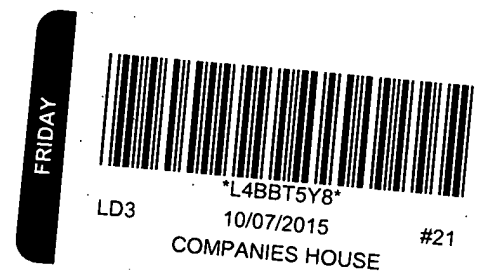


JAGEX LIMITED

Consolidated Report and Financial Statements

31 December 2014



JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2014

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JAGEX LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Salter
B Gardner
M Farrell
J Horing
R Cousens
P Mansell

SECRETARY

Mark Fardell

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

BUSINESS REVIEW

The Interactive Entertainment Industry is estimated to have grown by 10%+ in 2014 (per IDG) and is expected to hit more than \$100b in value by 2017. Growth is expected to largely come from BRIC regions, with the big opportunity coming from hardcore freemium MMOs.

THE GROUP

The games industry landscape provides future growth opportunities for Jagex and 2014 has been a year of strategic positioning. This has enabled the group to maximise efficiencies while leveraging core strengths to drive sustained long-term growth and margin expansion in 2015 and beyond.

A number of events took place in the year which included changes in the management team and rationalisation of the product slate. The Transformers Universe game, which was scheduled for release in FY14, was shut down, resulting in a number of staff redundancies.

The group continued to see strong performance from its RuneScape franchise, which grew its member base by 7.5% in this period. It also worked on a new game, Block 'N Load, scheduled for launch in Q2 FY15 with the aim of providing focused portfolio expansion in rising market segments.

In FY14 revenues fell by 2% and the Group remained profitable, increasing profits by 200% on FY13, despite it absorbing the impact of its remedial actions.

Operational cash flow was positive and the cash balance increased by £1,738k from £16,381k as of 31 December 2013 to £18,118k as at 31 December 2014 reflecting another year of strong cash flow generation.

Gross margin has increased from 27% to 33% due to the continued strong performance of RuneScape in the year.

The RuneScape franchise has generated more than £450m revenue in its lifetime and has an active community which continues to grow virally across multiple channels. Continued expansion is targeted for 2015, driven by new titles emerging within this brand. The core game will underpin growth from new segments, business models, platforms and geographies and lead to sustainable long term growth. It is this ongoing strength in our product pipeline that will push up the player base and achieve a deep and consistent level of engagement from a massive and growing global community of gamers. It continues to provide us with new opportunities and it enables us to engage with our audience and provide them with an experience that will keep them vested in the game.

RuneScape continues to generate strong operating performance and demonstrates its long tail potential which is why we believe the franchise remains valuable. RuneScape has a proven history of audience success and profitability, it holds global appeal and attracts a large and engaged community capable of generating profit over a long period of time. It also opens up a pathway for innovation, inspiration and creativity.

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 2014 and comparative information for the previous year is summarised below.

	Year ended 31 December 2014	Year ended 31 December 2013
Revenue (£000)	45,340	46,537
Operating profit (£000)	868	945
Headcount	400	515

An explanation for the movements in key performance indicators has been provided in the Strategic Review on page 2.

DIVIDENDS

The directors paid dividends in the year of £nil (year ended 31 December 2013 - £nil).

FUTURE DEVELOPMENTS

The Group intends to release Block 'N' Load during the 2015 financial year whilst also continuing to proto-type and develop new games with other projects already in the pipeline to expand our portfolio of games.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including foreign exchange risk, credit risk and liquidity risk.

Foreign exchange risk

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

Credit risk

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

The amounts presented in the balance sheet are net of allowances for doubtful debts. 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 debtors are due from institutions regulated by the banking sector. Other debtors 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 Cousins

Director

Date: 30 June 2015

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 2014.

DIRECTORS

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

- M Gerhard – Resigned 24 September 2014
- J Horing
- A C Crisses – Resigned 12 January 2015
- J Salter
- B Gardner
- J Quagliaroli – Resigned 3 February 2015
- M Farrell
- R Cousens – Appointed 27 May 2014
- P Mansell – Appointed 21 November 2014

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.

GOING CONCERN

The Group and Company continue 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 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.

The key uncertainties around the business are noted in the Strategic report which can be found on page 2 of the statutory accounts.

FUTURE DEVELOPMENTS

The Group intends to release Block and Load during the 2015 financial year whilst also continuing to proto-type and develop new games with other projects already in the pipeline to expand our portfolio of games.

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 KPIs (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.

JAGEX LIMITED

DIRECTORS' REPORT

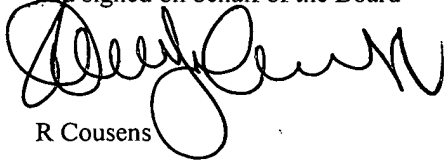
AUDITOR

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.

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



R Cousens

Director

Date: 30 June 2015

JAGEX LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, 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 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

2 July 2015

JAGEX LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2014

	Note	2014 £	2013 £
TURNOVER	2	45,339,876	46,536,969
Cost of sales			
Exceptional cost of sales expenses	3	(578,659)	(1,620,194)
Other cost of sales		(30,014,383)	(32,206,954)
Total cost of sales		(30,593,042)	(33,827,148)
Gross profit		14,746,834	12,709,821
Administrative expenses			
Exceptional administrative expenses	3	-	(1,298,021)
Other administrative expenses		(13,503,256)	(10,466,966)
Total administrative expenses		(13,503,256)	(11,764,987)
OPERATING PROFIT	3	1,243,578	944,834
Interest receivable and similar income	6	21,468	72,085
Interest payable and similar charges	7	(32,000)	(48,796)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,233,046	968,123
Tax on profit on ordinary activities	8	(87,727)	(586,542)
PROFIT FOR THE FINANCIAL YEAR	21	1,145,319	381,581

All activities derive from continuing operations.

JAGEX LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2014

	2014 £	2013 £
Profit for the financial year for the Group	1,145,319	381,581
Currency translation difference on foreign currency net investments	(11,098)	-
Total recognised gains and losses relating to the year	1,134,221	381,581

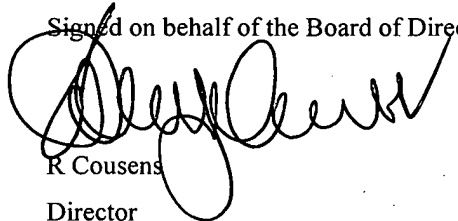
JAGEX LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Intangible assets	10	-	-
Tangible assets	11	3,662,972	4,677,304
		<u>3,662,972</u>	<u>4,677,304</u>
CURRENT ASSETS			
Stocks	13	341,940	332,382
Debtors	14		
– due within one year		7,364,109	5,749,350
– due after one year		254,113	18,107
Cash at bank and in hand		18,118,472	16,380,836
		<u>26,078,634</u>	<u>22,480,675</u>
CREDITORS: amounts falling due within one year	15	(14,458,006)	(12,625,718)
NET CURRENT ASSETS		<u>11,620,628</u>	<u>9,854,957</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,283,600	14,532,261
CREDITORS: amounts falling due after more than one year	16	(44,200)	(141,304)
PROVISIONS FOR LIABILITIES	17	(4,489,236)	(4,997,997)
NET ASSETS		<u>10,750,164</u>	<u>9,392,960</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Share-based payment reserve	21	2,537,706	2,314,723
Profit and loss account	21	8,201,111	7,066,890
SHAREHOLDERS' FUNDS	22	<u>10,750,164</u>	<u>9,392,960</u>

The consolidated financial statements of Jagex Limited, registered number 03982706, were approved by the Board of Directors and authorised for issue on **30 June 2015**

Signed on behalf of the Board of Directors



R Cousens
Director

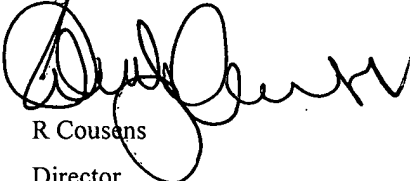
JAGEX LIMITED

COMPANY BALANCE SHEET 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Intangible assets	10	-	-
Tangible assets	11	3,662,972	4,664,553
Investments	12	-	-
		<u>3,662,972</u>	<u>4,664,553</u>
CURRENT ASSETS			
Stocks	13	341,940	332,382
Debtors	14		
- due within one year		7,331,580	5,732,574
- due after one year		249,554	13,813
Cash at bank and in hand		18,080,480	16,318,730
		<u>26,003,554</u>	<u>22,397,499</u>
CREDITORS: amounts falling due within one year	15	(14,451,579)	(12,588,047)
NET CURRENT ASSETS		<u>11,551,975</u>	<u>9,809,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,214,947	14,474,005
CREDITORS: amounts falling due after more than one year	16	(44,200)	(141,304)
PROVISIONS FOR LIABILITIES	17	(4,489,236)	(4,997,997)
NET ASSETS		<u>10,681,511</u>	<u>9,334,704</u>
CAPITAL AND RESERVES			
Called up share capital	19	11,267	11,267
Share premium account	21	80	80
Share-based payment reserve	21	2,537,706	2,314,723
Profit and loss account	21	8,132,458	7,008,634
SHAREHOLDERS' FUNDS		<u>10,681,511</u>	<u>9,334,704</u>

The financial statements of Jagex Limited, registered number 03982706, were approved by the Board of Directors and authorised for issue on **30 June 2015**

Signed on behalf of the Board of Directors


R Cousins
Director

JAGEX LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	23	3,561,264	(1,699,074)
Returns on investments and servicing of finance	24	(10,532)	23,289
Taxation	24	(355,239)	(2,376,270)
Capital expenditure and financial investment	24	(1,457,857)	(2,400,141)
Increase/(decrease) in cash in the year		<u>1,737,636</u>	<u>(6,452,196)</u>

Reconciliation of net cash flow to movement in net funds

		2014 £	2013 £
Increase/(decrease) in cash in the year		<u>1,737,636</u>	<u>(6,452,196)</u>
Change in net funds resulting from cash flows		<u>1,737,636</u>	<u>(6,452,196)</u>
Repayment of finance leases		179,199	272,673
Other non-cash changes		<u>416,855</u>	<u>-</u>
Movement in net funds in year		<u>2,333,690</u>	<u>(6,179,523)</u>
Net funds at 1 January 2014		<u>15,643,478</u>	<u>21,823,001</u>
Net funds at 31 December 2014	25	<u>17,977,168</u>	<u>15,643,478</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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 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

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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)
Vehicles	25% per annum

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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 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. This is typically the period in which the advertisements are hosted.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Share-based payment (continued)

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

	2014 £	2013 £
By activity		
Game income	44,717,233	46,114,936
Advertising revenue	493,675	332,496
Other income	128,968	89,537
	<u>45,339,876</u>	<u>46,536,969</u>

Game income includes both subscription and microtransaction sales.

Other income includes revenue from event ticket sales 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

	2014 £	2013 £
Operating profit is after charging (crediting):		
Depreciation on tangible fixed assets		
Owned assets	2,262,175	2,101,574
Leased assets	168,196	168,197
Amortisation of intangible assets	-	5,830
Bad debt expense	8,706	-
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	46,000	34,000
Tax consultancy	39,000	-
Other services relating to tax	5,750	5,500
Other services (non-tax)	750	-
Operating lease rentals		
Land and buildings	749,840	1,142,715
Plant and machinery	33,058	35,667
Foreign exchange (gain)/loss	(242,289)	777,209
Exceptional administrative expenses	-	1,298,021
Exceptional cost of sales expenses	578,659	1,620,194
	<u>578,659</u>	<u>1,620,194</u>

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

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

3. OPERATING PROFIT (continued)

Exceptional costs incurred within the year include £578,659 of costs incurred relating to redundancies resulting from the termination of Transformers: Universe development.

4. STAFF NUMBERS AND COSTS

	2014 No	2013 No
Average number of persons employed by the Group (including directors) during the year		
Directors	2	1
Commercial/Management	60	57
Development	277	295
Customer relations	46	74
Technical	81	88
	<u>466</u>	<u>515</u>
	£	£
Staff costs incurred during the year in respect of these employees		
Wages and salaries	20,978,302	19,401,529
Social security costs	2,083,060	2,131,286
Other pension costs	330,755	147,094
Share based payment	222,983	1,178,278
	<u>23,615,100</u>	<u>22,858,187</u>

5. REMUNERATION OF DIRECTORS

	2014 £	2013 £
Directors' remuneration		
Directors' emoluments	<u>653,656</u>	<u>381,815</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>3</u>	<u>0</u>
	2014 £	2013 £
Remuneration of the highest paid director:		
Emoluments	264,650	381,815
Company contributions to money purchase schemes	<u>4,006</u>	<u>-</u>

The highest paid director did not exercise any share options in the year (2013: nil).

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Other income	2,222	52,420
Other interest receivable	19,246	19,665
	<u>21,468</u>	<u>72,085</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Other finance charges	31,927	48,366
Other interest payable	73	430
	<u>32,000</u>	<u>48,796</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £	2013 £
Current taxation		
UK corporation tax	519,757	676,558
Adjustments in respect of prior periods	(276,262)	(9,698)
Total current tax	<u>243,495</u>	<u>666,860</u>
Deferred taxation		
Origination and reversal of timing differences	(155,768)	(129,922)
Effect of changes in tax rate	-	49,604
Total deferred tax	<u>(155,768)</u>	<u>(80,318)</u>
Tax on profit on ordinary activities	<u>87,727</u>	<u>586,542</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

8. 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 blended UK standard rate of corporation tax is 21.49% (2013 – 23.25%). The actual tax charge for the current and the previous year differs from the blended standard tax rate for the reasons set out in the following reconciliation:

	2014	2013
	£	£
Profit on ordinary activities before tax	1,233,046	968,123
Tax on profit on ordinary activities at blended standard rate	265,105	225,088
Effects of:		
Expenses not deductible for tax purposes	41,872	324,323
Capital allowances in deficit of depreciation	199,758	173,073
Other timing differences	13,022	(45,926)
Adjustments in respect of prior periods	(276,262)	(9,698)
Total actual amount of current tax	243,495	666,860

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 2014, which provides for a reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction has 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 £1,123,824 (2013 - £341,582). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

10. INTANGIBLE FIXED ASSETS

Group and Company	Intellectual property £
Cost	
At 1 January 2014 and 31 December 2014	349,800
Amortisation	
At 1 January 2014 and 31 December 2014	349,800
Net book value	
At 31 December 2014	-
At 31 December 2013	-

11. TANGIBLE FIXED ASSETS

Group	Leasehold improvements £	Vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2014	1,874,838	-	420,488	7,944,087	10,239,413
Additions	41,017	25,000	14,651	1,377,189	1,457,857
Disposals	(19,249)	(25,000)	(13,802)	(1,882,830)	(1,940,881)
At 31 December 2014	1,896,606	-	421,337	7,438,446	9,756,389
Depreciation					
At 1 January 2014	798,815	-	171,916	4,591,378	5,562,109
Charge in year	378,621	4,167	87,211	1,960,373	2,430,371
Disposals	(7,575)	(4,167)	(6,025)	(1,881,296)	(1,899,063)
At 31 December 2014	1,169,860	-	253,102	4,670,455	6,093,417
Net book value					
At 31 December 2014	726,746	-	168,235	2,767,991	3,662,972
At 31 December 2013	1,076,023	-	248,572	3,352,709	4,677,304

The net book value of fixed assets includes £309,038 (2013 - £477,234) of fixed assets held under finance leases.

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

11. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold improve- ments £	Vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2014	1,874,838	-	412,891	7,910,448	10,198,177
Additions	41,017	25,000	14,651	1,377,89	1,457,857
Disposals	(19,249)	(25,000)	(6,203)	(1,851,224)	(1,901,676)
At 31 December 2014	<u>1,896,606</u>	<u>-</u>	<u>421,339</u>	<u>7,436,413</u>	<u>9,754,358</u>
Depreciation					
At 1 January 2014	798,815	-	168,535	4,566,274	5,533,624
Charge in year	378,620	4,167	87,211	1,953,437	2,423,435
Disposals	(7,575)	(4,167)	(2,642)	(1,851,289)	(1,865,673)
At 31 December 2014	<u>1,169,860</u>	<u>-</u>	<u>253,104</u>	<u>4,668,422</u>	<u>6,091,386</u>
Net book value					
At 31 December 2014	<u>726,746</u>	<u>-</u>	<u>168,235</u>	<u>2,767,991</u>	<u>3,662,972</u>
At 31 December 2013	<u>1,076,023</u>	<u>-</u>	<u>244,356</u>	<u>3,344,174</u>	<u>4,664,553</u>

The net book value of fixed assets includes £309,038 (2013 - £477,234) of fixed assets held under finance leases.

12. INVESTMENTS

Company	Other investments £	Subsidiary undertakings £	Total £
Cost			
At 1 January 2014	-	308,718	308,718
Additions	135,000	-	135,000
At 31 December 2014	<u>135,000</u>	<u>308,718</u>	<u>443,718</u>
Provision for impairment			
At 1 January 2014	-	308,718	308,718
Written off	135,000	-	135,000
At 31 December 2014	<u>135,000</u>	<u>308,718</u>	<u>443,718</u>
Net book value			
At 31 December 2014	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>

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 2014

12. INVESTMENTS (continued)

Subsidiary undertakings:	Country of incorporation	Principal activity	% of ordinary shares
Jagex Holdings Limited, Inc.	United States	Game development and publishing	100
Other investments:			
Omnigon Games Limited	United Kingdom	Game development and publishing	35

13. STOCKS

	Group 2014 £	2013 £	Company 2014 £	2013 £
Finished goods	341,940	332,382	341,940	332,382

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

14. DEBTORS

	Group 2014 £	2013 £	Company 2014 £	2013 £
Due within one year:				
Trade debtors	3,607,630	1,676,871	3,607,630	1,676,871
Prepayments and accrued income	2,606,531	3,399,763	2,605,394	3,395,878
Other debtors	3,747	4,944	3,747	4,944
Corporation tax	732,889	410,228	701,497	397,337
Net deferred tax asset (note 18)	413,312	257,544	413,312	257,544
	7,364,109	5,749,350	7,331,580	5,732,574
Due after more than one year:				
Other debtors	254,113	18,107	249,554	13,813
	7,618,222	5,767,457	7,581,134	5,746,387

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2014 £	2013 £	Company 2014 £	2013 £
Obligations under finance leases and hire purchase contracts	97,104	179,199	97,104	179,199
Trade creditors	1,551,744	1,689,048	1,545,317	1,669,982
Other taxes and social security	1,077,855	887,219	1,077,855	868,614
Other creditors	352,470	386,079	352,470	386,079
Accruals and deferred income	11,378,833	9,073,438	11,378,833	9,073,438
Advanced development fee	-	410,735	-	410,735
	14,458,006	12,625,718	14,451,579	12,588,047

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Obligations under finance leases and hire purchase contracts	44,200	141,304	44,200	141,304

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Finance lease are repayable as follows:				
Between one and two years	44,200	97,104	44,200	97,104
Between two and five years	-	44,200	-	44,200
	44,200	141,304	44,200	141,304
On demand or within one year	97,104	179,199	97,104	179,199
	141,304	320,503	141,304	320,503

17. PROVISIONS FOR LIABILITIES

Group and Company

	Redundancy provision	Provisions for Global Sales Tax	Onerous lease provisions	Total
	£	£	£	£
At 1 January 2014	-	3,103,047	1,894,950	4,997,997
Charged to profit and loss account	696,424	761,557	-	1,457,981
Utilisation of provision	-	-	(1,873,125)	(1,873,125)
Release of provision	-	(71,792)	(21,825)	(93,617)
At 31 December 2014	696,424	3,792,812	-	4,489,236

The provision for redundancies represents management's estimate of the amount payable to former Transformers: Universe employees and includes estimated costs payable in settlement of action brought in respect of the redundancy consultation period.

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

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

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

18. DEFERRED TAX ASSET

	2014 £	2013 £
Group and Company		
At 1 January 2013	257,544	177,226
Credited to profit and loss account	155,768	80,318
	<u>413,312</u>	<u>257,544</u>
At 31 December 2014	<u>413,312</u>	<u>257,544</u>
The deferred taxation balance is made up as follows:		
Accelerated depreciation	389,190	211,618
Other timing differences	24,122	45,926
	<u>413,312</u>	<u>257,544</u>

19. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
1,126,753,628 ordinary shares of 10p each	<u>11,267</u>	<u>11,267</u>

20. SHARE BASED PAYMENTS

Equity-settled share option schemes

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

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

	31 December 2014		31 December 2013	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	97,611,135	0.13	60,991,647	0.13
Granted during the year	-	-	36,619,488	0.13
Forfeited during the year	(35,851,987)	0.13	-	-
	<u>61,759,148</u>	<u>0.13</u>	<u>97,611,135</u>	<u>0.13</u>
Outstanding at the end of the year	<u>61,759,148</u>	<u>0.13</u>	<u>97,611,135</u>	<u>0.13</u>
Exercisable at the end of the year	-	-	-	-

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

20. SHARE BASED PAYMENTS (continued)

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

	2014	2013
Weighted average share price (£)	-	0.25
Weighted average exercise price (£)	-	0.13
Expected volatility	-	72%
Expected life (years)	-	3.5
Risk-free rate (%)	-	1.89%
Expected dividend yield (%)	-	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 £222,983 (2013 - £1,178,278) related to equity-settled share-based payment transactions in 2014.

21. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Share-based payment reserve £	Profit and loss account £
Group			
At 1 January 2014	80	2,314,723	7,066,890
Credit to equity for share based payments	-	222,983	-
Profit for the financial year	-	-	1,145,319
Currency translation difference on foreign currency net investments	-	-	(11,098)
At 31 December 2014	80	2,537,706	8,201,111
Company			
At 1 January 2014	80	2,314,723	7,008,634
Credit to equity for share based payments	-	222,983	-
Profit for the financial year	-	-	1,123,824
At 31 December 2014	80	2,537,706	8,132,458

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

22. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	2014 £	2013 £
Profit for the financial year	1,145,319	381,581
Currency translation difference on foreign currency subsidiaries	(11,098)	-
Credit to equity for share based payments	222,983	1,178,278
	<hr/>	<hr/>
Net increase in shareholders' funds	1,357,204	1,559,859
Opening shareholders' funds	9,392,960	7,833,101
	<hr/>	<hr/>
Closing shareholders' funds	10,750,164	9,392,960
	<hr/>	<hr/>

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	1,243,578	944,834
Amortisation of intangible fixed assets	-	5,830
Depreciation of tangible fixed assets	2,430,371	2,269,217
Loss on disposal of tangible fixed assets	41,818	12,379
Share based payments	222,983	1,178,278
Increase in stocks	(9,558)	(68,496)
(Increase)/decrease in debtors	(1,372,335)	2,025,143
Increase/(decrease) in creditors	1,513,168	(7,479,263)
Decrease in provisions	(508,761)	(586,996)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	3,561,264	(1,699,074)
	<hr/>	<hr/>

JAGEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

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

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	21,468	72,085
Interest paid	(32,000)	(48,796)
Net cash (outflow)/inflow from returns on investments and servicing of finance	<u>(10,532)</u>	<u>23,289</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,457,857)	(2,400,141)
Net cash outflow from capital expenditure and financial investment	<u>(1,457,857)</u>	<u>(2,400,141)</u>
Taxation		
UK corporation tax paid	(323,846)	(2,363,379)
Foreign tax paid	(31,393)	(12,891)
Net cash outflow from taxation	<u>(355,239)</u>	<u>(2,376,270)</u>

25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2014 £	Cash flow £	Other non- cash changes £	At 31 December 2014 £
Cash at bank and in hand	16,380,836	1,737,636	-	18,118,472
Debt:				
falling due within one year	(416,855)	-	416,855	-
Finance leases	(320,503)	179,199	-	(141,304)
Net funds	<u>15,643,478</u>	<u>1,916,835</u>	<u>416,855</u>	<u>17,977,168</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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 £330,755 (2013 - £147,094). The unpaid contributions accrued at the year end were £68,664 (2013 - £46,023).

27. FINANCIAL COMMITMENTS

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Leases which expire:				
Between one and five years	-	477,000	26,775	26,775
After more than five years	962,758	722,069	-	-
	<u>962,758</u>	<u>722,069</u>	<u>-</u>	<u>-</u>

At 31 December 2014 the company had no capital commitments (2013 - £nil).

28. RELATED PARTY TRANSACTIONS

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.