

CRYPTOLOGIC LTD
Form 6-K
November 13, 2009
FORM 6-K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of **November 2009**

Commission File Number **000-30224**

CRYPTOLOGIC LIMITED
Marine House, 3rd Floor

Clanwilliam Place

Dublin 2, Ireland

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F....x..... Form 40-F...o...

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ___

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ___

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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Signatures

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

CRYPTOLOGIC LIMITED

Stephen Taylor

Chief Financial Officer

Date: November 13, 2009

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated November 13, 2009

FOR IMMEDIATE RELEASE

Symbol: TSX: CRY & CXY; NASDAQ: CRYP; LSE: CRP

CryptoLogic announces Q3 results

Branded game revenue grows, but slower-than-expected rollout, sluggish wagering activity limit progress

November 13, 2009 (Dublin, IRELAND) CryptoLogic Limited, a global developer of branded online betting games and Internet casino software, today announced its financial results for the third quarter ending September 30, 2009. While branded game revenue saw strong growth for the third consecutive quarter, sluggish wagering activity and a slower-than-expected rollout of games by new licensees adversely affected the overall result.

Financial highlights:

Revenue of \$9.6 million (Q2 2009: \$10.1 million) in a typically slow season for Internet gaming
Branded game revenue increased by 46% to \$0.78 million, up from \$0.53 million in Q2 and \$0.31 million in Q1 2009
Hosted casino revenue decreased to \$7.1 million (Q2 2009: \$7.7 million) due primarily to two jackpot wins on Millionaires Club, one of the company's most popular games
Poker revenue of \$0.5 million (Q2 2009: \$0.5 million)
Net loss before minority interest of \$3.4 million (Q2 2009: \$6.3 million)
Diluted loss per share of \$0.25 (Q2 2009 diluted loss per share: \$0.46)
Net cash as at September 30, 2009: \$28.4 million (June 30, 2009: \$33.8 million)
Dividend of \$0.01 per share for the quarter (Q2 2009: \$0.03 per share)

Operating highlights:

33 branded games on the market by new licensees in Q3, up from 13 in Q2 and three in Q1
Total customer base now at 29 licensees after signing new multi-year deals in Q3 to provide branded slot games to leading operators such as **Totesport** and **Virgin Games**
Signed a three-year agreement to license CryptoLogic's full Internet casino suite to **Betsafe**
Expanded relationship with **888.com** to include five more games for launch later in 2009
Release of new downloadable game lineup including a video slot version of **Street Fighter IV**, one of the most popular video games of 2009
Continued momentum of signing up new licensees in Q4 through new deals with **Rank Interactive** and **Unibet**, with games now live on each site

Q4 2009 outlook:

Continuing steady roll-out of branded games by licensees with 50 games on the market as of today
More than 80 branded games expected to be live by year end, based on current launch plans by licensees

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The continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter. In light of recent performance and the current trading environment, the company is reviewing the carrying value of its assets, which is likely to result in a significant impairment charge in Q4.

Despite a disappointing third quarter, CryptoLogic's business strategy is delivering tangible progress, albeit at a slower pace than anticipated, said Brian Hadfield, CryptoLogic's President and CEO. With a lower cost base, the largest customer roster in CryptoLogic's history and our third consecutive quarter of increased revenue from branded games, we remain focused on executing our plan and returning to profitability and long term growth.

3RD FLOOR, MARINE HOUSE, CLANWILLIAM PLACE,

DUBLIN 2, IRELAND

Overview

While CryptoLogic continued to make progress in executing its business strategy, overall results in the quarter were affected by a number of factors. Uncertain macroeconomic conditions and sluggish wagering activity contributed to a significant decline in wagering volumes in both casino and poker compared with the previous year. While the third quarter is traditionally the slowest season for Internet gaming, the seasonal uptick in demand normally seen in September was well below historic trends.

The rollout of branded games by new licensees gained further momentum, but as most of the new games scheduled for the quarter were not launched by customers until late in the period, revenue from these will only start to come through in Q4 2009.

The company's most popular games in the quarter included, Cleo-Queen of Egypt, Cubis, Hulk Ultimate Revenge, Millionaires Club III and Spider-Man Revelations.

New games, new customers

Notwithstanding the slower-than-expected rollout by some customers, CryptoLogic's build-once-license-often strategy delivered solid growth from branded games for the third consecutive quarter. Revenue from this segment increased to \$0.78 million, a 46% rise since the second quarter as the number of games on customer sites rose to 33, up from 13 in Q2 and three in Q1. Further launches by customers since the end of the quarter have increased the total number of games on the market to 50 today.

The company signed several prominent gaming and entertainment companies in the quarter including well known brands such as **Betsafe**, **Totesport** and **Virgin Games**. Following the Q4 signings and game launches for **Rank Interactive** and **Unibet**, CryptoLogic has expanded its customer base to 29 licensees, the most in the company's history.

E-gaming innovation

CryptoLogic continued to add to its product portfolio with the launch of a new downloadable game lineup that features a video slot version of the world-famous **Street Fighter IV**. The new game pack also featured video slot games Savannah Sunrise, Cleo Crazy Jackpots Area 21 and updated versions of longtime favourites Caribbean Stud Poker, American Roulette and Video Poker.

Financial performance

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Total revenue: CryptoLogic's revenue was \$9.6 million for the third quarter, down \$0.5 million from Q2 2009 as wagering activity slowed in August, without a typical seasonal bounceback in September. Revenue was also reduced by \$0.56 million as a result of the number of jackpot wins in the quarter, which was above historic levels. This was reflected in casino revenue of \$7.1 million in Q3, down from \$7.7 million in the second quarter. Poker revenue was flat at \$0.5 million in the third quarter. Other revenue included a \$0.8 million benefit recorded due to a revised estimate for future royalty payments. As noted above, revenue from branded games continues to grow, up 46% to \$0.78 million in the third quarter from \$0.53 million in Q2.

Earnings and Earnings per Diluted Share: Due to the factors cited above, the company recorded a loss of \$3.4 million, or \$0.25 per share (based on a weighted average of 13,820,000 outstanding shares), for the quarter.

Operating expenses were \$9.2 million for the quarter, down from \$9.9 million in the second quarter and \$16.5 million in the third quarter of 2008. This reflects the company's continued efforts to reduce costs across the business. General and administrative expenses were \$2.4 million, up from \$2.2 million in Q2 due largely to foreign exchange movements, and down from \$3.1 million in Q3 2008.

Balance Sheet and Cash Flow: CryptoLogic ended the quarter with \$28.4 million in net cash (comprising cash and cash equivalents, restricted cash and security deposits), or \$2.06 per diluted share (June 30, 2009: \$33.8 million or \$2.45 per diluted share). The decrease in net cash was due largely to the operating loss, jackpot wins of \$2.6 million paid out during the quarter. The company continues to be debt-free. CryptoLogic's working capital at September 30, 2009 was \$2.50 per share. (June 30, 2009: \$37.4 million or \$2.70 per diluted share).

Dividend

CryptoLogic declared a dividend of \$0.01 per share for the quarter, down from \$0.03 in the first two quarters of 2009. The dividend will be paid on December 15, 2009 to shareholders of record of CryptoLogic Limited and CryptoLogic Exchange Corporation as at December 1, 2009.

Outlook

The implementation of the company's branded games is in the hands of its licensees, and has been slower than expected. CryptoLogic continues to expect a steady rise in branded game revenue in the fourth quarter. 50 games are on the market today, and based on the latest information from customers, the company expects more than 80 games to be on the market by the end of the year.

Notwithstanding this progress, the continued impact of the economic environment and the delays in rolling out branded games will result in a loss in the fourth quarter. In light of the company's performance and the current trading and economic environment, CryptoLogic is undertaking a review of the carrying value of its assets in conjunction with the company's annual planning and budgeting process in the fourth quarter and this is likely to result in a significant impairment charge.

Investor/analyst conference call

CryptoLogic will hold a conference call today at **8:30 a.m. Eastern time (1:30 p.m. GMT)** to update investors on the company's earnings in Q3 2009. The details of the call are as follows:

Toll Free North America:

1-800-766-6630

Toll Free UK:

00 800-4222-8835

Toll Free International

(Country Code) 800-4222-8835

Toronto Dial-In Number:

416-340-8410

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*To participate, please call five to ten minutes prior to the start of the teleconference. This conference call will be recorded and available for replay approximately one hour after the completion of the call, up until midnight on November 20, 2009. To listen to the replay, please dial **416-695-5800** or **1-800-408-3053**, passcode **8851764#**. A transcript of the call will also be made available on CryptoLogic's website at www.cryptologic.com under Investor Information.*

About CryptoLogic® (www.cryptologic.com)

Focused on integrity and innovation, CryptoLogic Limited is a leading public developer and supplier of Internet gaming software. With more than 300 games, CryptoLogic has one of the most comprehensive casino suites on the Internet, with award-winning games featuring some of the world's most famous action and entertainment characters. The company's licensees include many top Internet gaming brands, including the big four international operators. CryptoLogic's leadership in regulatory compliance makes it one of the few companies with gaming software certified to strict standards similar to land-based gaming. WagerLogic® Limited, a wholly-owned subsidiary of CryptoLogic, is responsible for the licensing of gaming software and services to blue-chip customers that offer their games to non-U.S. based players around the world. For information on WagerLogic, please visit www.wagerlogic.com.

CryptoLogic's common shares trade on the Toronto Stock Exchange (CRY, CXY), the NASDAQ Global Select Market (CRYP) and the Main Market of the London Stock Exchange (CRP).

For more information, please contact:

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Stephen Taylor, Chief Financial Officer

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CRYPTOLOGIC FORWARD LOOKING STATEMENT DISCLAIMER:

Statements in this press release, which are not historical are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on certain factors and assumptions including expected growth, results of operations, performance, business prospects and opportunities, foreign exchange rates and effective income tax rates. While the company considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks associated with the company's financial condition, prospects and opportunities, legal risks associated with Internet gaming and risks of governmental legislation and regulation, risks associated with market acceptance and technological changes, risks associated with dependence on licensees and key licensees, risks relating to international operations, risks associated with competition and other risks detailed in the company's filings with securities regulatory authorities. These risks may cause results to differ materially from those projected in the forward-looking statements. Forward-looking statements are given only as at the date of this release and the company disclaims any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

CRYPTOLOGIC LIMITED**CONSOLIDATED BALANCE SHEETS***(In thousands of U.S. dollars)*

	As at September 30, 2009 <i>(unaudited)</i>	As at December 31, 2008 <i>(audited)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,194	\$ 36,348
Restricted cash	-	7,175
Security deposits	250	250
Accounts receivable and other	7,533	6,002
Prepaid expenses	8,892	6,564
Income taxes receivable	1,541	653
	46,410	56,992
User funds held on deposit	5,217	10,833
Future income taxes	3,629	1,930
Capital assets	15,972	18,703
Long-term investments	2,337	5,821
Intangible assets	4,502	4,982
Goodwill	6,545	6,545
	\$ 84,612	\$ 105,806
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,439	\$ 15,356
Income taxes payable	417	413
	11,856	15,769
User funds held on deposit	5,217	10,833
Future income taxes	298	382
	17,371	26,984
Minority interest	5,648	6,382
Shareholders equity:		
Share capital	33,766	33,552
Stock options	7,634	6,856
Retained earnings	20,193	32,032
	61,593	72,440
	\$ 84,612	\$ 105,806

CRYPTOLOGIC LIMITED**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(In thousands of U.S. dollars, except per share data)**(Unaudited)*

For the three months ended		For the nine months ended	
September 30, 2009		September 30, 2009	
Revenue	\$ 14,049	\$ 29,865	\$ 29,865
Expenses			
Operating	16,506	27,305	27,305
General and administrative	3,067	7,704	7,704

Revenue	\$ 14,049	\$ 29,865	\$ 29,865
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Expenses

Operating	16,506	27,305	27,305
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General and administrative	3,067	7,704	7,704
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and administrative

3. RESULTS OF OPERATIONS FOR MONTHS ENDED

The Company, through two 50%-owned entities, Bayshore Landing, LLC (“Landing”) and Bayshore Rawbar, LLC (“Rawbar”),

Summarized combined statements of income for Landing and Rawbar for the three and six months ended

Summarized Combined statements of income Bayshore Landing, LLC and Bayshore Rawbar, LLC	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Revenues:				
Food and Beverage Sales	\$ 1,611,000	\$ 1,608,000	\$ 3,357,000	\$ 3,296,000
Marina dockage and related	281,000	271,000	554,000	557,000
Retail/mall rental and related	160,000	147,000	308,000	294,000
Total Revenues	2,052,000	2,026,000	4,219,000	4,147,000
Expenses:				
Cost of food and beverage sold	448,000	448,000	967,000	922,000
Labor and related costs	310,000	292,000	627,000	590,000
Entertainers	50,000	48,000	99,000	96,000
Other food and beverage related costs	142,000	150,000	283,000	307,000
Other operating costs	34,000	28,000	83,000	70,000
Repairs and maintenance	113,000	108,000	190,000	214,000

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Insurance	129,000	130,000	262,000	254,000
Management fees	80,000	76,000	137,000	160,000
Utilities	61,000	70,000	114,000	124,000
Ground rent	279,000	224,000	457,000	446,000
Interest	163,000	166,000	326,000	367,000
Depreciation and amortization	162,000	168,000	328,000	483,000
Realized loss on interest rate swap	—	—	—	198,000
Total Expenses	1,971,000	1,908,000	3,873,000	4,231,000
Net income (loss)	\$81,000	\$118,000	\$346,000	\$(84,000)

4

4. INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist primarily of large capital corporate equity and debt securities.

Net realized and unrealized gain (loss) from investments in marketable securities for the three and six months ended June 30, 2012 and 2011 is as follows:

Description	Three months ended		Six months ended	
	June 30, 2012	2011	June 30, 2012	2011
Net realized gain (loss) from sales of securities	\$18,000	\$(2,000)	\$68,000	\$78,000
Unrealized net (loss) gain in trading securities	(13,000)	(29,000)	29,000	(46,000)
Total net gain (loss) from investments in marketable securities	\$5,000	\$(31,000)	\$97,000	\$32,000

For the three and six months ended June 30, 2012, net unrealized (losses) gains from trading securities were \$29,000 and \$29,000, respectively.

For the three months ended June 30, 2012, net realized gain from sales of marketable securities of approximately \$18,000.

For the three months ended June 30, 2011, net realized loss from sales of marketable securities of approximately \$(2,000).

Investment gains and losses on marketable securities may fluctuate significantly from period to period.

5. OTHER INVESTMENTS

As of June 30, 2012, the Company's portfolio of other investments had an aggregate carrying value of approximately \$1.1 million.

Net income from other investments for the three and six months ended June 30, 2012 and 2011, is summarized as follows:

Description	Three months ended 2012
Partnerships owning real estate and related	\$255,000
Partnerships owning diversified businesses	—
Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.)	14,000
Total net income from other investments (excluding other than temporary impairment losses)	\$269,000

The following tables present gross unrealized losses and fair values for those investments that were in a loss position as of the reporting date.

Investment Description	As of June 30, 2012	
	Less than 12 Months	Greater than 12 Months
	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	\$—	\$372,000
Partnerships owning diversified businesses	—	298,000
Partnerships owning real estate and related investments	—	240,000
Total	\$—	\$910,000

Investment Description	As of December 31, 2011	
	Less than 12 Months	Greater than 12 Months
	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	\$327,000	\$(20,000)
Partnerships owning diversified businesses	—	—
Partnerships owning real estate and related investments	—	—
Total	\$327,000	\$(20,000)

When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the fair value of the investment, the financial condition of the investee, and the ability of the investee to pay dividends.

In accordance with ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairment, the Company recognizes other-than-temporary impairment losses on investments in equity securities when the fair value of the investment is less than the cost basis and the Company has the intent to sell the investment or it is more likely than not that the Company will be required to sell the investment within a reasonable period of time.

6. INTEREST RATE SWAP CONTRACT

The Company is exposed to interest rate risk through its borrowing activities. In order to minimize the c

As of June 30, 2012 the fair value of this hedge was an unrealized loss of approximately \$2,059,000, as

The following tables present the required disclosures in accordance with ASC Topic 815-10:

Fair Values of Derivative Instruments:

	Liability Derivative	
	June 30, 2012	
	Balance	Fair
	Sheet	Value
	Location	
Derivatives designated as hedging instruments:		
Interest rate swap contract	Liabilities	\$2,059,000
Total derivatives designated as hedging instruments under ASC Topic 815		\$2,059,000

The Effect of Derivative Instruments on the Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011:

The Effect of Derivative Instruments on the Statements of Comprehensive Income

Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	For the three Months ended June 30, 2012	For the three Months ended June 30, 2011

Interest rate swap contracts	\$ (111,000)	\$ (89,500)
Total	\$ (111,000)	\$ (89,500)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Topic 820, the Company measures cash equivalents, marketable securities, oth

7

Assets and liabilities measured at fair value on a recurring basis are summarized below:

<u>Description</u>	Fair value measurement at reporting date using	
	Total June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets:		
Cash equivalents:		
Time deposits	\$54,353	—
Money market mutual funds	1,561,821	\$1,561,821
Marketable securities:		
Corporate debt securities	942,914	—
Marketable equity securities	1,005,295	1,005,295
Total assets	\$3,564,383	\$2,567,116
Liabilities:		
Interest rate swap contract	2,059,000	—
Total liabilities	\$2,059,000	—

<u>Description</u>	Fair value measurement at reporting date using	
	Total December 31, 2011	Quoted Prices in Active Markets for Identical A (Level 1)
Assets:		
Cash equivalents:		
Time deposits	\$54,104	—
Money market mutual funds	1,536,787	\$1,536,787
Marketable securities:		
Corporate debt securities	885,252	—
Marketable equity securities	1,134,224	1,134,224
Total assets	\$3,610,367	\$2,671,011
Liabilities:		
Interest rate swap contract	1,975,000	—
Total liabilities	\$1,975,000	—

Assets measured at fair value on a nonrecurring basis are summarized below:

<u>Description</u>	Fair value measurement at reporting date using				Total losses the through and six months ended 6/30/2012
	Total June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	
Assets:					
<u>Other investments by investment focus:</u>					
Technology & Communication	\$512,562	\$ —	\$512,562	\$ —	\$ —
Diversified businesses	1,388,989	—	1,388,989	—	—
Real estate and related	1,455,777	—	502,760	953,017	(27,600)
Other	300,000	—	—	300,000	—
	\$3,657,328	\$ —	\$2,404,311	\$1,253,017	\$ (27,600)
Goodwill (Bayshore)	5,628,627			5,628,627	
Total assets	\$9,285,955	\$ —	\$2,404,311	\$6,881,644	\$ (27,600)

<u>Description</u>	Fair value measurement at reporting date using				Total losses year ended 12/31/2011
	Total December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	
Assets:					
<u>Other investments by investment focus:</u>					
Technology & Communication	\$477,646	\$ —	\$477,646	\$ —	\$ (2,400)
Diversified businesses	1,444,521	—	1,444,521	—	—
Real estate and related	1,523,160	—	542,479	980,681	(84,200)
Other	300,000	—	—	300,000	—
	\$3,745,327	\$ —	\$2,464,646	\$1,280,681	\$ (86,700)
Goodwill (Bayshore)	5,628,627			5,628,627	—
Total assets	\$9,373,954	\$ —	\$2,464,646	\$6,909,308	\$ (86,700)

(a) Other investments measured at fair value on a non-recurring basis include investments in certain ent

9

(b) Other investments above which are measured on a nonrecurring basis using Level 3 unobservable in

The following table includes a roll-forward of the investments classified within level 3 of the fair value

	Level 3
	Investments:
Balance at January 1, 2012	\$ 1,300,000
Additional investment in limited partnership	—
Other than temporary impairment loss	(28,000)
Transfers from Level 2	—
Balance at June 30, 2012	\$ 1,272,000

8. SEGMENT INFORMATION

The Company has three reportable segments: Real estate rentals; Food and Beverage sales; and Other in

	Three months ended	
	June 30,	2011
	2012	
Net Revenues:		
Real estate and marina rentals	\$906,000	\$867,000
Food and beverage sales	1,611,000	1,607,000
Spa revenues	119,000	98,000
Total net revenues	\$2,636,000	\$2,572,000
Income (loss) before income taxes:		
Real estate and marina rentals	\$285,000	\$239,000
Food and beverage sales	38,000	56,000
Other investments and related income	(171,000)	(536,000)
Total net income (loss) attributable to the Company before income taxes	\$152,000	\$(241,000)

9. INCOME TAXES

We adopted the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" on Jan

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiri

We may from time to time be assessed interest or penalties by major tax jurisdictions, although any suc

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the three and six months ended June 30, 2012, the Company reported net income of approximately

Total revenues for the six months ended June 30, 2012 as compared with the same period in 2011, incre

Total expenses for the six months ended June 30, 2012, as compared with the same periods in 2011, dec

REVENUES

Rentals and related revenues for the three and six months ended June 30, 2012 as compared with the sa

Restaurant operations:

Summarized statements of income for the Company's Monty's restaurant for the three and six months e

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Revenues:				
Food and Beverage Sales	\$1,611,000	\$1,608,000	\$3,357,000	\$3,290,000
Expenses:				
Cost of food and beverage sold	448,000	448,000	967,000	922,000
Labor and related costs	310,000	292,000	627,000	590,000
Entertainers	50,000	48,000	99,000	96,000
Other food and beverage direct costs	77,000	64,000	155,000	131,000
Other operating costs	65,000	86,000	128,000	176,000
Repairs and maintenance	72,000	35,000	119,000	80,000

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Insurance	79,000	81,000	159,000	157
Management and accounting fees	35,000	26,000	70,000	64,
Utilities	58,000	65,000	113,000	128
Rent (as allocated)	170,000	170,000	334,000	328
Total Expenses	1,364,000	1,315,000	2,771,000	2,6
Income before depreciation and non controlling interest	\$247,000	\$293,000	\$586,000	\$624

Amounts above are presented as a percentage of sales below:

12

	For the three months ended June 30, 2012		For the six months ended June 30, 2011	
Revenues:				
Food and Beverage Sales	100 %	100 %	100 %	100 %
Expenses:				
Cost of food and beverage sold	28 %	28 %	29 %	28 %
Labor and related costs	19 %	18 %	19 %	18 %
Entertainers	3 %	3 %	3 %	3 %
Other food and beverage direct costs	5 %	4 %	5 %	4 %
Other operating costs	4 %	5 %	4 %	5 %
Repairs and maintenance	4 %	2 %	3 %	2 %
Insurance	5 %	5 %	5 %	5 %
Management fees	2 %	2 %	2 %	2 %
Utilities	4 %	4 %	3 %	4 %
Rent (as allocated)	11 %	11 %	10 %	10 %
Total Expenses	85 %	82 %	83 %	81 %
Income before depreciation and non-controlling interest	15 %	18 %	17 %	19 %

For the six months ended June 30, 2012 as compared with the same period in 2011, restaurant sales inc

For the three months ended June 30, 2012 as compared with the same period in 2011, restaurant sales in

For the three and six months ended June 30, 2012 as compared with the same periods in 2011, total rest

Marina operations:

Summarized and combined statements of income for marina operations for the three and six months en

	For the three months ended June 30, 2012		For the six months ended June 30, 2011	
Marina Revenues:				

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Monty s dockage fees and related income	\$293,000	\$290,000	\$579,000	\$591,000
Grove Isle marina slip owners dues and dockage fees	126,000	113,000	252,000	224,000
Total marina revenues	419,000	403,000	831,000	815,000
Marina Expenses:				
Labor and related costs	66,000	60,000	130,000	131,000
Insurance	21,000	21,000	47,000	43,000
Management fees	18,000	18,000	36,000	36,000
Utilities, net of tenant reimbursement	(11,000)	(2,000)	(21,000)	(18,000)
Rent and bay bottom lease expense	56,000	54,000	110,000	110,000
Repairs and maintenance	24,000	54,000	57,000	95,000
Other	30,000	19,000	58,000	46,000
Total marina expenses	204,000	224,000	417,000	443,000
Income before depreciation and non controlling interest	\$215,000	\$179,000	\$414,000	\$372,000

13

Total marina revenues for the three and six months ended June 30, 2012 as compared to the same period in 2011

Total marina expenses for the three and six months ended June 30, 2012 as compared to the same period in 2011

Spa operations:

Below are summarized statements of income for Grove Spa operations for the three and six months ended June 30, 2012

Summarized statements of income of spa operations	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012
Revenues:			
Services provided	\$97,000	\$78,000	\$201,000
Membership and other	22,000	20,000	39,000
Total spa revenues	119,000	98,000	240,000
Expenses:			
Cost of sales (commissions and other)	23,000	16,000	44,000
Salaries, wages and related	39,000	33,000	77,000
Other operating expenses	54,000	47,000	112,000
Management and administrative fees	3,000	5,000	8,000
Other non-operating expenses	6,000	6,000	9,000
Total Expenses	125,000	107,000	250,000
Income (loss) before interest, depreciation and non-controlling interest	\$(6,000)	\$(9,000)	\$(10,000)

Spa revenues for the three and six months ended June 30, 2012 as compared with the same period in 2011

Net realized and unrealized gain (loss) from investments in marketable securities:

Net realized and unrealized gain from investments in marketable securities for the three and six months ended June 30, 2012

Net income from other investments:

Net income from other investments for the three and six months ended June 30, 2012 was approximately

Realized loss from interest rate swap contract:

In conjunction with amendment of the Bayshore bank loan in March 2011 the interest rate swap contract

14

Interest, dividend and other income:

Interest, dividend and other income for the six months ended June 30, 2012 was approximately \$69,000

EXPENSES

Expenses for rental and other properties for the three and six months ended June 30, 2012 were \$185,000

For comparisons of all food and beverage related expenses refer to Restaurant Operations (above) summarized

For comparisons of all marina related expenses refer to Marina Operations (above) for summarized and

For comparisons of all spa related expenses refer to Spa Operations (above) for summarized statements

Depreciation and amortization expense for the three and six months ended June 30, 2012 compared to the

General and administrative expense for the three and six months ended June 30, 2012 compared to the

Professional fees and expenses for the three and six months ended June 30, 2012 compared to the same

EFFECT OF INFLATION:

Inflation affects the costs of operating and maintaining the Company's investments. In addition, rentals

LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES

The Company's material commitments primarily consist of maturities of debt obligations of approximately

In June 2012 the Company renewed and modified the existing bank mortgage note payable on the Grov

Included in the maturing debt obligations for 2012 is a note payable to the Company's 49% owned affil

15

MATERIAL COMPONENTS OF CASH FLOWS

For the six months ended June 30, 2012, net cash provided by operating activities was approximately \$

For the six months ended June 30, 2012, net cash provided by investing activities was approximately \$

For the six months ended June 30, 2012, net cash used in financing activities was approximately \$228,0

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure

(b) Changes in Internal Control Over Financial Reporting.

There were no changes in the Company's internal controls over financial reporting identified in connection

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company was a co-defendant in two lawsuits in the circuit court in Miami Dade County Florida. T

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds: None

Item 3. Defaults Upon Senior Securities: None.

Item 4. Mine Safety Disclosures: Not applicable

Item 5. Other Information: None

Item 6. Exhibits:

(a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.

16

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this

HMG/COURTLAND PROPERTIES,
INC.

Dated: August 14, 2012 /s/ Larry Rothstein
President, Treasurer and Secretary
Principal Financial Officer

Dated: August 14, 2012 /s/ Carlos Camarotti
Vice President- Finance and Controller
Principal Accounting Officer