

JAGEX LIMITED

Consolidated Report and Financial Statements

31 December 2011



JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2011

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	6
Independent auditor's report	7
Consolidated profit and loss account	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated cash flow statement	12
Notes to the financial statements	13

JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A C Crisses
J Salter
B Gardner
C Mitchell
J Quagharoli
J Horing
M Gerhard

SECRETARY

Riaan Hodgson

REGISTERED OFFICE

St Johns Innovation Centre
Cowley Road
Cambridge
CB4 0WS

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom

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 nine months ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the Group (Jagex Limited and subsidiaries) is the development and publication of online games using proprietary software tools and web systems technologies in addition to best in class third party tools

The subsidiary undertakings principally affecting the profits or net assets of the Group in the period are listed in note 12 to the financial statements

BUSINESS REVIEW

During the 9 months ended 31 December 2011, Jagex Limited ("Jagex" or "the Company") continued to experience growth for its flagship and record-breaking game, RuneScape. On an annual basis, turnover in respect of RuneScape increased by 4% reflecting the increased membership numbers during the period. The management team is very pleased with the RuneScape performance and believe it is clear that the investment in talent and technology is having a positive impact on results.

It has been a positive period in terms of new projects with the Company continuing to execute on its strategic plans which require investment in various areas to ensure its games are fun and exciting to play. This will enable Jagex to maintain its leading position in the online games space. These investments include:

- Opening a new studio focused on the Transformers Universe game,
- Investments in Jagex platform and technology to leapfrog other online games in terms of visual quality and accessibility,
- Diversifying the portfolio of games beyond the 43 current games by investing in external talent in the US,
- Creating business intelligence systems and infrastructure to deliver leading edge and insightful analytics which will enable a fun playing experience, and
- Strengthening the management team

The operational results for the 9 month period have been significantly impacted by a number of one-off exceptional charges as highlighted below:

- **US Operations** Jagex established a subsidiary in the United States as part of a wider group strategy to expand the range of games produced. Significant costs were incurred in the US in pursuit of outstanding talent and intellectual property. By the year end the few projects that were considered the most viable were chosen and the remaining activities were ceased. Jagex expensed all costs incurred in the US. Additionally, due to the curtailment of operations in the US, a lease commitment became onerous. An onerous lease provision has been recognised in respect of this.
- **New Cambridge Office** Jagex has taken a number of steps to improve the working environment for employees and allow for future growth. This included the relocation from two separate buildings into one main office, housing all Cambridge employees. Consequently an onerous lease provision has been recorded for the vacant property.
- **Change of Control liability** There was a change of control of Jagex Limited in December 2010. As a result of that transaction, the Company took on a liability to founding shareholders totalling £7.7m which was expensed fully in the financial period.

The landscape is continuing to be very competitive but the Group is positive about the future, given the RuneScape growth and the launch of Transformers Universe and other new product launches in the coming financial year.

The directors expect the general level of activity to continue for the foreseeable future.

JAGEX LIMITED

DIRECTORS' REPORT (continued)

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/revenues to our key competitors or other on-line entertainment sites,
- expenditure increasing without a commensurate increase in revenues, and rapid changes in market conditions could result in poor operating results,
- errors or defects in our products, which could negatively affect our revenues and the market acceptance of our products and increasing our costs,
- the return of unfavourable economic and market conditions, including significant fluctuations in foreign exchange rates,
- unsuccessful launch of new games,
- the hiring and retention of qualified personnel, and
- claims by external parties that we infringe on their intellectual property rights

KEY PERFORMANCE INDICATORS

The Group has several key performance measures used internally to monitor and challenge performance and to assist investment decisions. The most important indicators are

- Revenue,
- Operating profit, and
- Headcount

Performance in the 9 month period to 31 December 2011 is summarised below. Comparative information for the 9 month period to 31 December 2010 has been shown however this is unaudited data

	9 months ended 31 December 2011 £'000	Unaudited Year ended 31 March 2011 £'000
Revenue	32,905	32,855
Operating profit before exceptional items	4,987	6,730
Headcount	490	392

JAGEX LIMITED

DIRECTORS' REPORT (continued)

KEY PERFORMANCE INDICATORS (continued)

To put the above-mentioned exceptional items in context, a reconciliation between operating and actual results is set out below:

	9 months ended 31 December 2011 £'000	Unaudited Year ended 31 March 2011 £'000
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	4,987	6,730
Change of control liability	(7,719)	-
Onerous lease charge	(3,317)	-
Costs in respect of the US operations	(3,820)	-
OPERATING (LOSS) / PROFIT	(9,869)	6,730

GOING CONCERN

The Group and Company continues 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 at least 12 months 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. The directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis.

RESULTS AND DIVIDENDS

The loss for the nine month period to 31 December 2011, after taxation, amounted to £9,538,747 (Year ended 31 March 2011 - profit of £6,730,298)

The directors paid dividends in the year of £nil (Year ended 31 March 2011 - £nil)

DIRECTORS

The directors who served throughout the period and to the date of this report are shown below

- J Horing
- A C Crisses
- J Salter
- B Gardner
- C Mitchell
- J Quagliaroli
- M Gerhard

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 AND CHARITABLE CONTRIBUTIONS

The Group made charitable donations amounting to £207 during the period (year to 31 March 2011 - £150,076). Donations were made to a number of local and US based charities

FUTURE DEVELOPMENTS

The Group hopes to continue to grow its player base by launching internally developed new games in various languages as well as act as a publisher for third party developed games. The Group intends to release at least one of the projects currently in development

JAGEX LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL INSTRUMENTS

The Group's activities expose it primarily to the financial risks of credit risk, foreign exchange 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, trade and other receivables

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 quarterly basis in light of the current business trends

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is continually updating its current game offering. Development expenditure is not capitalised and is written off in the year it is incurred

EMPLOYEE INVOLVEMENT

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 circulating data regarding subscriber growth

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants 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 that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

AUDITOR

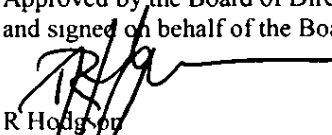
Each of the persons who is a director at the date of approval of this annual report confirms that

- 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 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 s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board


R Hodgson
Secretary

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). 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 company and of the profit or loss of the company 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 accounting standards have been followed, 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 and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGEX LIMITED

We have audited the financial statements of Jagex Limited for the 9 months ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for 9 months 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGEX LIMITED (continued)

Matters on which we are required to report by exception

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, 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

David Halstead

David Halstead FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

24 September 2012

JAGEX LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT 9 months ended 31 December 2011

	Note	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
TURNOVER	2	32,905,077	45,344,638
Cost of sales		(20,147,373)	(22,734,016)
Gross profit		<u>12,757,704</u>	<u>22,610,622</u>
Administrative expenses			
Exceptional administrative expenses	3	(14,856,000)	-
Other administrative expenses	3	<u>(7,770,970)</u>	<u>(11,953,091)</u>
Total administrative expenses		<u>(22,626,970)</u>	<u>(11,953,091)</u>
OPERATING (LOSS) PROFIT	3	(9,869,266)	10,657,531
Interest receivable and similar income	6	30,898	32,985
Interest payable and similar charges	7	<u>(17,472)</u>	<u>(21)</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,855,840)	10,690,495
Tax on (loss) profit on ordinary activities	8	<u>317,093</u>	<u>(3,960,197)</u>
(LOSS) PROFIT FOR THE FINANCIAL PERIOD	21	<u>(9,538,747)</u>	<u>6,730,298</u>

All activities derive from continuing operations

There were no recognised gains or losses other than the loss for the current financial period and the profit for the preceding financial year. Accordingly no statement of total recognised gains and losses has been prepared.

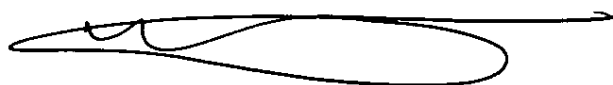
JAGEX LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2011

	Note	31 December 2011 £	31 March 2011 £
FIXED ASSETS			
Intangible assets	10	40,810	67,045
Tangible assets	11	3,731,496	1,365,427
		<u>3,772,306</u>	<u>1,432,472</u>
CURRENT ASSETS			
Stocks	13	234,873	260,251
Debtors	14	5,239,095	4,278,231
Cash at bank and in hand		11,844,012	15,530,151
		<u>17,317,980</u>	<u>20,068,633</u>
CREDITORS: amounts falling due within one year	15	(14,870,614)	(12,328,832)
NET CURRENT ASSETS		<u>2,447,366</u>	<u>7,739,801</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,219,672	9,172,273
CREDITORS: amounts falling due after more than one year	16	(3,507,065)	(237,690)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(3,316,771)	-
NET (LIABILITIES) ASSETS		<u>(604,164)</u>	<u>8,934,583</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Profit and loss account	21	(615,511)	8,923,236
SHAREHOLDERS' (DEFICIT) FUNDS	22	<u>(604,164)</u>	<u>8,934,583</u>

The consolidated financial statements of Jagex Limited, registered number 03982706, were approved by the Board of Directors and authorised for issue on 19 09 2012

Signed on behalf of the Board of Directors



M Gerhard
Director

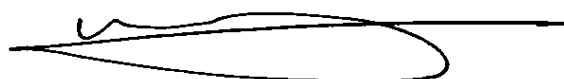
JAGEX LIMITED

COMPANY BALANCE SHEET 31 December 2011

	Note	31 December 2011 £	31 March 2011 £
FIXED ASSETS			
Intangible assets	10	40,810	67,045
Tangible assets	11	3,650,426	1,365,427
Investments	12	308,718	-
		<u>3,999,954</u>	<u>1,432,472</u>
CURRENT ASSETS			
Stocks	13	234,873	260,251
Debtors	14	5,184,077	4,278,231
Cash at bank and in hand		<u>11,769,477</u>	<u>15,530,151</u>
		17,188,427	20,068,633
CREDITORS: amounts falling due within one year	15	<u>(15,339,003)</u>	<u>(12,328,832)</u>
NET CURRENT ASSETS		<u>1,849,424</u>	<u>7,739,801</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,849,378	9,172,273
CREDITORS: amounts falling due after more than one year	16	(3,507,065)	(237,690)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(2,941,304)	-
NET (LIABILITIES) ASSETS		<u>(598,992)</u>	<u>8,934,583</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Profit and loss account	21	<u>(610,339)</u>	<u>8,923,236</u>
SHAREHOLDERS' DEFICIT FUNDS		<u>(598,992)</u>	<u>8,934,583</u>

The financial statements of Jagex Limited, registered number 03982706, were approved by the Board of Directors and authorised for issue on 19.01.2012

Signed on behalf of the Board of Directors



M Gerhard

Director

JAGEX LIMITED

CONSOLIDATED CASH FLOW STATEMENT 9 months ended 31 December 2011

	Note	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Net cash flow from operating activities	23	1,536,085	13,347,277
Returns on investments and servicing of finance	24	13,427	32,964
Taxation		(2,858,019)	(4,358,504)
Capital expenditure and financial investment	24	(2,555,573)	(946,953)
Net cash (outflow) inflow before financing		(3,864,080)	8,074,784
Financing	24	177,941	170,355
(Decrease) increase in cash in the period		(3,686,139)	8,245,139

Reconciliation of net cash flow to movement in net funds

		9 months ended 31 December 2011 £	Year ended 31 March 2011 £
(Decrease) increase in cash in the period		(3,686,139)	8,245,139
Cash inflow from increase in debt and lease financing		(177,941)	(170,355)
Change in net debt resulting from cash flows		(3,864,080)	8,074,784
New finance leases		(840,983)	-
Movement in net funds in period		(4,705,063)	8,074,784
Net funds at 1 April 2011		15,257,481	7,182,697
Net funds at 31 December 2011	25	10,552,418	15,257,481

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are described below. These have all been applied consistently throughout the current period and the preceding year.

Accounting convention and basis of consolidation

The financial statements are prepared under the historical cost convention. The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings.

Going concern

The Group and Company continues 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 at least 12 months 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. The directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis.

Intangible fixed assets and amortisation

Licences purchased by the Company are amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Assets under finance lease	20% per annum
Computer equipment	33% per annum
Fixtures and fittings	20% per annum
Leasehold improvements	Life of lease (5 years)

Investments

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

Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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 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 rate of charge on the balance of capital repayments outstanding.

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, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of finished goods includes the cost of material plus expenditure incurred on freight and duty. Where necessary, provision is made for obsolete, slow moving and defective stock.

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,
- advertising revenue is recognised in the accounting period in which it was earned.

Financial liabilities and equity

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 company after deducting all of its liabilities.

Share-based payment

The company has applied the requirements of FRS 20 "Share-based Payment".

The company issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

2. ANALYSIS OF TURNOVER

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
By activity		
Game time sales	31,893,489	43,846,282
Advertising revenue	782,970	1,484,374
Other income	228,618	13,982
	<u>32,905,077</u>	<u>45,344,638</u>

Turnover by geographical location has not been disclosed as in the opinion of the directors such disclosures could be seriously prejudicial to the interests of the group

3. OPERATING (LOSS) PROFIT

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Operating (loss) profit is after charging (crediting):		
Depreciation on tangible fixed assets		
Owned assets	817,161	672,964
Leased assets	27,355	-
Amortisation of intangible assets	26,235	34,980
The analysis of auditor's remuneration is as follows		
Fees payable to the Group's auditor for the audit of the Group and Company's annual accounts	29,000	23,000
Other services relating to tax	5,400	14,950
Corporate Finance services	40,524	-
Operating lease rentals		
Other	964,912	777,961
Foreign exchange	(298,733)	400,105
Exceptional administrative expenses	<u>14,856,000</u>	<u>-</u>

Included within administrative expenses are exceptional costs, being costs incurred during the period outside the normal course of trading. A reconciliation of these costs is recorded in the Directors' Report.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

4. STAFF NUMBERS AND COSTS

	9 months ended 31 December 2011 No	Year ended 31 March 2011 No
Average number of persons employed by the Group (including directors) during the period		
Directors	1	2
Commercial/Management	48	33
Development	225	181
Customer relations	120	123
Technical	80	66
	<u>474</u>	<u>405</u>
	£	£
Staff costs incurred during the period in respect of these employees		
Wages and salaries	11,917,752	12,345,892
Social security costs	1,105,391	1,096,934
Other pension costs	55,483	11,722
Share based payment	-	938,420
	<u>13,078,626</u>	<u>14,392,968</u>

5. REMUNERATION OF DIRECTORS

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Directors' emoluments	<u>284,303</u>	<u>836,598</u>

The highest paid director received remuneration of £284,303 (year ended 31 March 2011 £673,963), and exercised Nil (year ended 31 March 2011 279) share options

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Other income	931	6,986
Other interest receivable	29,967	25,999
	<u>30,898</u>	<u>32,985</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Other finance charges	17,312	-
Other interest payable	160	21
	<u>17,472</u>	<u>21</u>

8. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
Current taxation		
UK corporation tax	(389,548)	3,683,785
Adjustments in respect of prior periods	110,652	169,199
Total UK tax	<u>(278,896)</u>	<u>3,852,984</u>
Deferred taxation		
Origination and reversal of timing differences	(38,197)	71,187
Adjustments in respect of prior periods	-	27,353
Effect of changes in tax rate	-	8,673
Total deferred tax	<u>(38,197)</u>	<u>107,213</u>
Tax on (loss) profit on ordinary activities	<u>(317,093)</u>	<u>3,960,197</u>

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2011

8. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge for the current period

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 26% (year ended 31 March 2011 - 28%) The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	9 months ended 31 December 2011 £	Year ended 31 March 2011 £
(Loss) profit on ordinary activities before tax	(9,855,840)	10,690,495
Tax on (loss) profit on ordinary activities at standard rate	(2,562,518)	2,993,339
Effects of		
Expenses not deductible for tax purposes	2,084,364	1,052,362
Capital allowances in deficit of depreciation	50,597	32,408
Other timing differences	38,009	3,016
Tax credit for exercise of share options	-	(397,340)
Adjustments in respect of prior periods	110,652	169,199
Total actual amount of current tax	<u>(278,896)</u>	<u>3,852,984</u>

Factors that may affect future tax charges

At the year end charitable donations and pension contributions were unpaid for which relief will be claimed in future periods

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 This rate reduction was substantively enacted in March 2011

In March 2012, the UK Government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually to 22% by April 2014 These changes were substantively enacted on 26 March 2012

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted

9. (LOSS) PROFIT ATTRIBUTABLE TO THE COMPANY

The loss for the financial year dealt with in the financial statements of the parent company was £9,533,547 (year ended 31 March 2011 - profit of £6,730,298) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

10. INTANGIBLE FIXED ASSETS

Group and Company

	Intellectual property £
Cost	
At 1 April 2011 and 31 December 2011	349,800
Amortisation	
At 1 April 2011	282,755
Charge in period	26,235
At 31 December 2011	308,990
Net book value	
At 31 December 2011	40,810
At 31 March 2011	67,045

11. TANGIBLE FIXED ASSETS

Group

	Leasehold improve- ment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2011	363,034	640,172	2,186,048	3,189,254
Additions	1,650,099	166,405	1,580,052	3,396,556
Disposals	(314,790)	(562,312)	(24,502)	(901,604)
At 31 December 2011	1,698,343	244,265	3,741,598	5,684,206
Depreciation				
At 1 April 2011	167,569	460,383	1,195,875	1,823,827
Charge in period	101,238	82,978	661,224	845,440
Disposals	(190,938)	(510,374)	(15,245)	(716,557)
At 31 December 2011	77,869	32,987	1,841,854	1,952,710
Net book value				
At 31 December 2011	1,620,474	211,278	1,899,744	3,731,496
At 31 March 2011	195,465	179,789	990,173	1,365,427

The net book value of fixed assets includes £813,628 (31 March 2011 - £nil) of fixed assets held under finance leases

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

11. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold improve- ment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2011	363,034	640,172	2,186,048	3,189,254
Additions	1,650,099	152,404	1,498,743	3,301,246
Disposals	(314,790)	(562,312)	(24,502)	(901,604)
At 31 December 2011	<u>1,698,343</u>	<u>230,264</u>	<u>3,660,289</u>	<u>5,588,896</u>
Depreciation				
At 1 April 2011	167,569	460,383	1,195,875	1,823,827
Charge in period	101,238	81,543	648,419	831,200
Disposals	(190,938)	(510,374)	(15,245)	(716,557)
At 31 December 2011	<u>77,869</u>	<u>31,552</u>	<u>1,829,049</u>	<u>1,938,470</u>
Net book value				
At 31 December 2011	<u>1,620,474</u>	<u>198,712</u>	<u>1,831,240</u>	<u>3,650,426</u>
At 31 March 2011	<u>195,465</u>	<u>179,789</u>	<u>990,173</u>	<u>1,365,427</u>

12. INVESTMENTS

Company	Subsidiary undertakings £		
Cost			
Additions and at 31 December 2011			<u>308,718</u>
Subsidiary undertakings:	Country of incorporation	Principal activity	%
Jagex Holdings Limited, Inc	United States	Game development and publishing	100

13. STOCKS

	Group 31 December 2011 £	31 March 2011 £	Company 31 December 2011 £	31 March 2011 £
Finished goods and goods for resale	<u>234,873</u>	<u>260,251</u>	<u>234,873</u>	<u>260,251</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

14. DEBTORS

	Group 31		Company 31	
	December 2011	31 March 2011	December 2011	31 March 2011
	£	£	£	£
Due within one year				
Trade debtors	3,143,157	2,756,300	3,143,157	2,756,300
Prepayments and accrued income	769,115	1,239,193	768,848	1,239,193
Other debtors	5,664	-	5,664	-
Corporation tax	1,109,123	-	1,109,123	-
Net deferred tax asset (note 18)	150,940	112,743	150,940	112,743
	<u>5,177,999</u>	<u>4,108,236</u>	<u>5,177,732</u>	<u>4,108,236</u>
Due after more than one year				
Other debtors	61,096	169,995	6,345	169,995
	<u>5,239,095</u>	<u>4,278,231</u>	<u>5,184,077</u>	<u>4,278,231</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31		Company 31	
	December 2011	31 March 2011	December 2011	31 March 2011
	£	£	£	£
Obligations under finance leases and hire purchase contracts	305,481	-	305,481	-
Other loans	35,050	34,980	35,050	34,980
Trade creditors	1,250,507	366,101	1,211,195	366,101
Corporation tax	-	2,027,792	-	2,027,792
Amounts payable to intercompany creditors	-	-	1,192,234	-
Other taxes and social security	3,745,078	3,493,229	3,745,011	3,493,229
Other creditors	2,571,501	13,898	2,571,501	13,898
Accruals and deferred income	6,962,997	6,392,832	6,278,531	6,392,832
	<u>14,870,614</u>	<u>12,328,832</u>	<u>15,339,003</u>	<u>12,328,832</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 31		Company 31	
	December 2011	31 March 2011	December 2011	31 March 2011
	£	£	£	£
Obligations under finance leases and hire purchase contracts	534,311	-	534,311	-
Other loans	6,017	32,322	6,017	32,322
Other long term creditors	2,556,002	-	2,556,002	-
Advanced development fee	410,735	205,368	410,735	205,368
	<u>3,507,065</u>	<u>237,690</u>	<u>3,507,065</u>	<u>237,690</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Other loans represent unsecured amounts repayable to Andrew Gower of £36,750 (31 March 2011 - £60,375) and Paul Gower of £4,317 (31 March 2011 - £6,927). Each loan is repayable monthly at a rate of £2,625 and £290 respectively and are interest free and will be fully repaid by 31 March 2013.

	Group		Company	
	31	31 March	31	31 March
	December	2011	December	2011
	2011	2011	2011	2011
	£	£	£	£
Finance lease are repayable as follows				
Between one and two years	305,481	-	305,481	-
Between two and five years	228,830	-	228,830	-
After five years	-	-	-	-
	<u>534,311</u>	<u>-</u>	<u>534,311</u>	<u>-</u>
On demand or within one year	305,481	-	305,481	-
	<u>839,792</u>	<u>-</u>	<u>839,792</u>	<u>-</u>

17. PROVISIONS FOR LIABILITIES

Group

	Onerous lease provisions £
At 1 April 2011	-
Charged to profit and loss account	3,316,771
At 31 December 2011	<u>3,316,771</u>

Company

	Onerous lease provisions £
At 1 April 2011	-
Charged to profit and loss account	2,941,304
At 31 December 2011	<u>2,941,304</u>

The property provision represents management's estimates of the future excess costs associated with the properties not currently utilised by the business. In accordance with FRS 12, the provision has been discounted at the group's weighted average cost of capital to take into account the time value of money.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

18. DEFERRED TAX ASSET

	31 December 2011 £	31 March 2011 £
Group and company		
At 1 April 2011	112,743	219,956
Credit (charge) to profit and loss account	38,197	(107,213)
At 31 December 2011	<u>150,940</u>	<u>112,743</u>
The deferred taxation balance is made up as follows		
Accelerated capital allowances	121,761	72,661
Other timing differences	29,179	40,082
	<u>150,940</u>	<u>112,743</u>

19. CALLED UP SHARE CAPITAL

	31 December 2011 £	31 March 2011 £
Allotted, called up and fully paid		
1,126,753,628 ordinary shares of 10p each	<u>11,267</u>	<u>11,267</u>

20. SHARE BASED PAYMENTS

Equity-settled share option schemes

The company has a share option scheme for certain employees of the company. Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of grant. The vesting period is up to five years. Options are forfeited if the employee leaves the company before the options vest.

Details of the share options outstanding during the year are as follows

	31 December 2011		31 March 2011	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	-	-	662	£0.10
Granted during the year	-	-	338	£0.10
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(1,000)	£0.10
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

20. SHARE BASED PAYMENTS (continued)

The inputs into the Black-Scholes model are as follows

	31 December 2011	31 March 2011
Weighted average share price (p)	-	£1,419 00
Weighted average exercise price (p)	-	£0 10
Expected volatility	-	80%
Expected life (years)	-	-
Risk-free rate (%)	-	4%
Expected dividend yield (%)	-	10%

Expected volatility was determined by referring to the share price of a selection of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised total expenses of £nil (31 March 2011 - £938,420) related to equity-settled share-based payment transactions in 2011.

Due to the change of control during the year ended 31 March 2011 all options were exercised.

21. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium £	Profit and loss account £
Group		
At 1 April 2011	80	8,923,236
Loss for the financial period	-	(9,538,747)
At 31 December 2011	80	(615,511)
Company		
At 1 April 2011	80	8,923,236
Loss for the financial period	-	(9,533,575)
At 31 December 2011	80	(610,339)

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

22. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' (DEFICIT) FUNDS

	31 December 2011 £	31 March 2011 £
(Loss) profit for the financial period	(9,538,747)	6,730,298
Share based payments	-	938,420
Share issue	-	100
Net (decrease) increase in shareholders' funds	(9,538,747)	7,668,818
Opening shareholders' funds	8,934,583	1,265,765
Closing shareholders' (deficit) funds	<u>(604,164)</u>	<u>8,934,583</u>

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	31 December 2011 £	31 March 2011 £
Operating (loss)/profit	(9,869,266)	10,657,531
Amortisation of intangible fixed assets	26,235	34,980
Depreciation of tangible fixed assets	845,440	672,964
Loss on disposal of tangible fixed assets	185,047	2,652
Share based payments	-	938,420
Decrease in stocks	25,378	9,728
Decrease in debtors	186,456	608,892
Increase in creditors	6,820,024	422,110
Increase in provisions	3,316,771	-
Net cash inflow from operating activities	<u>1,536,085</u>	<u>13,347,277</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	31 December 2011 £	31 March 2011 £
Returns on investments and servicing of finance		
Interest received	30,898	32,985
Interest paid	(17,472)	(21)
	<u>13,427</u>	<u>32,964</u>
Net cash inflow from returns on investments and servicing of finance		
	<u>13,427</u>	<u>32,964</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,555,573)	(949,009)
Sale of tangible fixed assets	-	2,056
	<u>(2,555,573)</u>	<u>(946,953)</u>
Net cash outflow from capital expenditure and financial investment		
	<u>(2,555,573)</u>	<u>(946,953)</u>
Financing		
Repayment of loans	(26,235)	(35,013)
Advanced development fee	205,367	205,368
Capital element of finance lease rental payments	(1,191)	-
	<u>177,941</u>	<u>170,355</u>
Net cash inflow from financing		
	<u>177,941</u>	<u>170,355</u>

25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2011 £	Cash flow £	Other non- cash changes £	At 31 December 2011 £
Cash at bank and in hand	15,530,151	(3,686,139)	-	11,844,012
Debt				
falling due within one year	(34,980)	(70)	-	(35,050)
falling due after more than one year	(237,690)	(179,062)	-	(416,752)
Finance leases	-	1,191	(840,983)	(839,792)
	<u>15,257,481</u>	<u>(3,865,271)</u>	<u>(840,983)</u>	<u>10,552,418</u>
Net funds				
	<u>15,257,481</u>	<u>(3,865,271)</u>	<u>(840,983)</u>	<u>10,552,418</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS 9 months ended 31 December 2011

26. PENSION COMMITMENTS

The Group operates a defined contributions pension schemes. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £55,483 (year ended 31 March 2011 - £11,722). The unpaid contributions accrued at the year end were £16,130 (31 March 2011 - £13,985).

27. FINANCIAL COMMITMENTS

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	31 December 2011 £	31 March 2011 £	31 December 2011 £	31 March 2011 £
Leases which expire.				
Less than one year	-	312,345	-	7,053
Between one and five years	1,556,538	525,000	26,775	-
	<u>1,556,538</u>	<u>837,345</u>	<u>26,775</u>	<u>7,053</u>

At 31 December 2011 the company had capital commitments amounting to £58,112 (31 March 2011 - £176,750)

28. RELATED PARTY TRANSACTIONS

Included within creditors are obligations under loan notes which are due to A and P Gower former shareholders and directors, and is non interest bearing. At 31 December 2011, the balance outstanding amounted to £41,067 (31 March 2011 - £67,302). The balance outstanding is interest free and repayable on a monthly basis at a rate of £2,915.

29. CONTROLLING PARTY

The controlling party is Insight Venture Partners, as a result of controlling directly 55% of the issued share capital of the company.