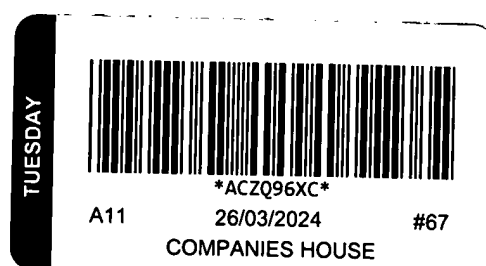


Jagex Limited
Annual Report and Financial Statements
for the year ended 31 December 2022

Company Registration Number: 03982706



Jagex Limited

Annual Report and Financial Statements 31 December 2022

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Jagex Limited

Report and Financial Statements 31 December 2022

Officers and Professional Advisers

Directors

P Mansell
R Varachia

Secretary

Prism Cosec Limited

Registered Office

220 Cambridge Science Park
Milton
Cambridge
CB4 0WA
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
4th Floor
One Reading Central
23 Forbury Road
Reading
RG1 3JH
United Kingdom

Jagex Limited

Strategic Report for the year ended 31 December 2022

During 2022 the Company further enhanced its gaming portfolio with two acquisitions. Pipeworks, Inc ("Pipeworks"), a games developer based in Oregon, USA was acquired in June 2022 by Jagex Limited's subsidiary, Jagex Holdings Limited, Inc. The Croatian studio Gamepires d.o.o. ("Gamepires") was directly acquired by Jagex in December 2022.

This strategic report has been prepared for Jagex Limited as a standalone company.

Business Review

By focusing on our player communities, we have grown revenues by 10% year on year to £137m (2021: £125m). Adjusted EBITDA for the year is £68m profit (2021: £54m). The Company's net assets increased to £87m in 2022 (2021: £49m).

Following a very strong 2021, the games industry has seen an overall decline in 2022. Market research firm Newzoo reported that global games revenue in 2022 was \$182.9bn (2021: \$192.7bn). With the pandemic and lockdown measures in the rear-view mirror, consumer spending on gaming faces more competition from a wider range of entertainment forms. Market research firm Newzoo described 2022 as "a corrective year following two years of lockdown-fuelled growth for the market".

The core Jagex games, RuneScape and Old School RuneScape are long established with a large, loyal fan base and engaged player community. Both games benefit from Jagex's established skills in live service games, combining player involvement, community interaction and data-derived insights to shape each product around its players' needs. Whilst the games are available free-to-play, 74% (2021: 71%) of Jagex revenue comes from subscription memberships giving access to exclusive content with 2.3 million (2021: 2.3m) total subscribers and 1.1 million (2021: 1.1m) average daily subscribers to the games in 2022.

The end of Covid-19 restrictions during 2022 created headwinds for much of the gaming industry globally, yet Jagex maintained membership numbers across the year despite this challenging backdrop. Frequent updates to both RuneScape and Old School RuneScape maintained player engagement and excitement throughout the year. Jagex's recurring revenue underpins the forever games business model. Our live operations nourish the community through constant communication, player polls and out-of-game engagement, which leads to sustainable levels of monetization, which in turn enables our teams to add new and consistent content to the franchise, thus keeping players engaged. Moreover, our marketing teams apply integrated CRM tools to improve engagement with current players and re-engage lapsed players through in-game messaging, push notifications etc, to ensure players get the most relevant and dynamic content in our communications, thus sustaining a healthy player base.

Old School's notable updates of Leagues III in January, Guardians of the Rift in March, Giant's Foundry in June and Tombs of Amascut in August provided players with a steady stream of content throughout the year. Similarly, RuneScape had an equally busy content schedule with major updates such as Het's Oasis in January, the Extinction Grand Master Quest in April, the Zamarok, Lord of Chaos Boss in July, the Wilderness rework in August, and the Succession Quest in December. Fresh Start Worlds were a new addition to both games in the second half of the year, which provided new and veteran players with an opportunity to play on game servers where all characters started afresh with no experience. Fresh Start Worlds were a success, attracting new players to the game and creating a new game feel for existing players.

The Company Performance in 2022 and comparative information for the previous year is summarised below.

Jagex Limited

Strategic Report for the year ended 31 December 2022

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue (£000)	137,421	124,863
Adjusted EBITDA (£000)	67,597	54,427
Subscribers/ Average Daily Members (million)	1.1	1.1

Key performance indicators

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

- Revenue;
- Subscribers, defined as average number of daily subscribers during the year;
- Adjusted EBITDA, defined as Operating Profit excluding equity settled Share Based Payment charges, Depreciation and Amortisation as well as certain items that are considered to be outside the ordinary course of business. These items may be recurring or non-recurring. Recurring items can include purchase price adjustments such as amortisation of acquired intangible assets, acquisition related items and fair value adjustments. Non-recurring items include gains and losses on the disposal of assets, impairment charges, M&A and restructuring related costs, as well as certain other one-off or non-operational adjustments. See page 53 for a reconciliation of Adjusted EBITDA to Profit before tax.

Principal Risks and Uncertainties

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

- competitive pressure, together with changing player preferences, which could result in losing active players and subscribers 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.
- product quality and technical maintenance, which if allowed to drop too far can result in poor user experience, downtime and higher costs for upkeep.
- changes in general legislation (including evolving data privacy obligations), tax obligations within the multi-jurisdictional territories the business' products operate in or change in policies on the distribution channels its products use. In particular, changes to the legislation regarding "loot box" monetisation methods could result in requirements to alter the design of the games and impact the monetisation strategies available to the business.
- hiring and retention of qualified personnel, key person dependency and succession planning.
- requirement for a more resilient business continuity plan to withstand and respond effectively to any force majeure events.
- susceptibility to cyber-attack (e.g. phishing and malware attacks) due to the increasing sophistication of threat actors and the business' increased profile.
- failure in financial controls resulting in loss, fraud, misstated financial statements, regulatory non-compliance and reputational damage.

Jagex Limited

Strategic Report for the year ended 31 December 2022

- fraudulent or illegal use of Jagex's digital currency ('RuneScape Gold') through third party platforms reduces revenue streams for the business.
- increased interest rates and high inflation impacting both the Company directly and customer base.

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

- continuing to innovate and test 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 greenlight process for all new products and content, to ensure we keep the quality of our offerings high.
- continuing to perform and develop technology maintenance, technology and product testing, and customer focus groups to receive feedback and identify areas for improvement.
- developing and launching new games including additional content in our current games as well as other new titles, whilst regularly monitoring player behaviour by utilising the high degree of skill we have in our analytic teams and interacting with the community, as well as through observing games industry trends.
- working with industry bodies and partners to guide best practice on issues susceptible to regulation, regularly reviewing upcoming legislation and policy, and adopting best-in-class standards for our key markets and distributions partners, subject to competing demands on the business.
- continuing to regularly review employee benefits and compensation packages to make sure we remain competitive in the market.
- broadening cyber security technology stack and IT security maturity, whilst focusing on staff training exercises and strengthening the business' in-house cyber security team.
- regular and ongoing review of financial controls and governance mechanisms with a continuous improvement approach.
- working with third party partners and litigators to limit the remit of third parties distributing Jagex's digital currency (including use of AI platforms to automate processes where possible) to prevent revenue loss to the business.

Future Developments

The board of directors are excited about the Company's future and anticipate continued growth and success for the business, driven by its commitment to building the communities of its forever games.

The Company's key strategies are to continue to grow its existing games, to expand the RuneScape IP by developing new games and to take advantage of M&A opportunities to further expand its game portfolio and becoming a leading GaaS (Games-as-a-Service) platform.

Strengthening Jagex's existing products is at the forefront of our strategy. To deliver on this, Jagex will continue to enhance its existing products with frequent additions and improvements driven by input from its player communities and support from the Company's newly acquired company Pipeworks. Jagex is also continuing to invest in its development infrastructure to improve overall development efficiency.

The Company believes in the strength and player appeal of the RuneScape IP and is appraising and investing in new products within the RuneScape franchise. In 2022, new product and technologies R&D investment totalled £9.4m of which £7.2m was capitalised.

Jagex Limited

Strategic Report for the year ended 31 December 2022


Following a strategic review of the company's third-party publishing efforts in 2023, the decision was taken to refocus publishing efforts on owned IP, especially titles acquired via M&A. As such, the company will step away from actively building a third-party product portfolio and only consider such deals opportunistically. Third-party publishing was a modest line of business with revenue of only £2.7m in 2022 (£1.4m in 2021).

Jagex is actively pursuing an M&A strategy to acquire companies that expand its game portfolio or facilitate its wider strategic goals. The games market is still highly fragmented with multiple independent, under-utilised community driven IPs. We have built a thorough and established screening process of M&A targets, as well as a best-in-class M&A team and infrastructure set-up.

In line with its strategy, in June 2022 Jagex acquired Pipeworks, a talented Oregon, USA, based development studio, to increase Jagex's internal development capabilities and expand its portfolio. In December 2022 Jagex also acquired Gamepires, a Zagreb, Croatia based development studio behind the open world survival crafting game SCUM, currently in early access with c.3 million copies sold and a highly engaged community. The game is slated for full commercial launch in summer 2024. Jagex remains open to and is actively seeking further M&A opportunities where appropriate.

In February 2024, the Group's ultimate parent, Carlyle Group Inc, reached an agreement to sell the Group to CVC Capital Partners and Haveli Investments subject to regulatory approvals. As of the date of this report, the sale has not yet completed.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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P Mansell
Director
23 March 2024

Jagex Limited

Section 172 statement For the year ended 31 December 2022

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 outlines 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, wider market trends, 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 our Company's strategic aims we believe growth in Jagex's talent base is critical to our success. Employee engagement is therefore crucial, and Jagex is 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 the Company.

Jagex 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 2022 Jagex ran two types of employee survey which provide different but complimentary insights. In 2022 Jagex launched its first Organisational Health Survey run by a third-party provider, Entromy. This is an annual survey and is broader and more focused on the organisation's effectiveness. It asks employees' experiences and feedback across company capabilities, strengths, talent and vision. The other type of survey is Jagex Voice, which is a shorter twice-yearly survey focused more on staff engagement locally across the company. As an output from the surveys Jagex has taken a number of actions to proactively improve representation and diversity within the company, such as the 'Breakthrough Leadership Programme', which was introduced during the year and aims to increase female leadership within Jagex.

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 and annual bonus scheme. These benefits, coupled with

Jagex Limited

Section 172 statement For the year ended 31 December 2022

our ability to offer remote working solutions, enables Jagex to remain attractive in a highly competitive labour market, and to recruit both local and international top talent into the global business.

As the gaming industry has increasingly shifted towards remote working post Covid-19, Jagex's workforce remained primarily remote throughout 2022. Jagex adopted its Remote Working Policy in the second half of 2021, which has enabled its staff to continue working from their preferred location, either at their home or the office. Once pandemic related lockdown restrictions were lifted, Jagex's Remote Working Policy has continued to be shaped by staff feedback.

The board of directors recognises the importance of having a diverse workforce that both reflects Jagex'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; Remote Working Policy; Parental Leave Policy; and Maternity, Paternity and Adoption Policies. The Company has also established a dedicated Diversity Group, consisting of staff from across the business.

Relationship with Players

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

Player feedback across Jagex's games is collated by multiple teams and fed back to the Development teams, mainly by the Community Management team, whose primary focus is player engagement, sentiment monitoring, management and communicating directly with our players via social media channels.

Jagex's players have a direct impact on the content we make and help us to shape our content roadmap, uniquely voting on content for its hugely successful and award-winning title Old School RuneScape. Over the 10 years since launching in 2013, Jagex have held hundreds of weekly polls with over 100 million votes cast in that time. Players give feedback directly on proposed design and vote on future content with a 70% minimum approval requirement to release, lowered from October as part of a new Polling Charter which involves players earlier and more often throughout the design process. Over 2,000 potential updates have been polled since 2013, with over 90% of proposed updates passing. In December, players voted to introduce the first new skill to Old School RuneScape, with over 190,000 players participating in the poll. Jagex's polling system ensures that only high-quality content that improves the game is added and keeps players engaged both in Old School RuneScape and its ongoing development.

In order to fully understand its players, Jagex enjoys an ongoing dialogue with them through social platforms including Twitter, Facebook, Instagram, Reddit, and Discord and Prime Gaming, as well as dedicated player forums and frequent surveying. In addition, Jagex hosts regular player visits and play tests, enabling Jagex to engage in deep discussions with selected groups of players on new and existing content. Traditionally Jagex have held an annual festival of players called RuneFest, where players can directly interact and meet with us. Unfortunately, this was disrupted by Covid-19 and the aftermath, but we are re-imagining real world engagement events with players and have plans to resume in 2024.

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

Jagex Limited

Section 172 statement For the year ended 31 December 2022

To support its safeguarding of players online, Jagex has an advanced proprietary chat monitoring system that scans approximately 20 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.

Jagex has developed its online safety policies and procedures in partnership with:

- Internet Watch Foundation
- Local Cambridge Police - including a Memorandum of Understanding with them which ensures they prioritise Jagex reports of harm in game
- 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

The Company 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 the Company's energy efficiency, increase recycling, and support charities important to the Company's player base. Currently these charity partners are CPSL Mind, Blueprint For All, and Rise Above the Disorder. The Company also supports Special Effect, which provides access to games for people with disabilities. Jagex's charities efforts have raised in excess of £2.1million for charity since 2013 with help from staff and players.

Jagex has involved its community in its charity work in-game for the following events:

1. Mental Health Awareness Week in May
2. World Mental Health Day in October
3. One Special Day in October

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

Jagex Limited

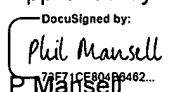
Section 172 statement For the year ended 31 December 2022

Engagement with the regulators and understanding of regulatory strategy

Jagex has been an active contributor to the UK games trade body, UKIE, both on the Board and the Policy Group, which works with UK government to champion a range of issues including regulation, age ratings, education and skills, access to finance and protecting intellectual property rights.

Jagex worked as part of the UK Government convened Department of Culture Media & Sport (DCMS) Technical working group, to produce industry guidance and best practice on paid loot boxes in games in 2023. Jagex continues to liaise with UK Government and regulators and attended a number of round tables with DCMS ministers and officials.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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P Mansell
Director
23 March 2024

Jagex Limited

Directors' Report for the year ended 31 December 2022

The directors present their annual report on the affairs of the Company, together with the financial statements and independent auditors' report, for the year ended 31 December 2022. Information in connection with Section 172 can be found on pages 6 to 9.

General information

Jagex Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is 220 Cambridge Science Park, Cambridge, England, CB4 0WA.

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

The immediate parent company is June UK BidCo UK Limited, and in the opinion of the directors the ultimate controlling party is the ultimate parent company, CP VII Holdings III S.à r.l, a company registered in Luxembourg.

Future developments

Details of future developments can be found in the Strategic Report and forms part of this report by cross-reference on page 4.

In February 2024 Carlyle Group Inc reached an agreement to sell the Group to CVC Capital Partners and Haveli Investments subject to regulatory approvals. As of the date of this report, the sale has not yet completed.

Going concern

The Company's business activities are set out in the Strategic Report.

The accounts have been prepared on a Going Concern basis. However, as noted above there is a potential pending sale of the Group which is expected to result in a change in ownership and control of the Company and Group within 12 months of the date of approval of this report and financial statements. In the event of a change in ownership, the directors cannot assess or control all circumstances in the future of the Company and the Group. This includes, but it is not limited to the strategy and plan for the Company and the Group and the intent and ability of any new owners to continue to operate and finance the Company and the Group.

As a result, there is material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. There is a reasonable expectation that the company will continue to operate for the foreseeable future and as such the accounts are prepared on a Going Concern basis with no adjustments.

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

Dividends

No dividends were paid, declared, or proposed during the year (2021: £12.1m (1.1p per share)). The Dividend payments in 2021 and after the balance sheet date are noted in Note 23 to these financial statements.

Research and development

The Company 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

Jagex Limited

Directors' Report for the year ended 31 December 2022

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.

The amount charged to the income statement for new products for the year ended 31 December 2022 in relation to research and development activities was £2.2m (2021: £2.7m)

Political contributions

No political donations were made during the year.

Post balance sheet events

A dividend of £3m was paid in June 2023.

There were no other significant post statement of financial position events which have affected the Company since the year end.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

P Mansell
R Varachia

Qualifying third party indemnity insurance

Throughout the period, and as at the date of approval of the financial statements, indemnity insurance was held for the Directors of the Company.

Employees

The Company's policy is to encourage employee involvement, thereby improving performance through increased engagement. Information on matters of concern to employees is given through regular Live Streams, Town Halls, employee forums, management meetings and regular stand-ups and team briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Employees or their representatives are consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests. Employees are encouraged to be involved in the company's performance through a bonus scheme linked to individual and Company performance.

The Company gives full consideration to applications for employment from disabled persons where the requirement of the job, with adaptations if necessary, can be adequately filled by the applicant. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Company continues and the appropriate adjustments are made. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Statement on engagement with suppliers and customers in a business relationship with the company

The directors are mindful of their statutory duty to act in the way they each consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members, as set out in our section 172 statement on pages 6 to 9.

Jagex Limited

Directors' Report for the year ended 31 December 2022

Price risk, credit risk, liquidity risk, foreign exchange risk and cash-flow risk

The Company operates in a competitive industry and, therefore, faces price risk. Where possible, the Company attempts to pass on any increased costs to its customers, although competition in the industry is occasionally a barrier. This is mitigated by focusing on growing the higher margin revenue streams.

The Company's principal financial assets are bank and cash balances and trade and other receivables. The Company faces little financial risk in the form of bad debts, due to the nature of its trading activities with a large proportion of revenue paid via third party payment processors, regulated by the banking sector. Other receivables are monitored on a regular basis.

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

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company seeks to minimise exposure by matching foreign currency receipts to payments in the same currency where possible and arranging contracts in relevant currency if applicable.

Greenhouse gas emissions and energy use

The Company is committed to managing our environmental impact and is fully aware that by considering the environment in our decision making, particularly around technology adoption, we can have a beneficial impact on the Company's performance. Our key environmental impacts are from running our office and business travel. For this report we are disclosing our Scope 1 and 2 UK emissions. The Company is still quantifying Scope 3 emissions for future disclosure, however these are not expected to be material.

The running of our UK office accounts for the majority of the Company's electricity usage, and we continue to look for opportunities to improve efficiency and performance. The Company's intensity ratio has decreased significantly due to an increase in net operating income.

We are also mindful of the environmental impact of our office and have a clear preference for office buildings rated as energy efficient.

In addition, we have well-established waste management initiatives in place to effectively reduce our carbon footprint, including management and reduction of waste, which have been implemented across the organisation. We recently introduced reusable cups for all employees in the UK, which eliminated cup usage, thereby reducing consumption by approximately 300,000 per year. In addition, where possible we recycle all paper, cardboard waste, aluminium cans and plastics and also operate a managed print solution to help control paper usage. We use a registered waste disposal contractor for their strict compliance with relevant waste legislation.

The business has offered flexible working throughout the period, and the majority of the workforce are remote. While working on site, the studio is fitted with light sensors in most areas to support minimisation of electricity usage. 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.

Due to the nature of our business we do not consider that our emissions present a risk that is material to the Company or the users of the financial statements.

Jagex Limited

Directors' Report for the year ended 31 December 2022

Methodology

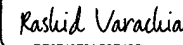
Greenhouse gas emissions are collated, calculated and presented using the methodology set out in WRI/WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004. When reporting emissions related to purchased electricity, the UK Government's grid average conversion factors have been applied to all electricity purchased. All data from outside the UK has been excluded, in line with the Streamlined Energy and Carbon Reporting guidance.

	Unit	Year ended 31 December 2022	Year ended 31 December 2021
Energy consumption	kWh		
Scope 1:			
Gas consumption		571,025	702,018
Scope 2:			
Electricity consumption		1,629,819	1,739,902
Scope 3:			
Energy consumption from transport*		-	-
Greenhouse gas emissions	tCO ₂ e		
Scope 1:			
Gas consumption		109	129
Scope 2:			
Electricity consumption		315	369
Scope 3:			
Energy consumption from transport*		-	-
Adjusted EBITDA**	£m	67.6	54.4
Intensity ratio (total global emissions/Adjusted EBITDA)	tCO ₂ e/£m	9.7	13.5

* Management continues to work through the quantification of the energy use and related emissions from business travel in rental cars or employee-owned vehicles where they are responsible for purchasing the fuel but that these are not expected to be material.

** Adjusted EBITDA has been used as entity management believe this is the most appropriate representation for the purposes of calculating the Intensity Ratio. See page 53 for a reconciliation of Adjusted EBITDA to Loss before tax.

Approved by the Board and signed on its behalf by:

DocuSigned by:

 Rashid Varachia
 Director
 23 March 2024

Jagex Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

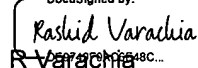
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Approved by the Board and signed on its behalf by:

DocuSigned by:

Rashid Varachia
Director
23 March 2024

Independent auditors' report to the members of Jagex Limited

Report on the audit of the financial statements

Opinion

In our opinion, Jagex Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of financial position as at 31 December 2022; Income Statement and Statement of Other Comprehensive Income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2b to the financial statements concerning the company's ability to continue as a going concern. There is a potential pending sale of the company which is expected to result in a change in ownership and control of the Company within 12 months of the date of approval of this report and financial statements. In the event of a change in ownership, the Directors cannot assess or control additional future potential scenarios for the Company. This includes, but it is not limited to the strategy and plan for the Company and the intent and ability of any new owners to continue to operate and finance the Company.. These conditions, along with the other matters explained in note 2b to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Tax Legislation and Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Evaluated compliance with tax laws and regulations during the year through our testing of tax balances, including Global Sales Taxes, Video Games Tax Relief and Patent Box;
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Reviewing the financial statement disclosures and agreement to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

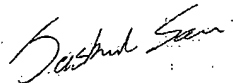
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
23 March 2024

Jagex Limited

Income statement and statement of other comprehensive income

	Notes	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Revenue	5	137,421,027	124,862,810
Cost of sales		<u>(16,836,745)</u>	<u>(16,390,698)</u>
Gross profit		120,584,282	108,472,112
Administrative expenses	6	<u>(85,946,377)</u>	<u>(71,469,139)</u>
Operating profit		34,637,905	37,002,973
Equity settled share based payments charge	21	416,148	1,419,400
Impairment of assets	11,14,15	20,693,624	-
Depreciation & amortisation of assets	11,12	5,674,894	3,043,251
Non-recurring items	6	6,174,124	12,961,617
Adjusted EBITDA		67,596,695	54,427,241
Finance income	9	2,428,999	15,452
Finance costs	9	<u>(235,994)</u>	<u>(234,497)</u>
Net finance income / (expense)		2,193,005	(219,045)
Profit on ordinary activities before taxation		36,830,910	36,783,928
Income tax	10	<u>1,235,148</u>	<u>(1,661,544)</u>
Profit for the year		38,066,058	35,122,384
Total comprehensive income for the year		38,066,058	35,122,384

All activities derive from continuing operations.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Jagex Limited**Statement of financial position**

	Note	As at 31 December 2022 £	As at 31 December 2021 £
Assets			
Investments	14	53,346,477	-
Intangible assets	11	16,474,145	14,919,119
Property, plant and equipment	12	5,409,639	2,517,632
Right of use asset	13	3,614,066	3,735,528
Other non current assets	15	1,627,906	4,342,900
Deferred tax asset	20	171,311	1,165,242
Non-current assets		80,643,544	26,680,421
Trade and other receivables	15	35,642,872	26,043,681
Current income tax receivables		1,929,639	-
Cash and cash equivalents	17	29,304,693	45,640,797
Current assets		66,877,204	71,684,478
Total assets		147,520,748	98,364,899
Equity			
Share capital	22	11,267	11,267
Share premium	22	80	80
Retained earnings	22	87,443,310	48,961,104
Total equity		87,454,657	48,972,451
Liabilities			
Provisions	19	3,990,050	13,320,458
Other non-current liabilities	16	8,806,835	-
Non-current lease liabilities	18	2,914,860	3,510,890
Deferred tax liability	20	217,432	-
Non-current liabilities		15,929,177	16,831,348
Trade and other payables	16	42,807,226	30,984,065
Current income tax		158,914	676,786
Current lease liabilities	18	1,170,774	900,249
Current liabilities		44,136,914	32,561,100
Total liabilities		60,066,091	49,392,448
Total equity and liabilities		147,520,748	98,364,899

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements of Jagex Limited, registered number 03982706, on pages 19 to 53 were approved by the board of directors and authorised for issue on 23 March 2024. They were signed on its behalf by:

DocuSigned by:

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 R Varachia
 Director

Jagex Limited

Statement of changes in equity

	Note	Share capital £	Share premium £	Retained earnings £	Total £
Balance as at 1 January 2021		11,267	80	24,499,594	24,510,941
Comprehensive income:					
Profit for the financial year		-	-	35,122,384	35,122,384
Total comprehensive income		-	-	35,122,384	35,122,384
Transactions with owners:					
Dividends	23	-	-	(12,080,274)	(12,080,274)
Share based payment	21	-	-	1,419,400	1,419,400
Balance as at 31 December 2021		11,267	80	48,961,104	48,972,451
Comprehensive income:					
Profit for the financial year		-	-	38,066,058	38,066,058
Total comprehensive income		-	-	38,066,058	38,066,058
Transactions with owners:					
Dividends	23	-	-	-	-
Share based payments	21	-	-	416,148	416,148
Balance as at 31 December 2022		11,267	80	87,443,310	87,454,657

The above company statement of changes in equity should be read in conjunction with the accompanying notes.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 "Reduced Disclosure Framework").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

For all periods up to and including the year ended 31 December 2022, the company prepared its financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and the Companies Act 2006. These policies have been applied consistently, other than where new policies have been adopted.

These financial statements are prepared on a going concern basis, and under the historical cost convention.

The functional currency of Jagex Limited is 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 and all values are rounded to the nearest pound sterling, except when otherwise indicated. Foreign operations are included in accordance with the policies set out below.

In preparing these financial statements the company has taken advantage of certain disclosure exemptions contained within FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - A reconciliation of shares outstanding at the beginning and end of the period (IAS 1.79 (a) (iv))
 - A reconciliation of carrying amount of PPE at the beginning and end of the period (IAS 16.73 (e))
 - A reconciliation of carrying amount of intangible assets at the beginning and end of the period (IAS 38.118 (e))
- The following paragraphs of IAS 1, 'Presentation of financial statements'
 - 10(d) (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

- restatement of items in its financial statements, or when it reclassifies items in its financial statements)
- 16 (statement of compliance with all IFRS)
- 38B-D (additional comparative information)
- 111 (statement of cash flows information); and
- 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

b. Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, the principal risks and uncertainties as well as the key performance indicators are set out in the Strategic Report. Critical accounting assumptions and key estimates are set out in Note 4.

The Company made net profit before tax £36.8m and maintained sufficient cash reserves (2022: £29.3m, 2021: £45.6m) despite investment in development and a significant amount of non-recurring expenditure in the year. The Company continues to have strong revenue from existing games and has continued to grow following the higher-than-expected revenue during the Covid 19 pandemic.

The Company continues to hold sufficient cash reserves to meet its ongoing trading obligations and short term working capital requirements. It is forecast to remain cash positive.

The Directors have reviewed financial projections, including P&L and future cash flows, through to the end of June 2025 and believe them to be prudent and achievable. These forecasts demonstrate continued positive cash generation and full compliance with all banking covenants at the required testing dates.

Key severe but plausible downside scenarios have been sensitised with particular attention to interest rates, revenue and foreign exchange to assess the ability to continue as a going concern in the event of an adverse event. This process included performing a reverse stress test on liquidity and compliance to identify key break points. Under all the sensitivities modelled there would be sufficient cash reserves to continue to meet its obligations as they fall due and meet all covenants, without the need for substantive mitigating actions. The Directors consider that the break points identified follow highly remote scenarios.

At the date of signing these financial statements, there is a potential pending sale of the Group which is expected to result in a change in ownership and control of the Company and Group within 12 months of the date of approval of this report and financial statements. In the event of a change in ownership, the Directors cannot assess or control additional future potential scenarios for the Company and the Group. This includes, but it is not limited to the strategy and plan for the Company and the Group and the intent and ability of any new owners to continue to operate and finance the Company and the Group.

As a result, there is material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern. However, the Directors have a reasonable expectation

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

that the Company and Group will continue in operational existence for the foreseeable future and that the Group and the Company has adequate resources to do so. As such, they continue to adopt the going concern basis in preparing the annual financial statements for the Group and the Company and the financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

c. Revenue

Revenue arises mainly from the sale of subscriptions, microtransactions, merchandise and advertising, as well as fulfilling promotional offers for platforms the Company has master service agreements with.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring control of the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as trade and other payables in the statement of financial position (see note 16).

The Company generates revenue through developing, publishing and operating online games and associated services. The business model is predominantly free-to-play games supported by optional subscriptions and microtransactions, with an emphasis on provision of live services, rich content and engaging community services.

The Company primarily offers the following products and services:

Subscriptions

Jagex offers two online games to subscribers (customers/members) and a single subscription provides access to both games. The games are described as Massive Multiplayer Online Role Play Games ("MMORPG") and are only available to play online through the content hosted in Jagex servers. Accordingly, these games are not licenced to download to personal devices or play offline.

Revenue is recognised when Jagex satisfies a performance obligation by transferring a good or service to a customer. The 'transfer' of a good or service occurs when the customer obtains control of that good or service.

In analysing control of a good or service management has considered whether the performance obligations are satisfied over time or at a point in time. Management consider that subscription revenue should be recognised over time. For each performance obligation satisfied over time, management applies a single method of measuring progress towards the transfer of the service. This is based on direct measurements of the value to the customer of services transferred to date, relative to the remaining goods or services promised under the contract. Under this method revenue is recognised over the subscription period which is typically between 1 and 12 months.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Prime Gaming

In March 2017, Jagex entered into an App Distribution and Services Agreement with Amazon Prime Gaming (previously known as Twitch Interactive, Inc.). This agreement was renewed during the period on 29 April 2021. The agreement operates as a master service agreement ('MSA') which contains general terms and conditions for the contract. Over the course of the contact, certain promotional items or "drops" are made available. These promotional items are pre agreed at the time of signing the contract.

Revenue is recognised when Jagex satisfies a performance obligation by releasing an offering that can be redeemed by the end customer. Each drop is recognised as a separate performance obligation. Revenue is not dependent on the number of redemptions. The customer in the arrangement is considered to be Prime Gaming and the performance obligation is considered to be satisfied when the offering has been made available. The value of each performance obligation is assigned proportional to the value of the drop to the end customer.

Microtransactions

Subscribers and free to play players can purchase virtual currency for real life money (microtransactions). With this virtual currency, customers can purchase virtual goods in order to enhance their in-game experience.

Jagex offers three different types of virtual currencies which can be used to purchase various types of virtual goods. The types of virtual currencies that customers can purchase are as follows:

- Runecoins
- Treasure Hunter keys
- Bonds

Runecoins can only be used in Solomon's Store. Virtual goods that can be bought in Solomon's store include outfits, auras, pets, animations and emotes. These items are classified as 'durable'. Revenue in relation to 'durable' goods will be recognised over the average life of the players.

Treasure Hunter keys are used to unlock treasure chests that contain items that give the customers instant benefits. These items are classified as 'consumable' items. Revenue in relation 'consumable' goods will be recognised at a point in time. The transfer of control is deemed to take place when Treasure Hunter Keys are used to open treasure chests.

Bonds can be redeemed for Treasure Hunter keys, Runecoins and subscriptions. Bonds can also be traded with other players for in game gold and other virtual goods on the Grand Exchange. Therefore, Bonds are deferred and recognised when they are redeemed in line with the recognition policy relevant to the item purchased.

Revenue for virtual currencies is recognised at the point of redemption when exchanged for other goods. Virtual currency that has not been redeemed by the player is considered to be unlikely to be redeemed after a period of 12 months has expired, which is in line with contractual terms. In certain circumstances a player may be able to redeem unused currency beyond that period, but these amounts are not material. Revenue for an unused currency is recognised 12 months after the initial transaction date.

Premium Revenues

Premium revenues include revenues from third-party games.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Revenue from third-party developed games, published by Jagex, varies from contract to contract but is primarily on a revenue sharing basis. Where revenue is recognised gross, the company is responsible for publishing, sale and delivery of the games.

Other Revenues

Other revenues include revenues from merchandise and advertising in our games.

Revenues from advertising arise primarily from contractual relationships with advertising networks, agencies, advertising brokers and directly with advertisers to display advertisements in our games. For all advertising arrangements, we are the principal, and our performance obligation is to provide the mechanism for advertisements to be displayed in our games. The pricing and terms for all our advertising arrangements are governed by either a master contract or insertion order.

Merchandise revenue is governed by profit sharing agreement with a third party. The third party is responsible for sale, production, and delivery of any items purchased by the consumer. Jagex recognises revenue monthly based on the items that are delivered within that month.

Principal v Agent Considerations

The company evaluates sales to end customers of full games and related content via third-party digital storefronts, to determine whether the Company is acting as the principal in the sale to the end customer. This determines whether revenue should be reported gross (principal) or net (agent) of fees retained by the third-party storefront. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that the Company evaluated in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, the Company has determined that in most cases the Jagex is considered the principal to end customers for the sale of full games and related content. Therefore, the company reports revenue related to these arrangements gross of the fees retained by the storefront.

The company also performs an analysis to determine whether the Company is a principal or agent related to sales of video games developed by its independent game developer partners. Based on an evaluation of the above indicators, the Company has determined that the Company is the principal for sales of video games developed by its independent game developer partners. The Company therefore reports revenue related to these arrangements gross, and the royalty payments made to the independent game developer partners are reflected as cost of revenues.

d. Cost of Sales

Cost of sales comprises all fulfilment costs and costs needed to operate our games. These include payment provider fees, customer service costs internet bandwidth and server costs.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Royalty payments and revenue share attributable to Jagex Partners in relation to third party game releases are included as a cost of sale for those games.

e. Pensions

The Company operates a defined contribution pension scheme, and the pension charge represents amounts payable by the Company to the fund its obligation 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 statement of financial position.

f. Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g. Intangible Fixed Assets

The Company's intangible fixed assets relate to internally generated software, external licences, and development costs. The initial recognition of external licences is based on the historic purchase cost of those assets. The recognition of internally developed software is capitalised as described below.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the developed software
- the developed software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Once the asset is ready for use, capitalisation ceases. This is typically at product release.

Directly attributable costs include employee and contractor costs incurred on software development.

Intangible fixed assets are measured at historic cost and are amortised on a straight-line basis over their expected useful economic life.

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to an annual assessment for indicators of impairment. Where indicators of impairment are identified for these finite-lived intangible assets, impairment assessments are performed.

The following useful lives are applied:

- Internally Developed Software: 20-50% per annum
- External licences: 33% per annum

Any capitalised internally developed software that is not yet complete is not amortised but is subject to annual impairment testing.

Amortisation or impairment is charged to administrative expenses in the profit and loss account.

h. Property, plant, and equipment

Property, plant, and equipment assets are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment 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
- Right of use assets Over the term of the lease

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.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

i. Leases

The company as a lessee

The company makes use of leasing arrangements principally for the provision of office property and office equipment. The property lease has a remaining lease term of 4 years (2021: 5 years) and includes a break option. The office equipment lease ended in the year. The company does not enter into sale and leaseback arrangements.

The company has applied judgement to determine the lease term for those contracts that include a break option. The assessment of whether the company is reasonably certain to exercise break option is accounted for in the lease term.

Recognition and measurement

At the date of commencement, the Company assesses whether a contract is or contains a lease by judging whether the contract is in relation to a specified asset and to what extent the Company obtains substantially all the economic benefits from, and has the right to direct the use of, that asset.

The company recognises all lease liabilities and the corresponding right-of-use assets on the statement of financial position, except for short-term leases (12 months or less) and leases of low value assets.

The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date less any incentives received.

The right-of-use asset are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the unpaid lease payments at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The liability will subsequently be reduced for lease payments made and increased for interest. The liability is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in the assessment of an option to purchase the underlying asset. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

On the statement of financial position, right-of-use assets have been disclosed in non-current assets. The company's lease liabilities are shown separately on the statement of financial position.

Short-term and low-value assets

The Company has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to 12 months and leases of low value assets. The payments for such leases are recognised in the Statement of profit or loss within cost of sales or administrative expenses on a straight-line basis over the lease term.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Company's right to use the asset, are separated from lease components based on their relative stand-alone selling price. These components are expensed in the Statement of profit or loss as incurred.

j. Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it expects to receive ('cash shortfalls').

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Due to the nature of the customer base (individuals), the Company's trade receivables represent monies due from intermediate payment platforms such as PayPal and therefore these are not considered to represent a credit risk at any period end. Due to the nature of receivables, there are no material balances which are more than 30 days past due.

Expected credit losses are recognised in administrative expenses in the Statement of Comprehensive Income.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

l. Impairment of assets

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

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank.

n. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the company 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 Company 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.

Jagex Limited

Notes to the financial statements

For the year ended 31 December 2022

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 Company's estimate of tax which could become due on sales in territories outside the United Kingdom. The provision is based on the Company's best estimates of the tax treatment in the countries in question taking into account the applicable tax rates, interest and potential penalties. The amount of these potential liabilities will be agreed with the relevant tax authorities and the amounts due are not yet certain. The directors believe the liabilities are probable and have recognised provisions accordingly.

o. Equity settled share based payments

The wider group operates several equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments of the ultimate parent company. The company does not operate any individual scheme. The awards are granted by the ultimate parent and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

p. Global Sales Taxes

Where digital sales taxes are applicable in certain jurisdictions, revenue is recognised net of global sales taxes. Sales taxes are collected at point of sale either by Jagex or third-party digital storefronts. Tax collected is recognised as a current payable and declared and remitted in accordance with local requirements.

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Standard	Amendment	Effective date
IAS 1 Practice statement 2	Narrow scope amendments	1 January 2023
IFRS 17 Insurance Contracts	Insurance contracts', as amended in December 2021	1 January 2023
IAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8 Accounting policies	International tax reform - pillar two model rules Narrow scope amendments	1 January 2023
IFRS 16 Leases	Amendments to Changes in Accounting Estimates and Errors: Definition of Accounting Estimates Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 Presentation	Presentation of financial statements', on classification of liabilities (not yet endorsed)	1 January 2024
IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments	Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures	New standards	1 January 2024
IAS 21	Lack of Exchangeability (not yet endorsed)	1 January 2025

No standards effective during the year had a material impact on the Company.

At the date of authorisation of these financial statements, several other, new, but not effective, Standards and amendments to existing standards have been authorised. None of these standards are expected to materially impact the Company.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated. 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.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of internally generated intangible assets and impairment.

The directors and management assess each project according to IAS 38 '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 Company to complete development and use or sell the asset. These judgements are dependent on expectations of future events.

The book value of capitalised development costs and the additions in each period are shown in Note 11.

Carrying amounts	Net Book Value £	Additions £
At 31 December 2022	13,033,562	7,193,235
At 31 December 2021	11,698,669	8,000,810

During the development phase for new products, development costs are capitalised as an intangible asset. Significant judgement is applied when determining when capitalisation commences. This is typically prototype stage although this is assessed on a product basis once the commercial and technical feasibility of a product is established.

Management judgement is applied when considering the recoverability of capitalised costs for assets under development. Capitalised costs are reviewed periodically to assess the expected continuing market viability through product forecasts and discounted cashflow models prepared with reference to latest market research and market trends.

As part of this review, one product was identified as having no projected revenue. Management considered that the capitalised costs in relation to this product are unlikely to be recovered as a result. Therefore, the carrying value of this product was fully impaired, a total impairment of £2.8m.

The key assumption for the other products yet to be released is the projected revenue over the next five years. A reduction in revenue of 10% on current revenue projections for products development would be required for the capitalised amount to be impaired. That is considered to be an unlikely scenario.

For Internally Developed Software already in use, management considers if there are any indicators of impairment, including revenue falling behind plan. If no indicators for impairment are observed for products already released, no further assessment is carried out.

Critical estimates in applying the Company's accounting policies

The following are the critical estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

Tax Provisions

Corporation tax

The Company'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 currently in development do not yet meet the recognition criteria.

There is a current tax provision of £2.6m (2021: £2.6m) relating to prior period claims that have yet to be accepted and as such are currently uncertain. This represents management's best estimate of a potential additional liability payable.

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 the Company'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.

The current tax provision of £4.0m relates to management's judgement of the amount of tax payable on open tax computations where the liabilities remain to be agreed with the appropriate tax jurisdiction.

Investments in subsidiaries

Fixed asset investments are stated at cost less provision for any impairment. Impairment is charged to the profit and loss account as it arises. Estimates are required in determining whether there is impairment of the Company's investments which requires estimation of 'value in use'. This is determined from an estimate of the future cash flows expected to arise from the investments.

Other Key Judgements

Revenue recognition

The accounting policies regarding revenue recognition are described in note 2c.

Virtual goods that can be bought in game are classified as 'durable' or 'consumable'. Revenue associated with consumable items is recognised in full at the time the item is consumed as this will be no longer available to the player in the game. Items are considered to be durable if they are available to players for a period of time. Revenue for durable items, is recognised over the estimated service period for players. This service period is calculated using a number of factors, including total number of days played, breakage in service period, maximum usage period for items as well as the contractual service period included in Jagex Terms and Conditions. The service period is subjective, and management are required to apply judgement in determining this. The service period is reassessed regularly as usage patterns may vary and the service period may vary in the future. The estimated service period for our current games is approximately 12 months, which has not changed from prior periods in which the Company traded.

Management has performed sensitivity analysis over the 12 months estimate by applying a plausible shorter or longer time period to revenue recognition. This sensitivity has not resulted in any material change in contract liabilities in any period.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

5. REVENUE

An analysis of the Company's revenue by stream is as follows:

	2022	2021
	£	£
Subscription revenue	102,067,107	88,940,273
Microtransaction revenue	32,456,616	34,557,610
Premium revenue	1,575,727	-
Other revenue	1,251,482	1,364,927
Advertising revenue	70,095	-
	137,421,027	124,862,810

Other revenue includes revenue share from Jagex Partners, revenue from ticket event sales, the sale of merchandise and rental income.

The Company's revenue disaggregated by pattern of revenue recognition is as follows:

	2022	2021
	£	£
Transferred at point in time	29,564,665	29,667,312
Transferred over time	107,856,362	95,195,498
	137,421,027	124,862,810

The geographical analysis of the origination of the revenue is as follows:

	2022	2021
	£	£
United Kingdom	14,521,893	15,612,163
European Union	25,719,102	15,914,094
United States	14,749,402	69,716,088
Rest of World	82,430,630	23,620,465
	137,421,027	124,862,810

The Company has no individual customers which are considered individually significant in that they constitute more than 10% of total consolidated revenues.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

An analysis of the Company's contract liabilities movement between periods is as follows:

	2022	2021
	£	£
Contract liability as at 1 January	16,761,064	15,356,594
Revenue recognised from brought forward contract liability	(16,761,064)	(15,356,594)
Element of cash received where performance obligation unsatisfied	17,982,237	16,761,064
Contract liability as at 31 December	17,982,237	16,761,064
Contract liability classified as a current liability	17,982,237	16,761,064
Contract liability classified as a non-current liability	-	-

Contract liabilities increased from the prior period due an increase in subscribers commencing memberships at the end of the financial year as well as increased microtransaction sales associated with durable items.

An analysis of the Company's contract assets movement between periods is as follows:

	2022	2021
	£	£
Contract asset as at 1 January	2,185,723	1,515,713
Revenue recognised from brought forward contract assets	(2,185,723)	(1,515,713)
Element of cash received where performance obligation unsatisfied	1,781,830	2,185,723
Contract asset as at 31 December	1,781,830	2,185,723
Contract asset classified as a current asset	1,781,830	2,185,723
Contract asset classified as a non-current asset	-	-

Payment is received at the point of sale resulting in revenue deferral for both revenues recognised over time and at a point-in time when the usage is expected in the future.

The amount of revenue recognised in the year ended 31 December 2022 from performance obligations satisfied in previous periods was £nil (2021: £nil).

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2022	2021
	£	£
Depreciation of property, plant and equipment (Note 12)	1,820,205	1,138,458
Depreciation of right of use asset (Note 13)	1,034,879	744,719
Amortisation of intangible assets (Note 11)	2,819,810	1,160,074
Impairment of intangible assets (Note 11)	2,829,863	-
Impairment of trade receivables (Note 15)	7,969,187	-
Impairment of investments (Note 14)	9,894,584	-
Foreign exchange (gain) / loss	(2,860,369)	955,120
Office costs	1,671,538	1,757,352
Professional & legal fees	1,045,053	966,514
Research and development costs expensed	2,179,063	2,680,428
Management services charge	2,049,772	2,776,447
Equity settled share based payment credit (Note 22)	416,148	1,419,400
Non-recurring items	6,174,124	12,961,617

The analysis of non-recurring items is as follows:

	2022	2021
	£	£
Professional fees	2,794,940	5,095,980
Restructuring costs	1,198,215	1,288,283
Settlement costs for discontinued game	3,205,199	-
Transaction bonus scheme	(176,013)	6,405,044
Provisions for GST fines and penalties	(848,217)	172,309
	6,174,124	12,961,617

The transaction bonus of £6.4m in 2021 relates to the sale of the Company in January 2021. The £(176,013) credit in 2022 relates to the release of an over-accrual for this.

The professional fees and restructuring costs mainly relate to the Group acquisitions in 2022 and the sale of the Company in 2021 and as such are considered to one off and are classified as non-recurring.

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

	2022	2021
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	615,000	230,400
Fees payable to the Company's auditors for due diligence and taxation services in relation to acquisitions	482,000	-
Fees payable to the Company's auditor for other assurance services	-	765,000

No services were provided pursuant to contingent fee arrangements.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

7. STAFF NUMBERS AND COSTS

The average monthly number of employees (including Directors):

	2022	2021
	Number	Number
Directors	2	2
Commercial/management	88	94
Development	240	249
Customer relations	33	38
Technical	70	91
	433	474

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	28,979,642	29,052,635
Social security costs	3,186,055	3,254,742
Pension costs	1,792,236	1,978,776
Equity settled share based payment expense	416,148	1,419,400
	34,374,081	35,705,553

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2022	2021
	£	£
Directors' remuneration		
Emoluments	1,361,252	2,310,954
Equity settled share based payment expense	2,112,384	2,274,781
Company contributions to money purchase pension schemes	101,013	72,707
	3,574,649	4,658,442

The number of directors who:

	2022	2021
	Number	Number
Are members of a money purchase pension scheme	2	2

Remuneration of the highest paid director:

	2022	2021
	£	£
Emoluments	1,012,281	1,287,138
Equity settled share based payments charge	1,409,045	1,834,293
Company contributions to money purchase pension schemes	60,343	54,230
	2,481,669	3,175,662

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

The directors are also directors of the immediate parent company June UK BidCo Limited and are remunerated for their services by that company. The allocation of the total remuneration that relates to their services to this company is £1.5m (2021: £2.4m). Charges relating to share-based payments for directors are an expense of June UK BidCo Limited.

There were no payments to Directors for loss of office during the year (2021: £0.3m).

Key management compensation including directors

	2022	2021
	£	£
Salaries and other short-term benefits	2,802,042	7,836,461
Post-employment benefits	187,474	208,559
Equity settled share based payment charge	2,692,095	4,774,143
	5,681,611	12,819,163

9. NET INTEREST INCOME/(EXPENSE)

Finance interest income/(expense) is analysed as follows:

	2022	2021
	£	£
Interest on lease liabilities	(235,994)	(234,497)
Finance expense	(235,994)	(234,497)
Interest income from loans to parent company	1,460,988	-
Interest income from loans to subsidiary undertakings	845,813	-
Other interest income	122,198	15,452
Finance income	2,428,999	15,452
Net finance income / (costs)	2,193,005	(219,045)

10. INCOME TAX EXPENSE

The tax recognised in the profit or loss:

	2022	2021
	£	£
Current tax expense		
Current year	-	2,191,104
Overseas tax	-	-
Adjustments in respect of prior years	(2,446,510)	-
Total current tax (credit) / charge	(2,446,510)	2,191,104
Deferred tax		
Current year credit	613,751	(529,560)
Adjustments in respect of prior periods	597,612	-
Total deferred tax charge / (credit)	1,211,363	(529,560)
Total tax on profit on ordinary activities	(1,235,147)	1,661,544

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

The effective tax rate for 2022 was 19% (2021: 19%).

The Finance Bill 2021 announced increases to corporation tax from April 1, 2023, meaning that companies will now pay between 19% and 25% corporation tax depending on the size of the profits of the company and any associated companies. The Company's best estimate of the rate that is expected to apply is 25% because they expect future taxable profits to regularly exceed the 25% threshold of £0.25m. This was considered substantially enacted at the balance sheet date.

The closing deferred tax assets and liabilities as at 31 December 2022 have been calculated at 25% (2021: 19%) in accordance with the rates enacted at the statement of financial position date. Please refer to note 20 for further information on deferred tax assets. There is no expiry date on timing differences, unused tax losses or tax credits.

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

	2022 £	2021 £
Profit before tax	36,830,910	36,783,928
	6,997,873	6,988,946
Effects of:		
Expenses not deductible for tax purposes	4,414,323	2,423,241
Fixed asset timing differences - deferred tax not recognised	(159,019)	42,968
Video games tax relief	(3,151,141)	(2,951,956)
Group relief surrendered/(claimed)	(3,242,330)	-
Adjustment to tax charge in respect of previous period	(2,446,510)	-
Adjustment to tax charge in respect of previous period- deferred tax	597,612	-
Movement in deferred tax not recognised	1,656,633	-
Patent box	(5,610,876)	(5,084,723)
Remeasurement of deferred tax asset	(250,292)	(279,658)
Deferred tax on share based payments	-	(354,850)
Other adjustments	(41,420)	877,576
Total tax on profit on ordinary activities	(1,235,147)	1,661,544

Jagex benefits from tax relief on offer from the UK government around Patent Box and Video Games Tax Relief (VGTR). The patents held by the company gives rise to a reduced tax rate on our live games and the continued development into these titles and other titles in development allow for additional benefits through VGTR where we have games that have been certified by the BFI.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

11. INTANGIBLE ASSETS

Intangible assets are analysed as follows:

	Internally developed software	Software	Development costs	Total
	£	£	£	£
Cost				
At 1 January 2022	4,060,523	447,059	11,698,669	16,206,251
Additions	-	11,464	7,193,235	7,204,699
Transfer to intellectual property	3,028,479	-	(3,028,479)	-
At 31 December 2022	7,089,002	458,523	15,863,425	23,410,950
Accumulated amortisation				
At 1 January 2022	1,116,196	170,936	-	1,287,132
Charge for the year	2,713,402	106,408	-	2,819,810
Impairment	-	-	2,829,863	2,829,863
At 31 December 2022	3,829,598	277,344	2,829,863	6,936,805
Net book value				
At 31 December 2022	3,259,404	181,179	13,033,562	16,474,145
At 31 December 2021	2,944,327	276,123	11,698,669	14,919,119

	internally developed software	Software	Development costs	Total
	£	£	£	£
Cost				
At 1 January 2021	-	147,394	7,758,382	7,905,776
Additions	-	299,665	8,000,810	8,300,475
Transfer to intellectual property	4,060,523	-	(4,060,523)	-
At 31 December 2021	4,060,523	447,059	11,698,669	16,206,251
Accumulated amortisation				
At 1 January 2021	-	127,058	-	127,058
Charge for the year	1,116,196	43,878	-	1,160,074
At 31 December 2021	1,116,196	170,936	-	1,287,132
Net book value				
At 31 December 2021	2,944,327	276,123	11,698,669	14,919,119
At 31 December 2020	-	20,336	7,758,382	7,778,718

Intangible assets comprise products in development that have not yet been released.

The transfer of assets from Development Cost into Internally Developed Software relates to products released to market in the year. These assets are amortised over the expected useful life.

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

12. PROPERTY, PLANT AND EQUIPMENT

Tangible assets are analysed as follows:

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2022	2,031,076	70,452	6,428,504	8,530,032
Additions	-	62,778	4,649,434	4,712,212
Disposals	(840,983)	-	(2,958,748)	(3,799,731)
At 31 December 2022	1,190,093	133,230	8,119,190	9,442,513

Accumulated depreciation				
At 1 January 2022	1,970,427	57,892	3,984,081	6,012,400
Charge for the year	54,410	12,158	1,753,637	1,820,205
Disposals	(840,983)	-	(2,958,748)	(3,799,731)
At 31 December 2022	1,183,854	70,050	2,778,970	4,032,874

Net book value				
At 31 December 2022	6,239	63,180	5,340,220	5,409,639
At 1 January 2022	60,649	12,560	2,444,423	2,517,632

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2021	2,031,076	70,452	4,600,867	6,702,395
Additions	-	-	1,961,949	1,961,949
Disposals	-	-	(134,312)	(134,312)
At 31 December 2021	2,031,076	70,452	6,428,504	8,530,032

Accumulated depreciation				
At 1 January 2021	1,749,716	44,018	3,214,520	5,008,254
Charge for the year	220,711	13,874	903,873	1,138,458
Disposals	-	-	(134,312)	(134,312)
At 31 December 2021	1,970,427	57,892	3,984,081	6,012,400

Net book value				
At 31 December 2021	60,649	12,560	2,444,423	2,517,632
At 1 January 2021	281,360	26,434	1,386,347	1,694,141

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

13. RIGHT OF USE ASSETS

Right-of-use assets relate to property leases held by the Company. The interest charge on the liability has been included in finance costs. The amortisation charge in the year is included within administrative expenses.

	2022 Buildings £	2021 Buildings £
Cost		
At 1 January	5,967,397	5,967,397
Additions	913,417	-
Disposals	(13,730)	-
At 31 December	6,867,084	5,967,397
Accumulated depreciation		
At 1 January	2,231,869	1,487,150
Charge for the year	1,034,879	744,719
Disposals	(13,730)	-
At 31 December	3,253,018	2,231,869
Net book value		
At 31 December	3,614,066	3,735,528
At 1 January	3,735,528	4,480,247

The additions in the year relate to lease rent reviews.

The total cash outflow for leases during the reporting period was £1,474,916 (2021: £1,093,897).

The property leases making up the above right-of-use asset has no extension options or termination penalties and management expect to see out the full lease duration.

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets (<£5,000). Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is £nil (2021: £21,882).

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Notes to the financial statements For the year ended 31 December 2022

14. INVESTMENTS

	2022	2021
	£	£
At 1 January	-	-
Capital contributions	34,170,004	-
Acquisitions	29,071,057	-
Impairments	(9,894,584)	-
At 31 December	53,346,477	-

On 14 July 2022 the Company provided a capital contribution of \$40.6m (£34.2m) to its subsidiary undertaking Jagex Holdings Limited, Inc. which used the funds to acquire Pacman Acquisition Sub, Inc.

On 9 December 2022 the Company acquired the entire share capital of Gamepires d.o.o for consideration of €33.7m (£29.1m). Gamepires d.o.o. is a developer and publisher of community-driven games and is based in Croatia.

An impairment of £9.9m was made against the Company's investment in Jagex Holdings Limited, Inc in the year.

The Company has invested in the following subsidiary undertakings.

Subsidiary undertaking	Percentage	Holdings	Registered office	Country of incorporation
<i>Direct</i>				
Jagex Holdings Limited, Inc.	100%	Ordinary	201 W Passaic Street, Suite 200, Rochelle Park, NJ 07662	United States
Jagex Managements Limited, Inc.	100%	Ordinary	201 W Passaic Street, Suite 200, Rochelle Park, NJ 07662	United States
Gamepires d.o.o	100%	Ordinary	Slavonska avenija 6a, 10000 Zagreb	Croatia
<i>Indirect</i>				
Pacman Acquisition Sub, Inc.	100%	Ordinary	133 W. Broadway, Suite 200, Eugene OR 97401	United States
Pipeworks, Inc.	100%	Ordinary	133 W. Broadway, Suite 200, Eugene OR 97401	United States

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Notes to the financial statements For the year ended 31 December 2022

15. TRADE AND OTHER RECEIVABLES

	2022	2021 (restated)
	£	£
Current receivables		
Trade receivables	11,904,363	12,033,049
Prepayments	3,669,045	2,828,275
Contract assets	1,781,830	2,185,723
Other receivables	1,817,980	83,573
Loans to group undertakings	16,469,654	8,913,061
	35,642,872	26,043,681
Non-current receivables		
Prepayments	980,553	669,453
Other receivables	647,353	3,673,447
	1,627,906	4,342,900

Trade receivables primarily comprise amounts held by payment providers, where cash has been collected from customers but not yet remitted to the Company.

Loans to group undertakings are stated after provisions for impairment of £7,969,177 (2021: £nil).

Amounts owed by group undertakings relate to unsecured loans which are repayable on demand with interest rates of between 0% to 8%.

Non-current receivables relate to deposits and recoupable minimum guarantee payments from third party publishers for games yet to be released.

16. TRADE AND OTHER PAYABLES

	2022	2021
	£	£
Current payables		
Trade payables	2,197,678	3,848,666
Other taxes & social security	4,359,008	1,403,473
Other payables	308,967	368,457
Contract liabilities	17,982,237	16,761,064
Accruals	5,822,467	6,855,475
Deferred consideration (note 14)	2,227,439	-
Loan from parent company	9,909,430	1,746,930
	42,807,226	30,984,065
Non-current payables		
Loan from group undertakings	1,882,928	-
Contingent consideration (note 14)	6,923,907	-
	8,806,835	-

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Notes to the financial statements For the year ended 31 December 2022

17. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash at bank and in hand	29,304,693	45,640,797
	29,304,693	45,640,797

18. LEASES

The lease liability are as follows:

	2022 £	2021 £
Current	1,170,774	900,249
Non-Current	2,914,860	3,510,890
	4,085,634	4,411,139

Future minimum lease payments at 31 December 2022 were as follows:

	Within 1 year £	1-5 years £	After 5 years £	Total £
31st December 2022				
Lease payments	1,350,000	3,100,377	-	4,450,377
Finance charge	(179,226)	(185,517)	-	(364,743)
Net present values	1,170,774	2,914,860	-	4,085,634

Future minimum lease payments at 31 December 2021 were as follows:

	Within 1 year £	1-5 years £	After 5 years £	Total £
31st December 2021				
Lease payments	1,091,442	3,811,455	-	4,902,897
Finance charge	(191,193)	(300,565)	-	(491,758)
Net present values	900,249	3,510,890	-	4,411,139

The carrying value of right-of-use assets in respect of the above lease liabilities is disclosed in Note 13. Right-of-use assets relates to the following:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with break/termination options
Office building	1	4 years	4years	0	0	0	1

The Company has elected to apply the recognition exemptions for leases of short term and low value. The expense relating to low value and short-term leases not included in the measurement of lease

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Notes to the financial statements For the year ended 31 December 2022

liabilities was £nil (2021: £21,882).

The rate of interest implicit in the Company's lease arrangement is not readily determinable and management have determined that the incremental borrowing rate to be applied in calculating the lease liability is 5.00 (2021: 5.00) percent.

The total cash outflow for leases in 2022 was £1,474,916 (2021: £1,093,897).

19. PROVISIONS

	Global sales tax provision	Global sales tax provision
	2022	2021
	£	£
At 1 January	13,320,458	9,287,754
Increase in provision	958,842	4,032,704
Utilisation of provision	(8,910,195)	-
Release of provision	(2,551,339)	-
Effect of movements in exchange rates	1,172,284	-
At 31 December	3,990,050	13,320,458

During the year, the Directors carried out of a review of the jurisdictions in which the Company operates and considered if additional sales taxes were required on sales of digital goods. Determining whether, and to what extent, a potential Global Sales Tax liability exists in overseas countries requires judgement. It is an estimate based on available internal and external information including precise location of the customer and data retained by the company, as well as clarity of guidance from the local tax authorities.

A provision has been made based on the Company's best estimates of the tax treatment in the countries in question considering the applicable tax rates, interest and potential penalties. Depending on the nature of the amount provided the impact on the income statement is a reduction in revenue, or with respect to fines and penalties for prior periods, included as an administrative cost but considered to be one off in nature. The timing of the cash outflows depends on the negotiations with the individual tax authorities, but these are not expected to be settled within 12 months of the balance sheet date and as such they are non-current.

In the period the provision estimated for Global sales tax decreased to £4.0m (2021: 13.3m).

The increase in the provision relating to taxes of £0.8m (2021: £3.6m) was charged against revenue, with £0.2m (2021: £0.4m) penalties and interest charged to administrative non-recurring expenses in the period.

The release in the provision relating to taxes of £1.6m (2021: £nil) was released to revenue, with £1.0m (2021: £nil) relating to penalties and interest released to administrative non-recurring expenses in the period.

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Notes to the financial statements For the year ended 31 December 2022

20. DEFERRED TAX (LIABILITY) / ASSET

Deferred tax assets and liabilities are offset only where the Company 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 wider group.

There is a deferred tax asset recognised in the current year where there is a high level of likelihood that future taxable profits will arise to offset these against.

	2022	2021
	£	£
Accelerated capital allowances	(217,432)	668,136
Share based payment	-	354,850
Other timing differences	171,311	142,256
Total deferred tax asset	(46,121)	1,165,242

Unrecognised Deferred Tax Asset

There is also an unrecognised deferred tax asset for historical losses of £2.9m (2021: £1.29m). The tax losses are generated by games that are under development. Under VGTR rules the tax losses available are locked until the game which they relate to is either launched, at which point any available losses will be used against profits generated by the game, or, when the project is cancelled, at which point the losses can be used to offset any profits generated by other games. These losses have not been recognised as cannot be used against games which are profitable and already claim VGTR relief. It is the opinion of management that as it cannot be approximated when the Company will have sufficient profits arising from non-VGTR qualifying titles this asset cannot be recognised.

21. EQUITY SETTLED SHARE BASED PAYMENTS

June UK TopCo Limited, the parent entity of the June UK FinCo group set up a Equity Settled Share Based payments scheme following the acquisition of Jagex by the group through June UK BidCo Limited. Entry to the scheme is at the discretion of the board of directors and in 2021, share awards were issued to a number of employees of Jagex Limited in the Equity Settled Share Based Payment Scheme of June UK TopCo Jersey Limited.

No new awards of shares were made during 2022.

Valuation dates were 31 December 2020, 30 June 2021 and 31 December 2021. Management considers that these valuation dates provide a reasonable proxy for the grant date value. Key inputs into the model at each date were as follows.

Valuation date	EV	Scenario Probability 31/12/2023
31-Dec-20	518.1	80%
30-Jun-21	518.3	80%
31-Dec-21	536.6	80%

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Notes to the financial statements For the year ended 31 December 2022

The beneficial entitlement to the shares vests 16% per year for the first two years after grant date with the remainder vesting in year 3. Vesting is accelerated to 100% on an exit event as defined by a change in control and ownership of June UK TopCo Jersey Limited.

In certain circumstances (leaver provisions) the shares may be acquired by an existing shareholder for a cash payment which varies depending on the circumstances and time elapsed since grant date. This option is at the discretion of the shareholder.

As this is a wider group equity settled share based payment arrangement over shares in the ultimate parent company it is treated as an equity settled share based payment scheme. The awards are granted by June UK Topco Limited, and the Company has no obligation to settle these awards.

The Group has used a Monte-Carlo model in arriving at the fair value at the grant date. The Monte Carlo model simulates Brownian motion of the volatility for the Enterprise Model (EV) at each period assuming the EV experiences growth in line with the risk-free rate. The payoff is estimated as EV less debt at each exit date. The payoff is then discounted at the risk-free rate. The model is risk neutral with the individual stock risk expressed in the volatility input. The model was run 1,000,000 times.

	Number (Restated)	Weighted average exercise price (£)
At 29 September 2020	-	-
Granted during the period	841,360	0.74
Forfeited during the period	(200,481)	0.74
At 31 December 2021	640,879	0.74
Granted during the period	-	-
Forfeited during the period	(359,933)	0.74
At 31 December 2022	280,946	0.74
Number of options exercisable	-	-
Average remaining contractual life (years)	3.00	4.00
Weighted average exercise price (£)	0.74	0.74

The number of awards granted and forfeited in the prior period has been restated due to an error, whereby the awards for the Group were presented instead of those relating to employees of the Company. Neither the error nor the subsequent restatement have resulted in any impact on the reported share based payment charge in the financial statements.

As this is a Group equity settled share based payment arrangement over shares in the ultimate parent company it is treated as an equity settled share-based payment scheme. The charge for the period in Jagex Limited was £416,148 (2021: £1,419,400).

22. CALLED-UP SHARE CAPITAL AND RESERVES

	2022 £	2021 £
Allotted, called-up and fully paid		
1,126,753,629 ordinary shares of £0.00001 each	11,267	11,267

Jagex Limited

Notes to the financial statements For the year ended 31 December 2022

The Company has one class of ordinary shares which carry no right to fixed income. There is no limit on authorised capital.

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.

23. DIVIDEND

No dividends were paid in year 2022 (2021: £12.1m (1.1p per share)). No further dividends have been proposed or declared in the year.

A dividend of £3.0m was paid after year end on 29 June 2023.

24. COMMITMENTS AND CONTINGENT LIABILITIES

There were no known commitments or contingent liabilities in 2022 or 2021.

25. EMPLOYEE BENEFITS

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2022 was £1,792,236 (2021: £1,978,776).

26. RELATED PARTY TRANSACTIONS

Jagex provided a loan to a member of the key management team for £10,655 in the prior year to facilitate a subscription to shares in June UK Topco Jersey Limited, the parent of the Group. This loan remained outstanding as at 31 December 2022. It carries an interest rate of 2.25% and is included in other debtors (Note 15).

Other than transactions with key management personnel, the Company's other related party transactions were with wholly owned group undertakings and so have not been disclosed.

27. CONTROLLING PARTY

The immediate parent company is June UK BidCo Limited which owns 100% of the shares of the Company, a company registered in England and Wales.

In the opinion of the directors the ultimate controlling party is CP VII Holdings III S.à r.l, a company registered in Luxembourg.

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Notes to the financial statements For the year ended 31 December 2022

The largest and smallest group to consolidate these financial statements is June UK FinCo Limited. Copies of the June UK FinCo Limited consolidated financial statements can be obtained from Prism Cosec Limited, Highdown House, Yeoman Way, Worthing, England, BN99 3HH.

28. EVENTS AFTER THE REPORTING PERIOD

A dividend of £3.0m was paid on 29 June 2023.

In February 2024 Carlyle Group Inc reached an agreement to sell the Group to CVC Capital Partners and Haveli Investments subject to regulatory approvals. As of the date of this report, the sale has not yet completed.

Jagex Limited

Glossary

For the year ended 31 December 2022

ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Company uses the non-statutory alternative performance measure 'Adjusted EBITDA' to monitor the financial performance of the Company internally. This measure is not a statutory measure in accordance with IFRS. We report this measure because we believe it provides both management and other stakeholders with useful additional information about the financial performance of the Company's business.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

We believe the non-IFRS measure is a useful metric for stakeholders to understand our results of operations, profitability and ability to service debt and because they permit stakeholders to evaluate our recurring profitability from underlying operating activities. We also use this measure internally to track our business performance, establish operational and strategic targets and make business decisions. We believe 'Adjusted EBITDA' facilitates operating performance comparisons between periods and among other companies in industries similar to ours because it removes the effect of variation in capital structures, taxation, and non-cash depreciation, amortisation and impairment charges, which may be unrelated to operating performance. We believe 'Adjusted EBITDA' is a useful measure of our underlying operating performance because it excludes the impact of items which are not related to our core results of operations, including certain one-off or nonrecurring items.

In line with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, we have provided additional information on the APM used by the Company below, including a full reconciliation back to the closest equivalent statutory measure.

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Statutory Profit before tax		36,830,910	36,783,928
Net Finance (Income) / Expense	9	(2,193,005)	219,045
Operating profit		34,637,905	37,002,973
Equity Settled share based payments charge	21	416,148	1,419,400
Impairment of assets	11	20,693,624	-
Depreciation & amortisation of assets	11, 12	5,674,894	3,043,251
Non-recurring items	6	6,174,124	12,961,617
Adjusted EBITDA		67,595,695	54,427,241

'Adjusted EBITDA' is defined as Operating Profit excluding equity settled share based payment charges, Depreciation and Amortisation as well as certain items that are considered to be outside the ordinary course of business. These items may be recurring or non-recurring. Recurring items include purchase price adjustments such as amortisation of acquired intangible assets, acquisition related items and fair value adjustments. Non-recurring items include gains and losses on the disposal of assets, impairment charges, M&A and restructuring related costs as well as certain other one-off or non-operational adjustments.