

**Jagex Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2018**

Company Registration Number: 03982706

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# **Jagex Limited**

## **Report and Financial Statements 31 December 2018**

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# **Jagex Limited**

## **Report and Financial Statements 31 December 2018**

### **Officers and Professional Advisers**

#### **Directors**

J Pan

P Mansell

Y Huang (Appointed 12/06/2018)

S Yuan (Appointed 20/11/2018)

Z Feng (Appointed 20/11/2018)

#### **Secretary**

Y Huang

#### **Registered Office**

220 Cambridge Science Park

Milton

Cambridge

CB4 0WA

U.K.

#### **Auditor**

Shinewing Wilson Accountancy Limited

Statutory Auditor

9 St Clare Street

London

EC3N 1LQ

U.K.

# Jagex Limited

## Strategic Report

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Jagex Limited and its subsidiary undertakings when viewed as a whole.

### Review of the business

#### Summary

2018 was another record year for Jagex, with the highest revenues and profits to date. Both RuneScape and Old School RuneScape continued with strong performance. 2018 also marked the franchise's expansion onto mobile devices, with Old School RuneScape's iOS and Android releases launching in Q4 2018 and proving to be a significant growth catalyst that brought in millions of additional new and returning players. The company continues to increase investment into technology and development, and has established a third-party publishing business, for future growth.

#### Market context

The video games industry continues to expand globally with analysts' expectation that it will achieve \$138 billion for 2018, growing 12% over the previous year. Mobile gaming (smartphone and tablet) is the largest segment and will generate \$70.3 billion this year. It is the first-time mobile gaming generates more than half, or 51%, of all global game revenues.

#### Market position

Jagex participates in the video games industry by developing, publishing and operating online games and associated services. In 2018, Jagex's digital business model was predominantly free-to-play games supported by optional subscriptions and micro-transactions, with an emphasis on provision of live services, rich content and community activities. The Company's Old School RuneScape game was extended into the mobile market and is one of the first fully 'cross-play' games to interoperate between PC and mobile. Our business strategy is to continue to deliver products and services across multiple platforms in order to maintain and grow our overall customer base.

#### Operating performance analysis

Following 2017's strong performance, Jagex has continued to focus on the core products RuneScape and Old School RuneScape, with significant investment in the development and release of Old School RuneScape for mobile devices. Combining a highly customer-centric mindset with operational excellence, the team have delivered with fantastic success, driving company revenues to grow by over 9.3% to £92.8 million. Profit before tax grew by 3.8% to £46.8 million. A growth in profit was achieved in combination with significant additional R&D investment into enhancing Jagex's existing games, developing new titles, and extending our technology base, in order to build longer-term growth opportunities.

RuneScape and its retro sibling Old School RuneScape continue to enjoy deep, long-term engagement from large loyal communities. Both games benefit from Jagex's progressive approach to live game services, combining player involvement, community interaction and data-derived insights to shape each product around its customer's needs. This approach brings long-term user retention, high rates of return for lapsed players and robust recurring revenue. As such, RuneScape's high product revenue remains stable at £47 million (2017: £52 million), the year on year difference being an intentional re-balance of micro-transactions offerings to boost product longevity and maintain good player sentiment. The team continues to provide regular new game content, made on-going refinements to the game's operations. Old School RuneScape's product revenue increased to £42 million (2017: £32 million), following a mobile open beta test in Q3 and full launch in Q4, plus new game content and further innovation in community-driven game operations. Both RuneScape and Old School RuneScape maintained strong presence on social media and video platforms throughout the year through events including competitive tournaments and the RuneFest fan convention.

RuneScape franchise benefited from increased customer interest following the Old School RuneScape's mobile launch in October 2018. The mobile version of RuneScape is currently under development, taking what the company has learnt from Old School RuneScape's mobile release and spending longer in development to bring the best possible mobile experience to players.

# Jagex Limited

## Strategic Report

### Looking ahead

The Company will continue enhance the existing products and seek to fulfil the potential available in the mobile market. Jagex is also increasing focus on investments to support further consistent growth, including on-going modernisation and enrichment of our technologies which drive game services, plus investment into new games and pursuit of publishing opportunities by partnering with likeminded developers of live games.

To this end, in 2018 new product R&D investment increased by 69%, including new products to expand the RuneScape franchise. 2018 also saw the announcement of Jagex Partners, the company's third-party publishing initiative, using Jagex's capabilities in publishing deep community-driven multi-player games.

The Company employed 353 people by the end of 2018 and the Board of Directors and shareholders are appreciative of the support and commitment in making it the best year on record.

### Key performance indicators

The Group has several key performance indicators used internally to monitor and challenge performance and to assist investment decisions. Significant key performance indicators are:

- Revenue;
- Subscribers;
- Operating profit before exceptional items; and
- Headcount

Performance in the year ended 31 December 2018 and comparative information for the previous year is summarised below.

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue (£000)	92,814	84,864
Exceptional Items (£000)	419	1,088
Operating profit (£000)	45,984	44,360
Headcount (average)	337	307
Subscribers (registered accounts, million)	2.949	2.315

### Principal risks and uncertainties

The key risks to which the business is exposed are summarised as follows:

- competitive pressure, which could result in losing active players and subscription numbers to competitors or other forms of connected entertainment;
- failure to make sure that costs stay in line with projected revenues and keeping within development timeframes and cost bases for new products coming to market in future years;
- delays and development issues with intangible assets;
- making sure that all new games and content added is to the highest quality and bug free, to help products succeed in the market place;
- change in legislation within the territories our products operate, or change in policies on the distribution channels our products use;
- hiring and retention of qualified personnel;
- possible claims by external parties of infringements on their intellectual property rights.

The Group aims to mitigate these risks as appropriate with measures including:

- aiming to continue innovating and testing new game concepts and mechanics, making use of new technologies available to us by investing in training for our staff so we can utilise them more effectively;

## Jagex Limited

### Strategic Report

- developing compelling new game content, by working closely with in-game communities to develop content that is desired within our player base;
- ensuring we have a robust greenlight process for all new products and content, to ensure we keep the quality of our offerings high;
- continuing to perform and develop our focus group testing and beta programmes focused on receiving feedback and identifying areas for improvement, implementing comprehensive testing programmes;
- launching new games whilst regularly monitoring the player behaviour by utilising the high degree of skill we have in our analytic teams and interacting with the community, as well as observing games industry trends;
- regularly reviewing and accommodating upcoming legislation and policy for our key markets and distributions partners;
- continuing to regularly review the employee benefits and compensation package to make sure we remain competitive in the market.
- Working with external consultants to mitigate the immediate risks of Brexit.

#### Future developments

The Company's key strategy remains to expand the reach of the RuneScape franchise and further enrich player engagement with our games and their communities.

This includes on-going improvements to the existing RuneScape and Old School RuneScape games, with frequent updates and upgrades driven by our player communities.

Following the successful launch of Old School RuneScape onto mobile devices in October 2018, Jagex continues to improve this mobile experience and continues to build the mobile client for RuneScape, to provide cross-platform play for all users.

R&D continues for new products, including within the RuneScape franchise, and to enhance our game development, game publishing and game service technology capabilities. In future years we intend to leverage these capabilities to partner with external developers to publish their titles and expand our portfolio of multiplayer community-driven games.



P Mansell  
Director

18 April 2019

# **Jagex Limited**

## **Directors' Report**

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2018.

### **Future developments**

Details of future developments can be found in the Strategic Report, which forms part of this report by cross-reference.

### **Research and development**

The Group is continually updating its current game offering. Development expenditure for existing titles is not capitalised and is written off in the year it is incurred. Development expenditure on new projects is capitalised once the policy criteria are met and these costs will then be amortised over the expected game lifespan, post full commercial launch.

### **Going concern**

The Group and Company continue to hold significant cash reserves and are forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts for the foreseeable future, being a period of two years from the date of approval of these financial statements.

The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The key uncertainties around the business are noted in the Strategic Report which can be found on page 3.

### **Post balance sheet event**

There have been no significant post balance sheet events which have affected the Company and Group since the year end.

### **Dividends**

Dividends of £42.9 million were declared in the year, which £35.8 million (2017: £25.0 million) was paid in the year with £2.1 million non-cash dividends, £5.0 million (2017: £12.0 million) was paid post year end.

### **Financial risk management objectives and policies**

The Group's activities expose it to a number of financial risks including foreign exchange risk, credit risk and liquidity risk.

#### **Foreign Exchange risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group seeks to minimise the exposure of this by matching foreign currency receipts to payments where possible.

#### **Credit risk**

The Group's principal financial assets are bank and cash balances and trade and other receivables.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

## **Jagex Limited**

### **Directors' Report**

The majority of the Group's receivables are due from institutions regulated by the banking sector. Other receivables are monitored on a regular basis.

#### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group reviews the working capital requirement on a weekly basis in light of the current business trends.

#### **Directors**

The directors, who held office during the year and up to the date of signature of the financial statements, were as follows:

J Pan  
P Mansell  
Y Huang (Appointed 12/06/2018)  
S Yuan (Appointed 20/11/2018)  
J Feng (Appointed 20/11/2018)  
Z Yang (Resigned 12/06/2018)  
J Yang (Resigned 11/10/2018)  
X Wang (Resigned 20/11/2018)

#### **Directors' indemnities**

The Group has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **Political contributions**

No political donations were made during the year.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, as well as regular communication of KPIs (Key Performance Indicators).

#### **Branches outside the UK**

The Group has two subsidiaries outside the UK (Note 13), which are directly controlled by Jagex Limited.

#### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and



## **Jagex Limited**

### **Directors' Report**

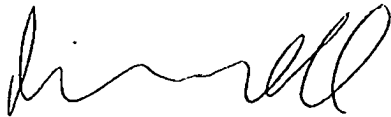
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### **Independent auditors**

The auditors, Shinewing Wilson Accountancy Limited have expressed their willingness to continue in office, and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



P Mansell  
Director

18 April 2019

## **Jagex Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, disclose with reasonable accuracy at any time the financial position of the group and the company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Jagex Limited

### Independent auditor's report to the members of Jagex Limited



#### Opinion

We have audited the financial statements of Jagex Limited for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in the preparation of the consolidated and parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you, where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

## **Jagex Limited**

### **Independent auditor's report to the members of Jagex Limited**

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matter prescribed by the Companies Act 2006**

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

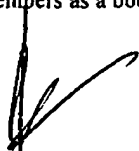
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Jagex Limited**

### **Independent auditor's report to the members of Jagex Limited**

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Julie Wilson (Senior Statutory Auditor)**  
for and on behalf of Shinewing Wilson Accountancy Limited  
Statutory Auditor  
9 St. Clare Street  
London  
EC3N 1LQ

23 April 2019

## Jagex Limited

### Consolidated profit and loss account For the year ended 31 December 2018

		2018 £	2017 £
	Note		
Turnover	4	92,814,334	84,863,699
Cost of sales		(31,550,907)	(23,353,447)
Gross profit		61,263,427	61,510,252
Administrative expenses			
Exceptional administrative expenses	6	(419,222)	(1,088,240)
Other administrative expenses		(14,859,834)	(16,062,009)
Total administrative expenses		(15,279,056)	(17,150,249)
Operating profit		45,984,371	44,360,003
Finance income/(costs) (net)	5	879,443	769,685
Profit on ordinary activities before taxation		46,863,814	45,129,688
Tax on profit on ordinary activities	9	(1,778,516)	(1,583,197)
Profit for the financial year		45,085,298	43,546,491

All activities derive from continuing operations.

## **Jagex Limited**

### **Consolidated statement of comprehensive income** **For the year ended 31 December 2018**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Profit for the financial year</b>	<b>45,085,298</b>	<b>43,546,491</b>
<b>Other comprehensive income</b>		
Currency translation difference on foreign currency net investments	6,226	(8,152)
<b>Total comprehensive income</b>	<b>45,091,524</b>	<b>43,538,339</b>

# Jagex Limited

## Consolidated balance sheet At 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	2,057,052	1,981,223
		<u>2,057,052</u>	<u>1,981,223</u>
<b>Current assets</b>			
Inventories	14	-	41,300
Debtors			
– due within one year	15	43,106,462	36,237,132
– due after one year	15	271,422	851,783
Cash at bank and in hand		29,328,766	38,401,085
		<u>72,706,650</u>	<u>75,531,300</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(33,983,284)</u>	<u>(34,654,528)</u>
<b>Net current assets</b>		<u>38,723,366</u>	<u>40,876,772</u>
<b>Total assets less current liabilities</b>		<u>40,780,418</u>	<u>42,857,995</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Provisions for liabilities	17	<u>(1,644,222)</u>	<u>(5,894,611)</u>
<b>Net assets</b>		<u><u>39,136,196</u></u>	<u><u>36,963,384</u></u>
<b>Capital and reserves</b>			
Called-up share capital	20	11,267	11,267
Share premium account		80	80
Profit and loss account		39,124,849	36,952,037
<b>Shareholders' funds</b>		<u><u>39,136,196</u></u>	<u><u>36,963,384</u></u>

The consolidated financial statements of Jagex Limited, Company registered number 03982706, were approved by the board of directors and authorised for issue on 18 April 2019. They were signed on its behalf by:



P Mansell  
Director



# Jagex Limited

## Company balance sheet At 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	2,057,052	1,981,223
Investments	13	-	-
		<u>2,057,052</u>	<u>1,981,223</u>
<b>Current assets</b>			
Inventories	14	-	41,300
Debtors			
– due within one year	15	43,106,462	36,237,132
– due after one year	15	271,422	851,267
Cash at bank and in hand		29,239,246	38,316,973
		<u>72,617,130</u>	<u>75,446,672</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(33,983,087)</u>	<u>(34,654,528)</u>
<b>Net current assets</b>		<u>38,634,043</u>	<u>40,792,144</u>
<b>Total assets less current liabilities</b>		<u>40,691,095</u>	<u>42,773,367</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Provisions for liabilities	17	<u>(1,644,222)</u>	<u>(5,894,611)</u>
<b>Net assets</b>		<u>39,046,873</u>	<u>36,878,756</u>
<b>Capital and reserves</b>			
Called-up share capital	20	11,267	11,267
Share premium account		80	80
Profit and loss account		39,035,526	36,867,409
<b>Shareholders' funds</b>		<u>39,046,873</u>	<u>36,878,756</u>

The Company's profit and the total comprehensive income for the year were £45,086,829 (2017: £43,548,232).

The financial statements of Jagex Limited, registered number 03982706, were approved by the board of directors and authorised for issue on 18 April 2019. They were signed on its behalf by:



P Mansell

Director

## Jagex Limited

### Consolidated statement of changes in equity

At 31 December 2018

	Called-up share capital £	Share premium account £	Share-based payment reserve £	Profit and loss account £	Total £
At 1 January 2017	11,267	80	-	30,440,911	30,452,258
Profit for the financial year	-	-	-	43,546,491	43,546,491
Currency translation difference on foreign currency net investments	-	-	-	(8,152)	(8,152)
<b>Total comprehensive income</b>	-	-	-	43,538,339	43,538,339
Dividends	-	-	-	(37,027,213)	(37,027,213)
At 31 December 2017	11,267	80	-	36,952,037	36,963,384
Profit for the financial year	-	-	-	45,085,298	45,085,298
Currency translation difference on foreign currency net investments	-	-	-	6,226	6,226
<b>Total comprehensive income</b>	-	-	-	45,091,524	45,091,524
Dividends	-	-	-	(42,918,712)	(42,918,712)
At 31 December 2018	11,267	80	-	39,124,849	39,136,196

## Jagex Limited

### Company statement of changes in equity At 31 December 2018

	Called-up share capital £	Share premium account £	Share-based payment reserve £	Profit and loss account £	Total £
At 1 January 2017	11,267	80	-	30,346,389	30,357,736
Profit for the financial year	-	-	-	43,548,233	43,548,233
Total comprehensive income	-	-	-	43,548,233	43,548,233
Dividends	-	-	-	(37,027,213)	(37,027,213)
At 31 December 2017	11,267	80	-	36,867,409	36,878,756
Profit for the financial year	-	-	-	45,086,829	45,086,829
Total comprehensive income	-	-	-	45,086,829	45,086,829
Dividends	-	-	-	(42,918,712)	(42,918,712)
At 31 December 2018	11,267	80	-	39,035,526	39,046,873

## Jagex Limited

### Consolidated cash flow statement For the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash from operating activities	21	40,400,709	47,638,942
Taxation received		-	736,286
		<u>40,400,709</u>	<u>48,375,228</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of equipment		(1,048,969)	(1,452,553)
Development costs		(753,878)	(120,880)
Loan repayment from/(made to) parent company		1,362,347	(2,675,630)
Interest received		879,443	769,685
Interest paid		-	-
		<u>438,943</u>	<u>(3,479,378)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Dividends paid to owners		(49,902,928)	(25,027,213)
		<u>(49,902,928)</u>	<u>(25,027,213)</u>
<b>Net cash used in financing activities</b>			
		<u>(49,902,928)</u>	<u>(25,027,213)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(9,063,276)</b>	<b>19,868,637</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>38,401,085</b>	<b>18,541,074</b>
<b>Effect of foreign exchange rate changes</b>		<b>(9,043)</b>	<b>(8,626)</b>
		<u>29,328,766</u>	<u>38,401,085</u>
<b>Cash and cash equivalents at end of year</b>			
		<u>29,328,766</u>	<u>38,401,085</u>
<b>Reconciliation to cash at bank and in hand:</b>			
Cash at bank and in hand		29,328,766	38,401,085
<b>Cash and cash equivalents</b>		<u>29,328,766</u>	<u>38,401,085</u>

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **1. General information**

Jagex Limited is a private company limited by shares and is incorporated in England and Wales, with subsidiaries in the United States. The registered office is 220 Cambridge Science Park, Milton Road, Cambridge, CB4 0WA.

The principal activity of the Company and the Group is that of developing and publishing of online computer games.

The Group and the Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102) and the Companies Act 2006.

#### **2. Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### *a. Basis of preparation*

These consolidated and separate financial statements are prepared on a going concern basis, under historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The functional currency of Jagex Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

FRS102 allows a qualifying entity certain disclosure exemption in preparing its single entity financial statements, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company meets the definition of a qualifying entity, and therefore has taken advantage of following exemptions in its financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows (FRS102 p1.12 (b)); and
- from disclosing the Company key management personnel compensation, as required by FRS 103 p 33.7 (FRS102 p1.12 (e)).

##### *b. Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year.

A subsidiary is an entity controlled by the Group.

All intra-Group transactions, balances income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### *c. Going concern*

The Group and Company continue to hold significant cash reserves and are forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts for the foreseeable future, being a period of two years from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Thus, the directors have concluded that it is appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *d. Tangible fixed assets*

Tangible fixed assets are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	33% per annum
Fixtures and fittings	20% per annum
Leasehold improvements	20% per annum

Residual value represents the estimated amount which would currently be obtained from the disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### *e. Intangible Fixed Assets*

Intangible fixed assets are measured at historic cost and are amortised on a straight-line basis over their expected useful economic life. Amortisation is charged to administrative expenses in the profit and loss account.

Development costs directly attributable to a new product development controlled by the Group are recognised as intangible assets when the following criteria are met:

- Project is technically feasible
- The intention of the Company is to complete the product and sell it
- There is ability to sell the product
- It is likely the product will generate future economic benefits
- Resources are available to complete the product
- Expenditure of the product can be measured reliably.

#### *f. Investments*

Investments held as fixed assets are stated at cost less provision for any impairment in value.

#### *g. Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### ***h. Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### ***i. Foreign exchange***

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period, and their balance at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the statement of comprehensive income. All other exchange differences are included in the profit and loss account.

#### ***j. Research and development***

Expenditure on research and development, except capitalised as intangible fixed assets, is written off to the profit and loss account in the year in which it is incurred.

#### ***k. Pensions***

The Company operates a defined contribution pension scheme and the pension charge represents amounts payable by the Company to the fund in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### ***l. Stocks***

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes the cost of material plus expenditure incurred on freight and duty. Cost is calculated using the weighted average method. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### ***m. Turnover***

Turnover represents the amounts (excluding Value Added Tax), derived from the provision of goods and services to customers and is recognised as follows:

- revenue from the sale of subscriptions is recognised rateably over the period of the subscription, calculated on a daily basis;
- revenue from the sale of microtransactions that provide an ongoing benefit to a user's account is recognised over the expected engagement period of the game;
- revenue from the sale of microtransactions that provide an instant acceleration of gameplay to a user's account, providing an acceleration to in-game progression, is recognised at the point of acceleration. This is typically at the point of usage;
- advertising revenue is recognised in the accounting period in which it was earned. This is typically the period in which the advertisements are hosted.

#### ***n. Financial instruments***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

##### ***(i) Financial assets and liabilities***

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### ***(ii) Equity instruments***

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.



## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### *o. Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

#### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Group's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Revenue recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

#### *Global Sales Tax Provisions*

Determining whether, and to what extent, a potential Global Sales Tax liability exists in overseas countries requires an estimation based on available information and lack of final clarification from the local tax authorities.

The provision is based on our best estimates of the tax treatment in the countries in question taking into account the applicable tax rates, interest and potential penalties. The outcome of these potential liabilities is unclear although the directors believe the liabilities are probable and have recognised provisions accordingly.

#### **4. Turnover**

An analysis of the Group's turnover is as follows:

	2018 £	2017 £
Subscription revenue	67,653,172	55,050,417
Microtransaction revenue	24,636,082	29,284,408
Advertising revenue	268,542	329,359
Other income	256,538	199,515
	<u>92,814,334</u>	<u>84,863,699</u>

Other income includes revenue from ticket event sales and the sale of merchandise.

Turnover by geographic location has not been disclosed, as in the opinion of the directors, such disclosures could be seriously prejudicial to the interests of the Group.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 5. Finance income/ (costs)

	2018 £	2017 £
Interest payable and similar charges	-	-
Less: Investment income	879,443	769,685
	<u>879,443</u>	<u>769,685</u>

#### *Investment income*

	2018 £	2017 £
Interest income from group undertaking (note 15)	759,889	626,987
Other interest income	<u>119,554</u>	<u>142,698</u>

#### 6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets (note 12)	969,989	886,370
Amortisation of intangible fixed assets (note 11)	62,817	301,455
Loss on disposal of fixed assets (note 12)	3,151	16,004
Loss on disposal of intangible fixed assets (note 11)	691,061	-
Impairment of inventory (note 14)	41,300	177,520
Bad debt expense	32	1,696
Charge / (Released) GST (note 17)	(2,075,704)	682,142
Operating lease rentals	1,702,973	1,800,841
Foreign exchange gain	1,197,177	1,947,107
Exceptional administrative expenses	<u>419,222</u>	<u>1,088,240</u>

Included within current year exceptional administrative expenses are costs being £136,410 and £282,812 relating to corporate finance activity and termination of lease, respectively.

#### The analysis of the auditor's remuneration is as follows:

	2018 £	2017 £
Fees payable to the Company's auditors for the audit of the group and company's financial statements	<u>60,000</u>	<u>60,000</u>
Fees payable to the Company's auditor for other services		
Other services (non-tax)	<u>30,000</u>	<u>-</u>

No services were provided pursuant to contingent fee arrangements.

# Jagex Limited

## Notes to the financial statements For the year ended 31 December 2018

### 7. Staff numbers and costs

The average monthly number of employees  
(including executive directors):

	2018	2017
Director(s)	2	1
Commercial/Management	72	66
Development	156	137
Customer relations	35	45
Technical	72	58
	<u>337</u>	<u>307</u>

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	19,537,243	15,347,855
Social security costs	2,422,954	1,726,823
Other pension costs	789,821	619,763
	<u>22,750,018</u>	<u>17,694,441</u>

### 8. Directors' remuneration and transactions

	2018	2017
<i>Directors' remuneration</i>	£	£
Emoluments	971,321	2,048,980
Company contributions to money purchase pension schemes	42,969	41,086
	<u>1,014,290</u>	<u>2,090,066</u>

The number of directors who:

	2018	2017
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>

	2018	2017
<b>Remuneration of the highest paid director:</b>	£	£
Emoluments	825,614	1,493,231
Company contributions to money purchase schemes	37,500	5,846
	<u>863,114</u>	<u>1,499,077</u>

	2018	2017
<b>Key management compensation including directors</b>	£	£
Salaries and other short-term benefits	2,647,767	3,408,842
Post-employment benefits	110,260	141,953
	<u>2,758,027</u>	<u>3,550,795</u>

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 9. Tax on profit on ordinary activities

The tax credit comprises:	2018	2017
Current tax on profit on ordinary activities	£	£
UK corporation tax	1,741,315	1,718,232
Adjustments in respect of prior years	37,201	(135,035)
<b>Total current tax</b>	<b>1,778,516</b>	<b>1,583,197</b>
Deferred tax		
Deferred tax asset (note 18)	-	-
<b>Total tax on profit on ordinary activities</b>	<b>1,778,516</b>	<b>1,583,197</b>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, the latest rates set at 19% with effect from 1 April 2017 and further reduction to 17% with effect from 1 April 2020.

The closing deferred tax assets and liabilities have been calculated at 19% in accordance with the rates enacted at the balance sheet date. Having used 19% as the expected deferred tax rate, this is because that in the future the Group plans to use more outside specialists to develop games which therefore is not continued to qualify for VGTR. The current Runescape profits are expected to drop which lessens the relief qualified from Patent Box, and other new games launch and generate profits likely in the next 2 years. However, unrelieved tax losses and other deferred tax assets are not recognised on the basis of all available evidence and uncertainty of the Group's future profits, please refer to Note 18 for further information on deferred tax assets. There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, is as follows:

	2018	2017
	£	£
<b>Group profit on ordinary activities before tax</b>	<b>46,863,814</b>	<b>45,129,688</b>
Tax on Group profit on ordinary activities at blended standard UK corporation tax rate of 19 per cent (2017: 19.25 per cent)	8,904,125	8,687,465
Effects of:		
- Expenses not deductible for tax purposes	209,461	99,788
- Fixed asset timing differences – deferred tax not recognised	5,640	36,417
- Other timing differences – deferred tax not recognised	7,189	603
- Utilisation of tax losses – deferred tax not recognised	-	(285,777)
- Video games tax relief	(2,751,511)	(2,118,278)
- Effect of other tax rates – video games tax relief	(100,697)	-
- Patent box	(4,532,892)	(4,648,979)
- Adjustments to tax charge in respect of previous periods – current tax	37,201	(135,035)
- Other adjustments	-	(53,007)
<b>Group total tax credit for period</b>	<b>1,778,516</b>	<b>1,583,197</b>

#### 10. Profit attributable to the Company

The Company has elected to take the exemption under Section 408 of the Companies Act 2006, not to present the Company profit and loss account. Therefore, the profit for the Company for the financial year is shown in its individual balance sheet.

# Jagex Limited

## Notes to the financial statements For the year ended 31 December 2018

### 11. Intangible fixed assets

Group and Company	Intellectual property £	External Licence £	Development costs £	Total £
<b>Cost</b>				
At 1 January 2018	349,800	-	301,455	651,255
Additions	-	753,878	-	753,878
Disposal	-	(753,878)	(301,455)	(1,055,333)
At 31 December 2018	349,800	-	-	349,800
<b>Amortisation</b>				
At 1 January 2018	349,800	-	301,455	651,255
Charge for the year	-	62,817	-	62,817
Disposal	-	(62,817)	(301,455)	(364,272)
At 31 December 2018	349,800	-	-	349,800
<b>Net book value</b>				
At 31 December 2018	-	-	-	-
At 31 December 2017	-	-	-	-

### 12. Tangible fixed assets

Group and Company	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2018	1,993,087	98,488	6,037,728	8,129,303
Additions	27,493	45,013	976,463	1,048,969
Disposals	-	-	(60,920)	(60,920)
At 31 December 2018	2,020,580	143,501	6,953,271	9,117,352
<b>Depreciation</b>				
At 1 January 2018	1,048,113	22,111	5,077,856	6,148,080
Charge for the year	231,766	25,913	712,310	969,989
Disposals	-	-	(57,769)	(57,769)
At 31 December 2018	1,279,879	48,024	5,732,397	7,060,300
<b>Net book value</b>				
At 31 December 2018	740,701	95,477	1,220,874	2,057,052
At 31 December 2017	944,974	76,377	959,872	1,981,223

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 13. Fixed asset investments

##### Principal Group investments

The Company has invested in the following subsidiary undertakings and investments were fully impaired.

<i>Subsidiary undertaking</i>	<i>Percentage</i>	<i>Country of incorporation</i>	<i>Principal Activity</i>	<i>Holdings</i>
Jagex Holdings Limited, Inc.*		United States	Non-Trading	Ordinary 100%
Jagex Managements Limited, Inc.*		United States	Dormant	Ordinary 100%

\*Both subsidiaries are controlled directly by Jagex Limited.

#### 14. Inventories

	2018 £	2017 £
Group and Company		
Finished goods and goods for resale	-	41,300

There is no material difference between the balance sheet value of stock and their replacement costs.

Inventories are stated after provision for impairment of £41,300 (2017: £177,520).

#### 15. Debtors

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	8,971,396	5,323,417	8,971,396	5,323,417
Prepayments and accrued income	6,753,398	2,173,499	6,753,398	2,173,499
Other debtors	5,728	1,928	5,728	1,928
Corporation tax	-	-	-	-
Amount owed by group undertakings*	27,375,940	28,738,288	27,375,940	28,738,288
	<u>43,106,462</u>	<u>36,237,132</u>	<u>43,106,462</u>	<u>36,237,132</u>
Amounts falling due after more than one year:				
Other debtors	271,422	851,783	271,422	851,267
	<u>271,422</u>	<u>851,783</u>	<u>271,422</u>	<u>851,267</u>

\* Amounts owed by group undertakings relate to unsecured loans with an interest rate chargeable at 2.0% + LIBOR, with no fixed date of repayment and are repayable on demand, interest charged on the loan was disclosed in Note 5.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 16. Creditors – amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	639,082	665,298	638,885	665,298
Corporation tax	3,238,641	1,460,125	3,238,641	1,460,125
Other taxation and social security	1,465,174	1,658,465	1,465,174	1,658,465
Proposed and unpaid dividends	5,000,000	12,000,000	5,000,000	12,000,000
Other creditors	136,464	98,626	136,464	98,626
Accruals and deferred income	23,503,923	18,772,014	23,503,923	18,772,014
	<u>33,983,284</u>	<u>34,654,528</u>	<u>33,983,087</u>	<u>34,654,528</u>

#### 17. Provisions for liabilities

	Provisions for Global Sales Tax £
Group and Company	
At 1 January 2018	5,894,611
Reclassification	(106,502)
Release unused	(2,075,704)
Utilisation of provision	(2,068,183)
	<u>1,644,222</u>
At 31 December 2018	

#### *Provisions for Global Sales Tax:*

The provision for global sales tax represents management's estimate of tax which could become due on sales in territories outside the United Kingdom. The provision is based on our best estimates of the tax treatment in the countries in question taking into account the applicable tax rates, interest and potential penalties. The outcome of these potential liabilities is unclear although the directors believe the liabilities are probable and have recognised provisions accordingly.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 18. Deferred tax asset

##### Group and Company

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

No deferred tax asset is recognised during the year.

##### Unrecognised deferred tax asset

A deferred tax asset is not recognised in the current year as in the Directors' opinion there is no certainty of future taxable profits to offset these against.

	2018 £	2017 £
<b>Group and Company</b>		
Accelerated capital allowances	445,040	489,303
Tax losses available	1,557,469	831,244
Other timing differences	25,928	18,739
	<u>2,028,437</u>	<u>1,339,286</u>

The tax losses are generated by games that are under development which under VGTR rules the tax losses available are locked until the game in which they relate to is either launched and at which point any available losses will be used against profits generated by the game or if the project is cancelled at which point the losses can be used to offset any profits generated by other games.

#### 19. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	<b>Group</b>		<b>Company</b>	
	2018 £	2017 £	2018 £	2017 £
<b>Financial assets</b>				
Measured at undiscounted amount receivable				
• Trade and other debtors (note 15)	9,248,546	6,176,612	9,248,546	6,176,612
• Loan to other group companies (note 15)	27,375,940	28,738,288	27,375,940	28,738,288
	<u>36,624,486</u>	<u>34,914,900</u>	<u>36,624,486</u>	<u>34,914,900</u>
<b>Financial liabilities</b>				
Measured at undiscounted amount payable				
• Trade and other creditors (note 16)	5,775,546	12,763,924	5,775,546	12,763,924
	<u>5,775,546</u>	<u>12,763,924</u>	<u>5,775,546</u>	<u>12,763,924</u>



## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 20. Called-up share capital and reserves

	2018 £	2017 £
Allotted, called-up and fully-paid		
1,126,753,629 ordinary shares of £0.00001 each	11,267	11,267

The Company has one class of ordinary shares which carry no right to fixed income.

The Group and Company's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
- The share-based payment reserve represents the extent of cumulative expenses relating to equity settled share-based payment transactions.
- Retained earnings represents the cumulative profits or losses brought forward and profit for the year attributable to owners, net of dividends paid and other adjustments.

#### 21. Cash flow statement

*Reconciliation of operating profit to cash generated by operations:*

	2018 £	2017 £
Operating profit	45,984,371	44,360,003
Adjustment for:		
Depreciation and amortisation	1,032,806	1,187,824
Loss on sale of tangible fixed assets	3,151	16,004
Loss on disposal of Intangible fixed assets	691,061	-
Operating cash flow before movement in working capital	47,711,389	45,563,831
Decrease/(increase) in stocks	41,300	158,745
Decrease/(increase) in debtors	(7,651,832)	102,632
Increase in creditors	4,550,241	1,131,592
Increase/(decrease) in provisions	(4,250,389)	682,142
Cash generated by operations	40,400,709	47,638,942

#### 22. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
Group and Company				
- within one year	1,088,987	-	1,657,232	-
- between one and five years	4,355,948	-	11,127,385	-
- after five years	544,494	-	3,859,256	-
	5,989,429	-	16,643,873	-

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 23. Employee benefits

##### *Defined contribution schemes*

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2018 was £789,820 (2017: £619,763).

#### 24. Related party transactions

##### *Group*

##### Transactions with parent company

At the balance sheet date, amounts due from the immediate parent company Shanghai Hongtou Network Technology Co., Ltd and the ultimate parent company Shanghai Fukong Interactive Entertainment Co., Ltd were £27,375,940 (2017: £28,697,797) and £Nil (2017: £40,491), respectively (Note 15).

##### Transactions with key management personal (Note 8)

The total remuneration for key management personnel for the period totalled £2,758,027 (2017: £3,550,795), including directors' remuneration disclosed in note 8 of £1,014,289 (2017: £2,090,066).

##### *Company*

Other than transactions disclosed in note 8, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

#### 25. Controlling party

The immediate parent company is Shanghai Hongtou Network Technology Co Limited which owns 100% of the shares of the Company, a company registered in P.R. China.

The ultimate parent company is Shanghai Fukong Interactive Entertainment Co., Ltd (formerly known as: Shanghai Zhongji Investment Holding Co., Ltd), a company registered in P.R. China and listed on the Shanghai stock exchange.

#### 26. Events after the reporting period

In 2019, dividends of £4.5 million including £1.5 million non-cash dividends were paid on 12 February 2019, further dividends of £2 million were paid on 18 March 2019.