

Jagex Limited
Annual report and financial statements
for the year ended 31 December 2020

Company Registration Number: 03982706

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Jagex Limited**Report and Financial Statements 31 December 2020****Contents**

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Jagex Limited

Report and Financial Statements 31 December 2020

Officers and Professional Advisers

Directors

P Mansell

R Varachia (Appointed 26/11/2021)

S Sullivan (Appointed 24/02/2021, Resigned 26/11/2021)

Z Feng (Resigned 17/04/2020)

S Yuan (Resigned 17/04/2020)

J Yang (Resigned 01/06/2020)

Y Yang (Resigned 17/04/2020)

Registered Office

220 Cambridge Science Park

Milton

Cambridge

CB4 0WA

United Kingdom

Auditor

Shinewing Wilson Accountancy Limited

Statutory Auditor

9 St Clare Street

London

EC3N 1LQ

United Kingdom

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

2020 saw continued top line revenue growth for the business.

On 23 March 2020, the UK government imposed a national lockdown, ordering non-essential workers to stay at home to help combat the spread of Covid-19. This presented an immediate disruption to our business operations and workforce productivity. Our top priorities during this time were to ensure the welfare of our employees and maintain the continuity of our services, which provided a way for our players to communicate and socialise with friends and loved ones during uncertain times. During the pandemic we made a concerted effort to listen to the needs of our players and responded with updated content roadmaps and events. Over the course of 2020, we adapted well to a more remote style of working and we expect a degree of remote working to remain for the longer term.

Despite disruption from the Covid-19 pandemic, 2020 was extraordinary year for Jagex, with us reaching an all-time high in subscribers, achieving significant growth in financial performance, an increase in workforce strength and a step-change of greater investments in new products and technologies.

Both RuneScape and Old School RuneScape continued with strong performance, especially benefiting from major content releases during the year, driving revenue to £120m and net profit to £36m (£46m excluding exceptional costs). The workforce increased from 377 to 416 employees within the year, with an emphasis on significantly boosting the company's ability to create amazing experiences for our players. The company continues to increase investment into new game development and service platform technology to drive future growth.

Our continued growth during the unprecedented challenges presented by the Covid-19 pandemic and a change in ownership is a testament to the strength of our core business and our ability to adapt. We extend our thanks to our staff and communities of players for Jagex's fantastic results in 2020.

Market context

The video games market grew rapidly in 2020, with analysts estimating sector revenues reaching \$178bn during the year, a +23% increase year on year. The PC and Mobile markets in which Jagex operate were worth a combined 70% of the overall market and reached revenues of \$37.0bn and \$86.9bn, respectively. Subscriptions and microtransactions represented 92% of total game revenues across PC and mobile.

Sources: Newzoo Global Games Market Report Premium January 2021

Market position

Jagex participates in the video games industry by developing, publishing and operating online games and associated services. In 2020, Jagex's 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 engaging community activities.

Our business strategy is to continue growing the core RuneScape franchise as we have done in the past; by creating exciting new experiences that players love and ensuring as many people as possible can access our games through continued platform expansion. We are also strengthening our ability to offer market leading publishing services for 3rd party games-as-a-service through Jagex Partners.

Jagex Limited

Strategic Report

Operating performance analysis

Jagex has continued to focus on the core RuneScape and Old School RuneScape products, with on-going investment in their live operations and expansion onto additional devices and distribution platforms, especially mobile.

Combining a highly customer-centric mindset with operational excellence, the team have delivered with fantastic success, driving Company revenues to grow by over 10.5% year on year to £120m. Earnings Before Interest, Tax, Depreciation and Amortization increased to £53.8m (£48.9m – 2019) during the period. 2020 saw an increase in exceptional and non-operational costs incurred due to the sale of the company, board/parent activities, and from measures taken to facilitate remote working given national restrictions in the UK.

This growth in profit was achieved in combination with significant additional 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 has led to the continued generation of high-quality recurring revenue, with subscription products accounting for 76% of revenue in 2020.

This approach brings long-term user retention, high rates of return for lapsed players and robust recurring revenue. In 2020, RuneScape's product revenue grew by 18%. The exceptional growth experienced during the year was driven in part by our major 'archaeology' content release, which resulted in a significant uplift in subscriptions. The launch of RuneScape on Steam also contributed to strong performance in 2020. The team continued to provide regular new game content, made on-going refinements to the game's operations, and continued to develop and test the mobile version, preparing for full launch in 2021.

Old School RuneScape's product revenue increased by 6%, benefiting from the release of several major content updates. Both RuneScape and Old School RuneScape maintained a strong presence on social media and video platforms throughout the year through events including competitive tournaments.

Both RuneScape and Old School RuneScape saw increased engagement in key markets coinciding with the advent of national restrictions related to the global Covid-19 pandemic, this is a true testament to the quality and appeal of our products. Jagex is honoured to have been able to provide a source of entertainment and social interaction to our players in such challenging times and extended a warm welcome.

2020 saw Jagex Partners sign its first publishing deal with Flying Wild Hog, an established developer working on a new and promising title. We are working closely with the development team to bring the game to market in a timely manner and applying our experience in live game operations to create something that players will enjoy. This represents an exciting opportunity for Jagex and is the first step in achieving our third-party publishing growth ambitions.

Following continued market challenges, Jagex's parent companies decided to undergo a sale of assets, including Jagex, which was acquired by Platinum Fortune in May 2020. This, as well as preparations for a further sale, placed considerable non-operational demands on the Jagex management team. Although we sought to minimise the impact of these activities, they did have a material effect on business operations. The transaction resulted in disruptions and delays when signing third party games and some deferral of non-essential investments into 2021.

Jagex Limited

Strategic Report

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:

- Turnover;
- Subscribers; and
- Operating profit before exceptional items.

The Group Performance in 2020 and comparative information for the previous year is summarized below.

	Year ended 31 December 2020	Year ended 31 December 2019 (Restated)
Turnover (£000)	119,959	108,556
Exceptional Items (£000)	14,757	1,932
Operating profit (£000)	38,295	45,698
Annual Subscribers (million)	2,219	1,996

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 marketplace.
- 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.
- 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 green light 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.
- developing and launching new games including the mobile OS, mobile RS and other new titles 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.

Jagex Limited

Strategic Report

- 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.

Future developments

The board of directors are excited about Jagex's future and anticipate continued growth and success for the business, connecting and inspiring our customers through play. Jagex's key strategy is to continue to grow our existing games, to expand the RuneScape IP by developing new games and to accelerate our living games portfolio by publishing live service games developed by talented 3rd party developers through Jagex Partners.

Strengthening our existing products is at the forefront of our strategy. To deliver on this, Jagex will continue to enhance our existing products with frequent additions and improvements driven by input from our player communities. We are also investing more into development and investing in improving the quality of player touchpoints across our ecosystem.

Jagex also seeks to expand the availability of its games to a wider set of potential customers across more device types and distribution platforms. RuneScape and Old School RuneScape are expected to be available on mobile and Steam, respectively, in 2021.

Investment continues for new products within the RuneScape franchise and to enhance our game development, game publishing and game service technology capabilities. We intend to leverage these capabilities when partnering with external developers to publish their titles and expand our living games portfolio. In 2020, new product and technologies R&D investment increased to £8.6m, of which £5.8m was capitalised.

Greenhouse gas emissions, energy consumption and energy efficiency action

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

GHG emissions and energy data*	
Energy consumption	
Natural gas consumption (kWh)	585,086
Purchased electricity (kWh)	1,774,598
Energy consumption from transport (kWh)	-
Greenhouse gas emissions	
Natural gas consumption (tonnes CO ₂ e) (Scope 1)	108
Purchased electricity (tonnes CO ₂ e) (Scope 2, location based)	414
Transport	-
Intensity ratio	
Tonnes CO ₂ e per £m of turnover	4.3

*Methodology: The energy consumption and greenhouse gas emissions data noted above has been collated, calculated and presented using the methodology set out in WRI / WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004. When reporting emissions related to purchased electricity, the UK Government's grid average conversion factors have been applied to all electricity purchased, including those from renewable sources, non-renewable sources and those where the source is unknown e.g., landlord supplied electricity. All data from outside of the UK has been excluded, in line with the Streamlined Energy and Carbon Reporting guidance.

Jagex Limited

Strategic Report

The business has offered a fully remote workforce with exceptions throughout 2020, 2021 and will continue to support this throughout 2022. While working on site, the studio is fitted with light sensors in most areas to support minimisation of electricity usage when the areas are vacant. The company operates a cycle to work scheme allowing staff to purchase bicycles for commuting at a reduced cost to the employee. A cycling maintenance and servicing programme is also available to all employees for bicycles used for both commuting and personal use. Where, possible car sharing is fully supported and encouraged.

Section 172 statement

Jagex directors, having regard to the interests of all their stakeholders, take seriously their duty under s172 of the Companies Act 2006 to promote the success of the company and this statement will outline how this has been achieved during the most recent financial year.

Jagex is a digital direct-to-consumer business with minimal physical supply chain and a high degree of self-sufficiency, and the directors consider their primary stakeholders to be their shareholders, employees and customers.

The company's annual operating plan is built by the board of directors based on proposals made by the senior management team. This operating plan covers operational goals and targets, annual budgeting and operating strategies, and is set within the context of the long-term growth strategy of the business. Once considered by the board of directors and approved, the operating plan provides a framework from which management can operate with day-to-day autonomy. Anything falling outside the approved business plan is subject to additional discussion and approval from the board of directors.

Board of directors' approach to decision making

The board of directors is kept informed of financial and general operating matters through monthly business analysis reports compiled by the senior management team. This report includes product performance trends, summaries of customer feedback and an update on the progress of key projects, as well as details of the senior management team's response to significant staff or customer feedback.

The board takes a view on long-term decisions based on research, and financial and analytical modelling, which it receives in the form of detailed proposals presented by the management team to the board. This could include, but not be limited to, new product development, acquisition opportunities and strategic partnerships.

Employee engagement

To support Jagex's strategic aims we believe our talent base is critical to our success. Employee engagement is therefore crucial, and we are focused on providing staff with an enriching experience, which ultimately translates to an engaged customer base and the commercial success of the Company. In order to ensure its continuing success, Jagex needs to attract and retain exceptional talent and to invest in its people to enable them to advance the strategic aims of Jagex.

The company undertakes regular employee surveys to enable it to understand the experience of its employees and to track engagement. The output of those surveys is reviewed and used to inform Jagex's people strategy. In the 2020 survey the focus of these was remote working and staff wellbeing.

The board of directors support significant levels of investment in training, online learning, paid-for external development, and the hosting of internal company-wide learning events. This sits alongside a generous benefits package which includes private medical insurance, pension contributions above the statutory minimum requirement and an annual bonus scheme. This enables Jagex to stand out in a highly competitive labour market, and to attract employees from Cambridge and the UK, as well as a growing number of high-profile international hires over the course of the past financial year.

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Strategic Report

The board of directors recognises the importance of having a diverse workforce that both reflects the company's player base of millions from around the world, and which strengthens its business growth. Jagex is committed to promoting fairness and equality in the workplace which it demonstrates through a number of policies, including Equal Opportunities Policy; Flexible Working Policy; Parental Leave Policy; and Maternity, Paternity and Adoption Policies. The company has also established a dedicated Diversity Group, made up of staff from across the business.

Promotion of our relationship with our customers

As a company in a dynamic and competitive sector of video games and consumer entertainment, frequent and meaningful engagement with customers is hugely important.

Customer feedback is collated by multiple teams and fed back to the Development team, mainly by the Community Management team, whose primary focus is customer engagement, sentiment monitoring, management and communication. Our customers have a direct impact on the content we make and help us to shape our content roadmap, uniquely voting on content for our hugely successful and award-winning title Old School RuneScape.

In order to fully understand its customers, Jagex enjoys an ongoing dialogue with them through social platforms including Twitter, Facebook, Instagram, Reddit, Discord and Twitch, as well as dedicated player forums.

Jagex is also absolutely committed to the online safety of our customers when engaging with our products. The company is acknowledged as a proactive leader in the industry when it comes to protecting its customers, and Jagex continues to evolve its community safety, moderation and safeguarding tools and procedures.

To support our safeguarding of customers online, we have an advanced proprietary chat monitoring system that scans more than 86 million lines of in-game chat every day to identify anything requiring manual review by our dedicated team. Any chat logs that relate to a player's safety, or appear to break UK laws, are passed to the relevant authorities and law enforcement agencies.

We have developed our online safety policies and procedures in partnership with:

- Internet Watch Foundation
- Local Cambridge Police
- Child Exploitation and Online Protection Centre (CEOP)
- NCA (National Crimes Agency)
- Sharing best practice in the games industry at conferences, and the Quarterly NCA Gaming Round Table (of which we are a steering committee member)

Relationship with suppliers

Jagex has a zero-tolerance to human trafficking and slavery and expects its suppliers to take the same approach. The board of directors has approved the publication of the company's Modern Slavery Act statement and will support the senior management team in its review of its policies and procedures to ensure continued compliance.

In its relationship with suppliers, Jagex seeks to maintain a reputation for fairness and high standards through striving for contracts that provide mutual benefit and ensuring that suppliers are paid on time.

Engagement with the wider community and environmental issues

Throughout the year, the board has supported initiatives to improve energy efficiency, increase recycling, and support charities important to the company's customer base, in particular charities with a mental health focus. Currently these charity partners are CPSL Mind, The Prince's Trust, and Rise Above the Disorder. Jagex also supports Special Effect, which provides access to games for people with disabilities. Our charities efforts have seen Jagex staff have raised in excess of £1million for charity since 2014 with help from our staff and players, and we are proud of this important contribution.

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Strategic Report

Finally, in addition to our charitable contributions, we have also implemented various environmentally focused initiatives throughout the year, monitoring our carbon footprint; reducing energy consumption and disposables are key components.

Engagement with the regulators and understanding of regulatory strategy

We have been an active contributor to the UK games trade body which works with government to champion a range of issues including age ratings, education and skills, access to finance and protecting intellectual property rights.

In our support for ongoing engagement with the government to rebalance the debates around video games we also volunteered to attend the Digital, Culture, Media and Sport Committee in its inquiry into immersive and additive technologies.

DocuSigned by:

Philip Mansell

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P Mansell

Director

15th December 2021

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 2020.

Research and development

The Group is continually updating its current game offering. Development expenditure for existing live 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 sufficient cash reserves and are forecast to remain cash positive. The directors have reviewed the historic trading performance of the business. They have also prepared financial forecasts including P&L and future cash flows to demonstrate the ongoing performance of the business. Key sensitivities to FX risk in particular have been considered. The forecasts cover a period of at least 12 months from the date of these financial statements. The key points of this analysis are set out below:

The company continues to be cash generative and cash reserves remain strong into 2021. We have sufficient cash reserves to cover expenses for at least 12 months. Subscriber numbers for our core games remain consistent, and there is no foreseen decline in customers or service.

During 2021 we have signed publishing deals for two games, Space Punks and Melvor Idle. These games provide additional cash generative revenue streams for the business for the future.

As such 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

Except where disclosed in note 25, there have been no significant post balance sheet events which have affected the Company and Group since the year end.

Dividends

Dividends of £15.1m were declared and paid during 2020 (2019: £76.4m).

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 in the same currency where possible and arrange the contracts in relevant currency if applicable.

Credit risk

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

Jagex Limited

Directors' Report

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.

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:

P Mansell
R Varachia (Appointed 26/11/2021)
S Yuan (Resigned 14/04/2020)
Z Feng (Resigned 14/04/2020)
S Sullivan appointed (Appointed 24/02/2021, Resigned 26/11/2021)
J Yang (Resigned 01/06/2020)
Y Yang (Resigned 17/04/2020)

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.

Jagex Limited

Directors' Report

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
- 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 will not be reappointed following the conclusion of the FY20 statutory audit.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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P Mansell
Director

15th December 2021

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 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 and profit or loss of the company and 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DocuSigned by:

73F71CE804B6462...
P Mansell
Director

15th December 2021

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 2020 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 25. 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 2020 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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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

As explained more fully in the Directors' Responsibilities Statement on page 11, 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements.

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Independent auditor's report to the members of Jagex Limited

During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include FRS102 financial reporting standards, Company Law, Tax and Pensions legislation.
- It is considered that the laws and regulations for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 Zouge Wilson (Senior Statutory Auditor)
for and on behalf of Shinewing Wilson Accountancy Limited
Chartered Certified Accountant and Statutory Auditor
9 St. Clare Street
London
EC3N 1LQ

16 December 2021

Jagex Limited**Consolidated profit and loss account
For the year ended 31 December 2020**

	Note	2020 £	2019 (Restated) £
Turnover	4	119,959,454	108,555,749
Cost of sales		(44,239,649)	(39,108,355)
Gross profit		75,719,805	69,447,394
Administrative expenses			
Exceptional administrative expenses	6	(17,431,578)	(1,932,724)
Other administrative expenses	6	(19,993,135)	(21,816,559)
Total administrative expenses		(37,424,713)	(23,749,283)
Operating profit		38,295,092	45,698,111
Finance income	5	50,093	423,477
Profit on ordinary activities before taxation		38,345,185	46,121,588
Tax on profit on ordinary activities	9	(2,667,631)	(2,146,435)
Profit for the financial year		35,677,554	43,975,153

All activities derive from continuing operations.

Jagex Limited**Consolidated statement of comprehensive income
For the year ended 31 December 2020**

	2020 £	2019 (Restated) £
Profit for the financial year	35,677,554	43,975,153
Other comprehensive income		
Currency translation difference on foreign currency net investments	(3,203)	(1,723)
Total comprehensive income	<u>35,674,351</u>	<u>43,973,430</u>

Jagex Limited**Consolidated balance sheet
At 31 December 2020**

	Note	2020 £	2019 (Restated) £
Fixed assets			
Intangible assets	11	7,758,381	4,680,052
Tangible assets	12	1,279,293	1,487,594
		<u>9,037,674</u>	<u>6,167,646</u>
Current assets			
Debtors			
– due within one year	14	12,105,179	12,954,514
– due after one year	14	1,439,013	256,910
Cash at bank and in hand		44,436,047	14,877,494
		<u>57,980,239</u>	<u>28,088,918</u>
Creditors: Amounts falling due within one year	15	<u>(32,711,828)</u>	<u>(24,187,179)</u>
Net current assets		<u>25,268,411</u>	<u>3,901,739</u>
Total assets less current liabilities		<u>34,306,085</u>	<u>10,069,385</u>
Creditors: Amounts falling due after more than one year			
Provisions for liabilities	16	<u>(9,287,754)</u>	<u>(5,625,405)</u>
Net assets		<u>25,018,331</u>	<u>4,443,980</u>
Capital and reserves			
Called-up share capital	19	11,267	11,267
Share premium account		80	80
Profit and loss account		25,006,984	4,432,633
Shareholders' funds		<u>25,018,331</u>	<u>4,443,980</u>

The consolidated financial statements of Jagex Limited, Company registered number 03982706, were approved by the board of directors and authorised for issue on 15th December 2021. They were signed on its behalf by:

DocuSigned by:

Philip Mansell

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P Mansell


Director

Jagex Limited**Company balance sheet
At 31 December 2020**

	Note	2020 £	2019 (Restated) £
Fixed assets			
Intangible assets	11	7,758,381	4,680,052
Tangible assets	12	1,279,293	1,487,594
		<u>9,037,674</u>	<u>6,167,646</u>
Current assets			
Debtors			
– due within one year	14	12,105,180	12,954,514
– due after one year	14	1,439,013	256,910
Cash at bank and in hand		44,352,776	14,790,828
		<u>57,896,969</u>	<u>28,002,252</u>
Creditors: Amounts falling due within one year	15	<u>(32,711,828)</u>	<u>(24,187,179)</u>
Net current assets		<u>25,185,141</u>	<u>3,815,073</u>
Total assets less current liabilities		<u>34,222,815</u>	<u>9,982,719</u>
Creditors: Amounts falling due after more than one year			
Provisions for liabilities	16	<u>(9,287,754)</u>	<u>(5,625,405)</u>
Net assets		<u>24,935,061</u>	<u>4,357,314</u>
Capital and reserves			
Called-up share capital	19	11,267	11,267
Share premium account		80	80
Profit and loss account		24,923,714	4,345,967
Shareholders' funds		<u>24,935,061</u>	<u>4,357,314</u>

The Company's profit and the total comprehensive income for the year were £35,677,747 (2019 (Restated): £43,976,086).

The financial statements of Jagex Limited, registered number 03982706, were approved by the board of directors and authorised for issue on 15th December 2021. They were signed on its behalf by:

DocuSigned by:

 73F71CE804B6462...
 P Mansell

Director

Jagex Limited**Consolidated statement of changes in equity**
At 31 December 2020

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2019	11,267	80	36,866,847	36,878,194
Profit for the financial year	-	-	43,975,153	43,957,153
Currency translation difference on foreign currency net investments	-	-	(1,723)	(1,723)
Total comprehensive income	-	-	43,973,430	43,973,430
Dividends	-	-	(76,407,644)	(76,407,644)
At 31 December 2019	11,267	80	4,432,633	4,443,980
Profit for the financial year	-	-	35,677,554	35,677,554
Currency translation difference on foreign currency net investments	-	-	(3,203)	(3,203)
Total comprehensive income	-	-	35,673,351	35,673,351
Dividends	-	-	(15,100,000)	(15,100,000)
At 31 December 2020	11,267	80	25,006,984	25,018,331

Jagex Limited**Company statement of changes in equity
At 31 December 2020**

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2019	11,267	80	36,777,525	36,788,872
Profit for the financial year	-	-	43,976,086	43,976,086
Total comprehensive income	-	-	43,976,086	43,976,086
Dividends	-	-	(76,407,644)	(76,407,644)
At 31 December 2019	11,267	80	4,345,967	4,357,314
Profit for the financial year	-	-	35,677,747	35,677,747
Total comprehensive income	-	-	35,677,747	35,677,747
Dividends	-	-	(15,100,000)	(15,100,000)
At 31 December 2020	11,267	80	24,923,714	24,935,061

Jagex Limited**Consolidated cash flow statement
For the year ended 31 December 2020**

	Note	2020 £	2019 £
Net cash from operating activities	20	53,713,636	48,319,863
Taxation paid		(2,627,174)	(4,101,123)
Net cash generated from operating activities		51,086,462	44,218,740
Cash flows from investing activities			
Purchase of equipment		(720,037)	(379,464)
Development costs		(5,754,762)	(4,680,596)
Loan repayment from parent company		-	27,375,940
Interest received		50,093	423,477
Net cash used in investing activities		(6,424,706)	22,739,357
Cash flows from financing activities			
Prior year proposed dividends paid		-	(5,000,000)
Dividends paid to owners (including set off against owner's loan)		(15,100,000)	(76,407,644)
Net cash used in financing activities		(15,100,000)	(81,407,644)
Net increase/(decrease) in cash and cash equivalents		29,561,756	(14,449,547)
Cash and cash equivalents at beginning of year		14,877,494	29,328,766
Effect of foreign exchange rate changes		(3,203)	(1,725)
Cash and cash equivalents at end of year		44,436,047	14,877,494
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		44,436,047	14,877,494
Cash and cash equivalents		44,436,047	14,877,494

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

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, and under the 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. 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 102 p 33.7 (FRS102 p1.12 (e)).

Prior period restatement

The 2019 comparative figures have been restated due to the identification of a previous US tax error. State taxes that should have been collected and passed to US tax authorities were not previously recognised in the financial statements. The impact of this prior period adjustment to the 2019 comparatives are as follows:

	Dr £	Cr £
Revenue	2,302,971	
Creditors: Amounts due within one year		83,181
Provisions		4,485,259
Administrative expenses	7,468	
Retained earnings	2,258,002	

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

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.

c. Going concern

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. After taking account of current cash resources and possibly reasonable changes, 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.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

Amortisation of intangible assets is recognised on a straight-line basis over the expected useful life of the assets as follows:

Intellectual property	33% per annum
External licence	33% per annum
Development costs	20-50% per annum

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.

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.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

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 is incurred on research and development in the normal course of business. Any expenditure on new technologies that does not meet the criteria listed for capitalisation in *e. Intangible Fixed Assets* above is recognised as an expense in 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.

l. 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.

m. 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

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

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.

n. 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.

o. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

p. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

The provision for global sales tax represents the Group's estimate of tax which could become due on sales in territories outside the United Kingdom. The provision is based on the Group's 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.

q. Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate.

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.

Capitalisation of internally generated intangible assets

The directors and management assess each project according to FRS102, section 18 'Intangible Assets' criteria throughout the project life. Judgement is required to determine whether criteria are met, in particular the future economic benefits that will be generated and the intention of the group to complete development and use or sell the asset. These judgements are dependent on expectations of future events.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS102 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.

Tax provisions

Global Sales Tax

Determining whether, and to what extent, a potential Global Sales Tax liability exists in overseas countries requires an estimation based on available information, where there is 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.

Corporation tax

The group's current tax provision incorporates management's assessment of the amount of tax payable and the extent of reclaimable tax credits, which are subject to receiving the applicable British Video Game interim certificates. In making this assessment, management considers that potential tax losses generated from the games Next Gen and Aftermath do not yet meet the recognition criteria.

Deferred tax assets

The management also exercised judgement on estimating deferred tax assets, as detailed in Note 17.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

4. Turnover

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

	2020 £	2019 (Restated) £
Subscription revenue	92,372,891	86,008,127
Microtransaction revenue	27,346,133	19,727,424
Advertising revenue	117,835	225,877
Other income	122,595	2,594,321
	<u>119,959,454</u>	<u>108,555,749</u>

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

5. Finance income

	2020 £	2019 £
Interest income from group undertakings ⁽¹⁾	-	265,875
Other interest income	50,093	157,602
	<u>50,093</u>	<u>423,477</u>

(1) Income from group undertakings in 2019 related to unsecured loans with an interest rate chargeable at 2.0%+LIBOR. The loans were fully repaid during 2019.

6. Profit on ordinary activities before taxation

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

	2020 £	2019 £
Depreciation of tangible fixed assets (note 12)	915,395	946,351
Amortisation of intangible fixed assets (note 11)	388	544
Loss on disposal of fixed assets (note 20)	14,808	2,570
Bad debt expense	5,675	-
Research and development costs	2,862,188	2,002,404
Release of provision	(512,099)	(504,076)
Operating lease rentals	1,036,791	943,107
Foreign exchange gain	2,634,563	452,213
Other exceptional administrative expenses	14,757,398	1,932,724
Impairment of intangible fixed assets (exceptional) (note 11)	2,674,180	-
	<u>26,674,180</u>	<u>5,877,333</u>

Exceptional administrative expenses in the current year include £11.9m of costs relating to the sale of the business (Note 24) comprising severance, professional fees and employee bonus. A further £1.6m relates to a write off of a receivable from the parent company (Note 23). In addition, there is a provision for £1.3m relating for penalties and interest associated with unremitted sales tax in certain US States in prior periods

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

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

	2020	2019
	£	£
Fees payable to the Company's auditors for the audit of the group and company's financial statements	66,000	60,000
Fees payable to the Company's auditor for other services		
Other services (non-tax)	8,000	60,000

No services were provided pursuant to contingent fee arrangements.

7. Staff numbers and costs

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

	2020	2019
Director(s)	2	2
Commercial/Management	97	80
Development	192	174
Customer relations	37	38
Technical	88	83
	416	377

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	28,880,503	30,090,304
Social security costs	3,413,633	3,367,808
Other pension costs	1,659,334	1,317,104
	33,953,470	34,775,216

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

8. Directors' remuneration and transactions

	2020	2019
	£	£
Directors' remuneration		
Emoluments	4,162,959	5,663,885
Company contributions to money purchase pension schemes	101,809	58,480
	<u>4,264,768</u>	<u>5,722,365</u>

	2020	2019
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>

	2020	2019
	£	£
Remuneration of the highest paid director:		
Emoluments	2,621,006	2,597,960
Company contributions to money purchase pension schemes	77,441	49,000
	<u>2,698,447</u>	<u>2,646,960</u>

	2020	2019
	£	£
Key management compensation including directors		
Salaries and other short-term benefits	8,875,115	9,130,981
Company contributions to money purchase pension schemes	174,022	185,231
	<u>9,049,137</u>	<u>9,316,212</u>

9. Tax on profit on ordinary activities

The tax credit comprises:	2020	2019
	£	£
Current tax on profit on ordinary activities		
UK corporation tax	1,159,043	2,146,435
Adjustments in respect of prior years	1,508,588	-
Total current tax	<u>2,667,631</u>	<u>2,146,435</u>
Deferred tax		
Deferred tax asset (note 17)	-	-
Total tax on profit on ordinary activities	<u>2,667,631</u>	<u>2,146,435</u>

The rate of corporation tax throughout the year was 19%. The current government announced in the recent Budget that an increase to 25% would be affected on 1 April 2023. Therefore, deferred taxes at the balance sheet date have been measured using the most recent enacted tax rate at 19% and reflected in these financial statements.

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:

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

	2020 £	2019 £
Group profit on ordinary activities before tax	38,345,185	48,432,960
Tax on Group profit on ordinary activities at blended standard UK corporation tax rate of 19 per cent (2019: 19 per cent)	7,285,585	9,202,262
Effects of:		
- Expenses not deductible for tax purposes	2,230,710	427,051
- Fixed asset timing differences – deferred tax not recognised	5,644	11,005
- Other timing differences – deferred tax not recognised	(56,230)	11,992
- Utilisation of tax losses – deferred tax not recognised	-	-
- Video games tax relief	(2,747,932)	(2,562,588)
- Effect of other tax rates – video games tax relief	-	-
- Patent box	(5,463,819)	(4,943,287)
- Adjustments to tax charge in respect of previous periods – current tax	-	-
- Other adjustments	-	-
Group total tax credit for period	1,253,958	2,146,435

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 2020

11. Intangible fixed assets

Group and Company	External Licence £	Development costs £	Total £
Cost			
At 1 January 2020	2,796	4,677,799	4,680,595
Additions	-	5,754,762	5,754,762
Disposal	(2,796)		(2,796)
Impairment of Assets		(2,674,180)	(2,674,180)
At 31 December 2020	-	7,758,381	7,758,381
Amortisation			
At 1 January 2020	544	-	544
Charge for the year	388	-	388
Disposal	(932)	-	(932)
At 31 December 2020	-	-	-
Net book value			
At 31 December 2019	2,252	4,677,799	4,680,051
At 31 December 2020	-	7,758,381	7,758,381

12. Tangible fixed assets

Group and Company	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2020	2,031,076	138,811	5,071,502	7,241,387
Additions	-	-	720,037	720,037
Disposals	-	(68,358)	(141,588)	(209,945)
At 31 December 2020	2,031,076	70,452	5,649,951	7,751,479
Depreciation				
At 1 January 2020	1,516,987	73,336	4,163,472	5,753,791
Charge for the year	232,729	27,762	654,904	915,395
Disposals	-	(57,079)	(139,922)	(197,001)
At 31 December 2020	1,749,716	44,018	4,678,452	6,472,185
Net book value				
At 31 December 2019	514,089	65,475	908,030	1,487,594
At 31 December 2020	281,360	26,434	971,499	1,279,293

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

13. Fixed asset investments

Principal Group investments

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

Subsidiary undertaking	Percentage	Country of incorporation	Principal Activity	Holdings
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. Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,505,657	9,216,955	8,505,657	9,216,955
Prepayments and accrued income	3,597,455	3,734,999	3,597,455	3,734,999
Other debtors	2,068	2,560	2,068	2,560
Corporation tax	-	-	-	-
	<u>12,105,180</u>	<u>12,954,514</u>	<u>12,105,180</u>	<u>12,954,514</u>
Amounts falling due after more than one year:				
Other debtors	1,439,013	256,910	1,439,013	256,910
	<u>13,544,193</u>	<u>13,211,425</u>	<u>13,544,193</u>	<u>13,211,425</u>

15. Creditors – amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	(Restated)	£	(Restated)
Trade creditors	846,764	705,801	846,764	705,801
Corporation tax	1,324,410	1,283,953	1,324,410	1,283,953
Other taxation and social security	1,776,923	1,980,251	1,776,923	1,980,251
Other creditors	260,088	199,579	260,088	199,579
Accruals and deferred income	28,503,643	20,017,596	28,503,643	20,017,596
	<u>32,711,828</u>	<u>24,187,179</u>	<u>32,711,828</u>	<u>24,187,179</u>

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

16. Provisions for liabilities

	Provisions for Global Sales Tax £
Group and Company	
At 1 January 2020 (Restated)	5,625,405
Charged to profit and loss	3,662,349
	<hr/>
At 31 December 2020	9,287,754
	<hr/>

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.

17. 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.

	2019 £	Movement £	2020 £
Group and Company			
Accelerated capital allowances	391,715	(50,141)	341,574
Tax losses available	-	-	-
Other timing differences	110,651	(108,725)	1,926
	<hr/>	<hr/>	<hr/>
	502,366	(158,866)	343,500
	<hr/>	<hr/>	<hr/>

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

18. Financial instruments

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Financial assets				
Measured at undiscounted amount receivable				
• Trade and other debtors (note 14)	9,946,737	9,476,425	9,946,737	9,476,425
	<u>9,946,737</u>	<u>9,476,425</u>	<u>9,946,737</u>	<u>9,476,425</u>
Financial liabilities				
Measured at undiscounted amount payable				
• Trade and other creditors (note 15)	1,106,852	905,380	1,106,852	905,380
	<u>1,106,852</u>	<u>905,380</u>	<u>1,106,852</u>	<u>905,380</u>

19. Called-up share capital and reserves

	2020	2019
	£	£
Allotted, called-up and fully paid		
1,126,753,629 ordinary shares of £0.00001 each	<u>11,267</u>	<u>11,267</u>

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.
- 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.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

20. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2020 £	2019 (Restated) £
Operating profit	38,295,092	45,698,111
Adjustment for:		
Depreciation and amortisation	915,783	946,895
Loss on disposal of tangible fixed assets	14,808	2,570
Impairment of intangible fixed assets	2,674,180	-
Operating cash flow before movement in working capital	41,899,863	46,647,576
Decrease/(increase) in debtors	(332,768)	2,790,520
Increase in creditors	8,484,191	(3,307,179)
Increase/(decrease) in provisions	3,662,350	2,188,944
Cash generated by operations	53,713,636	48,319,861

21. Financial commitments

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

	2020 Land and buildings £	2019 Land and buildings £
Group and Company		
- within one year	1,088,987	1,088,987
- between one and five years	2,722,468	3,811,455
- after five years	-	-
	3,811,455	4,900,442

22. 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 2020 was £1,659,334 (2019: £1,317,104).

Jagex Limited

Notes to the financial statements For the year ended 31 December 2020

23. Related party transactions

Group

Transactions with parent company

During the year there were no consultancy services (2019: £2,238,000) provided by the Company to Shanghai Hongtuo Network Technology Co. Limited. This was included under other income (Note 4) in the prior year.

During the year it was agreed to transfer control of Jagex to Platinum Fortune LP. As part of the sale some fees were paid on behalf of the new parent company amounting to £1.6m. This receivable was ultimately written off as part of the sale to June UK Bidco Limited (Note 24).

Transactions with key management personnel (Note 8)

The total remuneration for key management personnel for the period totalled £9,049,137 (2019: £9,316,212), including directors' remuneration disclosed in Note 8 of £4,264,768 (2019: £5,722,365).

Company

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

24. Controlling party

At the start of the year the immediate parent company was Shanghai Hongtuo Network Technology Co. Limited, a company registered in P.R. China, which owned 100% of the shares of the company. The ultimate parent company was Shanghai Fukong Interactive Entertainment Co., Ltd (formally known as Shanghai Zhongji Investments Holding Co., Limited), a company registered in P.R. China and listed on the Shanghai Stock Exchange.

It was agreed to transfer control of Jagex to Platinum Fortune LP, a Delaware Limited Partnership Fund managed by Macarthur Fortune Holding, on April 17, 2020. Ownership of the company was subsequently transferred through an escrow mechanism for eventual sale to June UK BidCo Limited. This was initiated on 10 December 2020 and completed on 8 January 2021 (Note 25).

25. Events after the reporting period

On the 8 January 2021, it was announced that Jagex Limited had been acquired by June UK BidCo Limited, with ultimate parent, The Carlyle Group.

On 7 May 2021, Jagex Limited agreed to act as guarantor for the obligations of its new, immediate parent, June UK Bidco Limited under a senior facilities agreement entered into by the parent on 30 November 2020. Jagex Limited is responsible for compliance with all associated covenant requirements and makes interest payments on behalf of June UK Bidco Limited. Any payments made by Jagex Limited are recharged to June UK Bidco Limited. This has a no impact on the profitability of Jagex Limited.