subordinated Notes Due 2024

Deutsche Bank Securities
Sole Book-Running Manager

Bear, Stearns & Co. Inc.
Joint Lead Manager

JPMorgan

CIBC World Markets

Wells Fargo Securities, LLC

Confidential Offering Memorandum

March 30, 2004

RECYCLED

Reference No. GBD 181/25/2 Certificate No. 000181

CERTIFICATE OF CONSENT TO TRANSFER A GAMING LICENCE
Gaming Act 1968

THE GAMING BOARD FOR GREAT BRITAIN in pursuance of paragraph 56 of Schedule 2 to the Gaming Act 1968 hereby consents to an application being made to the transfer from:

London Clubs (Casinos) Limited
10 Brick Street
London **(Transferor)**
W1Y 8HQ

To:-

Kerzner Northampton Limited
2-4 Packhorse Road
Gerrard's Cross **(Transferee)**
Buckinghamshire
SL9 7QE

In respect of the following premises:

Tanners Casino
Northampton Auction Rooms
Commercial Street
Northampton
NN1 1PJ

The licence was last renewed on **15th October 2003** by the **Northampton Betting & Gaming Licensing Committee**

This certificate is only valid in respect of an application for the transfer of the licence made before **30th April 2004**

Signed **Date 31st March 2004**
(For Secretary to the Gaming Board for Great Britain)

Form GB5

RECYCLED

KERZNER INTERNATIONAL LIMITED

COMPLIANCE PROGRAM

August 2003

KERZNER INTERNATIONAL LIMITED
COMPLIANCE PROGRAM

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KERZNER INTERNATIONAL LIMITED
COMPLIANCE PROGRAM

I. INTRODUCTION

Kerzner International Limited and its subsidiaries believe that conscientious dedication to the highest ethical standards is essential to business success.

For this reason, the Company has established the Corporate Compliance Committee (the "**Committee**") and has developed this Compliance Program to be effective as of August 5, 2003 (the "**Program**"). The Committee's responsibility is to review the practices and conduct of the Company and its employees in order to protect the integrity and reputation of the Company.

The nature of the gaming-related businesses in which the Company is engaged requires a particular sensitivity to regulatory and compliance concerns. Constant vigilance is necessary to avoid impropriety and the appearance of impropriety. Consequently, the Company has developed its Program to set standards for conduct, and to monitor conduct, in various areas of the Company's business activities. The Program includes a system for advance investigation and reporting in various areas of the Company's business activities and regulatory compliance to protect against breaches of regulatory compliance and unethical or criminal behavior by employees. If, during the course of an investigation under this Program matters indicating criminal activity are developed, reference will be made to appropriate law enforcement authorities. The goal of the Program is to protect the integrity and reputation of the Company.

Although the implementation of the Program and enforcement will be centrally controlled, the responsibility for compliance rests with the head of each subsidiary or division and, ultimately, with each employee. The authority to complete and forward information may be delegated, but the responsibility rests with the person in charge.

The Program may be supplemented with policies that are specifically relevant to a particular jurisdiction, business activity or area of concern, if necessary. If such policies are implemented, they will be approved by the Committee, and will be distributed to employees and other individuals affected by those policies.

The Company's officers, directors and employees have an affirmative duty to bring to the attention of the Committee any information regarding associations or transactions with Unsuitable Persons, matters that may adversely affect the Company's good reputation, or matters that could constitute acts of wrongdoing as defined in this Program.

II. DEFINITIONS

The terms used herein shall have the following meanings:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authority" means a person or body of persons with jurisdiction over a Company or Affiliate operation in whom the power to determine, adjudicate, or otherwise settle issues involving a Company license, permit or other permission to do business is vested, such as a governmental agency.

"Board of Directors" means the Board of Directors of Kerzner International Limited.

"Company" means collectively, Kerzner International Limited and its subsidiaries.

"Compliance Officer" means the Compliance Officer of the Company or any Person named by the Board of Directors to fulfill the responsibilities of the Compliance Officer set forth herein.

"Consultant" means a Person, other than a Professional Advisor, engaged by the Company to furnish advisory or consulting services related to furthering or advancing the Company's Gaming Activities for fees that are reasonably expected to be at least $100,000 on an annual basis.

"Code of Business Conduct and Ethics" or **"Code"** means the set of Company policies distributed to directors, officers and employees of the Company governing aspects of their business conduct.

"Executive" means a corporate officer, director or division head of the Company or its Affiliates.

"Gaming Activities" means those activities governed by the gaming laws of any jurisdiction in which the Company or its Gaming Affiliates conducts gaming activities.

"Gaming Affiliate" means any Affiliate that owns or operates, in whole or in part, all or any part of a business that derives any of its revenues from legalized gaming.

"Gaming Authority" or **"Gaming Authorities"** means individually or collectively, as applicable, any national, federal, state, provincial or local regulatory agency located in any country that has jurisdiction over the Gaming Activities of the Company or an Affiliate.

"Institutional Investor" means any retirement fund administered by a public agency for the exclusive benefit of federal, state or local public employees; investment company registered under the Investment Company Act of 1940; collective investment trust organized by banks under Part Nine of the Rules of the Comptroller of the Currency; closed-end investment trust; chartered or licensed life insurance company or property and casualty insurance company;

banking and other chartered or licensed lending institution; and investment advisor registered under the Investment Advisors Act of 1940.

"Junket Representative" means an employee performing casino junket representative duties as that term is defined in the gaming laws governing the Company or any Gaming Affiliate.

"Kerzner International Limited" means the corporation organized under the laws of the Bahamas on August 13, 1993.

"Key Employee" means a casino key employee as that term is defined in the gaming laws governing the Company or any Gaming Affiliate.

"Lobbyist" means any Person engaged by the Company to perform legislative or regulatory lobbying activities on behalf of the Company or an Affiliate, as defined by applicable law.

"Management Operation" means a business operation in which the Company or an Affiliate, while not the owner (or sole owner) of the facility at which such business operation is conducted, has authority to establish commercial relationships or associations necessary for the conduct of such business operation.

"Material Acquisition" or **"Material Transaction"** means an acquisition or transaction by the Company or an Affiliate of the stock or assets of another business that involves expenditures of funds or financial commitments by the Company in an amount greater than $50,000,000.

"Material Financing" means a financing by the Company or an Affiliate in an amount greater than $50,000,000.

"Material Litigation" means litigation against the Company or an Affiliate which must be disclosed pursuant to applicable rules of the Securities and Exchange Commission, or which the recovery sought is reasonably expected to exceed U.S.$1 million. Lawsuits founded in personal injury and workers' compensation actions are specifically excluded from this term.

"Officer of any Government" means a member of any governmental body or any agency thereof, including an Authority, of any state, a foreign counterpart, or a peace officer of any country or political subdivision thereof.

"Outside Director" means a director of the Company that does not also serve in any management position within the Company.

"Person" means any association, corporation, firm, partnership, trust or other form of business association, as well as a natural person.

"Professional Advisor" means a Person that is a licensed attorney, licensed accountant, law firm, accounting firm, financial institution chartered by the federal government or by any state, underwriter or investment banker regulated by state or federal regulatory authorities, licensed real estate agent or broker, or, when retained by the Company for the purposes of complying with this Program, outside investigators.

"SEC" means the Securities and Exchange Commission of the United States of America.

"Unsuitable Person" means a person who (i) has been determined to be unsuitable to be associated with a gaming enterprise by a Gaming Authority, or through independent investigation by the Company or whose unsuitability has been reported to the Company or its Affiliates by a credible and reliable source of information; (ii) is included in an exclusion list of any jurisdiction in which the Company conducts Gaming Activities; or (iii) is commonly and publicly considered to be notorious and unsavory by virtue of such person's conduct or affairs.

"Unsuitable Situation" means a situation adversely affecting; (i) the objective of gaming control if the public faith in the ability of Gaming Authorities to protect the public interest would diminish as a result of its occurrence or continuation, (ii) the Company's integrity or reputation, or involving an Unsuitable Person, or a situation which constitutes a violation of the Program, as defined herein.

III. OPERATION OF THE PROGRAM

A. Objectives of the Program

The primary objectives of the Program are:

- To assist the Company in avoiding transactions with Unsuitable Persons;
- To assist the Company in ensuring compliance by its employees with the Code of Business Conduct and Ethics;
- To assist the Company's management in identifying areas of possible concern that might adversely affect the Company's good reputation or its status as the holder of regulatory licenses and approvals; and
- To provide additional oversight of the Company's compliance with laws, regulations, and special conditions imposed upon it by any Gaming Authorities.

B. Ultimate Authority of the Board of Directors and Executives

The foregoing responsibilities of the Committee, without limiting any of the authority of the Committee contained herein, are not intended to displace the Company's Board of Directors or its Executives with decision-making authority. It is understood that the statutory authority for the management of the affairs of the Company is vested in the Board of Directors. It is further understood that officers and directors of the Company and its Affiliates have responsibility over certain departments, divisions and subsidiaries and that they must make decisions in their areas of responsibility with the assistance of information provided by the Committee.

C. The Compliance Committee Membership

The Committee shall be composed of at least five members, including the Company's General Counsel, Chief Financial Officer, an Outside Director, the Senior Vice President—Human Resources and the Compliance Officer, and shall have responsibility for review of the information developed by the Compliance Officer and the decisions made as a consequence of the Program. Appointments to the Committee shall be made by the Board of Directors and persons appointed to the Committee shall serve at the discretion of the Board of Directors. All appointments to or resignations from the Committee shall be reported in the minutes of both the Board of Directors and of the Committee. Alternate members of the Committee may be designated for the purpose of participating in Committee matters when a quorum of regular Committee members cannot be assembled. Alternate members shall not be entitled to vote on matters considered by the Committee unless they are specifically designated in the minutes of the Committee as a substitute replacement for a regular member thereof.

The Committee will have available to it all resources of the Company, including audit, finance, legal and gaming surveillance and internal security, or as may otherwise be required. In addition, the Committee may engage Professional Advisors as it may deem necessary.

The Compliance Officer will serve as liaison between the Committee and the applicable Gaming Authorities.

D. Meetings

The Committee shall meet at least quarterly. In addition, the Committee may conduct special meetings upon the request of any Committee Member. The presence of a majority of the members of the Committee shall constitute a quorum for the purpose of conducting the Committee's business. The Committee shall review and consider any inquiries conducted or supervised by the Compliance Officer. Prior to such meetings, the Compliance Officer shall submit to each member of the Committee an agenda enumerating matters to be reviewed by the Committee. The Board of Directors, the General Counsel, the Compliance Officer, the Chief Financial Officer or the Outside Director may call special meetings of the Committee. Meetings may be conducted in person or by telephonic communication. All actions by the Committee require a majority vote of the members present.

E. Key Business Units

The Company's key business units shall provide quarterly reports to the Compliance Officer in advance of the Committee's quarterly meetings detailing compliance activities during the quarter involving the respective business unit.

F. Minutes

Written agendas for all meetings of the Committee shall be prepared and maintained in the office of the Compliance Officer along with a record of all recommendations made by the Committee.

All ratified minutes, exhibits and reports received by Committee members will be provided, as required or if requested, to any Gaming Authority with jurisdiction over the Company. The minutes shall contain the amount of detail appropriate to support a well-reasoned decision by the Committee members. In those matters in which no action is taken by the Committee, the minutes shall reflect the reasons why no action was deemed appropriate.

G. Reports and Record Keeping

The Committee shall submit copies of its minutes to the Board of Directors and such reports as it may from time to time deem appropriate.

As is the case in any viable system, it is not intended that mechanical procedures should interfere with the attainment of the objectives of the Program, including the development and communication of information. The Compliance Officer has wide discretion in determining the desired results. Any questions concerning any matter subject to reporting should be directed to the Compliance Officer.

The Compliance Officer shall maintain a record of all investigations conducted or underway which shall be available for reference by Committee members and authorized representatives of Gaming Authorities. All investigative files will be maintained on a confidential basis. However, such files will be available for inspection, review, examination and copy by authorized representatives of Gaming Authorities.

The privacy laws of certain states and foreign countries may make obtaining certain information illegal or difficult. In such event, specific questions concerning such matters shall be directed to the Compliance Officer or General Counsel for appropriate disposition. All files of inquiries shall be marked "Confidential" and maintained by the Compliance Officer on a confidential basis. They shall not be disclosed except to: (i) members of the Committee; (ii) members of management or management representatives having a need to know; (iii) authorized representatives of Gaming Authorities having jurisdiction over the Company; and (iv) third parties as may be required by law or lawful order of a court of competent jurisdiction.

H. Duties of the Compliance Officer

The Compliance Officer shall report to the General Counsel. The General Counsel has ultimate responsibility for compliance matters. Day-to-day responsibility for operation of the Program and for preparation of reports relating to it rests, however, with the Compliance Officer. The success of the Program depends upon the active participation of the Company's Executives and its financial and legal staffs. Through the dissemination of a Code of Business Conduct and Ethics, all such persons shall be fully advised regarding their responsibilities to notify the Compliance Officer on a timely basis of matters subject to review under the Code and this Program.

The Compliance Officer will be provided with the resources necessary to fulfill his or her responsibility for operation of the Program, including investigative staff or necessary funds to secure investigative resources on a contract basis outside of the Company. The Compliance Officer may inquire into any matters arising or appearing to arise within the purview of the Program including, but not limited to, matters involving ethical conduct, inappropriate associations, or regulatory compliance. The Company's other personnel and outside counsel shall be available to assist the Compliance Officer in his or her duties and will report to the Compliance Officer on any matter assigned to them by the Compliance Committee.

The Compliance Officer is responsible to and will report to the Committee on all reports received, inquiries conducted, recommendations for action, and all related matters.

The Committee, acting through and with the assistance of the Compliance Officer, is empowered to investigate, evaluate and report facts, and make recommendations to appropriate Executives of possible responses or initiatives, including disciplinary or other adverse action for misconduct by Company employees or agents. The Committee, through the Company's General Counsel, shall report to and consult with the Board of Directors on a quarterly basis.

I. Indemnification of Committee Members

The Company shall indemnify and hold harmless all Committee members to the fullest extent permitted by law and the current by-laws of the Company.

IV. CODE OF BUSINESS CONDUCT AND ETHICS

The Compliance Officer shall disseminate a Code of Business Conduct and Ethics which shall contain information applicable to the business conduct and ethical issues relating thereto of all directors, officers and employees of the Company. Certain recipients of the Code will be required to provide to the Compliance Officer a written certification at the time of their initial hiring and periodically thereafter affirming a knowledge and understanding of the Code and stating they have fully complied with the Code and, to the extent they obtain knowledge of any violations of the Code, they will report the same to the Company's General Counsel or Compliance Officer.

The Code shall cover the following substantive areas:

- Compliance with laws, rules and regulations;
- Conflicts of interest;
- Prohibited receipts and payment policy;
- Proper accounting and document retention;
- Dealing with auditors;
- Use and disclosure of confidential information;
- Trading in Company securities;
- Employment practices; and
- Antitrust.

The Code, as it may be amended from time to time by the Board of Directors, is incorporated by reference into this Program in its entirety.

V. COMPLIANCE REVIEWS

The Committee shall periodically review compliance with regulatory requirements and special licensing conditions imposed upon the Company and shall report its findings regarding such matters in the minutes of the Committee.

A. Acts of Wrongdoing

(a) The Compliance Officer shall report to the Committee any prosecutions or administrative actions taken against a corporate officer or director of the Company or Affiliate which involve the following circumstances:

(i) Criminal action involving (a) a felony, (b) material crime against the Company or one of its Affiliates or involving embezzlement or larceny or (c) violation of law relating to gaming; or

(ii) Administrative actions by a Gaming Authority relating to a gaming license or gaming approval held by such Person.

The Compliance Officer may, in his or her discretion, report to the Committee material violations of the Code of Business Conduct and Ethics or acts of wrongdoing by any employee

of the Company or of one of its Affiliates if he or she believes such matter should be reviewed by the Committee.

The Compliance Officer will prepare a report relating to any information coming to his or her attention which, in his or her opinion, warrants review by the Committee concerning acts of wrongdoing.

B. Regulatory Filings

The Compliance Officer shall report to the Committee with respect to any violations of filing requirements with Gaming Authorities and the corrective action taken to reduce the occurrence of future violations. The Committee shall review this report to determine if all required filings with Gaming Authorities have been made.

C. Actions Requested by Gaming Authorities

The Committee shall conduct or have conducted an investigation of any Person(s) or transactions as requested by an applicable Gaming Authority.

D. Report to Gaming Authorities

The Committee shall prepare and submit a report summarizing the activities, assessments and decisions of the Committee to any Gaming Authority requiring such a report.

E. Reporting of Affiliates to Committee

To ensure prompt notification to the Committee by the Company's Affiliates of compliance relating to new transactions, undesirable associations, questions of suitability relating to Persons, or other matters that may adversely affect the Company as under the purview of this Program, the Committee shall devise a system in writing for reporting to it from Affiliates. Such system shall include provision for the reporting of transactions of Affiliates involving required areas of review set forth in Section VI of this Program.

VI. DUE DILIGENCE REVIEWS

The Company prides itself on its reputation for integrity. In order to maintain that reputation, it is imperative that the Company avoid associations with Unsuitable Persons which may tarnish its image, jeopardize its existing gaming licenses or hamper its ability to expand into new markets. The Company also seeks to ensure that its employees do business with suppliers, purveyors, and other providers of services who possess good character, honesty and integrity.

Whenever an officer, director or Company employee is uncertain whether any association is prohibited by this policy, that association must be reported to the Compliance Officer before the officer, director or Company employee may conduct any business pursuant to that association.

The following shall not be considered as a limitation on the work of the Compliance Committee and its staff, but will serve as a framework for its compliance efforts.

Information to be reported will cover the following areas of review:

(a) Material Acquisitions. Prior to the execution of any agreement by the Company of a proposed Material Acquisition, a preliminary background review shall be made on the principals of the entity to be acquired. In addition, as appropriate gaming regulators in jurisdictions where the Company is licensed shall be advised of the proposed acquisition. Prior to consummation of any Material Acquisition by the Company or by any of its Affiliates, a report shall be prepared by the Compliance Officer in which the background of the business to be acquired is thoroughly reviewed to determine its reputation and freedom from involvement with individuals having questionable backgrounds or associations.

(b) Business Combinations Other than Acquisitions. Business combinations involving the Company or any Affiliate other than acquisitions (which include, but is not limited to, joint ventures, partnerships, and mergers), shall be investigated and reported in the same fashion as done for Material Acquisitions. The test of materiality required in matters involving Material Acquisitions shall be applicable.

(c) Material Transactions - Franchising and Management Relationships. The Company and its Affiliates shall require owners of Management Operations and franchised properties, as appropriate, including properties owned by partnerships or joint ventures in which the Company or an Affiliate is a partner, to establish their suitability. The Compliance Officer shall cause to be conducted an appropriate background investigation of the owners of Management Operations and franchised properties, if applicable, and the owners of an interest in partnerships or joint ventures in which the Company or an Affiliate is a partner. The Committee shall receive and review all reports concerning the suitability of such owners so as to avoid Unsuitable Situations.

(d) Material Transactions with Suppliers, Purveyors and Other Providers of Services. The Company has the responsibility to ensure that it does business only with suppliers, purveyors, and other providers of services who are of good reputation. Accordingly, the Company shall review for evidence of good reputation in the business community all suppliers, purveyors, and providers of services to:

(i) any of its Gaming Affiliates who receive or are entitled to receive payments during any fiscal year of greater than $100,000; and

(ii) any of its non-Gaming Affiliates who receive or are entitled to receive payments during any fiscal year of greater than $250,000.

The Company may accept registration or licensing of such persons or businesses by any governmental licensing authority as evidence of good reputation provided that such registration or licensing is not necessarily conclusive of suitability. The Committee shall not be required to conduct investigations of corporate officers, directors, Key Employees of the Company, Junket

Representatives, Consultants, Lobbyists, Key Employees of Management Operations or principal officers of Affiliates that were hired or retained by the Company prior to the adoption of this Program. With respect to Professional Advisors, in lieu of an investigation the Committee may accept the following as evidence of good reputation, unless such reliance is unwarranted: (i) the licensing or approval of such Persons by any Gaming Authority or by any other governmental or professional licensing Authority; (ii) favorable information generally available to the Company from the business or professional community; or (iii) information derived from prior relationships or dealings with the Company. With respect to Professional Advisors, it is the intent of the Program to primarily focus on Professional Advisors who are involved in advancing the gaming interests of the Company. The Compliance Committee may vest in the Compliance Officer the authority to give interim approval provided that the Compliance Officer's preliminary investigation does not reveal any derogatory information or Unsuitable Situations.

The Committee recognizes that an Unsuitable Situation could arise if the Company or an Affiliate were to conduct business with Unsuitable Persons on an ongoing basis in its non-gaming operations. The Committee further recognizes that it is in the best interests of the Company that such business relationships be discontinued. Therefore, in addition to the Program's pre-screening process, at such time as the Compliance Officer becomes aware of the identity of an Unsuitable Person, the Compliance Officer will direct that reviews be undertaken to determine whether the Company and its Affiliates are receiving goods or services from such Unsuitable Person.

(e) Material Transactions – Other. Other than those transactions described in paragraphs (c) and (d) above, Material Transactions to be investigated by the Committee shall include:

(i) any commercial transaction coming to the Compliance Officer's attention that involves an Unsuitable Person; and

(ii) any transaction that involves disposition of assets or equity interests where the value received by the Company or an Affiliate exceeds $50,000,000.00; provided, however, that no report shall be required for such transactions involving temporary investments in securities (as included on the Company's consolidated balance sheets) or the purchase or disposition of a less than 20% interest in a non-gaming Person. The Company will advise Gaming Authorities as required of a proposed transaction simultaneously with notification given to the SEC by the Company.

(f) Corporate Officers, Directors, Key Employees, Junket Representatives, Consultants and Lobbyists. The Company and its Affiliates will exercise care to ensure that corporate officers, directors, Key Employees of the Company, Junket Representatives, Consultants, Lobbyists, Key Employees of Management Operations and principal officers of Affiliates are suitable for the positions they hold. Additionally, an investigation will be required of all prospective corporate officers, directors, Key Employees of the Company, Consultants,

Junket Representatives, Key Employees of Management Operations and principal officers of Affiliates and anyone performing the functions of such persons regardless of title or employment status to ensure that they are suitable to hold such positions. The investigation may be performed by the Company's Human Resources Department in conjunction with the processing of employment applications of prospective employees. If an individual holds a current gaming license or finding of suitability or qualification, this may be considered in establishing an individual's suitability.

The investigation of such persons should include the following information:

1. Past employment history;
2. General reputation;
3. Law enforcement agency checks;
4. Credit information;
5. Immediate family background; and
6. Litigation.

The Compliance Officer may waive the investigation of any Person who is not a key decision maker, or who has been licensed by the appropriate Gaming Authorities.

The Compliance Officer shall verify the reputation of Lobbyists retained by the Company and require that they properly register as such under all applicable laws. Trade associations to which the Company or its Affiliates may belong, and Lobbyists representing such trade associations shall not be subject to this section unless the Compliance Officer receives evidence that such Persons are not of good reputation.

(g) Professional Advisors. The Committee shall not be required to conduct investigations of Professional Advisors unless information becomes available to the Committee indicating that a Professional Advisor may be an Unsuitable Person or that the Committee's reliance on a Professional Advisor's good reputation is otherwise unwarranted.

(h) Material Financings. Prior to any commitment with respect to a Material Financing, the Compliance Officer shall prepare a report containing the following information:

(i) Source of the funds;

(ii) Any relationship between the Company and any Affiliate to any other parties to the proposed Material Financing; and

(iii) Any middleman, finder, broker or other Person who is to receive compensation in connection with securing, arranging, negotiating or otherwise dealing with the proposed Material Financing.

Financings (i) involving the registration and sale by the Company or one of its Affiliates of securities which are or will be registered under the federal securities laws, (ii) involving

banks chartered by the federal government or by any state or (iii) which have been approved by relevant Gaming Authorities shall not be subject to the provisions of this section.

(i) Outside Business Relations of Executives. The Compliance Officer shall prepare a report setting forth all new non-Company related current business activities of each Executive of the Company or any Affiliates brought to the attention of the Compliance Officer. A report need not be filed for activities that have been reviewed by appropriate gaming authorities in conjunction with a license or suitability determination, or in which such Person has less than U.S. $100,000 invested, or for any investment in a publicly held entity wherein such Person owns less than 5% (beneficially or of record) of any such entity's securities. The report should contain the following information:

(i) Name and address of business or activity;

(ii) Nature of activity; and

(iii) The percentage of the Person' s time devoted to the business or activity.

If, based upon the foregoing information, the Compliance Officer deems it relevant, the following additional information will be reported:

(iv) Name and address of other parties associated with such officers and/or directors in the activity who exercise control over said entities; and

(v) A financial statement for said activity.

(j) Periodic Review of Official List of Stockholders. The Compliance Officer will request that each time the Company's transfer agent prepares an updated list of stockholders, a copy of such list be furnished to him. If the Compliance Officer discovers that a previously unreviewed person has obtained ownership of 5% of the amount of the Company's or an Affiliate's common stock then outstanding and that person is not an Institutional Investor, then he shall immediately commence an investigation to determine such Person's background, character and motives for acquiring the ownership interest in the Company or the Affiliate, to the extent possible.

(k) Material Litigation. The General Counsel shall furnish the Committee, at least annually, a written report with respect to Material Litigation against the Company or any of its Affiliates.

(l) Development Activities. The creation of business opportunities in new jurisdictions, coupled with the Company's interest in maintaining its prominence in the industry, will involve the Company in the exploration and development of proposed projects in new areas. It is of primary importance to the Company that its business expansion be accompanied by the high standards of integrity that are always to be associated with the Kerzner International

Limited name. Accordingly, the Program includes a process for the evaluation and review of development activities in order to ensure that no business decision will be made without due consideration of its conformity to the reputation and character of the Company.

1. Reporting Procedures. All development activities shall be accompanied by an initial report on the activity and by regular status reports thereafter. The reports shall be the responsibility of and executed by the highest-ranking Company representative assigned to the particular development project. The reports shall be submitted to the Committee through the Compliance Officer on at least a quarterly basis. Extraordinary events shall be reported immediately.

(i) *Initial Report*. Prior to any commitment of the Company to any particular development project, an initial report shall be prepared. The initial report shall contain at a minimum:

- Description of the Project, including, if applicable, the type of gaming involved (e.g. riverboat, land-based, Indian, size of casino, etc.);
- If the development project includes a gaming opportunity, a description of the legal status of the gaming jurisdiction, including, as appropriate, an explanation of the gaming regulatory process;
- Description of the proposed role of the Company (e.g. ownership, management contractor, etc.); and
- Copies of any "Request for Proposals" or similar document issued by the jurisdiction and any proposed response by the Company.

(ii) *Periodic Reports*. On at least a quarterly basis, the following information, at a minimum, shall be reported to the Committee:

- The identities of any proposed joint venturers or other participants to be associated with the Company in the project, including any anticipated terms and conditions of participation;
- The identities of any local representatives proposed to be employed by the Company in connection with the project (e.g. Consultants, Lobbyists, Professional Advisors, public relations agents, etc.), including any terms of compensation;

- The identities and terms of retention of any contractors for construction or related services;

- Any proposed out-of-the-ordinary payments (e.g. grants, contributions, loans, etc.)

(iii) *Extraordinary Reports*. Any material change in any of the circumstances otherwise reported shall be the subject of separate reports to be filed as contemporaneously as possible with the occurrence of the material changes.

Committee Review. The Committee shall meet as required and shall have the responsibility to review the information provided to it in the reports submitted pursuant to paragraphs (i), (ii), and (iii) above. As appropriate, the Compliance Officer shall authorize background reviews of persons and entities proposed to be associated with the project. The Committee review shall be for the purpose of insuring that all aspects of the development project conform to the Company's standards of conduct. The Committee review shall include, at a minimum:

- The backgrounds and reputations of Persons to be associated with the Company in connection with the project as identified in the various reports ("**Project Associate**"). The standards for said background review shall be in conformity, as applicable, to those applied to corporate officers and Key Employees;

- Any known connection between a Project Associate and an Officer of any Government or other public official with jurisdiction over any aspect of the project, and, if a connection is found, its propriety. Where appropriate, the Committee will require certifications attesting to the absence of any improper public official involvement;

- The terms of compensation to be paid to any Project Associate, which review shall include, at a minimum: the extent of the Project Associate's obligations; the extent of the risk to be taken by the Project Associate, including whether or not the compensation is contingent or guaranteed; the degree to which the Project Associate is responsible for payment of expenses; and the similarity of the Project Associate's terms of compensation to the amounts paid to others in like circumstances; and

- Compliance with all terms and conditions of the Company's otherwise applicable policies, including compliance with the Prohibited Foreign Trade Practices Act in the case of projects outside of the United States.

VII. AMENDMENT OF THE PROGRAM

The Program may be amended by the Committee upon the approval of the Company's Board of Directors.

Compliance/KZLCompliance Program.Aug.05.03

RECYCLED

KERZNER INTERNATIONAL LIMITED

CODE OF

BUSINESS CONDUCT AND ETHICS

August 2003

INTRODUCTION

Kerzner International Limited, a foreign private issuer with securities trading on The New York Stock Exchange (the "NYSE") and its subsidiary companies (collectively, the "Company") has a commitment to moral conduct, to ethical behavior and to operations within the letter and spirit of the law. The Company's management believes it is appropriate to periodically reiterate the Company's policy on business conduct and ethics in this policy (the "Code").

For the purposes of this Code, "employee" is defined as the Company's employees, officers and directors.

The Company recognizes that it is not possible to document a code of business conduct and ethics that will define the proper conduct and ethical behavior for every situation that may arise. As a general policy, however, the pervasive theme of the Company and its employees must be one of honesty and integrity in all transactions. This Code provides a set of basic principles to guide employees regarding the minimum requirements expected of them. In addition to this Code, employees are required to comply with the policies and procedures established by the Company's Human Resources Department and applicable to the employee's business unit.

Only conduct that is in compliance with this Code and intended to advance the proper and legal business interests of the Company is within an employee's scope of employment. It is important that you study them carefully and understand them, as you must abide by them. If you have any questions about the Code, please direct them to the Company's General Counsel, Compliance Officer, or the senior executive in your Human Resources Department.

Taking actions to prevent problems is part of our Company's culture. If you observe possible unethical or illegal conduct you are encouraged to report your concerns. If you report, in good faith, what you suspect to be illegal or unethical activities, you should not be concerned about retaliation from others. Any employees involved in retaliation will be subject to serious disciplinary action by the Company.

Failure to abide by the guidelines addressed in this Code will lead to disciplinary actions, including dismissal where appropriate. *If you are in a situation, which you believe may violate or lead to a violation of this Code, you are urged to follow the guidelines described in Section XI of this Code.*

I. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

We have a long-standing commitment to conduct our business in compliance with applicable laws and regulations and in accordance with the highest ethical principles. This commitment helps ensure our reputation for honesty, quality and integrity.

II. CONFLICTS OF INTEREST

Every employee shall deal with suppliers, customers and other persons doing or seeking to do business with the Company in a manner that excludes consideration of personal advantage or which might otherwise be or appear to be inappropriate and inconsistent with the Company's interest. A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the Company.

Specific policies include, but are not limited to:

1. Other Employment. Unless otherwise authorized by the Company, each employee shall devote all of his/her business time and energy to the Company and shall not engage in any other business activity without the prior written consent of the Company's Corporate Human Resources Officer.

2. Corporate Opportunities. Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Employees are prohibited (without the consent of one of the Company's executive officers) from (1) taking for themselves personally opportunities that are discovered through the use of corporate property, information or their position, (2) using corporate property, information or their position for personal gain and (3) competing with the Company directly or indirectly.

3. Giving and Receiving Gifts. Company employees may not give to, or receive from any person with whom the Company does or is seeking to do business, any gifts, favors or gratuities of more than a modest value ("gifts"), if the gift could be reasonably construed as an improper attempt to influence the recipient's decisions or actions. Whenever an employee receives a gift that violates this policy, the gift should be returned to the donor and reported to the Compliance Officer. Company employees and representatives may not offer employment to any employee or agent of a customer for the purpose of influencing that individual to select the Company's goods and services or otherwise favor the Company.

   In adopting the above policy, the Company recognizes that business dealings include certain social and business amenities that are proper business activities and expenses. As a general guideline, participation in activities such as sharing meals, food or beverages with business associates, hosting or attending business receptions and functions, providing, accepting or sharing transportation for business purposes, giving or receiving cards and gifts of nominal or modest value in conjunction with a holiday or other special occasion, giving or receiving marketing items that are generally distributed to a wide business audience, and similar social or business amenities can all be presumed to fall within

the bounds of business etiquette and propriety. The granting or receipt of items falling outside of these categories or of more than modest value will rarely be consistent with this policy and should be reviewed with, and approved in advance by the Compliance Officer. To a certain extent, the concept of "modest value" is a relative term that may depend on the recipient, the type of item and the circumstances under which it is given or received.

4. Protection and Proper Use of Company Assets. Collectively, employees have a responsibility for safeguarding and making proper and efficient use of the Company's property. Each of us also has an obligation to prevent the Company's property from loss, damage, misuse, theft, embezzlement or destruction. Theft, loss, misuse, carelessness and waste of assets have a direct impact on the Company's profitability and may jeopardize the future of the Company. Any situations or incidents that could lead to the theft, loss, misuse or waste of Company property should be reported immediately to the security department or to your supervisor or manager as soon as they come to your attention.

III. PROHIBITED RECEIPTS AND PAYMENT POLICY

The Company strives to be in strict compliance with all laws and regulations that may be applicable to its business. Employees of the Company are prohibited from:

Engaging in the following transactions to obtain business, retain business or direct business to others, or to induce a government official or employee to fail to perform or to perform improperly his or her official functions:

- Payment or offer to pay anything of value, directly or indirectly, to any domestic or foreign government official or employee.
- Payment or offer to pay anything of value, directly or indirectly, to any party in the form of a commercial bribe, influence payment or kickback.
- Receipt or acceptance of anything of value, directly or indirectly, from any party in the form of a commercial bribe, influence payment or kickback.

Prohibited transactions do not include gifts, entertainment and similar expenses in foreign countries provided such gifts, entertainment and similar expenses meet all of the following requirements: (i) they are legal and are made for a legitimate business purpose and not to obtain benefits not permitted by local law or to escape obligations imposed by local laws, (ii) they are modest in amount, are made in accordance with prevailing local customs and are not considered to be or have the appearance of attempting to influence any officials, or otherwise to be in violation of local law as interpreted and applied and (iii) they otherwise satisfy the prohibitions on conflicts of interest discussed in Section II (3) of this Code.

IV. POLITICAL CONTRIBUTIONS

Election laws in many jurisdictions generally prohibit political contributions by corporations to candidates. Many local laws also prohibit corporate contributions to local political campaigns. In accordance with these laws, the Company does not make direct contributions to any candidates for federal, state or local offices where applicable laws make such contributions illegal. Contributions to political campaigns must not be, or appear to be, made with or reimbursed by Company funds or resources. Company funds and resources include (but are not limited to) Company facilities, office supplies, letterhead, telephones and fax machines.

Company employees who hold or seek to hold political office must do so on their own time, whether through vacation, unpaid leave, after work hours or on weekends. Additionally, all persons must obtain advance approval from the Company's Legal Department prior to running for political office to ensure that there are no conflicts of interest with Company business.

Employees may make personal political contributions as they see fit in accordance with all applicable laws.

The Company recognizes that the guidelines in the second paragraph of this Section IV are not applicable to directors of the Company that do not also serve in management positions within the Company.

V. PROPER ACCOUNTING AND DOCUMENT RETENTION

Employees are responsible for maintaining all records in an accurate manner and in accordance with all applicable laws, regulations, principles and standards.

Many persons within the Company record or prepare some type of information during their workday, such as time cards, financial reports, accounting records, business plans, environmental reports, injury and accident reports, expense reports, and so on. Many people, both within and outside the Company, depend upon these reports to be accurate and truthful for a variety of reasons. These people include our employees, governmental agencies, auditors and the communities in which we operate. Also, the Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. We maintain the highest commitment to recording information accurately and truthfully.

In addition to policies established by the Company's Audit Committee, specific policies include:

1. All financial statements and books, records and accounts of the Company must accurately reflect transactions and events and conform both to legal requirements and accounting principles and also to the Company's system of internal accounting.

2. No unrecorded funds or assets of the Company may be established or maintained.

3. No false or misleading entries on the books and records of the Company may be made regardless of whether reporting is required by law, dishonest reporting within the Company, or to organizations or people outside the Company, is strictly prohibited.

4. All officers and employees of the Company that are responsible for financial or accounting matters are also required to ensure full, fair, accurate, timely and understandable disclosure of information in all periodic reports required to by filed by the Company with the Securities and Exchange Commission. This commitment and responsibility extends to the highest levels of our organization, including our chief executive officer, chief financial officer and chief accounting officer or corporate controller.

5. Employees of the Company may not engage in any arrangement that results in prohibited acts. No payment on behalf of the Company or any subsidiary will be approved without adequate supporting documentation, and no payment will be made with the intention or understanding that any part of such payment is to be used for any purpose other than that described in the document supporting the payment.

6. Documents may only be destroyed in compliance with Company document retention and destruction procedures. Notwithstanding these procedures, no document may ever be destroyed during a pending investigation or litigation.

VI. DEALING WITH AUDITORS

No employee shall (i) make a false or misleading statement to any internal auditor or investigator or to any independent public or certified accountant or investigator engaged by the Company, nor shall any employee conceal or fail to reveal any information necessary to make the statements to such auditor or investigator not false or misleading or (ii) take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of the financial statements of the Company.

VII. USE AND DISCLOSURE OF CONFIDENTIAL INFORMATION

Information is one of our most valuable corporate assets, and open and effective dissemination of information is critical to our success. However, much of our Company's business information is confidential or proprietary. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or our customers, if disclosed.

It is also our Company's policy that all employees must treat what they learn about our customers, joint venture partners and suppliers and each of their businesses as confidential information. The protection of such information is of the highest importance and must be discharged with the greatest care for the Company to merit the continued confidence of such persons. Confidential information to such person is information it would consider private, which is not common knowledge outside of that company and which an employee of the Company has learned as a result of his or her employment by the Company.

Employees of the Company are prohibited, except as required by law or as specifically authorized by the Company's Legal Department, from:

1. During the term of their employment and thereafter, disclosing, directly or indirectly, to anyone outside the Company, confidential information concerning the Company. Examples of such information include:

    - Financial data (operating results, capital plans and expenditures, budget, etc.);
    - Development plans and strategies;
    - Business plans and strategies;
    - Customer and supplier lists and identity of outside consultants;
    - Confidential information obtained during the course of employment about another company, joint venturer, supplier or other person;
    - Marketing plans, strategies, analyses and research;
    - Advertising plans, strategies, analyses and research; and
    - Organization charts, grade and salary data, and policy and procedure manuals.

2. During the term of their employment and thereafter, selling confidential or personal information about our customers or sharing such information with any third party except with the customer's consent or as required by law.

3. Following their employment, using, directly or indirectly, any confidential information concerning the Company.

Employees of the Company should guard against unintentional disclosure of confidential information and take special care not to store confidential information where unauthorized personnel can see it, whether at work, at home, in public places or elsewhere. Situations that could result in inadvertent disclosure of such information include: discussing confidential information in public (for example, in restaurants, elevators or airplanes); talking about confidential information on mobile phones; working with sensitive information in public using laptop computers; and transmitting confidential information via fax. Within the workplace, do not assume that all Company employees, contractors or subsidiary personnel should see confidential information.

It is the responsibility of every Company employee to help preserve our confidential information by also adhering to the policies and procedures set forth in the Company's Confidential Information and Policy Statement.

VIII. TRADING IN COMPANY SECURITIES

There are instances where our employees have information about the Company, its subsidiaries or affiliates or about a company with which we do business that is not known to the investing public. Such inside information may relate to, among other things: plans; new products or processes; mergers, acquisitions or dispositions of businesses or securities; problems facing the Company or a company with which we do business; sales; profitability; negotiations relating to significant contracts or business relationships; significant litigation; or financial information.

If the information is such that a reasonable investor would consider the information important in reaching an investment decision, then the Company employee who holds the information must not buy or sell Company securities, nor provide such information to others, until such information becomes public. Further, employees must not buy or sell securities in any other company about which they have such material non-public information, nor provide such information to others, until such information becomes public. Usage of material non-public information in the above manner is not only illegal, but also unethical. Employees who involve themselves in illegal insider trading (either by personally engaging in the trading or by disclosing material non-public information to others) will be subject to immediate termination. The Company's policy is to report such violations to the appropriate authorities and to cooperate fully in any investigation of insider trading.

The Company has specific rules that govern trades in Company securities by employees. The above description is qualified in its entirety by reference to the Kerzner International Limited Trading Policy.

Employees may need assistance in determining how the rules governing inside information apply to specific situations and should consult the Company's Legal Department in these cases.

IX. EMPLOYMENT PRACTICES

To compete successfully, the Company must be a place where talent prevails and where people are free to perform to their highest potential.

Basing employment and advancement on anything other than a person's ability and performance is inexcusable and clearly against the Company's best interests. As has always been the case, we are firmly committed to providing equal employment opportunities to all individuals and will not tolerate any illegal discrimination or harassment of any kind. We do not discriminate against job applicants or employees because of race, religion, color, national origin, gender,

age, marital status, sexual orientation, veteran status, handicap or disability. We will also not tolerate any behavior that fosters an environment of harassment or "jokes" based on a person's sex, physical characteristics or cultural differences. We demand the same from our suppliers and vendors. These policies apply to both applicants and employees and in all phases of employment, including recruiting, hiring, placement, training and development, transfer, promotion, demotion, performance reviews, compensation and benefits, and separation from employment.

All levels of supervision are responsible for monitoring and complying with the Company's policies and procedures for handling employee complaints concerning harassment or other forms of unlawful discrimination. Employees who have experienced conduct they believe is contrary to the Company's anti-discrimination policies have a legal right to take advantage of the complaint procedure contained within that policy. An employee's failure to exercise rights under the Company's complaint procedure could affect his or her right to pursue legal action. Because employment-related laws are complex and vary from state to state and country to country, supervisors should obtain the advice of the Company's Human Resources or Legal Department in advance whenever there is any doubt as to the lawfulness of any proposed action or inaction.

X. ANTITRUST

The Company believes that the welfare of consumers is best served by economic competition. Our policy is to compete vigorously, aggressively and successfully in today's increasingly competitive business climate and to do so at all times in compliance with all applicable antitrust, competition and fair dealing laws in all the markets in which we operate. We seek to excel while operating honestly and ethically, never through taking unfair advantage of others. Each employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and other employees. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices.

The antitrust laws of many jurisdictions are designed to preserve a competitive economy and promote fair and vigorous competition. We are all required to comply with these laws and regulations. Employees involved in marketing, sales and purchasing, contracts or in discussions with competitors have a particular responsibility to ensure that they understand our standards and are familiar with applicable competition laws. Because these laws are complex and can vary from one jurisdiction to another, employees should seek the advice of the Company's Legal Department when questions arise.

XI. REPORTING ILLEGAL OR UNETHICAL BEHAVIOR; COMPLIANCE PROCEDURES

As an employee of the Company, you are expected to conduct yourself in a manner appropriate for your work environment, and are also expected to be sensitive to and respectful of the concerns, values and preferences of others. You are encouraged to promptly report any practices or actions that you believe to be inappropriate.

We have described in each section above the procedures generally available for discussing and addressing ethical issues that arise. Speaking to the right people is one of your first steps to understanding and resolving what are often difficult questions. As a general matter, if you have any questions or concerns about compliance with this Code or you are just unsure of what the "right thing" is to do, you are encouraged to speak with your supervisor, manager or other appropriate persons within the Company. If you do not feel comfortable talking to any of these persons *for any reason*, you should call or write the Company's Legal Department or the Compliance Officer. In addition, you may contact the Company's Ethics Hot Line. The contact information for the Company's Ethics Hot Line is available through the Company's intranet web site under the Human Resources bulletin board. You may make your complaints and provide information to each of these offices and to the Company's Ethics Hotline on a *confidential or anonymous* basis. Each of these offices and the Ethics Hot Line has been instructed to register all complaints, brought anonymously or otherwise, and direct those complaints to the appropriate channels within the Company.

Accounting/Auditing Complaints: The law also requires that we have in place procedures for addressing complaints concerning auditing issues and procedures for employees to anonymously submit their concerns regarding accounting or auditing issues. Complaints concerning accounting or auditing issues will be directed to the attention of the Company's Audit Committee, or the appropriate members of that committee. For direct access to the Company's Audit Committee, please address your auditing and accounting related issues or complaints to the Company's Ethics Hot Line or to:

Chairman, Audit Committee
Kerzner International Limited
Atlantis Paradise Island
Coral Towers Executive Offices
Paradise Island, The Bahamas

XII. WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS

Any change in or waiver of this Code for executive officers (including our chief executive officer, chief financial officer, controller or principal accounting officer) or directors may be made only by the Board of Directors or committee

thereof and will be promptly disclosed to the extent required by law or stock exchange regulation.

XIII. MISCELLANEOUS

1. Contractual Commitments. All leases, contracts and agreements must be in writing and approved in accordance with established procedures.

2. Intellectual Property Rights. Our Company depends on intellectual property, such as trade secrets, trademarks and copyrights, as well as business, marketing and expansion plans, pricing policies, marketing ideas, customer information and databases, records, salary information and any unpublished financial data and reports, for its continued vitality. If our intellectual property is not protected, it becomes available to other companies that have not made the significant investment that our Company has made to produce this property and thus gives away some of our competitive advantage. All of the rules stated above with respect to confidential information apply equally to proprietary information.

   Certain employees are required to sign a proprietary information agreement that restricts disclosure of proprietary, trade secret and certain other information about the Company, its joint venture partners, suppliers and customers. The policy set forth in this Code applies to all employees, without regard to whether such agreements have been signed. It is the responsibility of every Company employee to help protect our intellectual property by also adhering to the policies and procedures set forth in the Company's Confidential Information and Policy Statement. Management at all levels of the Company is encouraged to foster and maintain awareness of the importance of protecting the Company's intellectual property.

3. Legal Proceedings. In order to provide the Company with the information necessary to maintain its position in the industry, each employee has the affirmative obligation to notify in writing the Company's General Counsel or Compliance Officer in the event of any of the following:

   - The employee is named in a lawsuit as defendant, plaintiff or third-party related to Company business.
   - The employee is arrested, indicted or convicted of any crime or disorderly person's offenses, excluding traffic violations.
   - The employee is subpoenaed to testify or produce evidence in any matter related to Company business.
   - The employee is the subject of an investigation or questioned by any law enforcement or regulatory agency related to Company business.
   - The employee is named in a complaint filed by any regulatory agency.

4. Company Policies and Procedures. All employees shall comply with all policies and procedures of the Company and shall notify their supervisor of any known noncompliance by the Company or other employees.

5. Employment Contracts. No employee has the authority to enter into any agreement on behalf of the Company concerning employment of any individual without the approval of the Human Resources Department.

6. Whistleblower Protection. You should know that if you report in good faith what you suspect to be illegal or unethical activities, you should not be concerned about retaliation from others. Any employees involved in retaliation will be subject to serious disciplinary action by the Company. Furthermore, the Company could be subject to criminal or civil actions for acts of retaliation against employees who "blow the whistle" on U.S. securities law violations and other federal offenses.

7. Employee Certification. Certain employees of the Company will be requested to sign a certification at the time of their initial hiring and periodically thereafter, affirming a knowledge and understanding of this policy on business conduct and stating they have fully complied with the policy and, to the extent they have a knowledge of any violations of the policy, they have reported the same to the Company's corporate Human Resources officer, General Counsel or Compliance Officer.

8. Disciplinary Action. No Code can address all specific situations. It is, therefore, each employee's responsibility to apply the principles set forth in this Code in a responsible fashion and with the exercise of good judgment and common sense. If something seems unethical or improper, it likely is. Always remember: If you are unsure of what to do in any situation, seek guidance of the Company's Legal Department or Compliance Officer before you act.

   Employees who violate this Code shall be disciplined in a manner commensurate with the violation. Such discipline, in appropriate cases, may include restitution, reassignment to a different department, suspension or termination of employment. Each employee has a serious obligation to adhere to this Code, including an obligation to seek clarification and prior approval of questionable acts, relationships and transactions. All employees are expected to cooperate in internal investigations of misconduct.

9. Compliance Committee. The Company has formed a Compliance Committee charged with implementing and overseeing the establishment of the highest moral and ethical values through, among other things, the development and enforcement of this Code.

XIV. CONCLUSION

The preceding discussion of Company policy on business conduct and ethics is not meant to be, and in no way can be, all-inclusive. If you have a question regarding your business conduct or ethical issues relating thereto, do not hesitate to discuss the question either with the person to whom you report, your Human Resources Department, any executive officer of the Company or the Company's Compliance Officer. Certain employees and other designated personnel will be required to sign a certification at the time of their initial hiring and periodically thereafter, affirming a knowledge and understanding of this policy on business conduct and stating they have fully complied with the policy and, to the extent they have a knowledge of any violations of the policy, they have reported the same to the Company's corporate Human Resources officer, General Counsel or Compliance Officer. No employee will be retaliated against or penalized in any other way for reporting, in good faith, any violation of this Code.

Compliance\KZLCodeofBusinessConductandEthics9-05-03

Kerzner International Limited
Code of Business Conduct and Ethics
Acknowledgement Form

Compliance Officer,
Kerzner International Limited

Dear Sir:

This letter is to confirm that, as an employee of Kerzner International Limited or one or more of its subsidiaries (collectively, the "Company"), I acknowledge the following:

1. I have received a copy of the Company's Business Code of Conduct and Ethics (the "Code").

2. I have read the Code and understand the requirements.

3. I will fully comply with the Code.

4. To the extent that I obtain knowledge of any violations of the Code, I will report such violations to the Company's General Counsel or Compliance Officer.

_____
Signature

_____
Print Name

_____
Date

RECYCLED

Attorney/Client Privileged
Attorney Work Product

KERZNER INTERNATIONAL LIMITED

LEGAL TRACKING OPEN CASES

COLLECTION CASES/OPEN

KINA/KIRI

LAW FIRM	CASE NAME	KERZNER CO.	TYPE OF DEBT	STATUS
Akerman Senterfitt	Financial Freedom	KIRI	Group Sales	Negotiations
Akerman Senterfitt	Perfect 10 Antenna	KIRI	Group Sales	Pleadings
Akerman Senterfitt	T-Netix	KIRI	Group Sales	Negotiations
Akerman Senterfitt	Liberty League	KIRI	Group Sales	Pleadings
Akerman Senterfitt	PIE	KIRI	Group Sales	Negotiations
Akerman Senterfitt	Ohio Business	KIRI	Group Sales	Bankruptcy Stay
Akerman Senterfitt	Howmet	KIRI	Group Sales	Pleadings
Akerman Senterfitt	Visible Changes	KIRI	Group Sales	Negotiations
Akerman Senterfitt	EPS Global Seminars	KIRI	Group Sales	Pleadings

CLAIMS CASES/OPEN

KIB

LAW FIRM	CASE NAME	DATE OF LOSS	KERZNER CO.	CAUSE OF ACTION	TYPE/INJURY	STATUS
Connors	Sadowski	4/2/2002	KIB	Personal Injury	S/F Beach Tower	Pleadings
Connors	Fontana	3/1/2002	KINA	Personal Injury	S/F	Pleadings
Akerman Senterfitt	Ward	11/11/2002	KIB	Personal Injury	Fall From Bike/Ocean Club/Multiple Injuries	Motion to Dismiss
Akerman Senterfitt	Fusion Telecom	N/A	PEL	Bankruptcy Preference	U.S. Trustee seeks 34K from PEL	Pleadings
Akerman Senterfitt	Gordon	12/24/2000	KIB	Personal Injury	S/F Pool Area - fractured thumb	Pleadings
Phelps Dunbar	Akin	4/25/02 ACE	KIRI	Personal Injury	Assault/Hostage - cut shoulder	Dismissed - Lack of Jurisdiction
Connors	Morelli	4/16/2001	KIB	Personal Injury	S/F/Stairs	Pleadings
Dechert	Litigation Trust	N/A	KINA	RII Bankruptcy	N/A	US Bankruptcy Court NJ
Thornton Davis	Cole	12/19/97&4/10/98	KIDL	Longshore Worker's Comp	Head	Administrative Claim (insurance paying legal fees)
Akerman Senterfitt	Hollingsworth	4/30/02	KIRI	Employment	Discrimination	EEOC Fact Finding
Akerman Senterfitt	Plotkin	7/18/2003	KIRI	Misleading Advertising	Fraud; Misrepresentation	Pleadings
Akerman Senterfitt	Wertheimer	10/4/03	KIRI	Misleading Advertising	Fraud; Misrepresentation	Pleadings
Akerman Senterfitt	Blaxberg	7/20/2002	KIB	Personal Injury	Assault	Pleadings
Akerman Senterfitt	Skandalaris	9/25/99 GS	KIB	Personal Injury	S/F Royal Towers/Soft Tissue	Tort Claims Dismissed - Forum Non Conveniens
Akerman Senterfitt	Whiteside Greco	9/16/99 GS	KIB	Personal Injury	S/F Leap of Faith Slide/Foot and Ankle	Motion to Dismiss
Akerman Senterfitt	Foster	5/22/00 GS	KIB	Personal Injury	S/F Cave Area/Broken Wrist	Dismissed - Forum Non Conveniens U.S.; Refiled Bahamas

REFERENCES

KINA	Kerzner International North America, Inc. (formerly Sun International North America, Inc.)
KIRI	Kerzner International Resorts, Inc. (formerly Sun International Resorts, Inc.)
KIB	Kerzner International Bahamas, Inc. (formerly Sun International Bahamas, Inc.)
KIMI	Kerzner International Marketing, Inc. (formerly Sun International Marketing, Inc.)
KINY	Kerzner International New York, Inc. (formerly Sun International New York, Inc.)
KZL	Kerzner International Limited (formerly Sun International Hotels Limited)
PEL	Paradise Enterprises Limited

C

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PENDING LITIGATION

- Chamberlain, et al. v. Huntington Associates, LLC, et al.
  Superior Court, Suffolk County, Massachusetts
  No. 02-3868

Plaintiff alleges damages against developer for breaches of warranty relating to developer's failure to provide adequate air conditioning and other deficiencies. Depositions are taking place and mediation is scheduled for May, 2004.

- Ball, et al. v. Golf Host, Inc.
  Circuit Court, Pinellas County, Florida
  No. 99-7532 CI-015

- Ball v. Starwood Capital Group, LLC, et al.
  Circuit Court, Pinellas County, Florida
  No. 01-008582 CI-015

Plaintiffs, who are condominium unit owners at the Innisbrook Resort and Golf Club in Pinellas County Florida, allege a breach of contract in connection with a certain rental pool agreements and prospectuses pertaining to the Innisbrook Resort. Currently, settlement negotiations are underway and certain issues are on appeal.

- D.R. Horton San Diego Holding Company, Inc. v. Starwood-Santa Fe Valley Partners, SOFI-IV Rancho Santa Fe, L.L.C., et al.
  America Arbitration Association, San Diego
  Allegation: that Starwood has failed to fulfill certain obligations at The Crosby Estate
  Current Status: settlement discussions currently taking place.

- Davis and Wesson v. Golden West Funding Inc, et al.; SOFI IV-SPM Portfolio II, LLC
  Superior Court, Maricopa County, Arizona
  No. CV2002-019490
  Allegation: breach of lease regarding Valley Commerce Center
  Current Status defense counsel has filed Motion to Quash Improper Joinder.

- Raintree Resorts International , Inc. v. Starwood Hotels and Resorts Worldwide, Inc., et al.
  District Court of Harris County, Texas
  No. 2002-46295
  Allegations: Breach Of Fiduciary Duty; Tortious Interference with Existing or Prospective Business Relations; Fraud; and, Conspiracy and Related Theories of Vicarious Liability. Discovery is ongoing.

- The Residential Board of the Gotham Condominium v. Zeckendorf Realty, L.P., et al.
  Supreme Court, New York County, New York
  No. 111130/2002
  Allegations: violation of Management Agreement; Breach of Contract; Breach of Fiduciary Duty, Waste, and Mismanagement; Unjust Enrichment; Failure to Create and Constitute Condominium Board

- The Residential Board of the Gotham Condominium v. WXII/ZSW Gotham LLC., et al.
  Supreme Court, New York County, New York
  No. 114633/02
  Allegations: deterioration at terraces, balconies, and concrete bands was a condition that existed and should have been known to exist by the defendants; Negligence; Breach of Warranties of Fitness and Habitability; Fraud, Deceit, Misrepresentation and Failure to Disclose; Breach of Fiduciary Duty, Waste and Mismanagement; Violation of Section 350 of the New York General Business Law

Cases are close to settling.

The above information is subject to being updated as new information becomes available.

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UNITED STATES OF AMERICA

The State of Michigan

Michigan Department of Consumer and Industry Services

Lansing, Michigan

This is to Certify That

SLAVIK SUITES, INC.

was validly incorporated on September 28, 1988, as a Michigan profit corporation.

This certificate is issued pursuant to the provisions of 1972 PA 284, as amended, to attest to the fact that the corporation is in good standing in Michigan as of this date and is duly authorized to transact business and for no other purpose.

And I further Certify that attached is a list of all documents and annual reports filed in this office for the Corporation.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 31st day of March, 2004.

Andrew L. Metcalf Jr.

Bureau of Commercial Services, *Director*

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LIST IMAGES

ID: 407603

Name: SLAVIK SUITES, INC.

Form	Description	Date Filed	Pgs
500	ARTICLES OF INCORPORATION - PROFIT	09/28/1988	004
2500	ANNUAL REPORT - PROFIT	05/15/1992	002
520R-91	CERT. OF CHANGE OF REG. OFF./RES. AGENT (MAR)	12/10/1992	002
2500	ANNUAL REPORT - PROFIT	05/15/1993	002
2500	ANNUAL REPORT - PROFIT	05/15/1994	002
520R-95	CERT. OF CHANGE OF REG. OFF./RES. AGENT (MAR)	08/31/1995	002
515	CERTIFICATE OF AMENDMENT - CORPORATION	05/02/1996	002
2500	ANNUAL REPORT - PROFIT	05/15/1996	002
2500	ANNUAL REPORT - PROFIT	05/15/1997	001
2500	ANNUAL REPORT - PROFIT	05/15/1998	001
2500	ANNUAL REPORT - PROFIT	05/15/1999	001
AR-2000	ANNUAL REPORT	04/10/2000	001
AR-2001	ANNUAL REPORT	06/14/2001	1

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At Last Record

ID: 407603

Name: SLAVIK SUITES, INC.

Form	Description	Date Filed	Pgs
2500	ANNUAL REPORT - PROFIT	05/15/1993	002
2500	ANNUAL REPORT - PROFIT	05/15/1994	002
520R-95	CERT. OF CHANGE OF REG. OFF./RES. AGENT (MAR)	08/31/1995	002
515	CERTIFICATE OF AMENDMENT - CORPORATION	05/02/1996	002
2500	ANNUAL REPORT - PROFIT	05/15/1996	002
2500	ANNUAL REPORT - PROFIT	05/15/1997	001
2500	ANNUAL REPORT - PROFIT	05/15/1998	001
2500	ANNUAL REPORT - PROFIT	05/15/1999	001
AR-2000	ANNUAL REPORT	04/10/2000	001
AR-2001	ANNUAL REPORT	06/14/2001	1
AR-2002	ANNUAL REPORT	06/27/2002	1
AR-2003	ANNUAL REPORT	07/01/2003	1
AR-2004	ANNUAL REPORT	03/23/2004	1

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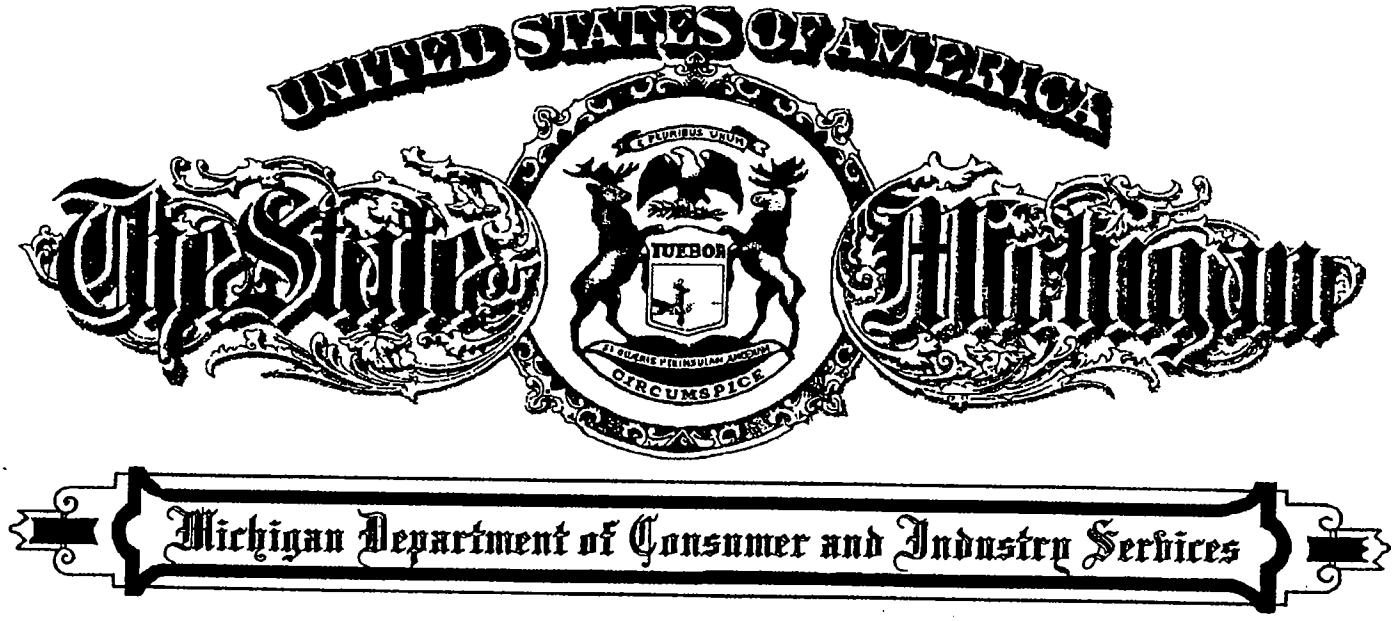

Lansing, Michigan

This is to Certify that the annexed copy has been compared by me with the record on file in this Department and that the same is a true copy thereof.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 31st day of March, 2004

Andrew L. Metcalf, *Director*

Bureau of Commercial Services

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C&S-500 (Rev. 5-86)

882AH3627 0923 ORG&FI $35.00

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

SEP 28 1988

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Date Received
SEP 23 1988 FOC

EFFECTIVE DATE:

CORPORATION IDENTIFICATION NUMBER 4 0 7 - 6 0 3

ARTICLES OF INCORPORATION

For use by Domestic Profit Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended, the undersigned corporation executes the following Articles:

Article I

The name of the corporation is: Slavik Suites, Inc.

Article II

The purpose or purposes for which the corporation is organized is to ~~engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of Michigan.~~

buy sell, and deal in real property and to engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of Michigan.

Article III

The total authorized capital stock is:

1. Common Shares 50,000 Par Value Per Share $ 1.00

   Preferred Shares _____ Par Value Per Share $ _____

and/or shares without par value as follows:

2. Common Shares _____ Stated Value Per Share $ _____

   Preferred Shares _____ Stated Value Per Share $ _____

3. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

3C

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Article IV

1. The address of the registered office is:

31555 W. 14 Mile Road, Suite 203 (Street Address) Farmington Hills (City), Michigan 48018 (Zip Code)

2. The mailing address of the registered office if different than above:

(P.O. Box) (City), Michigan (Zip Code)

3. The name of the resident agent at the registered office is: Joseph F. Slavik

Article V

The name(s) and address(es) of the incorporator(s) is (are) as follows:

Name	~~Residence or~~ Business Address
D. H. Gillis	100 E. Big Beaver, Suite 900, Troy, MI 48083

Article VI (Optional. Delete if not applicable)

When a compromise or arrangement or a plan of reorganization of this corporation is proposed between this corporation and its creditors or any class of them or between this corporation and its shareholders or any class of them, a court of equity jurisdiction within the state, on application of this corporation or of a creditor or shareholder thereof, or on application of a receiver appointed for the corporation, may order a meeting of the creditors or class of creditors or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing ¾ in value of the creditors or class of creditors, or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this corporation as a consequence of the compromise or arrangement, the compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the shareholders or class of shareholders and also on this corporation.

Article VII (Optional. Delete if not applicable)

Any action required or permitted by the Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who have not consented in writing.

Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

I (We), the incorporator(s) sign my (our) name(s) this 21st day of September, 1988.

D. H. Gillis

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C&S-500 (Rev. 5-86)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

D. H. Gillis
100 E. Big Beaver, Suite 900
Troy, MI 48083

Name of person or organization remitting fees:

D. H. Gillis

Preparer's name and business telephone number:

D. H. Gillis

(313) 689-2880

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended. The articles of incorporation cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to the provisions of Act 284, P.A. of 1972, by one or more persons for the purpose of forming a domestic profit corporation.
4. Article I — The corporate name of a domestic profit corporation is required to contain one of the following words or abbreviations: "Corporation", "Company", "Incorporated", "Limited", "Corp.", "Co.", "Inc.", or "Ltd.".
5. Article II — State, in general terms, the character of the particular business to be carried on. Under section 202(b) of the Act, it is sufficient to state substantially, alone or without specifically enumerated purposes, that the corporation may engage in any activity within the purposes for which corporations may be organized under the Act. The Act requires, however, that educational corporations state their specific purposes.
6. Article III (2) — The Act requires the incorporators of a domestic corporation having shares without par value to submit in writing the amount of consideration proposed to be received for each share which shall be allocated to stated capital. Such stated value may be indicated either in item 2 of article III or in a written statement accompanying the articles of incorporation.
7. Article IV — A post office box may not be designated as the address of the registered office.
8. Article V — The Act requires one or more incorporators. The address(es) should include a street number and name (or other designation), city and state.
9. The duration of the corporation should be stated in the articles only if the duration is not perpetual.
10. This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated as an additional article.
11. The articles must be signed in ink by each incorporator. The names of the incorporators as set out in article V should correspond with the signatures.
12. FEES: Filing fee $10.00

    Franchise fee — ½ mill (.0005) on each dollar of authorized capital stock, with a minimum franchise fee of $25.00

    Total minimum fees (Make remittance payable to State of Michigan) $35.00
13. Mail form and fee to:

    Michigan Department of Commerce, Corporation and Securities Bureau, Corporation Division, P.O. Box 30054, Lansing, MI 48909. Telephone: (517) 334-6302

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C & S-2500 (4-90)
MICHIGAN DEPARTMENT
OF COMMERCE

1211 4570 0 0 9 1 2

FOR BUREAU USE ONLY

922BH8925	1201	P-MAR	$65.00
922BH8925	1201	DRGWFI	$5.00

1991 MICHIGAN ANNUAL REPORT - PROFIT CORPORATIONS

(Please read instructions before completing form)

This report shall be filed by all profit corporations no later than May 15, 1991 showing the corporate condition at the close of business on December 31 or upon the date of the close of the latest fiscal year next preceding the time for filing. ONLY those corporations incorporated or admitted after December 31, 1990 and before May 15, 1991 are exempt from filing. The report is required in accordance with the provisions of Section 911, Act 284, Public Acts of 1972. Penalties may be assessed under the Act for failure to file.

This Report Must be Filed before May 16, 1991	Report of Condition on December 31, 1990 or _____	Corporation Number 407603

1. Corporate Name

SLAVIK SUITES, INC.
31555 W. 14 MILE RD.
SUITE 203
FARMINGTON HILLS MI
48018

7
8
9

2. Resident Agent — do not alter preprinted information in this item or item 3.	4. Federal Employer No.	5. Term of Existence
JOSEPH F. SLAVIK	38-2826614	PERPETUAL

3. Registered Office Address in Michigan — No., Street, City, Zip	6. Incorporation Date	7. State of Incorporation
31555 W. 14 MILE RD. SUITE 203 FARMINGTON HILLS 48018	09/28/1988	MI
	8. Date of Admittance (Foreign Corp.)	9. Act Under Which Incorporated (If other than 1931, P.A. 327 or 1972, P.A. 284)

10. COMPLETE THIS SECTION ONLY IF THE RESIDENT AGENT IN ITEM 2 OR THE REGISTERED OFFICE IN ITEM 3 HAS CHANGED.

a. The name of the successor resident agent is: _____

FILED BY DEPARTMENT DEC 10 '92

b. The address of the registered office is changed to:

32605 West 12 Mile Road, Suite 350, Farmington Hills, Michigan 48334
(Street Address) (City) (ZIP Code)

c. The mailing address of the registered office if different than 10b. is:

~~32605 West 12 Mile Road, Suite 350, Farmington Hills~~, Michigan ~~48334~~
(Address) (City) (ZIP Code)

ADD $5.00 TO THE $15.00 ANNUAL REPORT FILING FEE IF THIS SECTION IS COMPLETED

11. Corporate Stock Report - Total Authorized Shares (not merely outstanding).

Type of Stock	No. of Shares Authorized	Amount Subscribed	Amount Paid-In
COMMON	50,000,000	$	$50,000
		$	$
		$	$
		$	$
		$	$

12. The corporation states that the address of its registered office and the address of the business office of its resident agent are identical. Any changes were authorized by resolution duly adopted by its board of directors, except when filed by the resident agent to change the address of the registered office.

Signed this 23rd day of Nov., 1992.

By Stephan F. Slavik Sr.
(SIGNATURE OF AUTHORIZED OFFICER OR AGENT)*

Stephan F. Slavik, Sr., President
(Type or Print Name and Title)

*If Item 10 is completed, this report must be signed by the president, vice-president, chairperson, vice-chairperson, secretary or assistant secretary of the corporation. If only the registered office address is changed, it may be signed by the resident agent.

COMPLETE BOTH SIDES

DEC 0 1 1992

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13. The following is a statement of assets and liabilities as shown by the books of the corporation on December 31, 1990 or _____ (close of fiscal year next preceding May 15, 1991) listed separately as to property within and without Michigan. The balance sheet of a Michigan corporation must be the same balance sheet as furnished to shareholders.

ASSETS	TOTAL	WITHIN MICHIGAN	WITHOUT MICHIGAN
Cash	63,420	63,420	
Notes and Accounts Receivable			
Inventories			
Prepaid Expenses			
Non-current Notes and Accounts Receivable	942,100	942,100	
Land			
Depreciable Assets			
Machinery and Equipment			
Furniture and Fixtures			
Buildings			
Other			
Less Depreciation			
Net Depreciable Assets			
Investments			
Investments in Subsidiaries			
Other Investments	436,238	171,698	264,540
Other Assets			
TOTAL ASSETS	1,441,758	1,177,218	264,540

LIABILITIES AND EQUITY	
Notes and Accounts Payable, Trade	
Notes and Accounts Payable, Other	
Accrued Expenses	
Long Term Indebtedness	4,479,126
Reserves and Contingent Liabilities	
Deferred Income Tax	
Stockholders Equity	
Common Stock	50,000
Preferred Stock	
Additional Paid-In Capital	
Retained Earnings (deficit)	(3,087,368)
Other	
Total Stockholders Equity	
TOTAL LIABILITIES & EQUITY	1,441,758

14. Corporate Officers and Directors

	OFFICE	NAME, STREET & NUMBER, CITY, STATE & ZIP CODE
	President	Stephan F. Slavik, Sr., 32605 W 12 Mile Rd., #350, Farmington Hills, MI 48334
If Different than President	Secretary	Joseph F. Slavik, 32605 W 12 Mile Rd., #350, Farmington Hills, MI 48334
	Treasurer	Joseph F. Slavik, 32605 W 12 Mile Rd., #350, Farmington Hills, MI 48334
	Vice-President	
If Different than Officers	Director	
	Director	
	Director	
	Director	

15. Principal business office, and, if different, principal place of business in Michigan: 32605 W 12 Mile Rd., #350 Farmington Hills, MI 48334

16. Nature and type of business in which corporation is engaged: Hotel Investment and Management

17. a. Name of parent corporation: N/A

b. List any subsidiary corporations: N/A

After filing, this report is open to reasonable inspection by the public pursuant to Section 915 of the Act, Public Acts of 1972, as amended.

Filing Fee $15.00 (without change of agent or registered office)
Filing Fee $20.00 (with change of agent or registered office in Item 10)
MAKE REMITTANCE PAYABLE TO: "STATE OF MICHIGAN"
Include Corporation Name and CID Number on Check or Money Order

RETURN TO:
DEPARTMENT OF COMMERCE
CORPORATION AND SECURITIES BUREAU
CORPORATION DIVISION
6546 MERCANTILE WAY
P.O. BOX 30057
LANSING, MICHIGAN 48909

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0913 4907 0610-1

C&S 2500 (Rev. 11/93)

COMPLETE BOTH PAGES

MICHIGAN ANNUAL REPORT
PROFIT CORPORATIONS

1995

D95D#0667	0830	P-MAR	$15.00
D95D#0667	0830	DRG&FI	$5.00

FOR BUREAU USE ONLY

IDENTIFICATION NUMBER

407603 7

REQUIRED BY SECTION 911, PUBLIC ACTS OF 1972, FAILURE TO FILE THIS REPORT MAY RESULT IN THE AUTOMATIC DISSOLUTION/REVOCATION OF THE CORPORATION.

This Report must be filed on or before May 15, 1995

If the Resident Agent Office, Registered Office, or the mailing address of the Registered Office has changed, enter the corrections below and add $5.00 to the $15.00 filing fee. Make remittance payable to the State of Michigan.

1. Corporate Name

SLAVIK SUITES, INC.
32605 WEST 12 MILE ROAD, SUITE 350
FARMINGTON HILLS, MI 48334

1a. Mailing address of registered office if different than 1

2. Resident Agent
JOSEPH F. SLAVIK

2a. Resident Agent if different than 2
DEL J. LAURIA

3. Registered Office Address in Michigan - NO., STREET, CITY, ZIP

32605 WEST 12 MILE ROAD, SUITE 350
FARMINGTON HILLS, MI 48334

3a. Address of registered office if different than 3 - NO., STREET, CITY, ZIP

The corporation states that the address of its registered office and the address of the business office of its resident agent are identical. Any changes were authorized by resolution duly adopted by its board of directors.

FOR BUREAU USE ONLY

FILED BY DEPARTMENT AUG 31 '95

4. Federal Employer Number	5. Term of Existence (if not perpetual)	6. Act under which incorporated	7. Incorporation Date
38-2826614	PERPETUAL	284-1972	09/28/1988

8. State the nature and type of business in which the corporation is engaged:

HOTEL INVESTMENT AND OPERATIONS

9. Total Authorized Shares

50000

10. Corporate Officers and Directors (name, street address, city, state, zip code)

	President	STEPHAN F. SLAVIK, SR. 32605 WEST 12 MILE ROAD, #350, FARMINGTON HILLS, MI 48334
If different than President	Vice President	
	Secretary	J. RONALD SLAVIK 32605 WEST 12 MILE ROAD, #350, FARMINGTON HILLS, MI 48334
	Treasurer	J. RONALD SLAVIK 32605 WEST 12 MILE ROAD, #350, FARMINGTON HILLS, MI 48334
If different than Officers	Director	
	Director	
	Director	

REPORT MUST BE SIGNED IN INK. If the Mailing Address of the Registered Office, Resident Agent, or Registered Office is changed, this report must be SIGNED IN INK by the President, Vice-President, Chairperson, Vice-Chairperson, Secretary, or Assistant Secretary of the corporation. Except, if only the registered office is changed, this report may be signed by the Resident Agent. I certify that for a Professional Service Corporation, the corporation meets the requirements of Act 192, PA of 1962, as amended.

Signature of Authorized Officer or Agent	Title	Date
Stephan F. Slavik, Sr.	Pres.	8-21-95

Preparer's Name

Daytime Telephone Number

458401
12-30-94 19

1

AUG 30 1995

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0913 4907 0812-3

IDENTIFICATION NUMBER

407603

11. The following is a statement of the assets and liabilities, within and outside Michigan, as shown by the books of the corporation on December 31, 1994 or _____ (enter the closing date of the latest corporate fiscal year prior to May 15, 1995). The balance sheet of a Michigan corporation must be the same as furnished to shareholders.

ASSETS	TOTAL	WITHIN MICHIGAN	OUTSIDE MICHIGAN
Cash	32,510.	32,510.	
Notes and Accounts Receivable			
Inventories			
Prepaid Expenses			
Non-current Notes and Accounts Receivable	93,649.	93,649.	
Land			
Depreciable Assets			
Machinery and Equipment			
Furniture and Fixtures			
Buildings			
Other			
Less Depreciation			
Net Depreciable Assets			
Investments			
Investments in Subsidiaries			
Other Investments	-1,185,191.		-1,185,191.
Other Assets			
TOTAL ASSETS	-1,059,032.	126,159.	-1,185,191.

LIABILITIES AND EQUITY	
Notes and Accounts Payable, Trade	750.
Notes and Accounts Payable, Other	
Accrued Expenses	
Long Term Indebtedness	
Reserves and Contingent Liabilities	
Deferred Income Tax	
OTHER LIAB.	7,240,463.
Stockholders Equity	
Common Stock	50,000.
Preferred Stock	
Additional Paid-In Capital	
Retained Earnings (deficit)	-8,350,245.
Other	
Total Stockholders Equity	-8,300,245.
TOTAL LIABILITIES & EQUITY	-1,059,032.

12. Principal business office, and if different, principal place of business in Michigan:

32605 WEST 12 MILE ROAD STE 350
FARMINGTON HILLS 48334

12a. Name of parent corporation:

N/A

12b. List all subsidiary corporations:

N/A

This report will be open to reasonable public inspection pursuant to Section 915, Act 284 of 1972, as amended.

RETURN TO:

MICHIGAN DEPARTMENT OF COMMERCE
CORPORATION AND SECURITIES BUREAU
CORPORATION DIVISION
P.O. BOX 30057
LANSING, MI 48909

THE OFFICE IS LOCATED AT:

6546 MERCANTILE WAY
LANSING, MI 48910
(517) 334-6300

458402
12-30-84 19

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C&S 515

MICH. DEPARTMENT OF COMMERCE - CORP. AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

Date Received

FILED

MAY 02 1996

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Effective Date

RECEIVED

MAY 02 1996

MICHIGAN DEPARTMENT OF COMMERCE
CORPORATION & SECURITIES BUREAU

Marcia D. Pollock, L.A.
Kemp, Klein, Umphrey
& Endelman, P.C.
P. O. Box 4300
Troy, Michigan 48099-4300

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

For use by Domestic Corporations

Pursuant to the provisions of Act 284, Public Acts of 1972 (profit corporation), or Act 162, Public Acts of 1982 (nonprofit corporation), the undersigned corporation executes the following Certificate:

1. The present name of the corporation is:

SLAVIK SUITES, INC.

2. The corporation identification number (CID) assigned by the Bureau is: **407 603**

3. The location of its registered office is:

32605 W. 12 Mile Road, Suite 350, Farmington Hills, MI 48334

4. Article III of the Articles of Incorporation is hereby amended to read as follows:

The total authorized shares:

1. Common Shares: 10,000 Class A voting
   40,000 Class B non-voting

   Preferred Shares: N/A

2. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

   Each share of Class "A" voting common stock shall have one (1) vote. The Class "B" nonvoting common stock shall have no vote on any matter for any purpose. In all other respects, the Class "A" voting common stock and the Class "B" nonvoting common stock shall be identical.

5. COMPLETE SECTION (a) IF THE AMENDMENT WAS ADOPTED BY THE UNANIMOUS CONSENT OF THE INCORPORATOR(S) BEFORE THE FIRST MEETING OF THE BOARD OF DIRECTORS OR TRUSTEES: OTHERWISE, COMPLETE SECTION (b).

   — a. The foregoing amendment to the Articles of Incorporation was duly adopted on the____ day of _____, 199_, in accordance with the provisions of the Act by the unanimous consent of the incorporator(s) before the first meeting of the board of directors or trustees.

CW 37720 ck 12.50 ck

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Signed this __ day of _____, 199_.

_____ _____

_____ _____

X b. The foregoing amendment to the Articles of Incorporation was duly adopted on the 17 day of April, 1996.

Was duly adopted in accordance with Section 611(2) of the Act by the vote of the shareholders if a profit corporation, or by the vote of the shareholders or members if a nonprofit corporation, or by the vote of the directors if a nonprofit corporation organized on a nonstock directorship basis. The necessary votes were cast in favor of the amendment.

Was duly adopted by the written consent of all of the directors pursuant to Section 525 of the Act and the corporation is a nonprofit corporation organized on a nonstock directorship basis.

Was duly adopted by the written consent of the shareholders or members having not less than the minimum number of votes required by statute in accordance with Section 407(1) and (2) of the Act if a nonprofit corporation, and Section 407(1) of the Act if a profit corporation.

X Was duly adopted by the written consent of all the shareholders or members entitled to vote in accordance with Section 407(3) of the Act if a non-profit corporation, and Section 407(2) of the Act if a profit corporation.

Signed this 17th day of APRIL, 1996

SLAVIK SUITES, INC..

By: Stephan F. Slavik, Sr.
Stephan F. Slavik, Sr., President

54410

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61-66
Rev. 2/94

Office of the Secretary of the State of Connecticut

I, the Connecticut Secretary of the State, and keeper of the seal thereof, DO HEREBY CERTIFY, that the Certificate of Incorporation of

LMW INVESTMENTS, INC.

as a STOCK corporation under the Connecticut General Statutes was filed in this office on January 25, 1993. The following comprises a list of documents filed in this office as of the date of this certificate:

DOCUMENT

ORGANIZATION AND FIRST REPORT
File Date: January 25, 1993

CERTIFICATE OF INCORPORATION
File Date: January 25, 1993

REPORT (1995)
File Date: April 7, 1995 File Time: 08:30 AM

REPORT (1996)
File Date: January 23, 1996 File Time: 08:30 AM

REPORT (1997)
File Date: February 18, 1997 File Time: 08:30 AM
Effective Date: February 18, 1997 Effective Time: 08:30 AM

REPORT (1998)
File Date: December 11, 1997 File Time: 08:30 AM
Effective Date: December 11, 1997 Effective Time: 08:30 AM

REPORT (1999)
File Date: January 25, 1999 File Time: 08:30 AM
Effective Date: January 25, 1999 Effective Time: 08:30 AM

REPORT (2000)
File Date: January 24, 2000 File Time: 08:30 AM
Effective Date: January 24, 2000 Effective Time: 08:30 AM

REPORT (2001)
File Date: February 5, 2001 File Time: 08:30 AM
Effective Date: February 5, 2001 Effective Time: 08:30 AM

REPORT (2002)
File Date: January 18, 2002 File Time: 08:30 AM
Effective Date: January 18, 2002 Effective Time: 08:30 AM

61-66
Rev. 2/94

Office of the Secretary of the State of Connecticut

REPORT (2003)

File Date:	March 13, 2003	File Time:	08:30 AM
Effective Date:	March 13, 2003	Effective Time:	08:30 AM

REPORT (2004)

File Date:	February 10, 2004	File Time:	08:30 AM
Effective Date:	February 10, 2004	Effective Time:	08:30 AM

Insofar as the records of this office reveal, the corporation is in existence.

Susan Bysiewicz
Secretary of the State

Date Issued: March 26, 2004

CERTIFICATE OF INCORPORATION
STOCK CORPORATION
01-S REV. 2-90

00581

189969A001 01/25/93RH37010 50.00

189969A001 01/25/93RH00300 150.00

VOL 1222

STATE OF CONNECTICUT
SECRETARY OF THE STATE

189969A001 01/25/93RH37100 25.00

The undersigned incorporator(s) hereby form(s) a corporation under the Stock Corporation Act of the State of Connecticut:

1. The name of the corporation is LMW Investments, Inc.

2. The nature of the business to be transacted, or the purposes to be promoted or carried out by the corporation, are as follows:

To engage in any lawful act or activity for which corporations may be formed under the Stock Corporation Act of the State of Connecticut.

00582

(Continued)

3. The designation of each class of shares, the authorized number of shares of each such class, and the par value (if any) of each share thereof, are as follows:

Twenty Thousand (20,000) shares of Common Stock with One Cent ($.01) par value.

4. The terms, limitations and relative rights and preferences of each class of shares and series thereof (if any), or an express grant of authority to the board of directors pursuant to Section 33-341, 1959 Supp. Conn. G.S., are as follows:

None.

5. The minimum amount of stated capital with which the corporation shall commence business is

One Thousand ($1,000)---------- dollars. (Not less than one thousand dollars)

6 (7) - Other provisions

Dated this 21st day of January, 19 93

I/We hereby declare, under the penalties of false statement, that the statements made in the foregoing certificate are true.

This certificate of incorporation must be signed by each incorporator.

NAME OF INCORPORATOR (Print or Type)	NAME OF INCORPORATOR (Print or Type)	NAME OF INCORPORATOR (Print or Type)
Len Wolman	2. Mark Wolman	3.
1. [signature]	SIGNED (Incorporator) 2. [signature]	SIGNED (Incorporator) 3.
NAME OF INCORPORATOR (Print or Type) 4.	NAME OF INCORPORATOR (Print or Type) 5.	NAME OF INCORPORATOR (Print or Type) 6.
SIGNED (Incorporator) 4	SIGNED (Incorporator) 5.	SIGNED (Incorporator) 6.

FOR OFFICE USE ONLY

Rec; CC; GS:
Tarlow Levey + Droney
Robin Shapiro
PO Box 887
Farmington CT 06034

(Please provide filer's name and complete address for mailing receipt)

FILED
STATE OF CONNECTICUT
JAN 25 1993

APPOINTMENT OF STATUTORY AGENT FOR SERVICE
DOMESTIC CORPORATION
61-6 Rev. 6/88

00583 Secretary of the State
30 Trinity Street
Hartford, CT 06106

VOL 1[illegible]

Name of Corporation: LHW Investments, Inc. **Complete All Blanks**

The above corporation appoints as its statutory agent for service, one of the following:

Name of Natural Person Who is Resident of Connecticut	Business Address / Residence Address	Zip Code
Len Wolman	Business Address: 914 Hartford Tpke. Waterford, CT 06385 Residence Address: 49 Mayfield Terrace East Lyme, CT 06385	

Name of Connecticut Corporation	Address of Principal Office in Conn. (If none, enter address of appointee's statutory agent for service)

Name of Corporation (Not organized under the Laws of Conn.*)	Address of Principal Office in Conn. (If none, enter "Secretary of the State of Conn.")

*Which has procured a Certificate of Authority to transact business or conduct affairs in this state.

AUTHORIZATION

	Name of Incorporator (Print or Type)	Signed (Incorporator)	Date
Original Appointment (Must be Signed by a majority of Incorporators)	Len Wolman	[signature]	1/21/93
	Mark Wolman	[signature]	1/21/93
	Name of Incorporator (Print or Type)	Signed (Incorporator)	

Subsequent Appointment	Name of President, Vice President or Secretary	Date
	Signed (President, or Vice President or Secretary)	

Acceptance: Name of Statutory Agent for Service (Print or Type)	Signed (Statutory Agent for Service)
Len Wolman	[signature]

For Official Use Only

FILED
STATE OF CONNECTICUT
JAN 25 1993
[signature]
SECRETARY OF THE STATE

Rec; CC:

Please provide filer's name and complete address for mailing receipt.

(875J-8)

3

RECYCLED

LEISURE RESORTS VS. TRADING COVE ASSOCIATES

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 nondisclosure, 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 Judgment, each with respect to all claims. The Court granted Defendants' Motion to Strike in part and denied Defendants' Motion for Summary Judgment 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 Wolman 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 moved for summary judgment seeking dismissal of the counterclaims in full, which motion was denied on April 14, 2003.

Discovery has commenced and is ongoing. Jury selection is scheduled to commence on October 19, 2004 with presentation of evidence to begin on October 26, 2004.

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 n 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.

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.

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RECYCLED

RECYCLED

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "BLB WORLDWIDE, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF MARCH, A.D. 2004, AT 1:47 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

3779047 8100

040224531

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 3015738

DATE: 03-26-04

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:57 PM 03/26/2004
FILED 01:47 PM 03/26/2004
SRV 040224531 - 3779047 FILE

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

BLB WORLDWIDE, INC.

BLB WORLDWIDE, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. The name of the corporation is BLB Worldwide, Inc. (the "Corporation"). The Certificate of Incorporation of the Corporation was originally filed with the Office of the Secretary of State of the State of Delaware on March 18, 2004.

2. This Amended and Restated Certificate of Incorporation (a) certifies that the Corporation has not received any payment for any of its stock, (b) has been adopted in accordance with the provisions of Section 241 and Section 245 of the DGCL, and (c) amends and restates the Certificate of Incorporation of this Corporation.

3. The Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

FIRST: The name of the Corporation is

BLB WORLDWIDE, INC.

SECOND: The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 in the County of New Castle. The name of its registered agent in the State of Delaware is The Corporation

Trust Company, the address of which is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801.

THIRD: The purpose of the Corporation is to engage, directly or indirectly, in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as from time to time in effect.

FOURTH: The total authorized capital stock of the Corporation shall be ten thousand (10,000) shares of Common Stock, par value $0.01 per share.

FIFTH: The name and mailing address of the incorporator is as follows:

Name	Mailing Address
Henrik R. Lonberg	c/o White & Case LLP 1155 Avenue of the Americas New York, New York 10036

SIXTH: The business of the Corporation shall be managed under the direction of the Board of Directors except as otherwise provided by law. The number of Directors of the Corporation shall be fixed from time to time by, or in the manner provided in, the By-Laws. Election of Directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

SEVENTH: The Board of Directors may make, alter or repeal the By-Laws of the Corporation except as otherwise provided in the By-Laws adopted by the Corporation's stockholders.

EIGHTH: Each person who is or was a Director or officer of the Corporation, or each such person who is or was serving at the request of the Board of Directors or an officer of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of

such person), shall be indemnified by the Corporation to the full extent permitted from time to time by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article VIII. Any amendment or repeal of this Article VIII shall not adversely affect any right or protection existing hereunder immediately prior to such amendment or repeal. To the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws presently or hereafter in effect, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a Director of the Corporation. Any repeal or modification of this Article VIII shall not adversely affect any right or protection of a Director of the Corporation existing immediately prior to such repeal or modification.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of March, 2004.

Henrik R. Lonberg
Incorporator

F

RECYCLED

RECYCLED

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "BLB WORLDWIDE HOLDINGS, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF MARCH, A.D. 2004, AT 1:44 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

3780995 8100

040224518

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 3015757

DATE: 03-26-04

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:58 PM 03/26/2004
FILED 01:44 PM 03/26/2004
SRV 040224518 - 3780995 FILE

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

BLB WORLDWIDE HOLDINGS, INC.

BLB WORLDWIDE HOLDINGS, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. The name of the corporation is BLB Worldwide Holdings, Inc. (the "Corporation"). The Certificate of Incorporation of the Corporation was originally filed with the Office of the Secretary of State of the State of Delaware on March 23, 2004.

2. This Amended and Restated Certificate of Incorporation (a) certifies that the Corporation has not received any payment for any of its stock, (b) has been adopted in accordance with the provisions of Section 241 and Section 245 of the DGCL, and (c) amends and restates the Certificate of Incorporation of this Corporation.

3. The Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

FIRST: The name of the Corporation is

BLB WORLDWIDE HOLDINGS, INC.

SECOND: The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 in the County

of New Castle. The name of its registered agent in the State of Delaware is The Corporation Trust Company, the address of which is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801.

THIRD: The purpose of the Corporation is to engage, directly or indirectly, in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as from time to time in effect.

FOURTH: The total authorized capital stock of the Corporation shall be ten thousand (10,000) shares of Common Stock, par value $0.01 per share.

FIFTH: The name and mailing address of the incorporator is as follows:

Name	Mailing Address
Henrik R. Loeberg	c/o White & Case LLP 1155 Avenue of the Americas New York, New York 10036

SIXTH: The business of the Corporation shall be managed under the direction of the Board of Directors except as otherwise provided by law. The number of Directors of the Corporation shall be fixed from time to time by, or in the manner provided in, the By-Laws. Election of Directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

SEVENTH: The Board of Directors may make, alter or repeal the By-Laws of the Corporation except as otherwise provided in the By-Laws adopted by the Corporation's stockholders.

EIGHTH: Each person who is or was a Director or officer of the Corporation, or each such person who is or was serving at the request of the Board of Directors or an officer of the Corporation as a director, officer, employee or agent of another corporation, partnership,

joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Corporation to the full extent permitted from time to time by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article VIII. Any amendment or repeal of this Article VIII shall not adversely affect any right or protection existing hereunder immediately prior to such amendment or repeal. To the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws presently or hereafter in effect, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a Director of the Corporation. Any repeal or modification of this Article VIII shall not adversely affect any right or protection of a Director of the Corporation existing immediately prior to such repeal or modification.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of March, 2004.

Henrik R. Lonberg
Incorporator

WolfBlock

940 Route 70 East, Suite 200, Cherry Hill, New Jersey 08003
Tel: (856) 424-8200 ■ Fax: (856) 424-4446 ■ www.WolfBlock.com

Gilbert L. Brooks
Direct Dial: (856) 874-4204
Direct Fax: (856) 874-4364
E-mail: gbrooks@wolfblock.com

May 3, 2004

Marilyn Shannon McConaghy, Director
Department of Business Regulations
State of Rhode Island
233 Richmond Street
Providence, RI 02903

Re: BLB Investors, LLC

Dear Ms. McConaghy:

Previously, BLB Investors, LLC ("BLB") submitted a Facility Permit Transfer Application to the Department of Business Regulation. In connection with the submission of the Application, there were attachments to Article V of the Application. The first attachment provided information with respect to the owners of BLB. It also dealt with the management committee of BLB and it provided an organization chart. Please be advised that the percentage of ownership interest in BLB has changed. We have previously advised counsel for the Department of Business Regulation of this change and they asked us to amend the relevant portion of the Application and forward same to you. Accordingly, enclosed please find an amended copy of the attachment to Article V of the Application previously submitted by BLB. Would you kindly accept same and replace the relevant page in the initial Application with the updated information. If you need anything further in connection with the above or have any questions in connection with the above, please let me know. Thank you for your attention and cooperation in this matter.

Respectfully yours,

Gilbert L. Brooks
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

GLB/klh
Enclosure

DSCH:83381.1/SUN068-219277

COPY

cc: David Carp, Esquire
Gerald F. Aubin, Executive Director

ARTICLE V ATTACHMENTS

A. BLB Investors, LLC is owned by the following member entities.*

1. Starbell Investors, L.L.C.
   591 West Putnam Avenue
   Greenwich, CT 06820
   Percent Ownership: 37.5%

2. Kerzner International Acquisitions Limited
   Trident Trust Company
   Trident Chambers
   Wickhams Cay
   P.O. Box 146
   Road Town, Tortola
   British Virgin Islands
   Percent Ownership: 37.5%

3. Waterford Development, L.L.C.
   914 Hartford Turnpike
   P.O. Box 715
   Waterford, CT 06835
   Percent Ownership: 25%

*See Article VI Attachments for detailed information concerning each of these companies.

B. The following individuals constitute the Management Committee of BLB Investors, L.L.C.:

1. Barry Sternlicht
2. Madison Grose
3. Howard B. Kerzner
4. Len Wolman

C. The attached organization chart provides information related to the shareholders of BLB Investors, L.L.C. See, Article VI Attachments for detailed information concerning each of these companies.