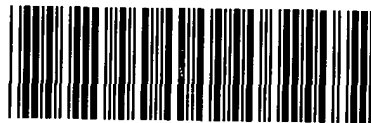


JAGEX LIMITED

Consolidated Report and Financial Statements

31 December 2013

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JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2013

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JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Gerhard – resigned 24 September 2014.

A C Crisses

J Salter

B Gardner

M Farrell

J Quagliaroli

J Horing

R Cousens - Appointed 30 September 2013

SECRETARY

Riaan Hodgson

REGISTERED OFFICE

St Johns Innovation Centre

Cowley Road

Cambridge

CB4 0WS

AUDITOR

Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge

United Kingdom

JAGEX LIMITED

STRATEGIC REPORT

STRATEGIC REVIEW

During the year ended 31 December 2013, Jagex Limited ("Jagex" or "the Company") continued to deliver another great year for its flagship game, RuneScape with the launch of Old School, RuneScape 3 and raft of new quests, epic events and storylines. The management team is very pleased with the RuneScape performance and the team finished the year on a high with great community initiatives and it is clear that the investment in the game and people talent is having a positive impact.

During the year the Company focused on its two leading titles RuneScape and Transformers Universe and decided to pause the expansion of the Third-Party Publishing division to ensure the two main games were prioritised above other activities. Revenue decreased in comparison to 2012 but the management team is pleased with the current underlying game engagement and community sentiment going into 2014, which is stronger than the same period in the previous year.

The landscape is continuing to be very competitive but the Group is positive about the future, given the successful engagement with the RuneScape community and the upcoming launch of Transformers Universe in the coming financial year. The company made the decision to invest further in Transformers Universe and extend the launch date into 2014.

Operational cashflow was positive but due to the following significant payments, the cash decreased by £6,468k from £22,833k as at December 2012 to £16,381k as at 31 December 2013:

- Founder Payments totalling £2,502k.
- Payments regarding intellectual property rights totalling £2,273k.
- Investments in capital expenditure of around £2,399k to ensure the infrastructure is in place for the launch of Transformers Universe.

Gross margin has decreased from 45% to 31% reflecting the bigger investment in talent during the year. Headcount increased from an average of 472 in the year to 31 December 2012 to 515 in the year to 31 December 2013.

The Group continues to invest in research and development and believes strongly it needs to continue innovating. This has resulted in a two new games in development that may be launched in 2015 as well as a number of technology projects that could deliver significant improvements and multi-platform capabilities in the future. These projects may make significant contributions to the growth of the business in future years. The directors regard investment in this area as a prerequisite for success in the medium to long-term 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;
- expenditure increasing without a commensurate increase in revenues, and rapid changes in market conditions could result in poor operating results;
- errors or defects in our products, which could negatively affect our revenues and the market acceptance of our products and increasing our costs;
- the return of unfavourable economic and market conditions, including significant fluctuations in foreign exchange rates;
- unsuccessful launch of new games;
- the hiring and retention of qualified personnel; and
- possible claims by external parties of infringements on their intellectual property rights.

The Group aims to mitigate these risks as appropriate. Measures include aiming to continue innovating and testing new game concepts and mechanics, develop compelling new game content, performing focus group testing and running beta programmes focused on receiving feedback and identifying areas for improvement, implementing comprehensive testing programmes, launching new games whilst regularly monitoring the player behaviour and interacting with the community as well as observing games industry trends.

JAGEX LIMITED

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

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

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

Performance in the year ended 31 December 2013 and comparative information for the previous year is summarised below.

	Year Ended 31 December 2013	Year Ended 31 December 2012
	£000	£000
Revenue	46,537	53,098
Operating profit before exceptional items	2,824	10,355
Headcount	515	472

An explanation for the movements in key performance indicators has been provided in the Strategic Review on page 5.

GOING CONCERN

The Group and Company continues to hold significant cash reserves and are forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. The directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis.

RESULTS AND DIVIDENDS

The profit for the financial year ended 31 December 2013, after taxation, totalled £381,581 (31 December 2012 - £7,242,27 profit).

The directors paid dividends in the year of £nil (year ended 31 December 2012 - £nil).

FUTURE DEVELOPMENTS

The Group hopes to continue to grow its player base by launching new, internally developed games in various languages as well as act as a publisher for third party developed games. The Group intends to release Transformers Universe Online during the 2014 financial year whilst also continuing to proto-type and develop new games.

FINANCIAL INSTRUMENTS

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

Foreign exchange risk

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

JAGEX LIMITED

STRATEGIC REPORT

FINANCIAL INSTRUMENTS (continued)

Credit risk

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

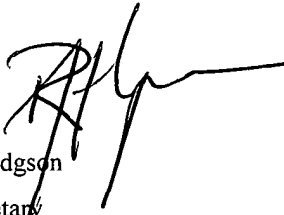
The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

Liquidity risk

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

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



R Hodgson
Secretary
Date: 29/09/14

JAGEX LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2013.

DIRECTORS

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

- M Gerhard – Resigned 24 September 2014
- J Horing
- A C Crisses
- J Salter
- B Gardner
- J Quagliaroli
- M Farrell
- R Cousens - Appointed 30 September 2013

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

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

AUDITOR

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

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

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

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

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

R Hodgson
Secretary

Date: 29 / 09 / 14

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGEX LIMITED

We have audited the financial statements of Jagex Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss 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

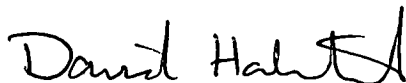
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

29 September 2014

JAGEX LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2013

	Note	2013 £	2012 £
TURNOVER	2	46,536,969	53,098,126
Cost of sales			
Exceptional cost of sales expenses		(1,620,194)	-
Other cost of sales		(32,206,954)	(28,994,457)
Total cost of sales		(33,827,148)	(28,994,457)
Gross profit		12,709,821	24,103,669
Administrative expenses			
Exceptional administrative (expenses)/income	3	(1,298,021)	609,142
Other administrative expenses		(10,466,967)	(14,967,257)
Total administrative expenses		(11,764,988)	(14,358,115)
OPERATING PROFIT	3	944,833	9,745,554
Interest receivable and similar income	6	72,085	92,509
Interest payable and similar charges	7	(48,796)	(80,004)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		968,123	9,758,059
Tax on profit on ordinary activities	8	(586,542)	(2,515,787)
PROFIT FOR THE FINANCIAL YEAR	21	381,581	7,242,272

All activities derive from continuing operations.

JAGEX LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2013

	2013 £	2012 £
(Loss) / profit for the financial year for the Group	381,581	7,242,272
Currency translation difference on foreign currency net investments	-	58,548
Total recognised gains and losses relating to the year	381,581	7,300,820

JAGEX LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Intangible assets	10	-	5,830
Tangible assets	11	4,677,304	4,559,313
		<u>4,677,304</u>	<u>4,565,143</u>
CURRENT ASSETS			
Stocks	13	332,382	263,886
Debtors	14		
– due within one year		5,749,350	7,362,129
– due after one year		18,107	20,244
Cash at bank and in hand		16,380,836	22,833,032
		<u>22,480,675</u>	<u>30,479,291</u>
CREDITORS: amounts falling due within one year	15	(12,625,718)	(18,798,134)
NET CURRENT ASSETS		<u>9,854,957</u>	<u>11,681,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,532,261	16,246,300
CREDITORS: amounts falling due after more than one year	16	(141,304)	(3,422,107)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(4,997,997)	(4,991,092)
NET ASSETS		<u>9,392,960</u>	<u>7,833,101</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Share-based payment reserve	21	2,314,723	1,136,445
Profit and loss account	21	7,066,890	6,685,309
SHAREHOLDERS' FUNDS	22	<u>9,392,960</u>	<u>7,833,101</u>

The consolidated 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



R Cousens

Director

29/09/14

JAGEX LIMITED

COMPANY BALANCE SHEET 31 December 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Intangible assets	10	-	5,830
Tangible assets	11	4,664,553	4,537,087
Investments	12	-	308,718
		<u>4,664,553</u>	<u>4,851,635</u>
CURRENT ASSETS			
Stocks	13	332,382	263,886
Debtors	14		
- due within one year		5,732,574	7,361,151
- due after one year		13,813	15,860
Cash at bank and in hand		16,318,730	22,790,158
		<u>22,397,499</u>	<u>30,431,055</u>
CREDITORS: amounts falling due within one year	15	(12,588,047)	(19,054,647)
NET CURRENT ASSETS		<u>9,809,452</u>	<u>11,376,408</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,474,005	16,228,043
CREDITORS: amounts falling due after more than one year	16	(141,304)	(3,422,107)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(4,997,997)	(4,991,092)
NET ASSETS		<u>9,334,704</u>	<u>7,814,844</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Share-based payment reserve	21	2,314,723	1,136,445
Profit and loss account	21	7,008,634	6,667,052
SHAREHOLDERS' FUNDS		<u>9,334,704</u>	<u>7,814,844</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



R Cousens

Director

29 / 09 / 14

JAGEX LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	23	(1,699,074)	13,536,490
Returns on investments and servicing of finance	24	23,289	12,505
Taxation		(2,376,270)	(152,802)
Capital expenditure and financial investment	24	(2,400,141)	(2,372,226)
Net cash (outflow) inflow before financing		(6,452,196)	11,023,967
Financing	24	-	(34,947)
(Decrease) / increase in cash in the year		(6,452,196)	10,989,020

Reconciliation of net cash flow to movement in net funds

		2013 £	2012 £
(Decrease) / increase in cash in the year		(6,452,196)	10,989,020
Cash outflow from change in debt and lease financing		-	34,947
Change in net funds resulting from cash flows		(6,452,196)	11,023,967
Repayment of finance leases		272,673	246,616
Movement in net funds in year		(6,179,523)	11,270,583
Net funds at 1 January 2013		21,823,001	10,552,418
Net funds at 31 December 2013	25	15,643,478	21,823,001

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. ACCOUNTING POLICIES

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

Accounting convention and basis of consolidation

The financial statements are prepared under the historical cost convention. The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year.

Going concern

The Group and Company continues to hold significant cash reserves and are forecast to remain cash generative. The directors have reviewed the historic trading performance of the business and prepared forecasts for the foreseeable future, being a period of at least 12 months to March 2015 from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. The directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis.

Intangible fixed assets and amortisation

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

Tangible fixed assets

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

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

Investments

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

Leases

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

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

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. ACCOUNTING POLICIES (continued)

Foreign exchange

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

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

Research and development

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

Pensions

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

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Stocks

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

Turnover

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

- revenue from the sale of subscriptions is recognised rateably over the period of the subscription, calculated on a daily basis;
- revenue from the sale of microtransactions that provide an ongoing benefit to a user's account is recognised over the period that a player has the right to use the service or item for;
- revenue from the sale of microtransactions that provide an instant acceleration of gameplay to a user's account, providing earlier access to free items, is recognised at the point of acceleration. This is typically at the point of usage;
- advertising revenue is recognised in the accounting period in which it was earned.

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 date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2. ANALYSIS OF TURNOVER

	2013 £	2012 £
By activity		
Game income	46,114,935	52,335,101
Advertising revenue	332,496	735,118
Other income	89,537	27,907
	<u>46,536,968</u>	<u>53,098,126</u>

Game income includes both subscription and microtransaction sales.

Other income includes revenue from advertising and the sale of merchandise.

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

3. OPERATING PROFIT

	2013 £	2012 £
Operating profit is after charging (crediting):		
Depreciation on tangible fixed assets		
Owned assets	2,101,574	1,311,561
Leased assets	168,197	168,197
Amortisation of intangible assets	5,830	34,980
The analysis of auditor's remuneration is as follows:		
Fees payable to the Group's auditor for the audit of the Group and Company's annual accounts	34,000	33,000
Other services relating to tax	5,500	16,500
Operating lease rentals		
Land and buildings	1,142,715	844,714
Other	35,667	29,916
Foreign exchange loss	777,209	776,698
Exceptional administrative expenses/(income)	<u>1,879,049</u>	<u>(609,142)</u>

Included within administrative expenses are exceptional costs/(income), being costs incurred during the period outside the normal course of trading. The expense for the year ended 31 December 2013 relates to increase in provision of the onerous lease and payments made to Hasbro in relation to the development of Transformers Universe.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. STAFF NUMBERS AND COSTS

	2013	2012
	No	No
Average number of persons employed by the Group (including directors) during the year		
Directors	1	1
Commercial/Management	57	51
Development	295	243
Customer relations	74	90
Technical	88	87
	<u>515</u>	<u>472</u>
	£	£
Staff costs incurred during the year in respect of these employees		
Wages and salaries	19,401,529	18,619,144
Social security costs	2,131,286	1,884,546
Other pension costs	147,094	59,347
Share based payment	1,178,278	1,136,445
	<u>22,858,187</u>	<u>21,699,482</u>

5. REMUNERATION OF DIRECTORS

	2013	2012
	£	£
Directors' emoluments	<u>381,815</u>	<u>437,166</u>

The highest paid director received remuneration of £381,815 (2012: £437,166), and exercised no share options (2012: none).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£	£
Other income	52,420	76,288
Other interest receivable	19,665	16,221
	<u>72,085</u>	<u>92,509</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Other finance charges	48,366	78,102
Other interest payable	430	1,902
	<u>48,796</u>	<u>80,004</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013	2012
	£	£
Current taxation		
UK corporation tax	676,558	2,821,196
Adjustments in respect of prior periods	(9,698)	(325,647)
Total UK tax	666,860	2,495,549
Foreign tax	-	46,524
Total current tax	<u>666,860</u>	<u>2,542,073</u>
Deferred taxation		
Origination and reversal of timing differences	(129,922)	(45,035)
Effect of changes in tax rate	49,604	18,749
Total deferred tax	<u>(80,318)</u>	<u>(26,286)</u>
Tax on profit on ordinary activities	<u>586,542</u>	<u>2,515,787</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

8. TAX ON (LOSS) 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 23.25% (2012 – 24.5%). 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:

	2013 £	2012 £
Profit on ordinary activities before tax	968,123	9,758,059
Tax on profit on ordinary activities at standard rate	225,088	2,390,724
Effects of:		
Expenses not deductible for tax purposes	324,323	408,895
Capital allowances in deficit of depreciation	173,073	91,187
Other timing differences	(45,926)	(31,441)
Higher tax rates on overseas earnings	-	8,355
Adjustments in respect of prior periods	(9,698)	(325,647)
Total actual amount of current tax	666,860	2,542,073

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.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

9. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £341,582 (2012 - £7,277,391). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. INTANGIBLE FIXED ASSETS

Group and Company	Intellectual property £
Cost	
At 1 January 2013 and 31 December 2013	349,800
Amortisation	
At 1 January 2013	343,970
Charge in year	5,830
At 31 December 2013	349,800
Net book value	
At 31 December 2013	-
At 31 December 2012	5,830

11. TANGIBLE FIXED ASSETS

Group	Leasehold improve- ment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2013	1,844,280	371,980	5,756,302	7,972,562
Additions	30,558	48,574	2,321,009	2,400,141
Disposals	-	(66)	(133,224)	(133,290)
At 31 December 2013	1,874,838	420,488	7,944,087	10,239,413
Depreciation				
At 1 January 2013	434,423	89,308	2,889,518	3,413,249
Charge in year	364,392	82,674	1,822,705	2,269,771
Disposals	-	(66)	(120,845)	(120,911)
At 31 December 2013	798,815	171,916	4,591,378	5,562,109
Net book value				
At 31 December 2013	1,076,023	248,572	3,352,709	4,677,304
At 31 December 2012	1,409,857	282,672	2,866,784	4,559,313

The net book value of fixed assets includes £477,234 (2012 - £645,431) of fixed assets held under finance leases.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

11. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold improve- ment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2013	1,844,280	364,957	5,725,413	7,934,650
Additions	30,558	48,000	2,318,259	2,396,817
Disposals	-	(66)	(133,224)	(133,290)
At 31 December 2013	1,874,838	412,891	7,910,448	10,198,177
Depreciation				
At 1 January 2013	434,423	87,226	2,875,914	3,397,563
Charge in year	364,392	81,375	1,811,205	2,256,972
Disposals	-	(66)	(120,845)	(120,911)
At 31 December 2013	798,815	168,535	4,566,274	5,533,624
Net book value				
At 31 December 2013	1,076,023	244,356	3,344,174	4,664,553
At 31 December 2012	1,409,857	277,731	2,849,499	4,537,087

The net book value of fixed assets includes £477,234 (2012 - £645,431) of fixed assets held under finance leases.

12. INVESTMENTS

Company	Subsidiary undertakings £
Cost	
At 1 January 2013 and 31 December 2013	308,718
Provision for impairment	
At 1 January 2013	-
Written off	308,718
At 31 December 2013	308,718
Net book value	
At 31 December 2013	-
At 31 December 2012	308,718

Jagex Holdings Limited, Inc. has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2013

Subsidiary undertakings:	Country of incorporation	Principal activity	%
Jagex Holdings Limited, Inc	United States	Game development and publishing	100

13. STOCKS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Finished goods	332,382	263,886	332,382	263,886

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

14. DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Due within one year:				
Trade debtors	1,676,871	2,613,220	1,676,871	2,613,220
Prepayments and accrued income	3,399,763	4,570,429	3,395,878	4,569,451
Other debtors	4,944	1,254	4,944	1,254
Corporation tax	410,228	-	397,337	-
Net deferred tax asset (note 18)	257,544	177,226	257,544	177,226
	5,749,350	7,362,129	5,732,574	7,361,151
Due after more than one year:				
Other debtors	18,107	20,244	13,813	15,860
	5,767,457	7,382,373	5,746,387	7,377,011

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Obligations under finance leases and hire purchase contracts	179,198	272,674	179,198	272,674
Other loans	-	6,120	-	6,120
Trade creditors	1,689,048	3,122,836	1,669,982	3,110,701
Corporation tax	-	1,380,054	-	1,333,531
Amounts payable to intercompany creditors	-	-	-	409,776
Other taxes and social security	887,219	1,486,031	868,614	1,485,967
Other creditors	386,080	2,725,026	386,080	2,725,026
Accruals and deferred income	9,073,438	9,805,393	9,073,438	9,710,852
Advanced development fee	410,735	-	410,735	-
	12,625,718	18,798,134	12,588,047	19,054,647

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Obligations under finance leases and hire purchase contracts	141,304	320,502	141,304	320,502
Other long term creditors	-	2,690,870	-	2,690,870
Advanced development fee	-	410,735	-	410,735
	<u>141,304</u>	<u>3,422,107</u>	<u>141,304</u>	<u>3,422,107</u>

Other loans represent unsecured amounts repayable to Andrew Gower of £nil (2012 - £5,250) and Paul Gower of £nil (2012 - £870). Each loan was repayable monthly at a rate of £2,625 and £290 respectively and are interest free and was fully repaid by 31 March 2013.

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Finance lease are repayable as follows:				
Between one and two years	97,104	179,197	97,104	179,197
Between two and five years	44,200	141,305	44,200	141,305
	<u>141,304</u>	<u>320,502</u>	<u>141,304</u>	<u>320,502</u>
On demand or within one year	179,198	272,674	179,198	272,674
	<u>320,502</u>	<u>593,176</u>	<u>320,502</u>	<u>593,176</u>

17. PROVISIONS FOR LIABILITIES

Group and Company	Provisions for Global Sales Tax	Onerous lease provisions	Total
	£	£	£
At 1 January 2013	3,074,267	1,916,825	4,991,092
Charged to profit and loss account	28,780	258,854	287,634
Utilisation of provision		(280,729)	(280,729)
At 31 December 2013	<u>3,103,047</u>	<u>1,894,950</u>	<u>4,997,997</u>

The property onerous lease provision represents management's estimates of the future excess costs associated with the properties not currently utilised by the business.

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

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2013

18. DEFERRED TAX ASSET

	2013 £	2012 £
Group and Company		
At 1 January 2013	177,226	150,940
Credit to profit and loss account	80,318	26,286
	<u>257,544</u>	<u>177,226</u>
At 31 December 2013		
The deferred taxation balance is made up as follows:		
Accelerated capital allowances	211,618	139,501
Other timing differences	45,926	37,725
	<u>257,544</u>	<u>177,226</u>

19. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid		
1,126,753,628 ordinary shares of 10p each	11,267	11,267
	<u>11,267</u>	<u>11,267</u>

20. SHARE BASED PAYMENTS

Equity-settled share option schemes

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

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

	31 December 2013	
	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	60,991,647	0.13
Granted during the year	36,619,488	0.13
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
	<u>97,611,135</u>	
Outstanding at the end of the year		
	<u>97,611,135</u>	
Exercisable at the end of the year	-	
	<u>-</u>	

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

20. SHARE BASED PAYMENTS (continued)

The inputs into the Black-Scholes model are as follows:

	2013	2012
Weighted average share price (£)	0.25	0.13
Weighted average exercise price (£)	0.13	0.13
Expected volatility	72%	73.44%
Expected life (years)	3.5	3.5
Risk-free rate (%)	1.89%	2.32%
Expected dividend yield (%)	0%	0%

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

The company recognised total expenses of £1,178,278 (2012 - £1,136,445) related to equity-settled share-based payment transactions in 2013.

21. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Share- based payment reserve £	Profit and loss account £
Group			
At 1 January 2013	80	1,136,445	6,685,309
Share-based payment expense	-	1,178,278	-
Profit for the financial year	-	-	381,581
At 31 December 2013	80	2,314,723	7,066,890
Company			
At 1 January 2013	80	1,136,445	6,667,052
Share-based payment expense	-	1,178,278	-
Profit for the financial year	-	-	341,582
At 31 December 2013	80	2,314,723	7,008,634

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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

	2013 £	2012 £
Profit for the financial year	381,581	7,242,272
Currency translation difference on foreign currency subsidiaries	-	58,548
Share based payments	1,178,278	1,136,445
Net increase in shareholders' funds	1,559,895	8,437,265
Opening shareholders' funds (deficit)	7,833,101	(604,164)
Closing shareholders' funds	<u>9,392,960</u>	<u>7,833,101</u>

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating profit	944,834	9,745,554
Amortisation of intangible fixed assets	5,830	34,980
Depreciation of tangible fixed assets	2,269,217	1,479,758
Loss on disposal of tangible fixed assets	12,379	44,655
Share based payments	1,178,278	1,136,445
Increase in stocks	(68,496)	(29,013)
Decrease / (increase) in debtors	2,025,143	(3,226,115)
(Decrease) / increase in creditors	(7,479,263)	5,750,172
Decrease in provisions	(586,996)	(1,399,946)
Net cash (outflow) / inflow from operating activities	<u>(1,699,074)</u>	<u>13,536,490</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	72,085	92,509
Interest paid	(48,796)	(80,004)
	<u>23,289</u>	<u>12,505</u>
Net cash inflow from returns on investments and servicing of finance		
	<u>23,289</u>	<u>12,505</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,400,141)	(2,375,675)
Sale of tangible fixed assets	-	3,449
	<u>(2,400,141)</u>	<u>(2,372,226)</u>
Net cash outflow from capital expenditure and financial investment		
	<u>(2,400,141)</u>	<u>(2,372,226)</u>
Financing		
Repayment of loans	-	(34,947)
	<u>-</u>	<u>(34,947)</u>
Net cash outflow from financing		
	<u>-</u>	<u>(34,947)</u>

25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1		Other non-	At 31
	January	Cash	cash	December
	2013	flow	changes	2013
	£	£	£	£
Cash at bank and in hand	22,833,032	(6,452,196)	-	16,380,836
Debt:				
falling due within one year	(6,120)	-	(410,735)	(416,855)
falling due after more than one year	(410,735)	-	410,735	-
Finance leases	(593,176)	-	272,673	(320,503)
	<u>21,823,001</u>	<u>(6,452,196)</u>	<u>272,673</u>	<u>15,643,478</u>
Net funds				
	<u>21,823,001</u>	<u>(6,452,196)</u>	<u>272,673</u>	<u>15,643,478</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2013****26. PENSION COMMITMENTS**

The Group operates a defined contributions pension schemes. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £147,094 (2012 - £59,347). The unpaid contributions accrued at the year end were £46,023 (2012 - £34,156).

27. FINANCIAL COMMITMENTS

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Leases which expire:				
In less than one year	511,525	-	-	-
Between one and five years	-	575,059	26,775	26,775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 December 2013 the company had no capital commitments (2012 - £nil).

28. RELATED PARTY TRANSACTIONS

Previously included within creditors are obligations under loan notes which are due to A and P Gower former shareholders and directors, and were non interest bearing. At 31 December 2013, the balance outstanding amounted to £nil (2012 - £6,120). The balance was interest free and repayable on a monthly basis at a rate of £2,915.

The Group has taken the exemption provided by FRS 8 "Related Party Disclosures" in respect of disclosure of transactions between two or more members of a group, as all subsidiaries are wholly-owned by the Group.

29. CONTROLLING PARTY

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