

CRYPTOLOGIC LTD
Form 6-K
April 03, 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 **March 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

Date: March 31, 2009

Stephen Taylor

Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Annual Information Form of the Company for the year ended December 31, 2008
99.2	Management's Discussion and Analysis
99.3	Annual Financial Statements
99.4	Certification of Annual Filings by CEO
99.5	Certification of Annual Filings by CFO

ITEM 1: INTRODUCTION

All dollar amounts in this Annual Information Form are in United States dollars, except where indicated otherwise. Effective January 1, 1998, CryptoLogic Inc.'s reporting currency is in United States dollars. Some figures and percentages may not total exactly due to rounding.

Certain general information contained in this Annual Information Form concerning the industry in which CryptoLogic Limited and its Subsidiaries (the consolidated operations of which will be referred to collectively as "we", "our", the "Company" or "CryptoLogic," unless otherwise specifically noted) operates has been obtained from publicly available information from third party sources. The Company has not verified the accuracy or completeness of any information contained in such publicly available information. In addition, the Company has not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information contained in such publicly available information has been furnished or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain of the statements contained in this Annual Information Form may contain forward-looking statements and forward-looking information within the meaning of applicable law, include the *Securities Act* (Ontario). Statements regarding the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates and outlook, future operations, future financial position, future revenues and projected costs are forward-looking statements or contain forward-looking information. Words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are used to identify forward-looking statements or information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary significantly from what management currently foresees. Accordingly, investors should exercise caution when considering any forward-looking statements or information herein and undue reliance should not be placed on such statements or information. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding government regulation, internet viability and system infrastructure and reliability, market demand, internet security, reliance on internet service providers, competition, dependence on top licensees, chargebacks, risks inherent in doing business internationally, foreign exchange fluctuations, litigation, the Company's ability to protect its proprietary technology, reliance on key employees, management's ability develop and manage growth, ability to integrate acquired businesses, stock volatility and liquidity. Investors are cautioned that the foregoing list of important factors that may affect future results is not exhaustive. When relying on forward-looking statements or information to make decisions with respect to the Company, investors should carefully consider the foregoing factors and other uncertainties and potential events. The Company undertakes no obligation to update or revise any forward-looking statement or information, except as required by applicable law.

ITEM 2: CORPORATE STRUCTURE

Name, Address and Incorporation

CryptoLogic Inc. was formed by articles of amalgamation (the "Amalgamation") under the *Business Corporations Act* (Ontario) effective March 7, 1996 pursuant to an amalgamation agreement dated January 19, 1996 between Inter.tain.net Inc., a private corporation, and Biroco Kirkland Mines Limited. Immediately prior to the Amalgamation, Biroco Kirkland Mines Limited did not carry on active operations.

On June 28, 1996, the Company changed its name from “Inter.tain.net Inc.” to “CryptoLogic Inc.”

Pursuant to a business reorganization implemented by way of an Ontario Superior Court of Justice court approved plan of arrangement (the “Arrangement”) and approved by the shareholders on May 24, 2007, CryptoLogic Limited 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 (“Exchangeable Shares”) of CryptoLogic Exchange Corporation (“CEC”), an indirect subsidiary of CryptoLogic Limited. The CEC shares are, as nearly as practicable, the economic equivalent of CryptoLogic Limited shares. The holders of CEC shares participate equally in voting and dividends with the shareholders of CryptoLogic Limited. No additional shares of CEC have been or will be issued. CryptoLogic’s common shares trade on the Toronto Stock Exchange (symbol: CRY), NASDAQ Global Select Market (symbol: CRYP) and the London Stock Exchange’s Main Market (symbol: CRP). CEC shares trade on the Toronto Stock Exchange (symbol: CXY). Particulars of the Arrangement are found in the Information Circular dated April 23, 2007, which can be viewed on the SEDAR website www.sedar.com.

CryptoLogic Limited is incorporated under the laws of Guernsey but with its corporate headquarters in Dublin, Ireland where it operates and is resident for tax purposes. The Company’s registered office is located at 1 Le Marchant Street, St. Peter Port, Guernsey, Channel Islands, GY1 4HP. The Company’s head office is located at Marine House, Clanwilliam Place, Dublin 2, Ireland.

Intercorporate Relationships

The organizational structure of the Company as of December 31, 2008 is set forth below. CryptoLogic Limited, a company incorporated under the laws of Guernsey with its corporate headquarters in Dublin, Ireland, provides executive functions to the corporate group. CryptoLogic Inc., the software group located in Canada, provides software development, upgrades and technical support for WagerLogic Limited (“WagerLogic”). Located in Cyprus, Malta and the United Kingdom (“U.K.”), the WagerLogic group of companies provides software hosting and licensing for our Internet gaming software, e-cash systems and support, customer support, marketing support and other services to third-party gaming operators around the world. Our ECash Direct subsidiary provides e-cash systems and support that enables licensees’ players to deposit and withdraw funds through a wide range of payment options. Our 24/7 customer call centre support helps our licensees’ players with technical questions or assistance with the gaming software and e-cash accounts. Our AdsDotCom subsidiary offers marketing services to licensees. Our CryptoLogic Asia subsidiary is responsible for advancing the Company’s strategy and business development in Asia.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

Founded in 1995, CryptoLogic Inc., now succeeded by CryptoLogic Limited, is a pioneer and leading software developer and services provider to the global Internet gaming market. One of the i-gaming software industry's first publicly traded companies, CryptoLogic is headquartered in Dublin, Ireland, with software development operations in Toronto, Canada. Our subsidiary, WagerLogic, through its offices in Cyprus, Malta and the U.K., provides software hosting and licensing, e-cash systems and support, customer support and marketing support services for our Internet gaming software to third-party gaming operators.

In 2008, CryptoLogic's core business was the provision of complete Internet casino and poker solutions for licensees. This includes:

1. A broad, turn-key Internet-based game suite featuring:
 - more than 314 download and non-download casino table and slot games;
 - multi-languages (English, Spanish, Greek, Japanese, Chinese, French, German, Italian);
 - multi-currencies (U.S. dollars, British pounds and euro);
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- multi-platforms (download, non-download (Java and Flash), wireless); and
- multi-player bingo;
- 2. E-cash systems and support for player deposits and withdrawals;
- 3. Business intelligence and data analysis tools to assist licensees in their marketing efforts;
- 4. Licensee support through WagerLogic's 24/7 multi-language customer support; and
- 5. Marketing support services, to assist licensees in developing and executing strategies for marketing their online gaming businesses.

In 2008, the Company launched a new line of business with significant revenue potential by deciding to license some of its most successful and profitable branded games to major Internet gaming operators, distinct from the sale of the broader Internet casino solution. Late in 2008, the Company decided to pursue a strategic partnership with Boss Media, a subsidiary of GTECH, whereby in the first quarter of 2009 the Company ceased to operate a poker network and its poker customers merged with Boss Media's International Poker Network. The strategic partnership with Boss Media is in line with CryptoLogic's growth strategy to focus on its branded games and Internet Casino business and is expected, together with other initiatives, to generate significant cost savings for the Company. See "Three-Year History – New Strategy for Growth" below.

WagerLogic licenses CryptoLogic's software products and services to an international client base ("licensees" or "customers"), while retaining ownership and control of the software. As at December 31, 2008, the Company had 14 licensees (2 of these licensees left in February 2009 as opposed to integrating their poker room operations into the poker operations of Boss Media, a subsidiary of GTECH).

Our licensees operate under government authority where their Internet business subsidiaries are domiciled. In August 2007, the Company moved its licensees' primary Internet gaming jurisdiction to Malta. All technical requirements set out by the licensing authority in Malta were fulfilled in 2008 in order to maintain the license in good standing. The license in Malta facilitates access to the European and U.K. markets by the Company's licensees from within the E.U., which are major markets for the licensees and consequently for CryptoLogic.

CryptoLogic added 10 new customers for either hosted casinos or individual games in 2008. These include:

- 888 Holdings (Launched July 2008)
- Kurastica
- Opoker.com (Launched October 2008)
- PartyGaming
- BskyB Group plc
- Betjacks
- Blackjack Heaven Operation (Launched October 2008)
- Everest (Launched October 2008)

We also operate a gaming portal business under two brands: casino.co.uk and WinnerOnLine. These portals earn advertising revenue from gaming operators, and direct traffic to operator sites as well as those owned by the Company's licensees – providing a well-known marketing channel and an attractive player acquisition tool for licensees.

Substantially all of our revenue is of a recurring nature. Licensees pay an ongoing fee over the contract term for the licensing of our software and services, calculated as a percentage of each licensee's level of activity. In 2008, 9.1% (2007: 6.4%) of our revenue came from other sources,

including software customization, and advertising and marketing services derived from our portal business.

Historically, CryptoLogic's revenue has been seasonal with slower sales in the summer months (our second and third quarters), when players tend to spend less time indoors and at their computers. Typically, our first and fourth quarters (during the winter and fall seasons) are our strongest revenue periods.

Three-Year History

Overview

The global online gaming industry including the United States ("U.S.") grew from \$9.0 billion to approximately \$16.5 billion in wagers during the period between 2004 and 2008 (source: Global Betting and Gaming Consultants, March 2008 ("GBGC")). On October 13, 2006, the U.S. passed the Unlawful Internet Gambling Enforcement Act (UIGEA), which effectively banned online gaming within the U.S. by prohibiting the processing of related financial transactions.

At the time the UIGEA was passed, the entire U.S. market was estimated to represent approximately 50% of the global online gaming market (source: GBGC). However, the Internet casino and Internet poker markets outside the U.S., the core areas of our business, are expected to continue to grow. The non-U.S. online casino market is estimated to be worth \$2.9 billion, and this market is expected to grow to approximately \$4.0 billion by 2012. The online poker market outside the U.S. was estimated to be worth \$2.1 billion at the end of 2008 and is expected to increase to \$3.1 billion by 2012 (source: GBGC).

Anticipating the legislative risk in the U.S., CryptoLogic had migrated most of its revenue base to Europe by 2006. In 2001, only 30% of licensees' revenue came from players outside the U.S.; by October 2006, 70% of licensees' revenue was derived from non-U.S. sources due to the Company's global diversification strategy. Nonetheless, the enactment of UIGEA significantly affected the Company's revenue and earnings in 2007 and 2008.

In 2007, CryptoLogic announced a licensing contract with Holland Casino, the Netherlands' government-licensed casino operator. The agreement was subject to ratification, and in April 2008, the Dutch parliament narrowly voted to prevent Holland Casino from establishing an Internet gaming site. While CryptoLogic had hoped to benefit from the establishment of such a site, the Company was fully compensated for its development work.

Despite the foregoing legislative developments, because our licensees have significant exposure to the international market, we believe that we remain in a strong competitive position. As evidence of this strength, the Company has signed 10 new customers for either hosted casinos or individual games in 2008. In addition, cost reduction measures have positioned the Company for a return to profitability in 2009.

On February 27, 2008, CryptoLogic announced the appointment of Mr. Brian Hadfield as the Company's President and Chief Executive Officer, replacing Mr. Javaid Aziz. Under Mr. Hadfield's leadership, CryptoLogic has embarked on a new growth strategy and restructuring program, designed to return the Company to profitability. Further details of the new growth strategy and restructuring program are discussed below.

Key markets: The Landscape

International markets such as the U.K. and Continental Europe have become a core focus for CryptoLogic over the past three years. Our international strategy focuses on investing in and capitalizing on our relationships with leading brand-name licensees in jurisdictions that are embracing Internet gaming and represent attractive growth potential.

In enabling the regulation of Internet gaming for the first time in the U.K. through the Gambling Act 2005, the door is open to a large, credible and stable industry in a regulated and licensed environment.

Elsewhere in Europe, the legislative environment continues to evolve, with some countries showing signs of following the U.K.'s lead while others are moving to protect state gambling monopolies.

The E.U. Commission has commenced infringement proceedings against some member states that are taking a protectionist approach— a development that the Company believes is favourable to the industry in Europe. CryptoLogic has long advocated a regulatory approach to foster a transparent, credible and growing online gaming industry. We have sought and achieved certification of our software in strictly regulated jurisdictions. It is through this process that we maintain our reputation as the pioneer in online gaming and a trusted provider for licensees and their customers.

CryptoLogic has also made some strategic, long-term investments into Asia. In 2007 and 2008, we acquired minority interests in several Asian game developers as our initial entry into this region, including an investment in South Korea's Mobilebus Inc., one of Asia's fastest growing mobile and PC game developers and publishers. Additionally, the Company made a strategic investment in Mahjong Time, an innovative provider of online Mahjong software and turnkey solutions and agreed to invest up to \$2.5 million for a significant minority equity stake. Industry experts expect Asia to be the fastest growing and ultimately the largest online gaming market in the world. China alone has over 135 million Internet users, making it the world's second largest user group after the United States. In addition, China has the world's largest mobile phone market with more than 400 million subscribers, many of whom are expected to switch to the high-speed 3G networks over the next few years, providing a platform for substantial growth for game and content developers.

While CryptoLogic believes that Asia will be the next major Internet gaming market, there are regional legislative issues and limited payment forms to support the industry today. Accordingly, CryptoLogic does not expect Asia to be a major revenue contributor in the near term.

The online gaming market is dominated by several major operators. Competition for players and market position is intensifying. The industry is undergoing consolidation as operators increase market share through acquisition. We continue to operate in a challenging business environment faced with regulatory uncertainty including ongoing efforts aimed at banning or restricting online gaming.

As the industry becomes increasingly competitive and sophisticated, we must offer a strong value proposition to our customers to help them respond to players, who are demanding more choice and entertainment value. Accordingly, in 2008 CryptoLogic made the strategic decision to focus its efforts on its successful Internet casino business, and on development and licensing of branded games to leading gaming and entertainment brands.

CryptoLogic significantly increased its customer acquisition activities in 2008, resulting in 10 new contracts for both hosted Internet casinos and the licensing of branded games. The "build-once-license-often" model offers excellent revenue potential at low cost and will be a major driver of growth. New customers include 888.com, PartyGaming, Everest, SkyBet (part of BskyB Group), The Poker Channel and Betjacks. These agreements offer significant revenue potential for 2009 and beyond.

Software Development

In order to remain a leader in Internet casino software, CryptoLogic continues to invest significantly in product research and development and service enhancements. Since 2006, the Company has introduced more than 314 slot and casino table games and brought many famous entertainment brands to the Internet casino space. Highlights include unique, first-to-market offerings such as:

- The Internet's first and only multi-currency jackpot video slot games featuring popular Marvel action characters such as *The Incredible Hulk*, *Daredevil*, *X-Men*, *Thor*, *Elektra*, *Ghost Rider*, *Spider-Man* and *The Fantastic Four*, and, more recently, *Sub Mariner*. All these brands have been exclusively licensed for CryptoLogic-developed games;
- The world's first and only play-for-real slot versions of highly popular online casual games, such as *Cubi*TM, an award-winning, three-dimensional puzzle game, and *Bejeweled*, a gem-matching game—both among the most played games on AOL, MSN and other major portals—and most recently, *Jewel Quest*[®], a popular puzzle-match game;
- Our own patented games including the progressive jackpot slot, *Millionaires Club*TM, which awarded the two largest online jackpots in history; and a new patent-pending game, *Multi-Hand Video Blackjack*, which brings together blackjack and video poker;
- Our own *Texas Hold'em Bonus Poker*, which is the first-ever online version of the widely popular land-based casino game and combines the huge popularity of poker with the excitement of a casino card game; and
- The Internet's first "Fruit Machines", a tradition in U.K. pubs.
- The first-ever slot version of the world-famous Street Fighter(R) II arcade game.
- New games, coming in 2009, based on world-famous DC Comics characters such as Superman, Batman, Wonder Woman and others.

In November 2008, the Company announced the migration of its hosted poker business by entering into a strategic partnership with GTECH Corporation's International Poker Network. The move gives CryptoLogic's poker licensees and players access to a larger network with a combined average of 15,000 active players – at significantly lower cost to CryptoLogic.

To help our licensees understand, respond to and market to their players in a personalized fashion, we have also enhanced our back-office, decision-management and contact centre tools. We have continued to expand our payment solutions including new e-check/debit methods (e.g. *Click2Pay*, *EverywhereMoney*, *PaySafe*TM), added a new European processor and expanded fraud controls (e.g., third-party address/credit card verifications, negative databases, poker fraud tool).

International Expansion

CryptoLogic's global strategy has resulted in a geographically-diversified business to mitigate the risks of ongoing legislative uncertainty in various countries, increase exposure to gaming-friendly jurisdictions like the U.K., and benefit from near-term growth opportunities in overseas markets.

We are well positioned to continue to build on our strong international presence. Today, we work with some of the best international names in online and land-based gaming, as well as major entertainment brands, including Marvel, Paramount, and DC Comics.

We have developed a strong presence in the U.K. In September 2007, the U.K. Gaming Act went into force, which regulates online gaming for the first time in that jurisdiction, and is generally viewed as a positive development for the industry, our customers and for CryptoLogic. Most of the underlying rules and codes in relation to entities established in the U.K., or marketing into the U.K., have now been enacted. However, there is no assurance that the U.K. regulatory regime as interpreted by the Gambling Commission, the Gambling Act's regulator, will provide a commercially-viable market and may create restrictions that will have a material adverse effect on our customers, our business, revenues, operating results and financial condition.

Licensing Opportunities

In 2008, CryptoLogic added 10 new customers for either hosted casinos or individual games in 2008. Highlights include:

- Signing a three-year licensing contract with 888 Holdings PLC, one of the world's most popular online gaming companies allowing 888 to select and integrate casino games from CryptoLogic.
- Signing a three-year casino licensing contract with Sky Betting & Gaming, part of BSkyB Group plc (BSkyB), the U.K.'s leading entertainment brand.
- Acquiring the exclusive rights to be the sole provider of Internet casino and poker software to Betjacks, a new online gaming site.
- Signing a five-year licensing agreement with PartyGaming Plc, one of the world's largest online gaming operators.
- Signing a two-year casino licensing contract with Blackjack Heaven Operations Ltd.
- Signing a two-year casino licensing contract with Internet Media Licensing Ltd.

Over the past three years, CryptoLogic has generally sought licensees that have an established brand, an audience with a propensity to gamble, and sufficient resources and commitment to successfully market the business. In Internet casino, the key to success is differentiation through the combination of our new and innovative games with effective marketing to players by our licensees. CryptoLogic will continue to pursue new opportunities emphasizing brand name licensees with marketing commitment.

Transition in Licensees

Through the normal course of business and also due to the Company's new strategic direction, there was transition in the Company's licensee base in 2008. In 2008 and in early-2009, the following licensees chose to terminate or not to renew their contracts with the Company.

- Peak Casino
- Betsafe
- Maharajah
- Playboy
- World Poker Tour
- Littlewoods
- William Hill (regarding poker)

In June 2008, CryptoLogic announced that one licensee, Sportech PLC, would begin using other gaming software beginning in September 2008. Sportech used CryptoLogic's software for its Littlewoods-branded gaming sites. However, the Company expects to continue earning some revenues from Littlewoods players because Sportech entered into a new relationship with 888 Holdings PLC and, as noted above, 888 Holdings PLC has agreed to integrate casino games from CryptoLogic.

While William Hill migrated its poker business away from Company in early 2009, William Hill is signed on a non-exclusive basis with CryptoLogic through to the end of 2009 with respect to its casino operations. The Company expects the 10 new customers for either hosted casinos or

individual games signed in 2008, plus the additional customers signed in 2009 to partially offset the loss of revenue from the licensees lost in 2008.

New Strategy for Growth

CryptoLogic announced a new growth strategy and restructuring program in October 2008. These plans were developed after a fundamental review of the business by the Company's management under Brian Hadfield, following his appointment as President & CEO at the end of February 2008.

This strategy is to achieve long-term growth, sustained profitability and strong cash generation through a new model that focuses on CryptoLogic's successful Internet casino business and the development and licensing of the company's highly acclaimed software.

Key elements of the strategy include:

- **Casino licensing:** Internet casino is by far CryptoLogic's most profitable business, and the company expects significant revenue growth from this segment in 2009, thanks to the new customers signed in 2008, and others to come. CryptoLogic will continue to sell customized casino solutions to both established and emerging gaming brands.
- **New channels for CryptoLogic games:** With the highest-rated casino games on the market, CryptoLogic has found attractive opportunities selling its leading games to other top brands, such as 888.com and PartyGaming. These and other large global gaming sites offer significant revenue potential for 2009 and beyond.
- **Branded content:** The Company has been a pioneer in taking top entertainment brands - from legendary superheroes to world-famous video and casual games -- and converting them into highly popular and profitable casino products. CryptoLogic will focus and build on this expertise.
- **Poker partnership:** As noted above, CryptoLogic is outsourcing its poker network to increase liquidity and profitability for customers, while reducing the Company's own expenses substantially. The Company will continue to provide a full-service offering for its licensees through the GTECH network and receive ongoing revenues from its transferred customers.
- **New markets:** The Company will continue to develop its business and manage its recent investments and new relationships in China, Korea, Russia and Singapore to achieve long-term growth.

Thanks in large part to the elimination of the costs of running a stand-alone poker network, the Company is implementing a plan to reduce annual operating costs by \$13 million through various initiatives. Approximately \$8.5 million of the savings are attributable to a reduction in employee expenses; about \$2.5 million are from infrastructure and facilities downsizing; and some \$2.0 million in savings are expected from operational efficiencies across the business.

Trends

2008 was a year of change and transition for CryptoLogic. The Company's 2008 financial results reflect the ongoing challenges of operating entirely outside the U.S., the global economic recession and the need for CryptoLogic's new management to develop a new strategy for growth. Revenue declined by 16.5% to \$61.5 million (2007: \$73.7 million) and the Company recorded a loss of \$32.7 million (2007: profit of \$5.5 million). Net cash as at December 31, 2008 was \$43.8 million (2007: \$77.5million).

Given difficult global economic conditions, the Company is taking a cautious view of top-line growth in 2009. While the Internet gaming market continues to promise growth, competition is intensifying for players and market position; growth in online poker has moderated; and the global legislative environment continues to evolve. Despite these challenges, CryptoLogic remains optimistic about the future of online gaming and believes that its disciplined strategy and low-cost, high-potential business model will enable the Company to remain a leader.

Management expects that CryptoLogic's actions to reduce operating costs and execute its new growth strategy will enable the Company to return to profitability and cash generation from Q2 2009. The Company expects full-year cash generation post-restructuring of \$11-\$13 million, net profits in the range of \$9-\$10 million, and diluted earnings per share of 65-71 cents. The above guidance assumes no significant further deterioration in economic conditions and stabilization of currency rates.

CryptoLogic is being very vigilant in ensuring that revenue and expenses remain at an acceptable ratio, and is not planning significant changes to its cost structure at this time. The Company will use current resources to execute current projects and take advantage of revenue-enhancing opportunities in Europe, Asia and other major international markets. We have reduced our expenses and will continue to focus on maintaining close control over discretionary expenditures as we align with the new market environment.

Recent Developments

On February 18, 2009, CryptoLogic received letters from Mr. Javaid Aziz (the former President and Chief Executive Officer of CryptoLogic) and Cede & Co. requesting that an extraordinary meeting of shareholders be held, at which the shareholders of CryptoLogic would consider, among other matters, whether to replace Mr. Yap Wai Ming, a current director of CryptoLogic, with Mr. Aziz.

In response to these letters, on February 22, 2009, CryptoLogic sent Mr. Aziz a letter that detailed the deficiencies in his request for an extraordinary meeting and outlined the board of directors' issues and concerns with Mr. Aziz's conduct during and after his tenure as Chief Executive Officer of CryptoLogic.

Mr. Aziz withdrew his request for an extraordinary meeting of shareholder of CryptoLogic on March 4, 2009.

ITEM 4: DESCRIBE THE BUSINESS

Summary

CryptoLogic is one of the first publicly listed online gaming software developers and suppliers, and a leader in the global Internet gaming industry. The Company's common shares trade on the Toronto Stock Exchange (symbol: CRY), NASDAQ Global Select Market (symbol: CRYP) and the London Stock Exchange's Main Market (symbol: CRP). The Company's exchange shares trade on the Toronto Stock Exchange (symbol: CXY). Our head office is located in Dublin, Ireland, which provides executive functions to the corporate group. Our Toronto, Canada office provides software development, upgrades and technical support for WagerLogic, a subsidiary of CryptoLogic, as well as all usual administrative functions.

Located in Cyprus, Malta and the U.K., the WagerLogic group of companies provides licensing and hosting for our Internet gaming software, e-cash systems and support, customer support, marketing support and other services to third-party gaming operators or licensees around the world. Our e-cash systems and support system enable licensees' players to deposit and withdraw funds through a wide range of payment options for use with the licensee. Our 24/7 customer call centre support helps our licensees' players with technical questions or assistance with the gaming software and e-cash

accounts. Our small staff in Singapore is responsible for advancing our strategy and business development in Asia.

As at December 31, 2008, we had 14 licensees (2 of these licensees left in February 2009 due to GTECH migration) located around the world. Our licensees operate under government authority where their Internet business subsidiaries are domiciled. In August 2007, the Company moved its licensees' primary Internet gaming jurisdiction to Malta. Certain technical requirements set out by the licensing authority in Malta need to be fulfilled in order to maintain the license in good standing. The licence in Malta facilitates access to European markets by the Company's licensees from within the E.U..

Principal Markets

CryptoLogic, through WagerLogic, provides a complete, turn-key online gaming solution predominantly focused on the Internet casino and poker markets of the global online gaming industry. We work with a large group of international brand name licensees and target prospective licensees with a focus in the key geographic markets for online gaming including the U.K. and Continental Europe, which we view as the regions that offer the best near-term growth opportunities. As a result of the UIGEA, the Company will not support licensees who take wagers from U.S.-based players. In the longer term, we see Asia as the next major market. The population is ten times that of North America and gaming has been part of the culture for thousands of years. However, significant regulatory and commercial challenges remain in the market, which the Company does not believe will be resolved immediately.

In 2008, CryptoLogic's total online gaming solution was comprised of:

1. A broad, turn-key Internet-based game suite featuring:
 - more than 314 download and non-download casino table and slot games;
 - multi-languages (English, Spanish, Greek, Japanese, Chinese, French, German, Italian)
 - multi-currencies (U.S. dollars, British pounds and euro)
 - multi-platforms (download, non-download (Java and Flash), wireless); and
 - multi-player bingo;
2. E-cash systems and support for player deposits and withdrawals;
3. Business intelligence and data analysis tools to assist licensees in their marketing efforts;
4. Licensee support through WagerLogic's 24/7 multi-language customer support; and
5. Marketing support services, to assist licensees in developing and executing strategies for marketing their online gaming businesses.

Our Internet-based gaming and electronic commerce software products are used by licensees to create virtual casinos or bingo halls. Currently, no customer licenses our bingo software. The downloadable software package transfers the "front-end" information (i.e., playing cards, roulette wheel, dice numbers) between users and remote servers. The software package utilizes each user's computer to generate the graphics of the virtual casino or bingo hall, while the licensees' gaming servers perform the "dealer" function, generating the random numbers of playing cards, roulette numbers and dice numbers, as applicable. Many of our most popular casino games are also available on either the Flash or Java platforms, which provide an entertaining gaming experience without having to wait for software to download.

Among other things, our software contains proprietary encryption features, which allows secure transmission of data, and permits our licensees to offer multi-player games, a panoramic virtual casino floor populated by real players, progressive jackpots, Internet browsing features and inter-player chatting.

As part of our commitment to safe and responsible gaming, our gaming solution provides personal options and security features including deposit and bet limits, temporary and permanent account locks, personal identification verification, and online tracking of a player's gaming activity and financial transactions. We are also able to restrict registration and game play from residents of prohibited jurisdictions.

Our gaming solution is complemented by e-cash systems and support. We provide Internet-based electronic commerce support and technology to our licensees and their respective customers and maintain, through subsidiaries, electronic commerce accounts for both merchants of our electronic commerce software and their end-users.

For the majority of our licensees, we report and remit to our licensees the net transaction revenues less licensing and support fees payable to the Company (as specified in the applicable licensing agreements). Some licensees have responsibility for their own e-cash systems and support to enable an integrated single player account for all their online offerings, which have our licensees remit licensing fees to us.

Using our e-cash software, players can use a wide range of payment options, including credit and debit card and various electronic wallets. Web cashier accounts can be opened in United States dollars, British pounds sterling, and euro.

To assist our licensees in retaining players and re-activating lapsed accounts, we have invested significantly in our customer relationship management solution. We have introduced and improved our back-office offering with sophisticated business intelligence, data warehousing and marketing tools to assist licensees in understanding, servicing and building one-on-one relationships with their players.

We also provide 24/7 customer support in the languages and currencies supported by our software for enhanced convenience to our licensees' global player base. Our customer support is available to help players with technical questions or assist with the gaming software and e-cash accounts.

We view our marketing support services as a key differentiator in our product and service offerings, as they form a key part of the Company's brand ownership and management strategy. For example, OIGE CG Limited, operator of the InterCasino brand, uses our marketing support services.

It is our objective to continue to introduce innovative software products, support tools and services that appeal to broad segments of gaming audiences worldwide.

Distribution Methods

We currently market our technology and services through a select sales and marketing strategy whereby we identify key potential customers that meet our licensee profile, and then contact such prospects directly. The Company attends industry trade shows around the world to generate new prospects, and responds to referrals from existing customers and other industry participants. CryptoLogic has sought licensees with an established brand, an audience with a propensity to gamble, and sufficient resources and commitment to successfully market the business.

In Internet casino, the key to success is differentiation through the combination of our new and innovative games with effective marketing to players by our licensees. CryptoLogic will continue to pursue new casino opportunities emphasizing brand name licensees with marketing commitment. In online poker, the key to success is liquidity, that is, more players from more sources – 24/7. In November 2008, the Company announced the outsourcing of its hosted poker business by entering

into a strategic partnership with GTECH Corporation's International Poker Network. The move gives CryptoLogic's poker licensees and players access to a larger network with a combined average of 15,000 active players.

We are leveraging our strong U.K. licensee base to continue to focus our sales and marketing efforts in our key markets of the U.K. and Continental Europe, and to explore longer term prospects in other markets such as Asia. Our strategy in these markets includes the use of or introduction of multi-language and multi-currency software versions, by marketing current languages and currencies and introducing new ones with existing and new customers, as well as exploring foreign payment options that increase the ability of our customers to attract a broader, international player base. As a result of the UIGEA, the Company will not support licensees who take wagers from U.S.-based players.

While Asia offers large market potential, this region represents a longer term opportunity because of higher barriers to entry due to fragmented legislation and no single popular payment form. Moving into 2009, we expect to maintain a presence in Asia, but will not aggressively pursue new opportunities.

Revenue

Substantially all of our revenue is of a recurring nature in that WagerLogic's licensees pay an ongoing fee each month over the contract term for the licensing and support of our software, calculated as a percentage of each licensee's level of activity. Additional revenues are derived from other sources including fees for the provision of software customization, and advertising and marketing services related to our portal business. Historically, we experience seasonality with slower sales in the second and third quarters, as the use of the Internet is not as strong in the summer months when players tend to spend less time indoors and at their computers. Typically, our first and fourth quarters (during the winter and fall seasons) are our strongest revenue periods.

In 2008, revenue was \$61.5 million (2007: \$73.7 million), with 90.9% (2007: 93.6%) of this amount represented by ongoing software licensing fees. Other revenue sources, which primarily included fees for software customization and advertising and marketing services generated from our portal business, accounted for 9.1% of total revenue (2007: 6.4%).

Fee revenue from our casino business is calculated as a percentage of a licensee's level of activity in its online casino site. By contrast, fees from Internet poker are based on a percentage of the licensee's "rake" per hand in regular or ring games (the rake is typically 5% of the pot, up to a maximum amount per hand), or fixed fees for entry into poker tournaments. \$42.2 million or 68.5% of our total revenue was derived from our casino business in 2008 (2007: \$49.5 million or 67.1%). Internet poker fees were \$13.8 million or 22.4% of total revenue in 2008 (2007: \$19.5 million or 26.5%).

Production and Services

Through its subsidiary, WagerLogic, the Company's gaming software, e-cash systems and support and 24/7 customer support, are licensed, typically as a complete solution, to an international customer base. WagerLogic licensees pay an initial one-time customization fee to brand the software to the look and feel of that particular customer and then an ongoing fee for the licensing and support of the software, calculated as described earlier. WagerLogic retains ownership and control of the software being licensed. Fees for our marketing support services are reflected in both higher licensing fee rates as well as separate charges for specific work performed.

The Company's research and development (R&D) activities are predominantly performed in Canada with some remote development in Kiev, Singapore and Shanghai. Certain game variations, themes and components may be outsourced to third-party development organizations. The Company is organized into dedicated teams to specialize in strategic focus areas: i) casino and poker game development and enhancements; ii) system infrastructure and scalability; and iii) enhancement of our

customer support and back-office systems. System infrastructure servers, which include gaming servers, e-cash servers, database servers and download servers, are required to ensure effective operations of licensees' online gaming sites. The Company owns and maintains the infrastructure servers, which are located in various jurisdictions around the world in secure facilities. The game servers are owned by a third party and contracted to the Company for its use.

Specialized Skill and Knowledge

Of the 276 people employed by CryptoLogic and its subsidiaries on December 31, 2008, 87% are dedicated to development, licensee support operations and product support. Our ability to attract and retain highly skilled technical and management personnel and a multi-lingual customer support staff is one of the key factors in our success.

Competitive Conditions

Although online gaming is a fast-growing industry, it is becoming increasingly competitive and sophisticated. GBGC, a U.K. consulting firm focused on the land-based and online interactive gaming industries, estimates that the global market for online gaming, which is comprised of casino games, sports betting, poker, bingo, and lotteries, reached \$7.2 billion in annual revenue in 2006 (excluding the United States), up from \$2.7 billion in 2003. While it is difficult to confirm the exact number of Internet gaming sites since most companies are private, current estimates are around 2,400 online gaming properties down from more than 2,800 (source: GBGC) several years ago. This decrease points to industry consolidation. As Internet gaming has developed and increased in sophistication, so have the players who can choose from a proliferation of sites. Competition for players' attention and share of wallet is intensifying, and players are demanding more value, more games and the ultimate entertainment experience.

As part of our new strategy, CryptoLogic's primary focus areas are our successful Internet casino business and the development and licensing of the Company's highly acclaimed software.

Licensees of our software compete with existing and more established recreational services and products, in addition to other forms of entertainment. Our success will depend, in part, upon our ability to enhance our products and services, expand our system infrastructure and resiliency, keep pace with technological developments, respond to evolving customer requirements and achieve continued market acceptance.

We compete with a number of public and private companies, which provide electronic commerce and/or Internet gaming software. Given the stage of development of the industry and the number of private organizations operating in the industry, information about the nature of our competitors, their operations and their resources is difficult to compile. In addition to current known competitors, traditional land-based gaming operators and other entities, many of which have significant financial resources and name-brand recognition, may provide Internet gaming services in the future, and thus become competitors of CryptoLogic. Increased competition from current and future competitors and increased expenditures has and could continue to result in the reduction of our margins, or could result in the loss of our market share.

The global nature of the Internet makes most Internet markets, including the online gaming industry, relatively accessible to a wide number of entities and individuals. We believe the principal competitive factors in our industry that create certain barriers to entry include reputation, technology, financial stability and resources, proven track record of successful operations, critical mass, regulatory compliance, independent oversight and transparency of business practices. While these barriers will limit those able to enter or compete effectively in the market, it is likely that new competitors will be established in the future, in addition to known current competitors.

New Products and Services

In 2008, we continued to expand our game suite in our core casino business with a succession of new themes and variations. New games help re-energize players and drive increased revenue for our licensees and CryptoLogic. During the year, we released 34 more casino games including:

- the Internet's first-ever slot version of the world-famous Street Fighter(R) II arcade game;
- a new three-game lineup that features the legendary Marvel Super Hero, Spider-Man, a new adventure slot game called Dragon Sword, and an enhanced version of Atlantic City Blackjack, one of the Company's most popular casino games;
- a suite of four-level jackpot slots called Movie Mayhem, which provide today's sophisticated online casino players with spectacular animation and giant jackpots; and
- the launch of the latest installment of CryptoLogic's proprietary Multi Hand Video Blackjack game: 4 Deck Multi Hand Video Blackjack.

Intellectual Property

As a leading software developer in the Internet gaming industry, our business is based on licensing our gaming software and related proprietary e-commerce technology and support services through WagerLogic. We rely on a combination of laws and contractual provisions to establish and protect our rights in our software and proprietary technology. We believe that our competitive position is in part dependent upon our ability to protect our proprietary information and technology. We generally enter into non-disclosure and invention agreements with employees, licensees, consultants and customers, and historically have provided restricted access to our software products' source codes. Our source codes are proprietary to us and we attempt to protect the source code versions of our products as trade secrets and unpublished copyrighted works. Despite our precautions and measures implemented to protect against such attempts, unauthorized parties may have or could in the future copy or otherwise reverse engineer portions of our product or otherwise obtain and use information that we regard as proprietary.

We have patents and trademarks in certain jurisdictions and are in the process of applying for further trademark registrations and patents, which may provide protection in relevant jurisdictions. However, there can be no assurance that this will be sufficient to fully protect our proprietary technology. In addition, certain provisions of our license agreements, including provisions protecting against unauthorized use, transfer and disclosure, may be found to be unenforceable in certain jurisdictions.

We believe that patent, trademark, copyright and other legal protections are less significant to our success than other factors such as the knowledge, ability and experience of our personnel, new product and service developments, frequent product enhancements, customer service and ongoing product support.

We also have a proprietary interest in our name. The names "CryptoLogic" and "WagerLogic" have become well known in the Internet gaming industry. Accordingly, our competitive position could be affected if our name was misappropriated and our reputation compromised.

There can be no assurance that the steps we have taken to protect our proprietary rights will be adequate to deter misappropriation of our technology or independent development by others of technologies that are substantially equivalent or superior to our technology. Any misappropriation of our name, technology or development of competitive technologies could have a material adverse effect on our business, revenues, operating results and financial condition.

We also have licensing agreements with third parties for intellectual property that we use in the provision of our gaming software and services, which are subject to renewal. Due to the complex and sophisticated nature of the business, there can be no assurance that there has been no unintentional breach of some parties' intellectual property rights.

Cycles

Historically, we have experienced slower revenues in the second and third quarters, as the use of the Internet is not as strong in the summer months, when players tend to spend less time indoors and at their computers. Typically, our first and fourth quarters (during the winter and fall seasons) are our strongest revenue periods.

Economic Dependence

In 2008, our top 7 licensees accounted for approximately 81% of our total revenue. In addition, all of our licensees operate from one licensing jurisdiction. The loss of one or more of these key licensees or their license to operate in the licensing jurisdiction or a material change in the terms of the license agreements could have a material adverse effect on our business, revenues, operating results and financial condition.

Changes to Contracts

The Company's online gaming software solution and services are licensed to third-party gaming operators around the world. Contracts are subject to renewal, renegotiation and may be contingent on certain performance requirements. There can be no assurance that license agreements will be renewed or that there will not be a material change in the terms of the contract, which could adversely affect our business, revenues, operating results and financial condition.

Employees

As at December 31, 2008, our Company, including our subsidiaries, employed 276 people, with 147 employees located in Canada and 129 located internationally.

Foreign Operations

As companies and consumers involved in Internet gaming, including the players of our licensees, are located around the globe, there is uncertainty regarding exactly which government has jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of Internet gaming in the various jurisdictions in which we operate could have a material adverse effect on our business, revenues, operating results and financial condition.

There are certain difficulties and risks inherent in doing business internationally, including the burden of complying with multiple and conflicting regulatory requirements, foreign exchange controls, potential restrictions or tariffs on gaming activities that may be imposed, potentially adverse tax consequences and tax risks, and changes in the political and economic stability, regulatory and taxation structures, and the interpretation thereof, of jurisdictions in which the Company and its licensees operate, and in which our licensees' customers are located, all of which could have a material adverse effect on our business, revenues, operating results and financial condition.

Our ability to expand our business in certain countries will require modification of our products, particularly domestic language availability, currency support and potentially the development of new games that have greater regional appeal. There can be no assurance that we will be able to sustain or increase revenue derived from international operations or that we will be able to penetrate linguistic, cultural or other barriers to new foreign markets.

Reorganizations

Pursuant to a business reorganization implemented by way of an Ontario Superior Court of Justice court approved plan of arrangement (the "Arrangement") and approved by the shareholders on May 24, 2007, CryptoLogic Limited 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. CryptoLogic Limited is incorporated under the laws of Guernsey with corporate headquarters in Dublin, Ireland. 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 ("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. Holders of CEC shares participate equally in voting and dividends with the shareholders of the Company. No additional shares of CEC have been or will be issued. CryptoLogic's common shares trade on the Toronto Stock Exchange (symbol: CRY), NASDAQ Global Select Market (symbol: CRYP) and the London Stock Exchange's Main Market (symbol: CRP). CEC shares trade on the Toronto Stock Exchange (symbol: CXY). Particulars of the Arrangement are found in the Information Circular dated April 23, 2007, which can be viewed on the SEDAR website www.sedar.com.

Risk Factors

CryptoLogic operates in a rapidly changing environment that involves numerous risks and uncertainties, many of which are beyond our control and which could have a material adverse effect on our business, revenues, operating results and financial condition. The following discussion highlights some of these risks and uncertainties. In addition, readers should carefully review the risk factors described in the Company's 2008 Management's Discussion and Analysis filed with various securities commissions.

(a) Industry Risks***Government Regulation***

The Company and our licensees are subject to applicable laws in the jurisdictions in which they operate. Our licensees hold government licenses to operate Internet gaming sites in Malta. Some jurisdictions have introduced regulations attempting to restrict or prohibit Internet gaming, while other jurisdictions have taken the position that Internet gaming is legal and have adopted or are in the process of considering legislation to regulate Internet gaming.

While the U.K. and other European countries such as Malta and Gibraltar are adopting a regulated online gaming approach, there are some opposing views. Some countries, including Italy, Germany and France, where there are state-owned monopolies, are taking action aimed at banning foreign online gaming operators. Such actions by these European Union (E.U.) member states are in conflict with a decision of the European Court of Justice that challenges the monopolies and have prompted the European Commission (EC) to look at creating new legislation that could harmonize online gaming within the E.U., which is in line with the EC's goal to encourage a free and open cross-border market. There is no indication that any such directives will be introduced in the near term. In the meantime, however, the EC has initiated infringement proceedings against some member states in relation to perceived breaches of Articles 43 and 49 of the EC Treaty (which articles enshrine the principles of freedom of establishment and movement of services).

As companies and consumers involved in Internet gaming are located around the globe, including our licensees and their players, there is uncertainty regarding which government has authority to regulate or legislate the industry. Legislation designed to prohibit Internet gaming was enacted on October 13, 2006 in the United States (UIGEA), and may be adopted in other jurisdictions.

Future decisions may have a material impact on our operations and financial results. There is a risk that governmental authorities may view us or our licensees as having violated the local law of their end users, despite CryptoLogic's requirement that each licensee is licensed to operate an Internet gaming business by the governmental authority of the country in which the gaming servers associated with the licensees' gaming operations are located. Therefore, there is a risk that civil and criminal proceedings, including class actions brought by or on behalf of public entities or private individuals, could be initiated against us, our licensees, Internet service providers, credit card processors, advertisers and others involved in the Internet gaming industry and could involve substantial litigation expense, penalties, fines, injunctions or other remedies or restrictions being imposed upon us or our licensees or others while diverting the attention of key executives. Such proceedings could have a material adverse effect on our business, revenues, operating results and financial condition.

There can be no assurance that prohibiting legislation will not be proposed and passed in potentially relevant jurisdictions to legislate or regulate various aspects of the Internet or the Internet gaming industry. The burden of compliance with any such legislation may have a material adverse effect on our business, financial condition and results of operations.

There have recently been a number of legal developments associated with the manner in which the business of gaming, and in particular, Internet gaming, is treated in the U.K. and Continental Europe. Some of these developments can be considered as positive and some as negative. In this regard a brief summary of the regulatory situation in the U.K. and Europe follows:

United Kingdom

In September 2007, the U.K. Gambling Act went into force, which regulates online gaming for the first time in that jurisdiction. Most of the underlying codes in relation to entities established in the U.K., or marketing into the U.K. have now been enacted. However, there is no assurance that the U.K. regulatory regime as interpreted by the Gambling Commission, the Gambling Act's regulator, will provide a commercially-viable market and may create restrictions that would have a material adverse effect on CryptoLogic's customers, business, revenues, operating results and/or financial condition.

Continental Europe

Germany

Germany in particular appears to be moving towards imposing greater restrictions on internet gaming operators, both by virtue of proposed changes to legislation and through heightened enforcement measures. As of January 1st, 2008, an extensive ban outlawing almost all forms of online gambling has been ratified by at least 13 of 16 German states. This ban, known as the German Interstate Treaty ("GST"), bans all Web-based gambling or brokering of all wagering and betting games over the Internet, specifically including the placement of bets with companies located in other countries. The GST, however, is currently subject to an appeal before the European Commission.

Italy and France

Recent willingness by the Italian and French governments to regulate certain forms of Internet gaming could be perceived as indicative of a liberalization of the Internet gaming industry as a whole in these countries. However, at present, the form of regulation put forward by Italy and proposed by France (in June of 2008, according to the French budget minister, France is set to begin a "controlled opening up" of online gambling markets over the next 18 months) has failed to create attractive market conditions for many operators. As such, notwithstanding the fact that this market may appear to be liberalizing, in practice, they have not liberalized in a manner, or to a degree, that is helpful to

the Company or its licensees. The Company and its licensees remain at risk that Italy and France may take aggressive action against parties whose operations are not licensed pursuant to the regulatory regimes established by these countries.

Spain

Madrid's regional government has recently implemented new legislation to regulate Internet gaming but it only permits services to be supplied by the licensed entity to Madrid residents. Therefore obtaining a license may be of little commercial value to any operator. Other regions may follow suit. However Spain historically has taken little or no enforcement action against operators of Internet gaming which are based outside the jurisdiction. There is no guarantee however that this position will remain the same if the system of regulation becomes more widespread (so as to create a value in obtaining a license).

Holland

CryptoLogic's licensees presently operate in the Dutch market and the Dutch government has consistently taken steps to support and protect Holland Casino's monopoly including by taking legal action against Internet gaming operators. In the event that the Dutch government seeks to take further steps to protect the online business of Holland Casino by discouraging other operators from operating in the Dutch marketplace, either through changes in legislation or enforcement measures, the Company's licensees (and CryptoLogic accordingly) could be adversely impacted. In 2008, in a narrow vote, the Dutch parliamentarians decided not to allow its state-sponsored casino operator, Holland Casino, to operate its own casino and poker room software which was to be supplied by CryptoLogic. CryptoLogic was fully compensated for its development work.

Scandinavia

Governments in most Scandinavian countries have attempted to discourage their citizens from gambling with online operators by taxing their citizens' winnings. Generally speaking, winnings realized through a state sponsored operator are not taxable, but winnings from other sources can be subject to inconsistent application of taxation law in relation to domestic and non-domestic products in the E.U.. Until such time as the tax authorities in the various countries make an official pronouncement on the manner in which these tax laws will be applied, it is unclear as to what impact these tax policies will have on the business of the Company's licensees. In Norway, The government banned online gambling in December 2008, a ban that will come into force by the end of 2009. The ban, challenged by the E.U., means only state-owned gambling services will remain legal. In Denmark, the state monopoly on online gambling is being reconsidered by Danish government in light of European Union criticism.

United States

Since the enactment of UIGEA in October 2006, the Company has prohibited its licensees from taking any wagers from the U.S.. The UIGEA made it illegal to accept any funds connected with unlawful Internet gaming, although some U.S. enforcement agencies claimed that previous existing legislation similarly outlawed both the supply and related payments. Although CryptoLogic historically derived a majority of its revenues from sources outside of the U.S., given that the Company had previously derived licensing revenue and provided payment processing solutions (through its e-cash services) on behalf of some licensees who took wagers from the U.S., there is no guarantee that the U.S. Department of Justice will not seek to prosecute the Company, its officers or directors for alleged historic transgressions or similarly prosecute its licensees or their directors or shareholders. Such proceedings could result in criminal penalties, substantial fines, damages and sequestration of assets. They also could damage the reputation of the Company, divert the time of the Company's key

executives and have a material adverse effect on the business, revenues, operating results and/or financial condition of the Company.

Payment Processing

With the enactment of the UIGEA, financial institutions in the United States ceased to accept online gaming transactions. This event continued to have a negative impact on the Internet gaming industry as a whole, on our licensees, and on the Company, as evidenced by lower revenues and earnings in 2008. There can be no assurance that other financial institutions or credit card issuers outside the United States will not enact additional restrictions. Any such developments would have a material adverse effect on our business, revenues, operating results and financial condition. The loss of a major payment option could have a material adverse affect on our business. In the occurrence on-line gaming transactions are again accepted in the United States, we would expect revenues and earnings to increase.

There can be no assurance that our systems and measures in place will or can guarantee protection against fraudulent activities and unauthorized access from minors, which could have a material adverse effect on our reputation, business, revenue, operating results and financial conditions. We attempt to mitigate these concerns with systematic controls and a dedicated fraud team. There is an audit trail for every transaction contrary to land-based gaming activities that are primarily cash processors. As well, we establish relationships with financial institutions that are subject to stringent banking regulations in their respective jurisdictions.

E-commerce Law

In addition to regulations pertaining specifically to online gaming, we may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet.

The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for our products and services, increase our cost of doing business or could otherwise have a material adverse affect on our business, revenues, operating results and financial condition.

(b) Business Risks

Current Global Financial Condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Internet Viability and System Infrastructure and Reliability

The growth of Internet usage has caused frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Company's own network systems will continue to be able to support the demands placed on it by the continued growth of the Internet, the overall online gaming industry or that of our customers.

The Internet's viability could be affected if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel.

End-users of our software depend on Internet Service Providers ("ISPs"), online service providers and our system infrastructure for access to the Internet gaming sites operated by our licensees. Many of these services have experienced service outages in the past and could experience service outages, delays and other difficulties due to system failures, stability or interruption. Our licensees may lose customers as a result of delays or interruption in service, including delays or interruptions relating to high volumes of traffic or technological problems. As a result, we may not be able to meet a level of service that we have contracted for, and we may be in breach of our contractual commitments, which could materially adversely affect our business, revenues, operating results and financial condition.

Market Demand

The Internet gaming industry continues to evolve rapidly and is characterized by an increasing number of market entrants. The demand and acceptance for new products and services are subject to a level of uncertainty and growing competition, and if our production services do not continue to receive market acceptance, our business, revenues, operating results and financial condition could be materially adversely affected.

Internet Security

Our Internet gaming software and electronic commerce services are reliant on technologies and network systems to securely handle transactions and user information over the Internet, which may be vulnerable to system intrusions, unauthorized access or manipulation. As users become increasingly sophisticated and devise new ways to commit fraud, our security and network systems may be tested and subject to attack. We have experienced such system attacks in the past and implemented measures to protect against these intrusions. However, there is no assurance that all such intrusions or attacks will or can be prevented in the future, and any system intrusion/attack may cause a delay, interruption or financial loss, which could have a material adverse effect on our business, revenue, operating results and financial condition.

Reliance on Other Parties

Our electronic commerce product relies on ISPs to allow our licensees' customers and servers to communicate with each other. If ISPs experience service interruptions, it may prevent communication over the Internet and impair our ability to carry on business. In addition, our ability to process e-commerce transactions depends on bank processing and credit card systems. In order to prepare for system problems, we are strengthening and enhancing our current facilities and the capability of our system infrastructure and support. Nevertheless, any system failure as a result of reliance on third parties, including network, software or hardware failure, which causes a delay or interruption in our e-commerce services could have a material adverse effect on our business, revenues, operating results and financial condition.

Competition

Licensees of our software compete with existing and established recreational services and products, in addition to other forms of entertainment. Our success will depend, in part, upon our ability to

enhance our products and services to keep pace with technological developments, respond to evolving customer requirements and achieve continued market acceptance.

We compete with a number of public and private companies, which provide electronic commerce and/or Internet gaming software. In addition to known current competitors, traditional land-based casino operators and other entities, many of which have significant financial resources, an entrenched position in the market and name-brand recognition, may provide Internet gaming services in the future, and thus become our competitors. As well, such companies may be able to require that their own software, rather than the software of others, including our gaming software or our e-cash systems and support, be used in connection with their payment mechanisms.

The barriers to entry into most Internet markets are relatively low, making them accessible to a large number of entities and individuals. We believe the principal competitive factors in our industry that create certain barriers to entry include reputation, technology, financial stability and resources, proven track record of successful operations, critical mass (particularly relating to online poker), regulatory compliance, independent oversight and transparency of business practices. While these barriers will limit those able to enter or compete effectively in the market, it is likely that new competitors will be established in the future, in addition to our known current competitors.

Increased competition from current and future competitors has and may in the future result in price reductions and reduced margins, or may result in the loss of our market share, any of which could materially adversely affect our business, revenues, operating results and financial condition.

Dependence on Licensees

In fiscal 2008, our top 7 licensees accounted for approximately 81% (2007: 79%) of our total revenue. In addition, all our key licensees operate from one licensing jurisdiction. The loss of one or more of these key licensees, or the loss of their license to operate in the licensing jurisdictions, could have a material adverse effect on our business, revenues, operating results and financial condition.

Risks Regarding Renewals

Licensing contracts generally have three-year terms, are exclusive, and have renewal provisions, which provide us with a long term ongoing revenue stream. Contracts are subject to renewal, renegotiation and may be contingent on certain performance requirements. There can be no assurance that license agreements will be renewed or that there will not be a material change in the terms of the contract, which could adversely affect our business, revenues, operating results and financial condition.

Chargebacks

We are subject to exposure in regard to chargebacks, which may also result in possible penalties and elimination of the payment option. Chargebacks are any deposit transaction credited to a user's account that is later reversed or repudiated. While the Company has fraud control measures to minimize exposure and provision for chargebacks, this factor could have a material adverse effect on our business, revenues, operating results and financial conditions.

Foreign Operations

As companies and consumers involved in Internet gaming, including the players of our licensees, are located around the globe, there is uncertainty regarding exactly which government has jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of Internet gaming in the various jurisdictions in which we operate could have a material adverse effect on our business, revenues, operating results and financial condition.

There are certain difficulties and risks inherent in doing business internationally, including the burden of complying with multiple and conflicting regulatory requirements, foreign exchange controls, potential restrictions or tariffs on gaming activities that may be imposed, potentially adverse tax consequences and tax risks, and changes in the political and economic stability, regulatory and taxation structures, and the interpretation thereof, of jurisdictions in which we, our subsidiaries and our licensees operate, and in which our licensees' customers are located, all of which could have a material adverse effect on our business, revenues, operating results and financial condition.

There can be no assurance that we will be able to sustain or increase revenue derived from international operations or that we will be able to penetrate linguistic, cultural or other barriers to new foreign markets.

Foreign Exchange

Our financial results are reported in U.S. currency, which is subject to fluctuations in respect of the currencies of the countries in which we operate, including British pounds, euro, and Canadian dollars. This was a significant challenge in 2008, as the U.S. dollar – the Company's reporting currency – appreciated substantially against the euro and the pound, the currencies in which CryptoLogic does most of its business. In the future, fluctuations in the exchange rate of world currencies could have a positive or negative effect on our reported results. We may utilize a hedging program from time to time and/or take advantage of the natural hedge in having operations in multiple currencies to mitigate a portion of our currency risks, but there can be no assurance that we will not experience currency losses in the future, which could have a material adverse effect on our business, revenues, operating results and financial condition.

Taxation

We are subject to income taxes in Ireland, Canada, Cyprus, Malta and other jurisdictions. Our tax calculations involve estimations in several areas including, but not limited to, transfer pricing. Tax authorities may disagree with our estimations and assess additional taxes. We regularly review the likely outcomes of such assessments in order to determine the appropriateness of our tax provision. However, actual outcomes may differ and could have a material impact on our net income or financial condition. In addition, our effective tax rate in the future could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws. In particular, the carrying value of future tax assets is dependent on our ability to generate future taxable income in the jurisdiction where we have recognized the deferred tax assets.

Legal Proceedings

We, and certain of our subsidiaries, may be involved in litigation arising in the ordinary course and conduct of business. The outcome of such matters cannot be predicted with certainty, and could have a material adverse effect on our business, revenues, operating results and financial condition.

Moreover, from time to time, third parties have asserted and may continue to assert patent, trademark, copyright and other intellectual property rights to technologies or business methods that we consider important. There can be no assurance that the assertion of such claims will not result in litigation or that we would prevail in any such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party or, if such a license is required, that it would be available on terms acceptable to us.

Intellectual Property

We rely on a combination of laws and contractual provisions to establish and protect our rights in our software and proprietary technology. We believe that our competitive position is dependent in part

upon our ability to protect our proprietary technology. We generally enter into non-disclosure and invention agreements with employees, licensees, consultants and customers, and historically have restricted access to our software products' source codes. We regard our source codes as proprietary information, and attempt to protect the source code versions of our products as trade secrets and unpublished copyrighted works. Despite our precautions and measures implemented to protect against such attempts, unauthorized parties may have or could in the future copy or otherwise reverse engineer portions of our products or otherwise obtain and use information that we regard as proprietary.

Our Company has patents and trademarks in certain jurisdictions and is in the process of applying for further trademark registrations and patents, which may provide such protection in relevant jurisdictions. However, there can be no assurance that this will be sufficient to fully protect our proprietary technology. In addition, certain provisions of our license agreements, including provisions protecting against unauthorized use, transfer and disclosure, may be found to be unenforceable in certain jurisdictions.

We believe that patent, trademark, copyright and other legal protections are less significant to our success than other factors such as the knowledge, ability and experience of our personnel, new product and service developments, frequent product enhancements, customer service and ongoing product support.

We also have a proprietary interest in our name. The names "CryptoLogic" and "WagerLogic" have become known in the Internet gaming industry. Accordingly, our competitive position could be affected if our name was misappropriated and our reputation in any way compromised.

There can be no assurance that the steps we have taken to protect our proprietary rights will be adequate to deter misappropriation of our technology or independent development by others of technologies that are substantially equivalent or superior to our technology. Any misappropriation of our name, technology or development of competitive technologies could have a material adverse effect on our business, revenues, operating results and financial condition.

Due to the complex, sophisticated and global nature of the business, there can be no assurance that there has been no breach of third parties' intellectual property rights by the Company, and any adverse judgment in this regard could have a material adverse effect on our business, revenues, operating results and financial condition.

In addition to our own intellectual property, the Company licenses proprietary rights for use in its products from third parties. There can be no assurance that such license arrangements will be renewed or maintained, and any loss of such license arrangements could have a material adverse effect on our business, revenues, operating results and financial condition.

Hiring and Retaining Employees

Our future success is dependent on certain key management and technical personnel. The loss of these individuals or the inability to attract and retain highly qualified employees and advisors could have a material adverse effect on our business, revenues, operating results and financial condition.

Managing Rate of Growth

We have a history of growth. The expansion of our business and the increasing complexity of our product offerings, coupled with the rapid evolution of our markets, and increasing competition that will put pressure on margins have placed, and are expected to continue to place, a significant strain on our management and operational resources and to increase demands on our internal systems, procedures and controls. Our future operating results will depend on management's ability to develop and manage growth, enhance our products and services to respond to market demand, deal with competition and evolving customer requirements, manage our system infrastructure and

requirements to meet the growing demands of our business, hire and retain significant numbers of qualified employees, accurately forecast revenues and control expenses. A decline in the growth rate of our revenues without a corresponding and timely slowdown in our expenses, or our inability to manage or build future growth efficiently, could have a material adverse effect on our business, revenues, operating results and financial condition.

Future Acquisitions and Investments

As part of our business strategy, we have and may continue to make acquisitions of, or significant investments in, businesses or technology that offer complementary products, services, and technologies. Any acquisition or investment will be accompanied by risks, including the difficulty of assimilating the operations and personnel of the acquired businesses; the potential diversion of the attention of management from our business; the inability of management to maximize the financial and strategic position of our Company or returns from the investment or acquired businesses; changing technology approach and requirements, the maintenance of uniform standards, controls, procedures and policies; and the impairment of relationships with employees and clients as a result of and integration of the investment, acquisition or new personnel.

Stock Volatility and Liquidity

The market price of our common shares has experienced significant fluctuation and may continue to fluctuate significantly. The market price of our common shares may be adversely affected by various factors, such as proposed Internet gaming legislation or enforcement of existing laws, the loss of a customer, the announcement of new products or enhancements, innovation and technological changes, quarterly variations in revenue and results of operations, changes in earnings estimates by financial analysts, speculation in the press or analyst community and general market conditions or market conditions specific to particular industries, including the Internet and gaming.

In addition, the stock market has from time to time experienced extreme price and volume fluctuations. These company-specific or broad market fluctuations may adversely affect the market price for our common shares. Anti-online gaming legislation could also impact our ability to remain listed.

Although our common shares are listed and traded on the Toronto Stock Exchange, the NASDAQ Global Select Market and the London Stock Exchange's Main Market, this should not imply that there will always be a liquid market in our common shares. In addition, pursuant to a business reorganization completed in 2007 (see page 2), exchangeable shares of an indirect subsidiary of the Company, CEC were issued, and are listed and traded on the Toronto Stock Exchange. Because of separate listings, the trading prices of the common shares and CEC shares may not reflect equivalent values. Company-specific or broader market fluctuations may adversely affect the market price of the exchangeable shares, and there can be no assurance that there will continue to be an active market for these securities.

ITEM 5: DIVIDENDS

On September 10, 2003, CryptoLogic's Board of Directors declared the Company's first dividend of \$0.03 per common share (annual rate of \$0.12), paid on November 24, 2003. On November 4, 2004, CryptoLogic's Board approved an increase in our quarterly dividend to \$0.05 per common share (annual rate of \$0.20). On the dividend's third anniversary, the quarterly rate was increased to \$0.07 per common share (annual rate of \$0.28). On May 9, 2006, the Company announced a subsequent increase to \$0.12 per common share per quarter (annual rate of \$0.48). On February 14, 2007, a quarterly dividend of \$0.12 per common share was announced, the same rate as the prior four quarters and for the remaining quarters of 2007. On November 12, 2008, the Company announced the Board's decision to decrease the dividend to \$0.03 per share (annual rate of \$0.12), commencing

with the quarterly dividend paid on December 15, 2008. On March 13, 2009, a dividend of \$0.03 per share was announced. Each future quarterly dividend will be subject to Board approval based on the Company's financial results. Holders of CEC participate equally in the dividends as with the common shareholders of the Company. Each future quarterly dividend will be subject to Board approval based on the Company's financial results.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of common shares and one special voting share through which CEC (see page 2) shareholders obtain voting rights. As of December 31, 2008, there were 12,728,077 common shares issued and outstanding, which excludes 1,090,974 shares in CEC. Including the CEC shares, the common shares outstanding would be 13,819,051. Holders of the Company's common shares and holders of CEC shares are entitled to equal dividends under a series of agreements. The CEC shareholders are entitled to one vote per share alongside the votes of the common shares through a special voting share and a series of agreements established at the reorganization in May 2007.

ITEM 7: MARKET FOR SECURITIES

Our common shares have been listed for trading on the Toronto Stock Exchange since September 30, 1998 under the symbol "CRY", on the NASDAQ Global Select Market (formerly NASDAQ National Market) since March 20, 2000 under the symbol "CRYP", and on the Main Market of the London Stock Exchange since September 15, 2003 under the symbol "CRP." Our exchangeable shares have been listed for trading on the Toronto Stock Exchange since June 1, 2007 under the symbol "CXY".

The following table provides the monthly trading information of the Company's common shares (symbol: CRY) on the Toronto Stock Exchange for the year ended December 31, 2008*:

Date	Open	High	Low	Close	Volume Traded
2008/12	2.99	3.55	2.76	2.81	204,387
2008/11	5.61	6.25	2.06	2.83	336,637
2008/10	5.93	6.49	4.18	5.52	373,340
2008/09	8.91	9.00	5.13	5.87	428,997
2008/08	10.40	13.00	8.57	9.09	349,329
2008/07	14.40	14.80	10.30	10.33	230,357
2008/06	16.70	17.40	14.30	14.71	331,749
2008/05	20.40	22.20	16.30	16.27	301,920
2008/04	16.40	21.20	15.80	20.16	295,413
2008/03	16.40	17.80	14.10	16.30	225,445
2008/02	16.10	18.00	16.00	16.30	179,412
2008/01	17.80	18.00	15.20	16.10	133,811

* Trading information is in Canadian dollars, except the number of trades and volume traded.

The following table provides the monthly trading information of CEC shares (symbol: CXY) on the Toronto Stock Exchange for the year ended December 31, 2008*:

Date	Open	High	Low	Close	Volume Traded
2008/12	3.00	6.54	2.75	2.76	57,568
2008/11	6.30	6.30	2.75	3.50	20,384
2008/10	6.27	6.27	4.01	5.06	21,221
2008/09	9.79	9.80	6.50	6.70	14,211
2008/08	11.50	14.00	8.85	10.00	19,368
2008/07	15.50	15.50	11.50	11.50	20,562
2008/06	19.80	20.80	16.1	16.1	12,719
2008/05	21.40	22.90	19.00	19.81	23,538
2008/04	18.40	21.50	16.30	21.00	26,813
2008/03	18.10	18.80	16.20	18.39	53,576
2008/02	16.50	18.90	16.30	18.60	33,776
2008/01	20.00	20.50	15.50	16.60	50,279

* Trading information is in Canadian dollars, except the number of trades and volume traded.

ITEM 8: DIRECTORS AND OFFICERS

The names of the directors and senior officers of our Company at March 31, 2009, their municipalities of residence, their respective positions with our Company and the date upon which they were first elected as a director or officer of CryptoLogic, including the predecessor company, are set out in the table below:

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Name and Municipality of Residence	Principal Occupation	Date of First Election as Director ⁽⁵⁾ /Officer	Common Shares Held as at March 31, 2009 ⁽⁶⁾	Options Held as at March 31, 2009 ⁽⁶⁾	LTIP Units Held as at March 31, 2009
Thomas Byrne ⁽¹⁾⁽²⁾⁽³⁾ Dublin, Ireland	<ul style="list-style-type: none"> • Director of the Company 	April 13, 2007	8,000	Nil	Nil
Stephen H. Freedhoff, CA, CFP ⁽¹⁾⁽²⁾⁽⁷⁾ Toronto, Ontario	<ul style="list-style-type: none"> • Self-employed Chartered Accountant • Director of the Company 	May 1, 2003	Nil	13,333	Nil
David M.J. Gavagan ⁽¹⁾ Dublin, Ireland	<ul style="list-style-type: none"> • Self-employed consultant • Director of the Company 	June 17, 2008	3,000	Nil	Nil
Brian Hadfield ⁽⁴⁾⁽⁸⁾ Gerrards Cross, England	<ul style="list-style-type: none"> • Director of the Company 	May 30, 2007	4,250	100,000	Nil
Robert H. Stikeman ⁽³⁾⁽⁴⁾ Toronto, Ontario	<ul style="list-style-type: none"> • President and CEO of the Company • Chairman of the Board and Director of the Company 	March 7, 1996	5,000	57,000	Nil
	<ul style="list-style-type: none"> • Partner, Stikeman, Keeley, Spiegel Pasternack LLP (a law firm) 		5,000 (CEC)		
Stephen B. Taylor, CA Dublin, Ireland	<ul style="list-style-type: none"> • Director of the Company 	August 8, 2005	8,700	132,500	17,775
Wai Ming Yap ⁽³⁾⁽⁴⁾ Singapore	<ul style="list-style-type: none"> • CFO of the Company • Director of the Company 	May 30, 2007	Nil	Nil	Nil
	<ul style="list-style-type: none"> • Partner, Stamford Law Corporation 				

Notes:

1. Member of Audit Committee
 2. Member of Remuneration Committee
 3. Member of Nominating Committee
 4. Member of Compliance Committee
 5. Each director is elected annually to hold office until the next annual meeting of shareholders.
 6. Common shares (or CEC exchangeable shares as described on page 2) beneficially owned, directly or indirectly, or exercised control or direction over by director or officer.
 7. Stephen Freedhoff was a Director of CryptoLogic Inc., the predecessor company of CryptoLogic Limited, from May 2003 to June 2007. He rejoined the Board of Directors of CryptoLogic Limited in March 2008.
 8. Brian Hadfield was appointed to President and CEO on February 27, 2008.
- As of March 31, 2009, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction approximately 0.25% of the issued and outstanding common shares (including CEC shares) of the Company.

Further details for each of the directors and officers set out in the above table and their respective positions held for the last five years, including their positions in CryptoLogic Inc., the predecessor company, are noted below.

Thomas Byrne is a chartered accountant and was a partner of a global accounting firm before joining Ireland's largest brokerage house in 1987. He was head of corporate finance at the brokerage house until he set up his own corporate advisory company in 2001. At present, Mr. Byrne serves as a non-executive director of a number of companies, both public and private, and is actively involved in advising early stage companies in Ireland. He is also Chairman of CryptoLogic's Audit Committee.

David M.J. Gavagan was the co-founder and managing/senior partner of Hibernia Capital Partners, where he served in this capacity from 1996 until the fund closed in 2006. Hibernia Capital Partners was a private equity fund manager. At present, Mr. Gavagan is a self-employed accountant and serves as a non-executive director on a number of companies, both public and private.

Brian Hadfield was appointed as CryptoLogic's President and Chief Executive Officer on February 27, 2008, and has been a Director of the Board since May 30, 2007. He has held progressively more senior positions at Unisys Limited from 1984 to 2005 and for the period 2000 to 2005 was its managing director. Mr. Hadfield holds non-executive directorships at various business and educational organizations.

Stephen H. Freedhoff, CA, CFP has been a self-employed consultant since July 1999. Previously, he was a partner of a Canadian national accounting firm for 30 years. Mr. Freedhoff had been a Director since May 2003, and had also served as Chairman of the Company's Audit Committee. He rejoined as a Director in March 2008, and is Chairman of the Company's Remuneration Committee.

Robert H. Stikeman was named Chairman of the Board in May 2003, has been a Director since May 30, 2002 and also has served as the Company's Secretary since 1996. He has been a partner for the past 20 years in Stikeman, Keeley, Spiegel & Pasternack LLP, a law firm he was instrumental in establishing. His firm acts as outside counsel to the Company. Mr. Stikeman plays a key role in guiding CryptoLogic's legal and compliance strategies, and has since 1996. He is also Chairman of two Board committees: the Nominating Committee and the Compliance and Corporate Governance Committee.

Stephen B. Taylor, CA was appointed Chief Financial Officer on August 8, 2005 and brings more than two decades of experience in financial and business management, public markets, and mergers and acquisitions. Mr. Taylor is a Chartered Accountant. From 2001 to 2005, he was President of BCL Advisors Inc., an investment banking company affiliated with Seale & Associates of Arlington, VA, which he founded. From 2002 to 2004, Mr. Taylor also served as Executive Vice President and Chief Operating Officer of Buffett, Taylor & Associates, a benefits consulting and wellness practice, functioning as Executive in Residence. Previous posts included senior financial and corporate roles at Derlan Industries, a TSX-listed aerospace company; President and Chief Operating Officer of Spellcaster Telecommunications, an early-stage private software company; and Vice President of Mergers and Acquisitions with Ernst & Young's corporate finance practice. Mr. Taylor spent the first 11 years of his career Coopers & Lybrand (now PricewaterhouseCoopers) auditing multinational clients in the manufacturing, mining and financial services sectors.

Wai Ming Yap is a partner of Stamford Law Corporation in Singapore. Mr. Yap specializes in commercial law and electronic entertainment and gaming commerce and sits on boards of international companies with activities in Southeast Asia.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Thomas Byrne represented EVP Early Stage Fund on the board of directors of ORBO Technologies Ltd. ORBO Technologies Ltd., which went into liquidation in March 2006. The main creditor of ORBO Technologies Ltd. was EVP Early Stage Fund.

David M.J. Gavagan was a director of two companies which had received investments from Hibernia Capital Partners and that subsequently went into receivership and liquidation. The two companies were Eurocare Environmental Services Ltd. (a U.K. registered company) and Key Tech Group Limited (an Irish registered company).

Robert Stikeman was the director of the following companies:

RTICA Corporation - This development corporation was and remains subject to a cease trade order issued in October 2005 by both the British Columbia Securities Commission and the Ontario Securities Commission for failing to file financial statements.

Canadian Spooner Resources Inc. - In November 2003, the company had a cease trade order issued by the Ontario and Alberta securities commissions for failing to file financial statements. In February 2005, the British Columbia Securities Commission issued a similar cease trade order. All such cease trade orders remain outstanding.

Canadian Spooner Industries Corporation - In May 2003, the Ontario Securities Commission and the British Columbia Securities Commission each issued cease trade orders for failure to file financial statements. In July 2003, the Alberta Securities Commission issued a similar cease trade order. All remain outstanding.

The Pace Corporation - On May 1, 1998, this development company failed to restructure its existing debt and its assets were received by a secured creditor. The company subsequently ceased conducting its business. The Ontario Securities Commission issued a cease trade order on May 25, 1998, which remains outstanding.

ITEM 9: AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

Multilateral Instrument 52-110 of the Canadian Securities Administrators ("MI 52-110") requires the Company to disclose in its Annual Information Form certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth in the following:

The Audit Committee's Charter (Terms of Reference)

The Audit Committee has a charter which is provided in Schedule "A" hereto.

Composition of the Audit Committee

The members of the Audit Committee are Thomas Byrne, Stephen Freedhoff and David Gavagan. All three members are "independent" within the meaning of MI 52-110. All members are considered to be "financially literate". A member is considered financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Company's financial statements. A member of the committee is independent if the member has no direct or indirect material relationship with the Company which could in view of the Board of Directors reasonably interfere with the exercise of the member's independent judgment.

Relevant Education and Experience

Mr. Byrne is a Chartered Accountant and was a partner of a global accounting firm before joining Davy Stockbrokers, Ireland's largest brokerage house, in 1987. He was Head of Corporate Finance at Davy Stockbrokers until he set up his own corporate advisory company, Abaris Corporate Advisors Limited, in 2001, and as such has extensive experience with public company reporting and accounting issues. He is Chairman of the Company's Audit Committee.

Mr. Freedhoff, CA, CFP was a partner of a Canadian national accounting firm for 30 years and has extensive experience with public company financial reporting.

Mr. Gavagan is a Fellow Chartered Accountant and was the co-founder and managing/senior partner of Hibernia Capital Partners, a private equity fund. Mr. Gavagan currently works as a self-employed accountant and also serves on the board of directors of a number of companies, both public and private. As such, Mr. Gavagan has extensive experience with public company reporting and accounting issuers. Mr. Gavagan was appointed to the Company's audit committee on August 6, 2008.

Reliance on Certain Exemptions

At no time since the commencement of the Company's recently completed financial year did the Company rely on exemptions in MI 52-110 (2.4), (3.2), (3.3(2)), (3.4), (3.5), (3.6), (3.8) or Part 8.

Audit Committee Oversight

The Audit Committee has not made any recommendations to the Board of Directors to nominate or compensate any external auditor that was not accepted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee Charter sections 3(2)(f) and (g) require the Audit Committee to review all non-audit engagements of the auditor, and these reviews are individually considered on a case by case basis.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided to the Company by Grant Thornton to ensure auditor independence. Fees paid to Grant Thornton for audit and non-audit services the fiscal year ended December 31, 2008 are outlined in the following table. KPMG LLP were the Company's auditors for fiscal year ended December 31, 2007:

Years ended December 31,	2008	2007
(In thousands of U.S. dollars)	(Grant Thornton)	(KPMG LLP)
Audit Fees⁽¹⁾	\$1,118	\$1,174
Audit-Related Fees⁽²⁾	--	--
Tax Fees⁽³⁾	--	\$1,818
All Other Fees⁽⁴⁾	--	\$53
Total:	\$1,118	\$3,045

Notes:

- Audit fees were for professional services rendered for the audits of the Company's consolidated financial statements and subsidiary companies, the review of interim financial statements, the review of accounting disclosure requirements regarding other business activities and review of documents filed with U.S., Canadian and U.K. securities regulatory authorities including documents relating to the Company's reorganization to Ireland.
- Audit-related fees were for advisory services related to Sarbanes-Oxley (Section 404).
- Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation and review of corporate tax returns, assistance with tax audits and transfer pricing matters, expatriate advisory services as well as advisory services relating to the Company's reorganization to Ireland, federal, provincial and international tax compliance for customs and duties, and regarding common forms of domestic and international taxation (i.e. income tax, VAT, GST and excise taxes).
- Other fees were for services other than audit fees, audit-related fees and tax fees as described above. These services included probity checks of employees and licensees.

ITEM 10: LEGAL PROCEEDINGS

As at March 27, 2008 (being the latest practicable date prior to the publication of this document) the Company and its subsidiaries are not involved nor have they been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company or its subsidiaries are aware) which may have or had in the past 12 months a significant effect on our financial position.

Given the nature of the business environment in which we operate and the relative strength of our financial position, third parties have threatened to issue legal proceedings against the Company based on alleged infringement of patents, trademark, copyright and/or other intellectual property rights. None of these threats has as yet resulted in legal proceedings, although there can be no assurance that the assertion of such claims will not result in litigation or that the Company would prevail. An adverse determination in litigation proceedings could subject the Company to significant liabilities to third parties. Although patent and intellectual property disputes are often settled through licensing or similar arrangements, the costs associated with such arrangements may be substantial and could include ongoing royalties. Furthermore, the necessary licences may not be available to the Company on satisfactory terms, if at all.

The Company closely monitors the progress of all threatened litigation and, where the Board of Directors consider it appropriate, makes the appropriate provisions and reserves in its financial statements for litigation contingencies that are likely to result in material exposure and the amount is quantifiable.

ITEM 11: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the normal course of operations, the Company engages the services of a law firm in which Robert Stikeman, a member of the Board of Directors, is a partner. Fees paid to this firm were \$0.4 million in 2008 (2007 - \$0.9 million). At December 31, 2008, there were \$0.03 million of outstanding fees payable to this law firm (2007 - \$0.09 million). As the Company has now fully completed its transition from a Canadian incorporated and headquartered entity to a Guernsey incorporated and Irish headquartered company, the Board of Directors has determined that it will no longer use this law firm for material legal work.

During 2008, the Company also engaged another law firm in which Wai Ming Yap, a member of the Board of Directors, is a partner. The fees paid or payable to this law firm, however, were not considered material (2007 - \$0.3 million). As at December 31, 2008, there were no outstanding fees payable to this law firm.

ITEM 12: TRANSFER AGENTS AND REGISTRARS

The Company's transfer agents are Equity Transfer & Trust Company Inc. (Toronto, Canada), Continental Stock Transfer & Trust Company (New York, U.S.A.), and Capita Registrars (Guernsey) Limited maintains the share registry.

ITEM 13: INTEREST OF EXPERTS

Name of Experts

Our auditor is Grant Thornton Ireland.

Interest of Experts

Grant Thornton Ireland have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and within the meaning of the U.S. Securities Act of 1933 and the applicable rules and regulations thereunder.

ITEM 14: ADDITIONAL INFORMATION

Additional information regarding the Company, including directors' and officers' remuneration, principal holders of the Company's securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, if applicable, will be contained in the Company's information circular. Additional financial information is provided in the Company's comparative consolidated financial statements and notes thereto and Management's Discussion and Analysis for the fiscal year ended December 31, 2008, which have been filed with the Ontario Securities Commission, the U.S. Securities and Exchange Commission and the London Stock Exchange and will be provided in the Company's 2008 Annual Report.

Copies of the above documents and additional copies of this Annual Information Form may be obtained upon request by contacting the Company's Investor Relations Department at our office located at 55 St. Clair Avenue West, 3rd Floor, Toronto, Ontario, Canada, M4V 2Y7, telephone: 416-545-1455, fax: 416-545-1454, e-mail: investor.relations@cryptologic.com and have been filed and are available on SEDAR (www.sedar.com).

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SCHEDULE "A"
AUDIT COMMITTEE TERMS OF REFERENCE

1. PURPOSE

The overall purpose of the Audit Committee (the "Committee") of the Company is to monitor the Company's system of internal financial controls and procedures, to evaluate and report on the integrity of the financial statements of the Company, to enhance the independence of the Company's external auditors and to oversee the financial reporting process of the Company.

2. COMPOSITION, PROCEDURES AND ORGANIZATION

- 2.1 The Committee shall consist of at least three members of the board of directors of the Company (the "Board"), each of whom shall be, in the determination of the Board, "unrelated" as that term is defined by the Toronto Stock Exchange Corporate Governance Guidelines, as amended from time to time, and Multilateral Instrument 52-110 where applicable, and the majority of whom shall be resident Canadians.
- 2.2 At least one member of the Committee shall be, in the determination of the Board, based on industry standards, "financially literate", and at least one member of the Committee must have, in the determination of the Board, "accounting or related financial expertise".
- 2.3 For the purposes of these terms of reference, a person is "financially literate" who, in the determination of the Board, based on industry standards, has the ability to understand financial statements of a breadth and level appropriate for complexity appropriate for the Company, and to evaluate the appropriateness and quality of financial reports to unit holders, with reference to balancing management's objectives, investor pressures for earnings and revenues, balance with generally accepted accounting principles and auditing standards, and underlying business performance.
- 2.4 For the purposes of these terms of reference, a person who has "accounting or related financial expertise" has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller or principal accounting officer of an issuer, or from a position involving the performance of similar functions: (i) an understanding of Canadian generally accepted accounting principles, auditing standards, and financial statements; (ii) experience in the preparation or auditing of financial statements of generally comparable issuers, and (b) the application of Canadian generally accepted accounting principles and standards in connection with the accounting for estimates, accruals and reserves; (iii) experience with internal accounting controls and procedures and the verification of same; and (iv) an understanding of audit committee functions.
- 2.5 The Board, at its organizational meeting held in conjunction with each annual meeting of shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director shall cease to be a member of the Committee.
- 2.6 Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from amongst their number. The chair shall be an "unrelated" director and shall not have a second, or casting, vote.
- 2.7 The Committee shall have access to such officers and employees of the Company and to the Company's external auditors and its legal counsel, and to such information respecting the Company as it considers to be necessary or advisable in order to perform its duties.
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- 2.8 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Company, be entitled to attend and to be heard thereat.
- 2.9 Meetings of the Committee shall be conducted as follows:
- (a) the Committee shall meet on a regular basis at a minimum of four (4) times per year, at such times and at such locations as the chair of the Committee shall determine;
 - (b) the external auditors or any member of the Committee may call a meeting of the Committee;
 - (c) any director of the Company may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the chair of the Committee.
 - (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee; and
 - (e) the Committee may require any attendee at a meeting who is not an “unrelated” director to excuse himself from any meeting.
- 2.10 The external auditors may communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee through the chair any matter involving questionable, illegal or improper practices or transactions, with open access to the Committee through appropriate channels that ensure the employee’s confidentiality and job security, as appropriate.
- 2.11 Compensation to members of the Committee shall be limited to director’s fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Company (other than as members of the Board and Board committee members).
- 2.12 The Committee as a whole or any individual member of the Committee is authorized, at the Company’s expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties.
- 3. DUTIES**
- 3.1 The overall duties of the Committee shall be to:
- (a) assist the Board in the discharge of its duties relating to the Company’s accounting policies and practices, reporting practices and internal controls;
 - (b) establish and maintain a direct line of communication with the Company’s external auditors and assess their performance;
 - (c) oversee the co-ordination of the activities of the external auditors;
 - (d) ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal controls;
 - (e) monitor the credibility and objectivity of the Company’s financial reports and satisfy itself that adequate procedures are in place for the review of Company information extracted from the financial statements;
 - (f) report regularly to the Board on the fulfillment of the Committee’s duties;
 - (g) establish procedures for the receipt and retention of complaints received by the Company regarding accounting, audit, and control matters;
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- (h) assist the Board in the discharge of its duties relating to risk assessment and risk management; and
 - (i) review and approve the hiring policies regarding employees or former employees of the external auditor;
- 3.2 The duties of the Committee as they relate to the external auditors shall be to:
- (a) review management's recommendations for the appointment of external auditors, and in particular their qualifications and independence, and to recommend to the Board a firm of external auditors to be engaged to provide audit services;
 - (b) review, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31 or any successor legislation, and the planned steps for an orderly transition;
 - (c) review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Policy 31 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
 - (d) review the engagement letters of the external auditors, both for audit and non-audit services and recommend to the Board their compensation;
 - (e) review the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
 - (f) review the nature of and fees for any non-audit services performed for the Company by the external auditors and with outside legal advice confirm that the nature and extent of such services does not contravene the requirements of applicable legislation that require the firm's independence be maintained in carrying out the audit function.
 - (g) pre-approve all non-audit services to be provided to the Company or its affiliates by the external auditor.
- 3.3 The duties of the Committee as they relate to audits and financial reporting shall be to:
- (a) review the audit plan with the external auditor and management;
 - (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
 - (c) review the contents of the audit report;
 - (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of