

Company Registration No. 03982706

JAGEX LIMITED

Report and Financial Statements

31 March 2010

29/09/2010

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JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C T J Tedder
A C Crisses
A Gower
P Gower
J Horing
M Gerhard

SECRETARY

Riaan Hodgson

REGISTERED OFFICE

St Johns Innovation Centre
Cowley Road
Cambridge
CB4 0WS

AUDITORS

Deloitte LLP
Chartered Accountants
Cambridge
United Kingdom

JAGEX LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITY

The principal activity of the company is the development and publication of online games using proprietary software tools and web systems technologies

BUSINESS REVIEW

During the year ended 31 March 2010 the company experienced further growth with turnover increasing by 8% and operating profit increasing by £824,916. The price increases as well as the positive exchange rate movements contributed to the rise in turnover and profits. Although the company increased the investment in future products, it remains very profitable.

The landscape is becoming increasingly competitive but the company is positive about the future as there are new product launches in the coming financial year and the publishing capabilities are being expanded.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

KEY PERFORMANCE INDICATORS

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

- Revenue
- Operating profit
- Headcount

Performance in the current and prior years is summarised as follows:

	2010 £'000	2009 £'000	% change
Revenue	44,520	41,157	+ 8.2%
Operating profit	18,794	17,969	+ 4.6%
Headcount	374	370	+ 1.1%

GOING CONCERN

The company has significant cash reserves and is forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts which show that the company should have

JAGEX LIMITED

DIRECTORS' REPORT

sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Therefore the directors believe it is appropriate to prepare the financial statements on a going concern basis.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £13,772,776 (2009 - £13,180,335)

The directors paid dividends in the year of £22,833,585 (2009 - £8,440,166)

DIRECTORS

The directors who served throughout the year are shown below

C T J Tedder
A C Crisses
A Gower
P Gower
J Horing
M Gerhard

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made charitable donations amounting to £196,087 (2009 - £191,685) during the year. Donations were made to Cancer Research, in addition to a number of local and US based charities.

FUTURE DEVELOPMENTS

The company hopes to continue to grow its player base by launching internally developed new games in various languages as well as act as publisher for third party developed games.

The company intends to release at least one of the projects currently in rapid development.

JAGEX LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL INSTRUMENTS

The company's activities expose it primarily to the financial risks of credit risk, foreign exchange risk and liquidity risk.

Foreign exchange risk

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

Credit risk

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

The majority of the company's receivables are due from institutions regulated by the banking sector. Other receivables are monitored on a regular basis. Any potential bad debts are dealt with swiftly.

Liquidity risk

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 quarterly basis in light of the current business trend.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

EMPLOYEE INVOLVEMENT

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, as well as circulating data regarding subscriber growth.

DISABLED EMPLOYEES

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

JAGEX LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

AUDITORS

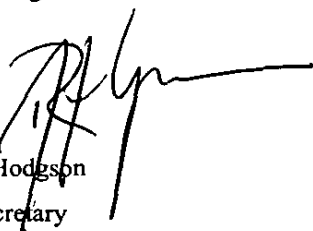
Each of the persons who is a director at the date of approval of this annual report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were appointed as auditors during the year and have expressed their willingness to continue in office as auditors. A resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

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


R Hodgson
Secretary

29/9/2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JAGEX LIMITED

We have audited the financial statements of Jagex Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

David Halstead

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

29 September 2010

JAGEX LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2010

	Note	2010 £	2009 as restated (see note 4) £
TURNOVER	2	44,520,037	41,157,287
Cost of sales		(19,634,641)	(17,015,457)
Gross profit		24,885,396	24,141,830
Administrative expenses		(6,091,645)	(6,172,995)
OPERATING PROFIT	3	18,793,751	17,968,835
Interest receivable and similar income	7	87,172	356,132
Interest payable and similar charges	8	-	(16,618)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,880,923	18,308,349
Tax on profit on ordinary activities	9	(5,108,147)	(5,128,014)
PROFIT FOR THE FINANCIAL YEAR	20	<u>13,772,776</u>	<u>13,180,335</u>

All activities derive from continuing operations

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

JAGEX LIMITED

BALANCE SHEET 31 March 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Intangible assets	11	102,025	137,005
Tangible assets	12	<u>1,094,090</u>	<u>1,333,683</u>
		<u>1,196,115</u>	<u>1,470,688</u>
CURRENT ASSETS			
Stocks	13	269,979	47,535
Debtors	14	4,975,543	5,153,654
Cash at bank and in hand		<u>7,285,012</u>	<u>14,841,400</u>
		12,530,534	20,042,589
CREDITORS: amounts falling due within one year	15	<u>(12,393,549)</u>	<u>(11,364,890)</u>
NET CURRENT ASSETS		<u>136,985</u>	<u>8,677,699</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,333,100	10,148,387
CREDITORS: amounts falling due after more than one year	16	<u>(67,335)</u>	<u>(102,315)</u>
NET ASSETS		<u><u>1,265,765</u></u>	<u><u>10,046,072</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	10,000	10,000
Share premium account	20	80	80
Profit and loss account	20	<u>1,255,685</u>	<u>10,035,992</u>
SHAREHOLDERS' FUNDS	21	<u><u>1,265,765</u></u>	<u><u>10,046,072</u></u>

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

Signed on behalf of the Board of Directors



M Gerhard

Director

29/9/2010

JAGEX LIMITED

CASH FLOW STATEMENT Year ended 31 March 2010

	Note	2010 £	2009 £
Net cash flow from operating activities	22	21,153,648	20,309,260
Returns on investments and servicing of finance	23	87,172	339,514
Taxation		(5,462,830)	(4,618,949)
Capital expenditure and financial investment	23	(465,813)	(1,082,180)
Equity dividends paid		(22,833,585)	(8,440,166)
Net cash (outflow) inflow before financing		(7,521,408)	6,507,479
Financing	23	(34,980)	(34,980)
(Decrease) increase in cash in the year		(7,556,388)	6,472,499

Reconciliation of net cash flow to movement in net funds

		2010 £	2009 £
(Decrease) increase in cash in the year		(7,556,388)	6,472,499
Decrease in debt		34,980	34,980
Movement in net funds in the year		(7,521,408)	6,507,479
Net funds at 1 April 2009		14,704,105	8,196,626
Net funds at 31 March 2010	24	7,182,697	14,704,105

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The company has significant cash reserves and is forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts which show that the company should have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Therefore the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Intangible fixed assets and amortisation

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

Tangible fixed assets

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

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

Leases

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

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

Taxation

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

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

Foreign exchange

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

Research and development

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

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

1. ACCOUNTING POLICIES (continued)

Pensions

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

Stocks

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

Turnover

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

- revenue from the sale of subscriptions are recognised rateably over the period of the subscription, calculated on a daily basis,
- advertising revenue is recognised in the accounting period in which it was earned

Financial liabilities and equity

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

Share-based payment

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

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

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

2. ANALYSIS OF TURNOVER

	2010 £	2009 as restated (see note 4) £
By activity		
Game time sales	42,929,504	38,852,659
Advertising revenue	1,533,538	2,151,754
Other income	56,995	152,874
	<u>44,520,037</u>	<u>41,157,287</u>

The directors are not disclosing the geographical analysis of the company's turnover as they consider the information to be seriously prejudicial to the interests of the business.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

3. OPERATING PROFIT

	2010 £	2009 £
Operating profit is after charging (crediting):		
Depreciation on tangible fixed assets - owned assets	571,180	396,577
Amortisation of intangible assets	34,980	34,980
The analysis of auditors' remuneration is as follows		
Fees payable to the company's auditors for the audit of the company's annual accounts	22,000	22,000
Other services relating to tax	3,500	22,865
Operating lease rentals		
Other	660,638	637,838
Difference on foreign exchange	75,095	(337,680)

4. PRIOR YEAR ADJUSTMENT

During the year the directors have reviewed both the presentation of certain commission and transaction costs incurred in sales transactions and the allocation of certain costs between cost of sales and administrative expenses based upon the activities of the business. Previously the company deducted certain commission and transaction costs in arriving at reported revenue. During the year the directors have revised this accounting policy so as to include these commission costs within cost of goods sold as they believe this is a better representation of the costs and revenue of the company's sales transactions. Following the review the company has restated revenue, cost of sales and administrative expenses for the year ended 31 March 2009 to reflect a comparable basis. This has led to an increase in sales of £2,735,171, a decrease in cost of goods sold of £193,121 and an increase in administrative expenses of £2,928,292. The restatement has not led to a change in either profit for the year ended 31 March 2009 or retained earnings as at 1 April 2008.

5. STAFF NUMBERS AND COSTS

	2010 No	2009 No
Average number of persons employed by the company (including directors) during the year		
Directors	3	3
Commercial/Management	33	24
Development	166	153
Customer relations	136	154
Technical	36	36
	<u>374</u>	<u>370</u>
	£	£
Staff costs incurred during the year in respect of these employees		
Wages and salaries	11,612,827	11,125,019
Social security costs	993,811	1,041,073
Other pension costs	24,155	12,503
	<u>12,630,793</u>	<u>12,178,595</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

6. REMUNERATION OF DIRECTORS

	2010 £	2009 £
Directors' emoluments	723,224	788,767
Compensation for loss of office	-	50,000
	<u>723,224</u>	<u>838,767</u>

The highest paid director received remuneration of £331,489 (2009 £386,199)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Other interest receivable	<u>87,172</u>	<u>356,132</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Other interest payable	<u>-</u>	<u>16,618</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £	2009 £
Current taxation		
UK corporation tax	5,317,371	5,181,551
Adjustments in respect of prior periods	(70,611)	(6,754)
Total UK tax	<u>5,246,760</u>	<u>5,174,797</u>
Deferred taxation		
Origination and reversal of timing differences	(144,643)	(39,078)
Adjustments in respect of prior periods	6,030	(7,705)
Total deferred tax	<u>(138,613)</u>	<u>(46,783)</u>
Tax on profit on ordinary activities	<u>5,108,147</u>	<u>5,128,014</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge for the current year

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 - 28%)
The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	2010 £	2009 £
Profit on ordinary activities before tax	18,880,923	18,308,349
Tax on profit on ordinary activities at standard rate	5,286,658	5,126,338
Effects of		
Expenses not deductible for tax purposes	142,338	16,135
Capital allowances in deficit of depreciation	47,541	20,765
Other timing differences	3,670	18,313
Adjustments in respect of prior periods	(70,611)	(6,754)
Research and development tax credit uplift	(162,836)	-
Total actual amount of current tax	5,246,760	5,174,797

Factors that may affect future tax charges

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

Subsequent to the balance sheet date it was announced that the UK rate of corporation tax is to be reduced annually by 1% starting on 1 April 2010, until 1 April 2014, when the rate would be 24%. This will impact on the tax charge in future periods

10. DIVIDENDS

	2010 £	2009 £
Interim and final dividends paid on equity capital	22,833,585	8,440,166

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

11. INTANGIBLE FIXED ASSETS

	Intellectual property £
Cost	
At 1 April 2009 and 31 March 2010	349,800
Amortisation	
At 1 April 2009	212,795
Charge in year	34,980
At 31 March 2010	247,775
Net book value	
At 31 March 2010	102,025
At 31 March 2009	137,005

12. TANGIBLE FIXED ASSETS

	Leasehold improve- ment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 April 2009	153,807	555,057	1,250,651	1,959,515
Additions	56,152	28,309	253,674	338,135
Disposals	-	(16,587)	(21,759)	(38,346)
At 31 March 2010	209,959	566,779	1,482,566	2,259,304
Depreciation				
At 1 April 2009	96,130	260,871	268,831	625,832
Charge in year	37,541	108,564	425,075	571,180
Disposals	-	(13,409)	(18,389)	(31,798)
At 31 March 2010	133,671	356,026	675,517	1,165,214
Net book value				
At 31 March 2010	76,288	210,753	807,049	1,094,090
At 31 March 2009	57,677	294,186	981,820	1,333,683

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

13. STOCKS

	2010 £	2009 £
Finished goods and goods for resale	269,979	47,535

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

14. DEBTORS

	2010 £	2009 £
Due within one year		
Trade debtors	3,444,911	4,485,147
Prepayments and accrued income	1,140,681	388,473
Net deferred tax asset (note 17)	219,956	81,343
	4,805,548	4,954,963
Due after more than one year		
Other debtors	169,995	198,691
	4,975,543	5,153,654

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Other loans	34,980	34,980
Trade creditors	645,898	644,310
Corporation tax	2,533,312	2,749,382
Other taxes and social security	3,590,402	2,992,741
Other creditors	13,466	6,794
Accruals and deferred income	5,575,491	4,936,683
	12,393,549	11,364,890

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

	2010 £	2009 £
Other loans	67,335	102,315

Other loans represent unsecured amounts repayable to Andrew Gower of £91,875 (2009 - £123,375) and Paul Gower of £10,440 (2009 - £13,920). Each loan is repayable monthly at a rate of £2,625 and £290 respectively and are interest free and will be fully repaid by 31 March 2013.

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NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

17. DEFERRED TAXATION ASSET

	2010 £	2009 £
At 1 April 2009	81,343	34,560
Credit to profit and loss account	138,613	46,783
At 31 March 2010	<u>219,956</u>	<u>81,343</u>
The deferred taxation balance is made up as follows		
Accelerated capital allowances	63,255	25,985
Other timing differences	156,701	55,358
	<u>219,956</u>	<u>81,343</u>

18. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Authorised		
66,000 (2009 65,000) ordinary shares of 10p each	6,600	6,500
35,000 (2009 35,000) participating convertible preferred shares of 10p each	3,500	3,500
	<u>10,100</u>	<u>10,000</u>
Allotted, called up and fully paid		
65,000 ordinary shares of 10p each	6,500	6,500
35,000 participating convertible preferred shares of 10p each	3,500	3,500
	<u>10,000</u>	<u>10,000</u>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

19. SHARE BASED PAYMENTS

Equity-settled share option schemes

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

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

	2010		2009	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	-	-	-	-
Granted during the year	662	£0.10	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	662	£0.10	-	-
Exercisable at the end of the year	248	£0.10	-	-

The options outstanding at 31 March 2010 had a weighted average exercise price of £0.10 and a weighted average remaining contractual life of 14.4 years. In 2010, options were granted on 2nd July 2009 and 2nd November 2009. The aggregate of the estimated fair values of the options granted on those dates is £739,334 million. No options were granted during the year ended 31 March 2009.

The inputs into the Black-Scholes model are as follows

	2010	2009
Weighted average share price (p)	£1,388.89	-
Weighted average exercise price (p)	£0.10	-
Expected volatility	80%	-
Expected life (years)	4 to 5 years	-
Risk-free rate (%)	4%	-
Expected dividend yield (%)	10%	-

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

The company recognised total expenses of £280,502 (2009 - £nil) related to equity-settled share-based payment transactions in 2010.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

20. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium £	Profit and loss account £
At 1 April 2009	80	10,035,992
Profit for the financial year	-	13,772,776
Dividends (note 10)	-	(22,833,585)
Share based payments	-	280,502
	<hr/>	<hr/>
At 31 March 2010	80	1,255,685
	<hr/>	<hr/>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Profit for the financial year	13,772,776	13,180,335
Dividends (see note 10)	(22,833,585)	(8,440,166)
Share based payments	280,502	-
	<hr/>	<hr/>
Net (decrease) increase in shareholders' funds	(8,780,307)	4,740,169
Opening shareholders' funds	10,046,072	5,305,903
	<hr/>	<hr/>
Closing shareholders' funds	1,265,765	10,046,072
	<hr/>	<hr/>

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	18,793,751	17,968,835
Amortisation of intangible fixed assets	34,980	34,980
Depreciation of tangible fixed assets	571,180	396,577
Loss on disposal of tangible fixed assets	6,082	121,450
Share based payments	280,502	-
Increase in stocks	(222,444)	(47,535)
Decrease (increase) in debtors	316,724	(448,779)
Increase in creditors	1,372,873	2,283,732
	<hr/>	<hr/>
Net cash inflow from operating activities	21,153,648	20,309,260
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JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

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

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	87,172	356,132
Interest paid	-	(16,618)
	<u>87,172</u>	<u>339,514</u>
Net cash inflow from returns on investments and servicing of finance	<u>87,172</u>	<u>339,514</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(466,279)	(1,082,180)
Sale of tangible fixed assets	466	-
	<u>(465,813)</u>	<u>(1,082,180)</u>
Net cash outflow from capital expenditure and financial investment	<u>(465,813)</u>	<u>(1,082,180)</u>
Financing		
Repayment of loans	<u>(34,980)</u>	<u>(34,980)</u>

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2009 £	Cash flow £	At 31 March 2010 £
Cash at bank and in hand	14,841,400	(7,556,388)	7,285,012
Debt			
falling due within one year	(34,980)	-	(34,980)
falling due after more than one year	(102,315)	34,980	(67,335)
	<u>14,704,105</u>	<u>(7,521,408)</u>	<u>7,182,697</u>
Net funds	<u>14,704,105</u>	<u>(7,521,408)</u>	<u>7,182,697</u>

25. PENSION COMMITMENTS

The company operates a defined contributions pension schemes. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £24,155 (2009 - £12,503). The unpaid contributions at the year end were £13,446 (2009 - £5,075).

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NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

26. CONTINGENT LIABILITIES

A claim has been lodged against the company in respect of intellectual property infringement. The company has taken legal advice and considers that the action is unlikely to succeed. At this stage in the proceedings the company is unable to make an estimate of the potential liability if the claimant were to succeed.

27. OPERATING LEASE COMMITMENTS

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Leases which expire				
Less than one year	-	9,493	-	-
Between one and five years	810,345	322,146	7,053	4,011
After more than five years	-	285,345	-	-
	<u>810,345</u>	<u>616,984</u>	<u>7,053</u>	<u>4,011</u>

28. RELATED PARTY TRANSACTIONS

Included within creditors are obligations under loan notes which are due to A and P Gower, shareholders and directors, and is non interest bearing. At 31 March 2010, the balance outstanding amounted to £102,315 (2009 - £137,295). The balance outstanding is interest free and repayable on a monthly basis at a rate of £2,915.

29. CONTROLLING PARTY

The controlling party is M R A Gower and members of his close family, as a result of controlling directly, or indirectly, 52% of the issued share capital of the company.