

CRYPTOLOGIC LTD
Form 6-K
November 08, 2007
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 2007**

Commission File Number **000-30224**

CRYPTOLOGIC LIMITED
Alexandra House

The Sweepstakes

Ballsbridge

Dublin 4

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....o..... Form 40-F...X...

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.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [] No[X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

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

Date: November 8, 2007

Chief Financial Officer

2

FOR IMMEDIATE RELEASE

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

ALL FINANCIAL FIGURES ARE IN US\$

CRYPTOLOGIC GROWS REVENUE, EARNINGS IN Q3

E-gaming software leader launches new games & sites,

makes European & Asian acquisitions, and positions business for growth

Edgar Filing: CRYPTOLOGIC LTD - Form 6-K

November 8, 2007 (Dublin, Ireland) CryptoLogic Limited, a leading software developer to the global Internet gaming industry, today reported financial results for the three months ended September 30, 2007. The company posted revenue of \$17.5 million and net income of \$2.4 million (\$2.6 million before minority interest), or \$0.19 per fully diluted share. CryptoLogic achieved this top- and bottom-line growth over the second quarter notwithstanding the traditionally slow summer season for Internet gaming.

CryptoLogic strengthened every part of its business in the third quarter, and this improved our top-line revenue, our bottom-line profit and our competitive position in both Europe and Asia, said Javaid Aziz, CryptoLogic's President and CEO. We unveiled new games, launched new sites, acquired new assets and strengthened CryptoLogic's relationships with some of the world's blue-chip gaming and entertainment brands. The result is new stability, profitability and sustainability for CryptoLogic's growth in the long term.

CryptoLogic continues to have one of the industry's strongest balance sheets, ending the quarter with \$85.4 million in net cash⁽¹⁾. The reduction from \$91.7 million in Q2 resulted from the acquisition of the business of Casino.co.uk, a popular European gaming portal.

Since its last quarterly earnings report, CryptoLogic has adapted to the changed industry landscape with a number of significant actions. These include adding new casino games and new customer sites and making acquisitions and investments in the U.K. and Asia.

Financial Highlights	Three months ended			Nine months ended		
<i>(in millions of US dollars,</i>	September 30,			September 30,		
<i>except per share data)</i>						
	2007	2006	% Change	2007	2006	% Change
Revenue	\$17.5	\$27.7	(36.8%)	\$53.3	\$85.0	(37.3%)
Charge related to Irish HQ	-	(\$1.6)		(\$5.7)	(\$2.6)	119.2%
Earnings	\$2.4	\$7.2	(66.7%)	\$1.3	\$23.1	(94.4%)
Earnings per diluted share	\$0.19	\$0.53	(64.2%)	\$0.10	\$1.68	(94.0%)
Casino revenue	\$11.4	\$16.3	(30.1%)	\$35.5	\$49.2	(27.8%)
Poker revenue	\$4.8	\$8.3	(42.2%)	\$14.9	\$27.2	(45.2%)

Highlights:

New customer sites

Launched **Interpoker** German site.

Launched **Intercasino** non-downloadable casinos.

Launched **World Poker Tour**'s casino site.

Completed all technical work on **Holland Casino**'s poker and casino sites, which are now ready to launch.

TEL (353) 1664-1682

ALEXANDRA HOUSE, THE SWEEPSTAKES, BALLSBRIDGE, DUBLIN 4, IRELAND

New game innovations

Launched 4 major casino games on licensee sites.

Launched 40 instant play casino games on licensee sites.

Secured an exclusive license to create Internet casino games based on **Spider-Man** and **Fantastic Four**, the most famous **Marvel Super Heroes**.

Introduced **Pro-Viewables** in the poker room.

New acquisitions

Acquired, through a subsidiary, **Casino.co.uk**, a popular gaming portal and related Internet casino and poker room assets a move that has been immediately accretive to earnings.

Subsequent to the quarter's end, agreed to acquire an initial position in **Mikoishi Studios**, one of Asia's best-known game development and design companies, with particular focus on the Asian mobile phone market. CryptoLogic has the option of increasing its stake in Mikoishi in the future.

Corporate initiatives

On November 8, 2007, declared a quarterly cash dividend of \$0.12 per share.

Relocated licensee base to capitalize on the U.K. *Gambling Act* regulations, and to better meet the needs of prospective new licensees.

Financial Performance

In light of the significant industry-wide impact of the U.S. prohibition of Internet gaming in October 2006, sequential quarter-over-quarter growth and balance sheet strength are more meaningful indicators of relative performance than year-on-year comparisons. Throughout 2007 to date, CryptoLogic has achieved increases in revenue and decreases in operating costs (exclusive of special charges for the establishment of its new headquarters in Ireland) as the company pursues its plan to restore profitability to historic levels.

Total revenue: In the third quarter, CryptoLogic increased its revenue by \$1.3 million, or 7.8%, compared with the second quarter, notwithstanding the traditional slowness of the summer season for Internet gaming. This increase is attributable to the impact of new licensee revenue coming on stream.

Earnings and Earnings per Diluted Share: The company achieved an after-tax profit for the quarter of \$2.6 million; following a reduction of \$0.2 million due to a post-reorganization minority interest in the company, CryptoLogic's net earnings were \$2.4 million (\$0.19 per fully diluted share). This increase is attributable to stronger gaming revenue, continued cost control and tax recoveries in the quarter.

Balance Sheet and Cash Flow: CryptoLogic continued to have one of the strongest balance sheets in the industry, enabling strategic acquisitions to continue in the fourth quarter. Due largely to the acquisition of **Casino.co.uk**, CryptoLogic ended the quarter with \$85.4 million in net cash⁽¹⁾

Edgar Filing: CRYPTOLOGIC LTD - Form 6-K

(comprising cash and cash equivalents, short-term investments and security deposits), or \$6.13 per diluted share, a reduction of \$6.3 million from the second quarter. The company continues to be debt-free.

CryptoLogic's working capital at September 30, 2007 was \$73.7 million, or \$5.29 per diluted share (June 30, 2007: \$80.2 million, or \$5.72 per diluted share). Cash flow generated by operating activities was \$5.5 million in the third quarter, which is consistent with the same period a year ago. The company attributes this change primarily to reduced earnings caused by the U.S. prohibition of Internet gaming.

3

Outlook

In less than one year since the U.S. prohibition of Internet gaming, CryptoLogic has strengthened its position within its industry and pursued an aggressive plan for growth. The company now enjoys renewed stability and profitability, and is confident in the sustainability of its business and its growth plan.

With 70% of the company's business already based in Europe a year ago, CryptoLogic was able to capitalize on a wave of opportunities: launching 17 new customer sites, unveiling 13 new games, making three strategic, accretive acquisitions, expanding into Asia and building strong relationships with mainstream gaming and entertainment brands such as Marvel, Playboy and World Poker Tour.

Thanks to a steady increase in revenue and careful management of expenses, the company has returned to profitability despite the depletion of its poker revenue following the U.S. prohibition. CryptoLogic has also maintained a balance sheet that gives the company the strength and flexibility to capitalize on attractive opportunities all over the world.

CryptoLogic anticipates continued revenue and earnings growth through three principal sources:

Expanding its core casino and poker business: Exciting new games such as Spider-Man, Fantastic Four and others will continue to drive casino growth, and new liquidity remains the key to growth in poker. Thanks to excellent leverage from CryptoLogic's robust, scalable technology platform, new licensee revenue goes directly to the bottom line.

Diversifying into new territories and products: The company believes there are significant growth opportunities in new markets, particularly given the growing affluence in Asia. CryptoLogic is also aggressively exploring opportunities in promising new segments of the Internet gaming market, just as it did with poker five years ago.

Pursuing strategic, accretive acquisitions. CryptoLogic will see both short- and long-term benefits from its recent acquisitions in Europe and Asia, and the company will continue to be proactive in pursuing opportunities that can deliver value for shareholders.

With continued organic growth and revenue from new customer sites taking effect in the fourth quarter, CryptoLogic expects revenue between \$17.5 and \$18.5 million, with net earnings between \$2 and \$3 million. In future, in line with market trends and the practices of European public companies, the company does not intend to provide regular quarterly guidance.

2007 Third Quarter Analyst Call

A conference call is scheduled today for 8:30 a.m. Eastern time (1:30 p.m. GMT). Interested parties should call either 416-641-6121, 1-866-300-4047 (North America) or the international toll free number at (country code) 800-6578-9911. A replay will be available through November 15, 2007 by calling 416-695-5800 or 1-800-408-3053, passcode 3238575#.

About CryptoLogic¹ (www.cryptologic.com)

Focused on integrity and innovation, CryptoLogic Limited is a world-leading, blue-chip public developer and supplier of Internet gaming software. Its leadership in regulatory compliance makes it one of the very few companies with gaming software that has been certified to strict standards similar to land-based gaming. WagerLogic Limited, a wholly-owned subsidiary of CryptoLogic, is responsible for the licensing of CryptoLogic software and services to customers who offer their games around the world to non-U.S. based players. For information on WagerLogic¹, 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).

4

For more information, please contact:

CryptoLogic, 35316641682

Argyle Communications, (416) 968-7311

Stephen Taylor, Chief Financial Officer

(North American and gaming industry media)

Daniel Tisch, ext 223/

dtisch@argylecommunications.com

Karen Passmore, ext 228

kpassmore@argylecommunications.com

Corfin Communications

(UK media only)

Ben Hunt, +44 207 977 0020

Neil Thapar, +44 207 977 0020

Harry Chathli, +44 207 979 0020

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. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks associated with the company's financial condition and prospects, 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.

⁽¹⁾ Management believes that Net cash is a useful supplemental measure of performance. However, Net cash is not a recognized measure under generally accepted accounting principles (GAAP) and does not have a standardized meaning. Therefore, Net cash may not be comparable to similar measures presented by other companies.

5

CRYPTOLOGIC LIMITED

CONSOLIDATED BALANCE SHEETS*(In thousands of US dollars)*

	As at	As at
	September 30,	December 31,
	2007	2006
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,891	\$76,940
Security deposits	1,500	1,500
Short term investments	24,000	50,000
Accounts receivable and other	11,920	8,251
Prepaid expenses	8,322	7,027
	105,633	143,718
User funds on deposit	22,638	20,872
Capital assets	25,590	18,106
Other Investments (Note 8)	500	-
Intangible assets	13,771	48
Goodwill	5,280	1,776
	\$ 173,412	\$184,520
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 31,122	\$47,766
Income taxes payable	850	2,165
	31,972	49,931
User funds held on deposit	22,638	20,872
Future income taxes	3,528	2,133
	58,138	72,936
Minority interest (note 5)	9,226	-
Shareholders equity:		
Capital stock	33,118	29,096
Stock options	4,808	3,631
Retained earnings	68,122	78,857
	106,048	111,584
	\$ 173,412	\$184,520

6

CRYPTOLOGIC LIMITED**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

Edgar Filing: CRYPTOLOGIC LTD - Form 6-K

(In thousands of US dollars, except per share information)
(unaudited)

	For the three months		For the nine months	
	ended September 30,		ended September 30,	
	2007	2006	2007	2006
Revenue	\$17,503	\$27,690	\$53,309	\$85,038
Expenses				
Operating	11,784	16,893	36,747	50,443
General and administrative	2,843	1,460	7,304	5,944
Reorganization	-	1,617	5,665	2,616
Finance	106	147	299	376
Amortization	1,714	1,039	4,840	3,402
	16,447	21,156	54,855	62,781
Earnings (loss) before under-noted	1,056	6,534	(1,546)	22,257
Interest income	1,322	1,960	4,703	5,161
Earnings before income taxes	2,378	8,494	3,157	27,418
Income taxes:				
Current	(507)	1,249	299	3,542
Future	285	1	1,395	776
	(222)	1,250	1,694	4,318
Net earnings before				
minority interest	\$2,600	\$ 7,244	\$1,463	\$23,100
Minority interest	208	-	208	-
Net earnings and				
comprehensive income	\$2,392	\$ 7,244	\$1,255	\$23,100
Earnings per common share				
Basic	\$0.19	\$0.53	\$0.10	\$1.71
Diluted	\$0.19	\$0.53	\$0.10	\$1.68
Weighted average number of shares (000s)				
Basic	12,797	13,601	12,748	13,534
Diluted	13,930	13,789	13,863	13,756

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