

AFLAC INC
Form 4
August 13, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Section 16.
Form 4 or
Form 5
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See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
WRIGHT ROBERT L

(Last) (First) (Middle)

1932 WYNNTON ROAD

(Street)

COLUMBUS, GA 31999

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
AFLAC INC [AFI]

3. Date of Earliest Transaction
(Month/Day/Year)
08/12/2008

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

☒ Director ☐ 10% Owner
☐ Officer (give title below) ☐ Other (specify
below)

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
☐ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Derivative Securities (Instr. 3 and 4)

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Derivative Security				Code	V	(A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
						(A)	(D)				
Director Stock Option (1)	\$ 55.72	08/12/2008		A		5,000		(2)	08/12/2018	Common Stock	5,000 \$

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WRIGHT ROBERT L 1932 WYNNTON ROAD COLUMBUS, GA 31999	X			

Signatures

Patricia A. Bell as Power of Attorney
08/13/2008

____Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Granted under the 2004 Aflac Incorporated Long-Term Incentive Plan.
- (2) The option becomes exercisable in four equal annual installments on August 12, 2009, 2010, 2011 and 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Current liabilities:

Accounts payable and accrued liabilities

13,110

15,356

Income taxes payable

420

413

13,530

15,769

User funds held on deposit

6,737

10,833

Explanation of Responses:

Future income taxes

318

382

20,585

26,984

Minority interest (note 7)

6,262

6,382

Shareholders' equity:

Explanation of Responses:

Share capital (note 9)

33,594

33,552

Stock options

7,177

6,856

Retained earnings

30,736

32,032

71,507

72,440

\$ 98,354

\$ 105,806

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

1

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

	For the three months ended March 31,	
	2009	2008
Revenue	\$ 10,134	\$ 19,317
Expenses		
Operating	8,199	14,437
General and administrative	3,124	2,853
Reorganization (note 17)	532	
Finance	21	173
Amortization	1,305	1,396
	13,181	18,859
(Loss) Earnings before undernoted	(3,047)	458
Interest income	171	794
Non operating income (note 16)		102
Net (loss) earnings before income taxes and minority interest	(2,876)	1,354
Income taxes:		
Current	(160)	555
Future	(1,342)	28
	(1,502)	583
Net (loss) earnings before minority interest	(1,374)	771
Minority interest (note 7)	(78)	162
Net (loss) earnings and comprehensive (loss) income	\$ (1,296)	\$ 609
Net (loss) earnings per common share (note 11)		
Basic	\$ (0.10)	\$ 0.06
Diluted	\$ (0.10)	\$ 0.06

CRYPTOLOGIC LIMITED**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS***(In thousands of U.S. dollars)**(Unaudited)*

	For the three months ended March 31,	
	2009	2008
Retained earnings, beginning of period	\$ 32,032	\$ 70,855
(Loss) Earnings	(1,296)	609
Retained earnings, end of period	\$ 30,736	\$ 71,464

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

CRYPTOLOGIC LIMITED**CONSOLIDATED STATEMENTS OF CASHFLOWS***(In thousands of U.S. dollars)**(Unaudited)*

	For the three months ended March 31,	
	2009	2008
Cash flows from (used in):		
Operating activities:		
Net (loss) earnings	\$ (1,296)	\$ 609
Adjustments to reconcile earnings to cash provided by (used in) operating activities:		
Amortization	1,305	1,396
Unrealized gain on forward contract	(127)	(243)
Reorganization expense	532	
Future income taxes	(1,342)	28
Minority interest	(78)	162
Stock options	321	690
	(685)	2,642
Change in operating assets and liabilities:		
Accounts receivable and other	(750)	445
Prepaid expenses	(300)	267
Accounts payable and accrued liabilities	(2,778)	1,283
Income taxes payable	(203)	464
	(4,716)	5,101
Financing activities:		
Issue of capital stock, net		67
		67
Investing activities:		
Purchase of capital assets	(116)	(664)
Purchase of other investments	(200)	(1,019)
Decrease in restricted cash	2,175	14,976
Decrease in security deposits		900
	1,859	14,193
(Decrease) Increase in cash and cash equivalents	(2,857)	19,361
Cash and cash equivalents, beginning of period	36,348	55,428
Cash and cash equivalents, end of period	\$ 33,491	\$ 74,789
Supplemental cash flow information:		
Non cash portion of options exercised	\$	\$ 29

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

1. Basis of presentation and reorganization

These interim unaudited consolidated financial statements of CryptoLogic Limited (the Company) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Pursuant to a business reorganization implemented by way of a Superior Court of Ontario, Canada court approved plan of arrangement (the Arrangement) and approved by the shareholders on May 24, 2007, the Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect subsidiary of CryptoLogic Limited. As part of the Arrangement, the Company issued either an equivalent amount of CryptoLogic Limited Common Shares or, in the case of taxable Canadian residents, exchangeable shares of CryptoLogic Exchange Corporation (CEC), an indirect subsidiary of the Company. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited Shares. These CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC will be issued after June 1, 2007.

For accounting purposes, the Arrangement has been accounted for using the continuity of interest method, which recognizes the Company as the successor entity to CryptoLogic Inc. Accordingly, these interim unaudited consolidated financial statements reflect the financial position, results of operations and cash flows as if the Company has always carried on the business formerly carried on by CryptoLogic Inc. and its subsidiaries, with all assets and liabilities recorded at the carrying values of CryptoLogic Inc. The interest held by CEC shareholders has been presented as a minority interest in these interim unaudited consolidated financial statements, as required under GAAP.

These interim unaudited consolidated financial statements have been prepared using the same accounting policies as were used for the audited consolidated financial statements of CryptoLogic Limited for the year ended December 31, 2008, except as described in note 2. These interim unaudited consolidated financial statements do not contain all annual disclosures required by Canadian GAAP and, as such, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the year ended December 31, 2008.

2. Significant accounting policies

Handbook Section 3064, Goodwill and Intangible Assets

The Company adopted Section 3064, Goodwill and Intangible Assets, effective from January 1, 2009, converges accounting for goodwill and intangible assets under Canadian GAAP with International Financial Reporting Standards. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of Section 3064 did not have a material impact.

Handbook Section 3855, Recognition and Measurement

In January 2009, the Accounting Standards Board (AcSB) issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities that provided guidance on the recognition and measurement of certain financial assets and financial liabilities carried at fair value. EIC-173 concluded that the fair value of financial assets and financial liabilities, including derivative instruments, must take into account the Company's credit risk as well as the counterparty. EIC-173 must be applied retroactively without restatement of prior periods. The adoption of EIC-173 did not have a material impact on the Company's financial statements in either the current or prior periods.

2. Significant accounting policies (continued)

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

On June 27, 2008 the Canadian Securities Administrators (CSA) issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions.

The adoption of IFRS will require the restatement of amounts reported by the Company for its previous year ended, and of the opening balance sheet as at the date of adoption.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development and Implementation and Review.

Phase One: Scoping and Diagnostics, which involves project planning and staffing and identification of differences between current Canadian GAAP and IFRS, is underway.

Phase Two: Analysis and Development, involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

Phase Three: Implementation and Review will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS-compliant financial statements.

3. Changes in accounting estimates

There were no changes in accounting estimates during the three month period ended 31 March 2009.

During the first quarter of 2008, the Company revised its estimate for certain royalty payments based on new facts and circumstances including recent negotiations resulting in a reduction in accrued liabilities and a corresponding increase in revenue of \$1,000.

4. Security deposits and restricted cash

Security deposits are amounts held by the Company's bank as collateral provided to payment processors that process deposits and credit card transactions. Restricted cash comprises a required deposit of \$5,000 to support a letter of credit to the Lottery Gaming Authority of Malta to support user funds on deposit (December 31, 2008: \$5,000). At December 31, 2008, restricted cash also included \$2,175, held in escrow, that would have been paid to the Company's former CEO had there been a change in control of the company.

5. Long-term investments

In June 2007, the Company acquired a 19.4% ownership interest in 568 Network Inc. ("568 Inc. "), a privately held company, for \$1,068. 568 Inc. is a developer and distributor of online casual games to the Chinese market. Under the terms of the agreement, the Company is required to make additional investments in 568 Inc. of up to \$350 should 568 Inc. achieve certain financial targets and pursuant to this obligation. During 2008, the Company made a further investment by way of a \$350 loan. This loan is convertible into preference shares at the option of the Company. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial.

In November 2007, the Company acquired a 12.7% ownership interest in Mikoishi (Asia Pacific) Pte Ltd. ("Mikoishi "), a privately held company, for cash consideration of \$4,258. Mikoishi is a developer and marketer of gaming products for the mobile computing markets and is located in Singapore. The investment in Mikoishi is designated as available-for-sale which is measured at fair value. During 2008, the Company received evidence of Mikoishi's current fair value and as a result recorded a write down in the value of the investment of \$2,200 during the fourth quarter of 2008.

In March 2008, the Company acquired a 15.0% ownership interest in Mobilebus Inc. ("Mobilebus "), a privately held Korean company specializing in game development, for cash consideration of \$645. In exchange for cash consideration, the Company received common shares. The investment in Mobilebus is classified as available-for-sale and is carried at cost as the fair market value is not readily determinable.

5. Long-term investments (continued)

In May 2008, the Company acquired an 11.1% interest in Jingle Prize Inc. (Jingle), a leading supplier of online mahjong games, for \$1,000. In exchange for the cash consideration, the Company received preference shares, which rank pari passu with the common shares of Jingle with respect to all dividends and voting rights. The terms of this agreement require the Company to make additional investments in Jingle if certain performance criteria are met. In December 2008, the first performance criteria were met resulting in an additional investment of \$700, increasing the Company's equity ownership in Jingle to 18.9%. During the first quarter of 2009, the second performance criteria were met requiring a further investment by way of a \$200 loan. This loan is convertible into preference shares at the option of the Company. The Company has determined that the convertible feature of this loan is an embedded derivative, which is immaterial. Additional consideration of up to \$1,754 may be payable if certain additional performance criteria are met. The investment and the loan are classified as available-for-sale and are carried at cost as the fair market value is not readily determinable.

6. Goodwill

On August 22, 2007, the Company acquired 100% of the assets and operations of Casino.co.uk, a gaming portal, for a purchase price of \$6,098, including \$182 related to the costs of acquisition. An amount of \$3,515 was allocated to goodwill. During 2008, the Company paid \$1,254 of additional consideration to the seller as a result of Casino.co.uk meeting certain performance criteria.

7. Minority interest

As part of the Arrangement, taxable Canadian residents received exchangeable shares of CEC, an indirect subsidiary of CryptoLogic Limited. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. As a result of the Arrangement, a total of 12.6 million and 1.3 million shares of the Company and CEC were issued, respectively.

The shares issued by CEC are considered a non-controlling interest of the Company for accounting purposes and, consequently, a proportional amount of the Company's shareholders' equity was recorded separately as minority interest on the consolidated balance sheets. Accordingly, on June 1, 2007, minority interest of \$10,800 was recorded in the accompanying consolidated balance sheet. A similar proportional share of the net (loss) earnings associated with subsidiaries directly or indirectly owned by CEC is included in the consolidated statements of earnings as minority interest. For the three month period ended March 31, 2009, the net loss of the subsidiaries not owned by CEC totalled approximately \$325 (2008: \$1,300), respectively, and was not included in the minority interest calculation. In addition, dividends paid to CEC shareholders reduce minority interest on the consolidated balance sheets.

For accounting purposes, when CEC shares are exchanged, the proportional share of the minority interest recorded on the consolidated balance sheet is reduced and share capital increased based on the pro-rata number of shares exchanged to the total number of CEC shares outstanding. Since June 1, 2007, approximately 250,000 CEC shares have been exchanged for the Company's shares. Approximately 7,500 CEC shares were exchanged in the three months ended March 31, 2009.

8. Capital risk management

The Company defines capital as its shareholders' equity and has a policy to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The Company is listed on three major exchanges, the Toronto Stock Exchange, NASDAQ and London Stock Exchange. The Company monitors both the demographic spread of shareholders, as well as the return on equity.

At March 31, 2009 the Company had \$71,507 (December 31, 2008: \$72,440) shareholders' equity. The Company's capital gives it the financial flexibility to take advantage of opportunities in its markets, consider potential strategic acquisitions, pay dividends, and repurchase common shares under its Normal Course Issuer Bid.

The Company offers stock options to key employees and directors. At March 31, 2009 employees and directors hold approximately 679,000 options to purchase common shares of the Company.

On May 5, 2009, a dividend of \$0.03 per share was announced, a decrease from \$0.12 per share announced after the first quarter in 2008. Each future quarterly dividend will be subject to Board approval based on the Company's financial results.

In November 2008, the Company filed a Normal Course Issuer Bid (the 2009 Normal Course Issuer Bid), which authorizes the Company to acquire and cancel up to 1,267,871 of its common shares between December 3, 2008 and December 2, 2009. At March 31, 2009, there were no purchases under the 2009 Normal Course Issuer Bid.

There were no changes in the Company's policy for managing capital during the quarter ended March 31, 2009. With the exception of the deposit with the Lottery Gaming Authority of Malta, neither the Company, nor any of its subsidiaries, is subject to externally imposed capital requirements.

9. Share Capital

Authorized:

Unlimited common shares

Issued and outstanding as at March 31, 2009:

	Issued common shares		Contributed surplus		Total
	Shares	Amount			
Balance, December 31, 2008	12,727	\$ 33,484	\$ 68	\$	33,552
Shares exchanged (a)	9	42			42
Balance at March 31, 2009	12,736	\$ 33,526	\$ 68	\$	33,594

- a) The Company acquired control over all of the issued and outstanding common shares of CryptoLogic Inc., an Ontario company, which through the Arrangement became an indirect wholly owned subsidiary of CryptoLogic Limited. As consideration for the acquisition, CryptoLogic Limited issued either an equivalent amount of its common shares or, in the case of taxable Canadian residents, exchangeable shares of CEC, an indirect subsidiary of the Company. The CEC shares can be exchanged by the holders for an equal number of CryptoLogic Limited common shares at any time.

As a result of the reorganization, a total of 12.6 million and 1.3 million shares of CryptoLogic Limited and CEC were issued, respectively. Since June 1, 2007, 249,336 CEC shares have been exchanged, with the remaining shares of CEC being reflected as minority interest as at March 31, 2009. On June 1, 2014, the Company will redeem not less than all of the then outstanding CEC shares.

10. Stock-based compensation

The fair value of options granted in the three month period ended March 31, 2009 and 2008 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Dividend yield	1.64%	2.90%
Risk-free interest rate	1.79%	3.10%
Expected volatility	58.0%	46.3%
Expected life of options in years	3	3

A total of 5,000 options were issued in the three month period ended 31 March 2009. The weighted average fair value of options granted during the three month period ended March 31, 2009 was \$0.62 (2008: \$4.39).

11. (Loss) earnings per common share

(Loss) earnings per share are calculated using the two-class method, whereby common shares of the Company and the fully participating exchangeable common shares of CEC are used to determine the weighted average number of shares outstanding for both basic and diluted (loss) earnings per share.

The (loss) earnings attributable to the common shares in calculating the basic and diluted (loss) earnings per share are as follows:

<i>In U.S. dollars (000 \$)</i>	For the three months ended March 31,	
	2009	2008
Net (loss) earnings attributable to common shares	\$ (1,296)	\$ 609
(Loss) earnings attributable to CEC shares	(78)	162
Net (loss) earnings before minority interest	\$ (1,374)	771

The denominator used in calculating basic and diluted (loss) earnings per common share is calculated as follows:

	For the three months ended	
	March 31, 2009	2008
Weighted average number of common shares outstanding basic	12,732	12,818
Add weighted average impact of CEC shares	1,088	1,114
Total weighted average number of shares outstanding basic	13,820	13,932
Add dilutive options		5
Total weighted average number of shares outstanding basic and diluted(1)	13,820	13,937

Basic and diluted (loss) earnings per common share are as follows:

	For the three months ended	
	March 31, 2009	2008
Net (loss) earnings per common share:		
Basic	\$ (0.10)	\$ 0.06
Diluted ⁽¹⁾	\$ (0.10)	\$ 0.06

(1) Potentially dilutive securities for the three month period ended March 31, 2009 are excluded as they would be anti-dilutive due to the recorded loss

12. Related party transactions

In the normal course of operations, the Company engages the services of a law firm in which a member of the Board of Directors is a partner. Fees paid to this firm were \$45 for the three months ended March 31, 2009 (2008: \$132).

13. Financial assets and financial liabilities

Financial assets held-for-trading

Cash and cash equivalents, security deposits, restricted cash, short-term investments, user funds held on deposit and the embedded derivative are classified as held-for-trading assets and are recorded at fair value. The fair values of cash and cash equivalents, restricted cash, short term investments and user funds held on deposit are adjusted to their respective fair market values at the end of a reporting period.

The contract with Mikoishi specified the foreign exchange rate for Singapore dollars that would have applied to future investments had certain performance criteria been met. In the three months ended 31 March 2008, this embedded derivative was separated, classified as held-for-trading and was included in prepaid assets. The fair value was determined based on forward foreign exchange rates, the probability of future investments, and was discounted based on risk-free government interest rates. In December 2008, these performance criteria were not met and as a result the Company wrote off that asset associated with the embedded derivative.

Loans and receivables

Accounts receivable and other are classified as loans and receivables and are recorded at amortized cost. The Company has determined that the carrying value represents fair value as at March 31, 2009 and December 31, 2008.

Financial liabilities recorded at amortized cost

All accounts payable and accrued liabilities and user funds held on deposits are recorded at their amortized cost. The Company has determined that the carrying value represents fair value as at March 31, 2009 and December 31, 2008.

Financial assets available-for-sale

Long-term investments are designated as available-for-sale assets and represent investments in equities or loans that are convertible to equities in foreign entities that do not have a quoted market price in an active market. As a result they are recorded at cost as fair values are not practically determinable.

14. Financial risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments.

credit risk

market risk

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The carrying amount of the Company's financial assets represents its maximum credit exposure.

Accounts Receivable

The Company manages its credit risk associated with accounts receivable by maintaining reserves for potential credit losses, but historically the Company has not experienced any significant credit losses.

The Company does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the Company believes that its accounts receivable represent a low credit risk and has never recorded a material expense associated with a credit risk exposure.

Cash and Cash Equivalents

The company holds investments, according to Company Investment policy, only in banks carrying an S&P rating of AA/R-1-Mid and higher. Investments are limited to money market deposits with a maturity of less than 90 days.

(c) Market Risk

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Market risk is the risk that changes in the market prices such as fluctuations in foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments.

Currency Risk

The Company operates internationally giving rise to exposure to changes in foreign exchange rates. The currency risk is derived from revenues denominated in currencies other than the U.S. dollar, its functional currency, primarily the British pound and the euro, and expenses associated with its multinational operations (primarily the Canadian dollar, the British pound and the euro) as well as the respective receivable and payable balances. The Company believes that it is to a degree naturally hedged. The Company is also exposed to currency risk on cash and cash equivalents and other current assets denominated in foreign currencies. As at March 31, 2009, approximately 87% of the Company's financial assets are denominated in its functional currency

14. Financial risk management (continued)Interest Rate Risk

The Company is exposed to interest rate risk principally on its cash and cash equivalents which have an original maturity of less than 90 days. The Company has no interest bearing debt.

The weighted average effective interest rate on its cash and cash equivalents as at March 31, 2009 was 1.66% (2008: 3.99%).

(d) Quantification of risk exposure: foreign currency risk

At March 31, 2009, the Company's gross balance sheet exposure to foreign currency risk was substantially as follows:

<i>In U.S. dollar equivalents (000 \$)</i>	USD	euro	GBP	Others	Total
Cash and cash equivalents	32,212	633	(119)	765	33,491
Restricted cash	5,000	-	-	-	5,000
Accounts receivable and other	2,350	2,047	1,674	681	6,752
Accounts payable and accrued liabilities	(3,676)	(1,464)	(5,081)	(2,890)	(13,110)
Net balance sheet exposure	35,886	1,216	3,525	(1,444)	32,133

The Company's revenue exposure for revenue denominated in foreign currencies was substantially as follows:

<i>In U.S. dollar equivalents (000 \$)</i>	USD	euro	GBP	CDN	Other	Total
<u>Revenue</u>						
Three-months ended March 31, 2009	\$ 2,794	\$ 2,787	\$ 4,553	\$ -	\$ -	\$ 10,134
Three-months ended March 31, 2008	\$ 7,804	\$ 3,243	\$ 8,264	\$ -	\$ -	\$ 19,317
<u>Expenses</u>						
Three-months ended March 31, 2009	\$ 1,274	\$ 4,753	\$ 2,545	\$ 4,457	\$ 152	\$ 13,181
Three-months ended March 31, 2008	\$ 806	\$ 6,508	\$ 4,720	\$ 6,591	\$ 233	\$ 18,859

Fair Value Sensitivity Analysis

Gross Balance Sheet Exposure: A 10% strengthening of the U.S. dollar against the currencies in the above table (gross balance sheet exposure) at March 31, 2009 would have decreased net earnings by approximately \$417. This analysis assumes that all other variables, in particular interest rates, remain constant and represents the Company's gross balance sheet exposure at March 31, 2009. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect. During the current quarter, the Company incurred a loss of approximately \$82 on the revaluation of its Balance Sheet.

Net Revenue Exposure: A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period ended March 31, 2009 would have increased net revenue by approximately \$734. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's revenues denominated in foreign currencies, to the

14. Financial risk management (continued)

relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

Expense Exposure: A 10% strengthening on average of the U.S. dollar against the currencies in the above table for the three-month period ended March 31, 2009 would have increased expense, and correspondingly decreased income, by approximately \$1,191. This analysis assumes that all other variables, in particular interest rates, remained constant during the quarter, and represents the exposure of the Company's expenses denominated in foreign currencies to the relative strength of its functional currency. A 10% weakening of the U.S. dollar against the same would have had an equal but opposite effect.

(e) Quantification of risk exposure: interest rate risk

The Company is exposed to interest rate risk principally on its cash deposits and short-term money market investments of generally less than 90 days. We are exposed to both an overall decrease in interest rates as well as the interest rates associated with the currency or location we invest in.

Fair Value Sensitivity Analysis

Interest Income Exposure: A 100 basis point increase in interest rates on average for the three period ended March 31, 2009 would have would have increased interest income by approximately \$103. This analysis assumes that all other variables remained constant during the quarter. A 100 basis point decrease in interest rates on average would have had an equal but opposite effect.

15. Seasonality

Historically, the first and fourth quarters have been CryptoLogic's strongest periods. Revenue in the second and third quarters may decrease as Internet usage moderates in the warm months of the year as more people are outdoors.

16. Components of non-operating income

Non operating income comprises gains recorded on the sale of common shares acquired and sold in a specific business endeavour as well as certain foreign exchange gains recorded on cash deposits earmarked for additional share purchases. These gains are offset, in part, by related expenses.

<i>In U.S. dollars (000 \$)</i>	Three months ended	
	March 31, 2009	2008
Gain on temporary holding in shares	\$	\$ 801
Foreign exchange gain and interest on temporary cash deposit		544
Related expenses		(1,243)
Non operating income	\$	\$ 102

17. Reorganization

On November 12, 2008, the Company announced a plan that it will integrate its poker network with one of the world's leading gaming technology and services companies and its intent to focus on its branded games and its Internet casino business. This integration of CryptoLogic's poker operations and customers is expected to generate significant cost savings.

Payments during year ended December 31, 2008	\$ (732)
Included in accounts payable and accrued liabilities at December 31, 2008	\$ 658
Professional fees	499
Employee severance	891
Amount recorded in 2008 consolidated statement of earnings and comprehensive income	\$ 1,390

Payments during three months ended March 31, 2009	\$ 406
Amount recorded in Q1 2009 consolidated statement of earnings and comprehensive income	532
Included in accounts payable and accrued liabilities at March 31, 2009	\$ 784

The Company expects expenses requiring an outlay of cash to total approximately \$3,500 and expects the entire plan to be paid by the end of 2009.

