

**Jagex Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2021**

Company Registration Number: 03982706



## **Jagex Limited**

### **Annual Report and Financial Statements 31 December 2021**

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## **Jagex Limited**

### **Report and Financial Statements 31 December 2021**

#### **Officers and Professional Advisers**

##### **Directors**

P Mansell

R Varachia (Appointed 26/11/2021)

MJ Wand (Appointed 8/01/2021, Resigned 21/02/2021)

Y Wang (Appointed 27/04/2020, Resigned 08/01/2021)

DL Zhu (Appointed 17/04/20, Resigned 08/01/2021)

T Parker (Appointed 8/01/2021, Resigned 24/02/2021)

AKS Tan (Appointed 8/01/2021, Resigned 24/02/2021)

P Rieger (Appointed 8/01/2021, Resigned 24/02/2021)

S Sullivan (Resigned 08/01/2021, Appointed 24/02/2021, Resigned 26/11/2021)

A Ginsburg (Appointed 27/04/2020, Resigned 08/01/2021)

N De Masi (Appointed 08/01/2021, Resigned 24/02/2021)

A Evans (Appointed 08/01/2021, Resigned 24/02/2021)

M Giffith (Appointed 08/01/2021, Resigned 24/02/2021)

##### **Secretary**

Prism Cosec Limited (Appointed 20/12/2021)

S Sullivan (Resigned 26/11/2021)

##### **Registered Office**

220 Cambridge Science Park

Milton

Cambridge

CB4 0WA

United Kingdom

##### **Independent Auditor**

PricewaterhouseCoopers LLP

3 Forbury Place

23 Forbury Road

Reading

Berkshire

RG1 3JH

## **Jagex Limited**

### **Strategic Report for the year ended 31 December 2021**

#### **Business Review**

By focusing on our player communities, we have grown revenues by 4% year on year to £125m (FY20: £120m, FY19: £109m). Profit Before Taxation reduced by 5% year on year (FY21: £37m, FY20: £39m) reflecting a high number of one-off costs associated with the sale of the Company. Adjusted EBITDA has reduced slightly to £54.4m (FY20: £54.7m), maintaining the strong 12% increase in Adjusted EBITDA in 2020 (FY19: £49m).

RuneScape and its retro sibling Old School RuneScape continue to enjoy deep, long-term engagement from large loyal communities. Both games benefit from Jagex's progressive approach to live service games, combining player involvement, community interaction and data-derived insights to shape each product around its players' needs. This has led to the continued generation of high-quality subscription revenue, with those products accounting for over 70% of revenue.

This approach brings long-term user retention, high rates of return for lapsed players and a clear revenue pipeline. In 2021, RuneScape's product revenue grew by 20%. The growth during the year was driven by RuneScape launching on mobile and the success of in-game seasonal events.

Old School RuneScape's product revenue decreased by 7% year on year. This was in line with expectations following notably high revenue during Covid-19 related lockdowns in the prior year. In the latter part of the year, the successful launch of Group Ironman resulted in significant growth in membership which gave a strong finish to the year.

Both RuneScape and Old School RuneScape maintained a strong presence on social media and video platforms throughout the year through events including competitive tournaments such as Deadman Reborn. Both games saw their social media engagement initially correlate with restrictions related to the Covid-19 pandemic, with playtime easing slightly as Covid-19 related restrictions were gradually reduced.

During the year we had significant increased investment in in-house development for new titles strengthening the pipeline for future years. Further, 2021 saw Jagex Partners release its first titles, with Space Punks entering early access on PC in July and Melvor Idle fully launching on mobile and PC in November. We are working closely with their developers, Flying Wild Hog and Games by Malcs respectively, to support the success of these games and help build their communities. We also signed This Means Warp which is being developed by Outlier Games. These all represent exciting opportunities for Jagex as we take our first steps in achieving our third-party publishing growth ambitions.

2021 was a significant year for Jagex due to the Carlyle Group acquiring Jagex. The acquisition represents a significant moment for Jagex as it will allow greater investment in our games, both existing and new. The acquisition is also the first step on Jagex's own path of acquiring like-minded gaming companies that can work with us to help drive our future growth over the coming years.

#### **Key performance indicators**

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

- Revenue;
- Subscribers, defined as average number of daily subscribers during the year;
- Adjusted EBITDA, defined as Operating Profit excluding Share Based Payments, Depreciation and Amortisation as well as and certain items that are considered to be outside the ordinary course of business. These items may be recurring or non-recurring. Recurring items can include purchase price adjustments

## Jagex Limited

### Strategic Report for the year ended 31 December 2021

such as amortisation of acquired intangible assets, acquisition related items and fair value adjustments. Non-recurring items include gains and losses on the disposal of assets, impairment charges, M&A and restructuring related costs as well as certain other one-off or non-operational adjustments.

In prior periods "Operating Profit less Exceptional Items" was disclosed as a KPI. This has been replaced with Adjusted EBITDA. Adjusted EBITDA is the key metric assessed by the board and shareholders following the change in ownership. Adjusted EBITDA provides greater transparency and comparability of the accounts.

The Company Performance in 2021 and comparative information for the previous two years is summarised below.

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Revenue (£000)	124,863	119,959	108,556
Adjusted EBITDA (£000)	54,427	54,656	48,894
Subscribers (million)	1.1	1.1	1.0

### Principal Risks and Uncertainties

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

1. competitive pressure, together with changing player preferences, which could result in losing active players and subscribers to competitors or other forms of connected entertainment.
2. failure to make sure that costs stay in line with projected revenues and keeping within development timeframes and cost bases for new products coming to market in future years.
3. delays and development issues with intangible assets.
4. ensuring that all new games and content added are of the highest quality and bug free, to help products succeed in the marketplace and reduce reliance on a smaller pool of games (Old School RuneScape and RuneScape) and legacy technology stacks.
5. changes in general legislation (including evolving data privacy obligations), tax obligations within the multi-jurisdictional territories the business' products operate in or change in policies on the distribution channels its products use. In particular, changes to the legislation regarding "loot box" monetisation methods could result in requirements to alter the design of the games and impact the monetisation strategies available to the business.
6. hiring and retention of qualified personnel, key person dependency and succession planning.
7. requirement for a more resilient business continuity plan to withstand and respond effectively to any force majeure events.
8. the business and operations could suffer in the event of security breach to IT systems, or other misappropriation of our technology, intellectual property or other proprietary or confidential information.
9. the business is susceptible to cyber-attack (e.g. phishing and malware attacks) due to the increasing sophistication of threat actors and the business' increased profile.
10. failure in financial controls resulting in a loss or misstated financial statements.
11. fraudulent or illegal use of Jagex's digital currency ('RuneScape Gold') through third party platforms reduces revenue streams for the business.

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

## **Jagex Limited**

### **Strategic Report for the year ended 31 December 2021**

1. aiming to continue innovating and testing new game concepts and mechanics, making use of new technologies available to us by investing in training for our staff so we can utilise them more effectively.
2. developing compelling new game content, by working closely with in-game communities to develop content that is desired within our player base.
3. ensuring we have a robust greenlight process for all new products and content, to ensure we keep the quality of our offerings high.
4. continuing to perform and develop our focus group testing and beta programmes focused on receiving feedback and identifying areas for improvement, implementing comprehensive testing programmes.
5. developing and launching new games including additional content in our current games as well as other new titles, whilst regularly monitoring the player behaviour by utilising the high degree of skill we have in our analytic teams and interacting with the community, as well as through observing games industry trends.
6. regularly reviewing and adopting upcoming legislation and policy for our key markets and distributions partners, subject to competing demands on the business.
7. continuing to regularly review the employee benefits and compensation package to make sure we remain competitive in the market, developing our people and affording opportunity. We are investing into a Security Improvement programme, and we continue to devote significant resources to the security of our IT systems, our technology and confidential information.
8. broadening cyber security technology stack and IT security maturity, whilst focusing on staff training exercises and strengthening the business' in-house cyber security team.
9. regular and ongoing review of processes and controls supporting financial reporting with a continuous improvement approach
10. working with third party partners and litigators to limit the remit of third parties distributing Jagex's digital currency (including use of AI platforms to automate processes where possible) to prevent revenue loss to the business.

#### **Future Developments**

The board of directors are excited about Jagex's potential and anticipate future growth and success for the business as we focus on our strategy of continuing to grow our existing games, expanding the RuneScape IP by developing new games, accelerating our game portfolio by publishing games developed by talented 3<sup>rd</sup> party developers through Jagex Partners and taking advantage of strategic acquisition opportunities when they are available.

Strengthening our existing products is at the forefront of our strategy. To deliver on this, Jagex will continue to enhance our existing products with frequent additions and improvements, driven by input from our player communities. We are also continuing to invest in content development and improving the quality of player touchpoints across our ecosystem.

We continue to invest in new products within the RuneScape franchise and to enhance our game development, game publishing and game service technology capabilities. We intend to leverage these capabilities when partnering with external developers to publish their titles and expand our game portfolio. In 2021, new product and technologies R&D spend increased to £10.7m (2020: £8.6m, 2019: £5.9m), of which £8.0m (2020: £5.6m, 2019: £4.3m) was capitalised.

#### **Employee engagement**

To support Jagex's strategic aims we believe our talent base is critical to our success. Employee engagement is therefore crucial, and we are focused on providing staff with an enriching experience, which ultimately translates to an engaged customer base and the commercial success of the Company. In order to ensure its continuing success, Jagex needs to attract and retain

## Jagex Limited

### Strategic Report for the year ended 31 December 2021

exceptional talent and to invest in its people to enable them to advance the strategic aims of Jagex. Following the pandemic, Jagex has maintained a flexible working policy with more employees working from home on a regular basis.

The Company undertakes regular employee surveys to enable it to understand the experience of its employees and to track engagement. The output of those surveys is reviewed and used to inform Jagex's people strategy. In 2021 we ran a survey in March with a 95% response rate, and another in August with an 86% response rate; both demonstrate an appetite for staff to share their feedback and continue to evolve Jagex's employer proposition and the experience provided for our people. As an output from the surveys, we have taken a number of actions which we hope will lead to yet greater employee engagement. One such action aims to improve representation and diversity within Jagex by implementing new schemes in 2022, such as the 'Breakthrough Leadership Programme', which aims to increase female leadership within Jagex.

Covid-19 continued to impact our employees throughout 2021, with Jagex's workforce remaining primarily remote throughout the year. In the latter half of 2021, we adopted our Remote Working Policy, which has enabled our staff to continue working from their preferred location, either at their home or the office, once pandemic related lockdown restrictions were lifted. Our Remote Working Policy has been shaped by staff feedback and allows us to attract the best talent available regardless of their proximity to our office.

The board of directors support significant levels of investment in training, online learning, paid-for external development, and the hosting of internal Company-wide learning events. This sits alongside a generous benefits package which includes private medical insurance, pension contributions above the statutory minimum requirement and an annual bonus scheme. This enables Jagex to stand out in a highly competitive labour market, and to attract employees from Cambridge and the rest of the United Kingdom, as well as a growing number of high-profile international hires over the course of the past financial year.

The board of directors recognises the importance of having a diverse workforce that both reflects the Company's player base of millions from around the world, and which strengthens its business growth. Jagex is committed to promoting fairness and equality in the workplace which it demonstrates through a number of policies, including: Equal Opportunities Policy; Flexible Working Policy; Remote Working Policy; Parental Leave Policy; and Maternity, Paternity and Adoption Policies. The Company has also established a dedicated Diversity Group, made up of staff from across the business.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
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P Mansell  
21<sup>st</sup> October 2022

## Jagex Limited

### Section 172 statement

Jagex directors, having regard to the interests of all their stakeholders, take seriously their duty under s172 of the Companies Act 2006 to promote the success of the Company and this statement will outline how this has been achieved during the most recent financial year.

Jagex is a digital direct-to-consumer business with minimal physical supply chain and a high degree of self-sufficiency, and the directors consider their primary stakeholders to be their shareholders, employees and customers.

The Company's annual operating plan is built by the board of directors based on proposals made by the senior management team. This operating plan covers operational goals and targets, annual budgeting and operating strategies, and is set within the context of the long-term growth strategy of the business. Once considered by the board of directors and approved, the operating plan provides a framework from which management can operate with day-to-day autonomy. Anything falling outside the approved business plan is subject to additional discussion and approval from the board of directors.

#### Board of director's approach to decision making

The board of directors is kept informed of financial and general operating matters through monthly business analysis reports compiled by the senior management team. This report includes product performance trends, summaries of customer feedback and an update on the progress of key projects, as well as details of the senior management team's response to significant staff or customer feedback.

The board takes a view on long-term decisions based on research, and financial and analytical modelling, which it receives in the form of detailed proposals presented by the management team to the board. This could include, but not be limited to, new product development, acquisition opportunities and strategic partnerships.

#### Promotion of our relationship with our players

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

Player feedback is collated by multiple teams and fed back to the Development teams, mainly by the Community Management team, whose primary focus is player engagement, sentiment monitoring, management and communicating directly with our players via social media channels. Our players have a direct impact on the content we make and help us to shape our content roadmap, uniquely voting on content for our hugely successful and award-winning title Old School RuneScape. Over the 9 years since launching, we have held hundreds of weekly polls with over 8+ million votes cast in that time. Players give feedback directly on proposed design and vote on future content with a 75% minimum approval requirement to release. In the last year alone, players have overseen the launch of our new clans system to support group play, the 150th Old School RuneScape quest called "A Kingdom Divided" and an all new cooperative mode called Group Ironman.

In order to fully understand its players, Jagex enjoys an ongoing dialogue with them through social platforms including Twitter, Facebook, Instagram, Reddit, and Discord, as well as dedicated player forums. In addition, the Company hosts regular player visits and play tests, enabling Jagex to engage in deep discussions with selected groups of players on new and existing content. Traditionally we have held an annual festival of players called RuneFest, where players can directly interact and meet with us. Unfortunately, this has not taken place due to Covid-19, but we hope to resume this in the future.

Jagex is also absolutely committed to the online safety of our players when engaging with our products. The Company is acknowledged as a proactive leader in the industry when it comes to



## Jagex Limited

### Section 172 statement

protecting its players, and Jagex continues to evolve its community safety, moderation and safeguarding tools and procedures.

To support our safeguarding of players online, we have an advanced proprietary chat monitoring system that scans approximately 20 million lines of in-game chat every day to identify anything requiring manual review by our dedicated team. Any chat logs that relate to a player's safety, or appear to break UK laws, are passed to the relevant authorities and law enforcement agencies.

We have developed our online safety policies and procedures in partnership with:

- Internet Watch Foundation
- Local Cambridge Police
- Child Exploitation and Online Protection Centre (CEOP)
- NCA (National Crimes Agency)
- Sharing best practice in the games industry at conferences, and the Quarterly NCA Gaming Round Table (of which we are a steering committee member)

#### Relationship with Suppliers

Jagex has a zero-tolerance to human trafficking and slavery and expects its suppliers to take the same approach. The board of directors has approved the publication of the Company's Modern Slavery Act statement and will support the senior management team in its review of its policies and procedures to ensure continued compliance.

In its relationship with suppliers, Jagex seeks to maintain a reputation for fairness and high standards through striving for contracts that provide mutual benefit and ensuring that suppliers are paid on time.

#### Engagement with the wider community and environmental issues

Throughout the year, the board has supported initiatives to improve energy efficiency, increase recycling, and support charities important to the Company's customer base. Currently these charity partners are CPSL Mind, Blueprint For All, and Rise Above the Disorder. Jagex also supports Special Effect, which provides access to games for people with disabilities. Our charities efforts have seen Jagex staff have raised in excess of £1.9 million for charity since 2013 with help from our staff and players, and we are proud of this important contribution.

We've involved our community in our charity work in-game for the following events:

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

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

As can be seen in our Streamlined Energy and Carbon reporting, our emissions reduced during 2020, the reduction was driven by lockdown constraints on travel, whilst these have risen again in 2021, they are still below pandemic levels. The Board continue to monitor emissions to ensure the Company remains within sector norms.

## Jagex Limited

### Section 172 statement

#### Engagement with the regulators and understanding of regulatory strategy

We have been an active contributor to the UK games trade body 'Ukie' which works with government to champion a range of issues including age ratings, education and skills, access to finance and protecting intellectual property rights.

In our support for ongoing engagement with the government to rebalance the debates around video games we also volunteered to attend the Digital, Culture, Media and Sport Committee in its inquiry into immersive and addictive technologies.

DocuSigned by:

*Philip Mansell*

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P Mansell

Director

21<sup>st</sup> October 2022

## **Jagex Limited**

### **Directors' Report for the year ended 31 December 2021**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2021.

#### **General information**

Jagex Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is 220 Cambridge Science Park, Cambridge, England, CB4 0WA. The principal activity of the Company is that of developing and publishing of online computer games.

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

#### **Future developments**

Details of future developments can be found in the Strategic Report and forms part of this report by cross-reference on page 3.

#### **Going concern**

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

The Company continues to hold sufficient cash reserves and are forecast to remain cash positive. Financial Projections, including P&L and future cash flows, through to the end of 2023 demonstrate continued positive cash generation and full compliance with all banking covenants at the required testing dates.

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

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The key uncertainties around the business are noted in the Strategic Report which can be found on page 2.

#### **Dividends**

Aside from the Dividend payments noted in Note 23 to these accounts, no further dividends have been declared or proposed.

#### **Research and development**

The Company is continually updating its current game offering. Development expenditure for existing live titles is not capitalised and is written off in the year it is incurred. Development expenditure on new projects is capitalised once the policy criteria are met and these costs will then be amortised over the expected game lifespan, post full commercial launch.

The amount charged to the income statement for new products for the year ended 31 December 2021 in relation to research and development activities was £2.7m (2020: £3.0m, 2019: £1.6m)

## **Jagex Limited**

### **Directors' Report for the year ended 31 December 2021**

#### **Political contributions**

No political donations were made during the year.

#### **Post balance sheet events**

On 14 July, 2022 the Company's immediate parent June UK BidCo Limited made a repayment of £12.6m on an intercompany loan.

The company subsequently extended an intercompany loan to its subsidiary Jagex Holdings Inc. of £22.8m. The company made a further capital contribution to the same subsidiary of \$40.6m.

Other than the matter described above there have been no significant post statement of financial position events which have affected the Company since the year end.

#### **Directors**

The directors, who held office during the year and up to the date of signature of the financial statements, were as follows:

P Mansell  
RI Varachia (Appointed 26/11/2021)  
MJ Wand (Appointed 8/01/2021, Resigned 21/02/2021)  
Y Wang (Appointed 27/04/2020, Resigned 08/01/2021)  
DL Zhu (Appointed 17/04/20, Resigned 08/01/2021)  
RI Varachia (Appointed 26/11/2021)  
T Parker (Appointed 8/01/2021, Resigned 24/02/2021)  
AKS Tan (Appointed 8/01/2021, Resigned 24/02/2021)  
P Rieger (Appointed 8/01/2021, Resigned 24/02/2021)  
S Sullivan (Resigned 08/01/2021, Appointed 24/02/2021, Resigned 26/11/2021)  
A Ginsburg (Appointed 27/04/2020, Resigned 08/01/2021)  
N De Masi (Appointed 08/01/2021, Resigned 24/02/2021)  
A Evans (Appointed 08/01/2021, Resigned 24/02/2021)  
M Giffith (Appointed 08/01/2021, Resigned 24/02/2021)

#### **Directors' indemnities**

The Company 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.

#### **Disabled employees**

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

#### **Employee consultation**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings.

Employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests. Employees are

## **Jagex Limited**

### **Directors' Report for the year ended 31 December 2021**

encouraged to be involved in the company's performance through an employees' share scheme and a bonus scheme linked to individual and Company performance. Regular briefings of employees are held providing communication of KPIs (Key Performance Indicators) ensuring a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

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

The directors are mindful of their statutory duty to act in the way they each consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members, as set out in our section 172 statement on page 5.

#### **Financial risk management objectives and policies**

The Company's activities expose it to several financial risks including foreign exchange risk, credit risk and liquidity risk.

##### Foreign exchange risk

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

##### Credit risk

The Company's principal financial assets are bank and cash balances and trade and other receivables and loans to group undertakings.

The amounts presented in the statement of financial position are net of allowances for contract assets and 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 Company'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 Company reviews the working capital requirement on a weekly basis in light of the current business trends.

#### **Greenhouse gas emissions and energy use**

The Company is committed to managing our environmental impact and are fully aware that by considering the environment in our decision making, particularly around technology adoption, we can have a beneficial impact on the Company's performance. Our key environmental impacts are from running our office and business travel. For this report we are disclosing our Scope 1 and 2 UK emissions and the mandatory Scope 3 emissions in accordance with the Environmental Reporting Guidelines as issued by the Department for Environment, Food & Rural Affairs ("DEFRA") and the Department for Business, Energy & Industrial Strategy ("BEIS").

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

## Jagex Limited

### Directors' Report for the year ended 31 December 2021

good measure of reflecting our carbon footprint as it demonstrates that the emissions have decreased where operating income has increased.

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

In addition, we have well-established waste management initiatives in place to effectively reduce our carbon footprint, including management and reduction of waste, which have been implemented across the organisation. In addition, we recycle all paper, cardboard waste, aluminium cans and plastics and also operate a managed print solution to help control paper usage. We rotate catering menus on a 4 weekly basis in order to avoid wastage. We use a registered waste disposal contractor for their strict compliance with relevant waste legislation.

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

#### Methodology

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

	Unit	Year ended 31-Dec-21	Year ended 31-Dec-20
<b>Energy consumption</b>	kWh		
<b>Scope 1:</b>			
Gas consumption		702,018	585,086
<b>Scope 2:</b>			
Electricity consumption		1,739,902	1,774,598
<b>Scope 3:</b>			
Energy consumption from transport*		-	-
<b>Greenhouse gas emissions</b>	tCO <sub>2</sub> e		
<b>Scope 1:</b>			
Gas consumption		129	108
<b>Scope 2:</b>			
Electricity consumption		369	414
<b>Scope 3:</b>			
Energy consumption from transport*		-	-
<b>Net operating income</b>	£m	37.1	39.0
Intensity ratio (total global emissions/net operating income)	tCO <sub>2</sub> e/£m	13.4	13.4

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

The business has offered a fully remote workforce with exceptions throughout 2021 and will continue to support this throughout 2022. While working on site, the studio is fitted with light sensors in most areas to support minimisation of electricity usage. The Company operates a cycle to work scheme allowing staff to purchase bicycles for commuting at a reduced cost to the employee. A cycling maintenance and servicing programme is also available to all employees for

## Jagex Limited

### Directors' Report for the year ended 31 December 2021

bicycles used for both commuting and personal use. Where possible, car sharing is fully supported and encouraged.

#### Independent auditors Disclosure of information to auditors

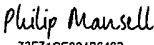
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 in order 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 section 418 of the Companies Act 2006.

The auditors, PricewaterhouseCoopers LLP have been appointed as auditors, and appropriate arrangements have been put in place for them to be deemed appointed in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
74E71CE804B6482...  
**P Mansell**

Director  
21<sup>st</sup> October 2022

## Jagex Limited

### Directors' responsibilities statement

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
73571CE804B6402...  
**P Mansell**

Director  
21<sup>st</sup> October 2022



# Independent auditors' report to the members of Jagex Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Jagex Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2021; the Income Statement and Statement of Other Comprehensive Income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does

not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

## **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

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

the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

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

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

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

## Use of this report

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

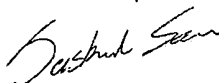
## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jaskamal Sarai (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
21 October 2022

## Jagex Limited

### Income statement and statement of other comprehensive income

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (Restated)	Year ended 31 December 2019 (Restated)
Revenue	6	124,862,810	119,959,454	108,555,749
Cost of sales		(16,390,698)	(13,202,961)	(11,566,852)
<b>Gross profit</b>		<b>108,472,112</b>	<b>106,756,493</b>	<b>96,988,897</b>
Administrative expenses	7	(71,469,139)	(67,736,753)	(51,684,353)
<b>Operating Profit</b>		<b>37,002,973</b>	<b>39,019,740</b>	<b>45,304,544</b>
Share Based Payments	22	1,419,400	-	-
Impairment of Assets		-	2,533,180	568,218
Depreciation & Amortisation of Assets	7,12,13,14	3,043,251	1,519,491	1,657,096
Non-recurring items	7	12,961,617	11,584,024	1,364,506
<b>Adjusted EBITDA</b>		<b>54,427,241</b>	<b>54,656,435</b>	<b>48,894,364</b>
Finance income	10	15,452	50,082	423,385
Finance costs	10	(234,497)	(275,086)	(313,721)
<b>Net Interest Income / (Expense)</b>		<b>(219,045)</b>	<b>(225,004)</b>	<b>109,664</b>
<b>Profit on Ordinary Activities before Taxation</b>		<b>36,783,928</b>	<b>38,794,736</b>	<b>45,414,208</b>
Income tax	11	(1,661,544)	(4,594,735)	(384,496)
<b>Profit for the year</b>		<b>35,122,384</b>	<b>34,200,001</b>	<b>45,029,712</b>
<b>Total comprehensive income for the year</b>		<b>35,122,384</b>	<b>34,200,001</b>	<b>45,029,712</b>

All activities derive from continuing operations.

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


## Jagex Limited

### Statement of financial position

	Note	As at 31 December 2021 £	As at 31 December 2020 £	As at 31 December 2019 £
<b>Assets</b>				
Intangible assets	12	14,919,119	7,778,718	4,595,542
Property, plant, and equipment	13	2,517,632	1,694,141	1,431,105
Right of use asset	14	3,735,528	4,480,247	5,224,966
Other non-current assets	16	4,342,900	1,439,013	256,910
Deferred Tax Asset	21	1,165,242	635,681	539,472
<b>Non-current assets</b>		<b>26,680,421</b>	<b>16,027,800</b>	<b>12,047,995</b>
Trade and other receivables	16	26,043,681	12,105,180	12,541,668
Cash and cash equivalents	18	45,640,797	44,352,776	14,790,828
<b>Current assets</b>		<b>71,648,478</b>	<b>56,457,956</b>	<b>27,332,496</b>
<b>Total assets</b>		<b>98,364,899</b>	<b>72,485,756</b>	<b>39,380,491</b>
<b>Equity</b>				
Share capital	23	11,267	11,267	11,267
Share premium		80	80	80
Retained earnings		48,961,104	24,499,594	5,399,593
<b>Total equity</b>		<b>48,972,451</b>	<b>24,510,941</b>	<b>5,410,940</b>
<b>Liabilities</b>				
Provisions	20	13,320,458	9,287,754	5,625,405
Non-current lease liabilities	19	3,510,890	4,411,139	5,270,891
<b>Non-current liabilities</b>		<b>16,831,348</b>	<b>13,698,893</b>	<b>10,896,296</b>
Trade and other payables	17	30,984,065	31,290,914	22,192,958
Current income tax		676,786	2,125,256	61,486
Current lease liabilities	19	900,249	859,752	818,811
<b>Current liabilities</b>		<b>32,561,100</b>	<b>34,275,922</b>	<b>23,073,255</b>
<b>Total liabilities</b>		<b>49,392,448</b>	<b>47,974,815</b>	<b>33,969,551</b>
<b>Total equity and liabilities</b>		<b>98,364,899</b>	<b>72,485,756</b>	<b>39,380,491</b>

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

The financial statements of Jagex Limited, registered number 03982706 were approved by the board of directors and authorised for issue on 21<sup>st</sup> October 2022. They were signed on its behalf by:

DocuSigned by:  
  
 P Mansell, Director

10/21/2022

## Jagex Limited

### Statement of changes in equity

	Note	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance as at 1 January 2019</b>		<b>11,267</b>	<b>80</b>	<b>36,777,525</b>	<b>36,788,872</b>
<b>Comprehensive Income:</b>					
Profit for the financial year		-	-	45,029,712	45,029,712
<b>Total comprehensive income</b>		-	-	45,029,712	45,029,712
<b>Transactions with owners:</b>					
Dividends	24	-	-	(76,407,644)	(76,407,644)
<b>Balance as at 31 December 2019</b>		<b>11,267</b>	<b>80</b>	<b>5,399,593</b>	<b>5,410,940</b>
<b>Comprehensive Income:</b>					
Profit for the financial year		-	-	34,200,001	34,200,001
<b>Total comprehensive income</b>		-	-	34,200,001	34,200,001
<b>Transactions with owners:</b>					
Dividends	24	-	-	(15,100,000)	(15,100,000)
<b>Balance as at 31 December 2020</b>		<b>11,267</b>	<b>80</b>	<b>24,499,594</b>	<b>24,510,941</b>
<b>Comprehensive Income:</b>					
Profit for the financial year		-	-	35,122,384	35,122,384
<b>Total comprehensive income</b>		-	-	35,122,384	35,122,384
<b>Transactions with owners:</b>					
Dividends	24	-	-	(12,080,274)	(12,080,274)
Share based payments	22	-	-	1,419,400	1,419,400
<b>Balance as at 31 December 2021</b>		<b>11,267</b>	<b>80</b>	<b>48,961,104</b>	<b>48,972,451</b>

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

#### **1. GENERAL INFORMATION**

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

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

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

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### *a. Basis of preparation*

For all periods up to and including the year ended 31 December 2020, the company prepared its financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

These financial statements for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 are the first the company has prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The date of transition is 1 January 2019, and therefore in preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2019.

Refer to note 3 for information on how the Company adopted FRS 101. The impact of adopting FRS 101 on the periods covered by these financial statements and other prior period adjustments identified during transition to FRS 101 are detailed within note 30.

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

The functional currency of Jagex Limited is pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling and all values are rounded to the nearest pound sterling, except when otherwise indicated. Foreign operations are included in accordance with the policies set out below.

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

- On first-time adoption of this standard, a qualifying entity is exempt from the requirement of paragraphs 6 and 21 of IFRS 1 to present an opening statement of financial position at the date of transition.
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.
- IFRS 7, 'Financial instruments: Disclosures'.

## Jagex Limited

### Notes to the financial statements

#### For the year ended 31 December 2021

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - A reconciliation of shares outstanding at the beginning and end of the period (IAS 1.79 (a) (iv))
  - A reconciliation of carrying amount of PPE at the beginning and end of the period (IAS 16.73 (e))
  - A reconciliation of carrying amount of intangible assets at the beginning and end of the period (IAS 38.118 (e))
- The following paragraphs of IAS 1, 'Presentation of financial statements'
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38B-D (additional comparative information)
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

#### Prior Period Restatement

As well as the transition adjustments described above, the 2019 and 2020 comparative figures have been restated due to the identification of previous errors. Full details of the restatement and subsequent impact on the primary statements is presented in Note 30.

#### *b. Going concern*

The financial statements have been prepared on a going concern basis. The Company's business activities, the principal risks and uncertainties as well as the key performance indicators are set out in the Strategic Report. Critical accounting assumptions and key estimates are set out in Note 5

The Company made net profit before tax £36.8m and maintained sufficient cash reserves (2021: £45.6m, 2020: £44.4m) despite increased growth in development and a significant amount of non-recurring expenditure in the year. The Company continues to have strong revenue from existing games and has continued to grow following the higher-than-expected revenue during the Covid 19 pandemic.

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



## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

The Directors have reviewed Financial Projections, including P&L and future cash flows, through to the end of 2023 and believe them to be prudent and achievable. These forecasts demonstrate continued positive cash generation and full compliance with all banking covenants at the required testing dates.

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

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

#### *c. Revenue*

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

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

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

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as trade and other payables in the statement of financial position (see note 17).

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

We primarily offer the following products and services:

#### Subscriptions

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

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

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

#### *Prime Gaming*

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

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

#### Microtransactions

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

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

- Runecoin
- Treasure Hunter keys
- Bonds

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

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

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

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

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

#### Other Revenues

Other revenues include revenues from Jagex Partners, merchandise and advertising in our games.

Revenue from Jagex Partners relationships varies from contract to contract but is primarily on a revenue sharing basis. Where revenue is recognised gross, the company is responsible for publishing, sale and delivery of the games.

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

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

#### Principal v Agent Considerations

The company evaluates sales to end customers of full games and related content via third-party

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

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

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

The company also performs an analysis to determine whether the Company is a principal or agent related to sales of video games developed by its independent game developer partners. Based on an evaluation of the above indicators, the Company has determined that the Company is the principal for sales of video games developed by its independent game developer partners. The Company therefore reports revenue

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

related to these arrangements gross, and the royalty payments made to the independent game developer partners are reflected as cost of revenues.

##### *d. Cost of Sales*

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

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

##### *e. Pensions*

The company operates a defined contribution pension scheme, and the pension charge represents amounts payable by the Company to the fund its obligation in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

##### *f. Taxation*

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

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

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

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

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

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

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

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

Reviews are carried out regularly

#### *g. Intangible Fixed Assets*

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

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

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

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

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

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

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

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

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

The following useful lives are applied:

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

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

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

#### *h. Property, plant, and equipment*

Property, plant, and equipment assets are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Computer equipment 33% per annum
- Fixtures and fittings 20% per annum
- Leasehold improvements 20% per annum
- Right of use assets Over the term of the lease

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

Residual value represents the estimated amount which would currently be obtained from the disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### *i. Leases*

The company as a lessee. The company makes use of leasing arrangements principally for the provision of office property and office equipment. The property lease has a remaining lease term of 5 years and includes a break options. The office equipment lease has an average lease term of 1.5 years. The company does not enter into sale and leaseback arrangements.

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

#### Recognition and measurement

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

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

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

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

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

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

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

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

##### Short-term and low-value assets

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

##### Non-lease components

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

#### *j. Financial instruments*

##### Recognition and derecognition

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

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

##### Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

##### Subsequent measurement of financial assets

###### *Financial assets at amortised cost*

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

##### Impairment of financial assets

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

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

#### *Trade and other receivables and contract assets*

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

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

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

#### Classification and measurement of financial liabilities

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

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

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

#### *l. Impairment of assets*

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

#### *m. Cash and cash equivalents*

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

#### *n. Provisions, contingent assets and contingent liabilities*

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.



## Jagex Limited

### Notes to the financial statements

#### For the year ended 31 December 2021

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

#### *o. Share based payments*

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

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

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

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

#### *p. Global Sales Taxes*

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

### **3. FIRST-TIME ADOPTION OF FINANCIAL REPORTING STANDARD 101, 'REDUCED DISCLOSURE FRAMEWORK' (FRS 101)**

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). For periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

## Jagex Limited

### Notes to the financial statements

#### For the year ended 31 December 2021

Accordingly, the Company has prepared financial statements that comply with FRS101 applicable as at 31 December 2021, together with the comparative period data for the years ended 31 December 2020 and 31 December 2019, as described in the summary of significant accounting policies in note 2. In preparing the financial statements, the company's opening statement of financial position was prepared as at 1 January 2019, the company's date of transition. Note 30 explains the principal adjustments made by the company in restating its FRS 102 financial statements, including the statement of financial position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019.

#### Reconciliation from FRS 102 to FRS101

A reconciliation of the remeasurements made to these financial statements in transitioning from FRS 102 to FRS101 is shown in note 30.

#### 4. NEW STANDARDS AND AMENDMENTS TO STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

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

<i>Standard</i>	<i>Amendment</i>	<i>Effective date</i>
IFRS3, IAS 37	Narrow scope amendments	1 January 2022
IFRS1, IFRS9 IAS 41, and IFRS 16	Annual improvements	1 January 2022
IAS 12 Taxation	Deferred tax related to Assets and Liabilities from a single transaction	1 January 2022
IAS 1 Practice statement 2 and IAS 8	Narrow scope amendments	1 January 2023
IFRS 17 Insurance Contracts	Insurance contracts', as amended in December 2021	1 January 2023
IAS 1 Presentation	Presentation of financial statements', on classification of liabilities	1 January 2024

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

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

#### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that might

## Jagex Limited

### Notes to the financial statements

#### For the year ended 31 December 2021

have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Company's accounting policies

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

##### *Capitalisation of internally generated intangible assets and impairment.*

The directors and management assess each project according to IAS 38 'Intangible Assets' criteria throughout the project life. Judgement is required to determine whether criteria are met, in particular the future economic benefits that will be generated and the intention of the Company to complete development and use or sell the asset. These judgements are dependent on expectations of future events.

The book value of capitalised development costs and the additions in each period are shown in Note 12.

	Net Book Value	Additions
Carrying amounts	£	£
At 31 December 2021	11,698,669	8,000,810
At 31 December 2020	7,758,382	5,754,762
At 31 December 2019	4,536,799	4,536,799

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

Management judgement is applied when considering the recoverability of capitalised costs for assets under development. Capitalised costs are reviewed periodically to assess the expected continuing market viability through product forecasts prepared with reference to latest market research and market trends. The key assumption for the products yet to be released is the expected revenue for the first three years of release. A reduction in revenue of 12-45% on current revenue projections for products development would be required for the capitalised amount to be impaired. That is considered to be an unlikely scenario.

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

#### **Critical estimates in applying the Company's accounting policies**

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

#### *Tax Provisions*

##### Corporation tax

The Company's current tax provision incorporates management's assessment of the amount of tax payable and the extent of reclaimable tax credits, which are subject to receiving the applicable British Video Game interim certificates. In making this assessment, management considers that potential tax losses generated from the games currently in development do not yet meet the recognition criteria.

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

##### Global sales tax

Determining whether, and to what extent, a potential Global Sales Tax liability exists in overseas countries requires an judgement based on available information, where there is lack of final clarification from the local tax authorities. Management have consulted with external advisors where guidance is unclear and assessed precedence in all jurisdictions where Jagex has significant sales.

Where the company was not previously registered for tax, but it is now judged that there is a digital sales tax obligation, a provision has been made for unremitted taxes as well as any potential penalties for late filing. The provision is based on the Company's best understanding of the tax treatment in the countries in question taking into account the applicable tax rates, interest and potential penalties. The outcome of these potential liabilities is unclear although the directors believe the liabilities are probable and have recognised provisions accordingly.

The current tax provision of £13.3m relates to management's judgement of the amount of tax payable on open tax computations where the liabilities remain to be agreed with the appropriate tax jurisdiction. Principally the uncertain tax items for which a provision is made, relate to the interpretation of tax legislation regarding financing arrangements that had been entered into in the ordinary course of business. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of open tax matters, the final outcome may vary. Whilst a range of outcomes is reasonably possible, the extent of this range is additional liabilities of up to £0.5m to a reduction in liabilities of up to £2.7m.

#### **Other Key Judgements**

##### *Revenue recognition*

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

Virtual goods that can be bought in game are classified as 'durable' or 'consumable'. Revenue associated with consumable items is recognised in full at the time the item is consumed as this will be no longer available to the player in the game. Items are considered to be durable if they are available to players for a period of time. Revenue for durable items, is recognised over the estimated service period for players. This service period is calculated using a number of factors, including total number of days

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

played, breakage in service period, maximum usage period for items as well as the contractual service period included in Jagex Terms and Conditions. The service period is subjective, and management are required to apply judgement in determining this. The service period is reassessed regularly as usage patterns may vary and the service period may vary in the future. The estimated service period for our current games is approximately 12 months.

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

#### 6. REVENUE

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

	2021	2020	2019
	£	£	£
Subscription revenue	88,940,273	91,717,347	86,008,127
Microtransaction Revenue	34,557,610	28,002,550	19,727,424
Other Revenue	1,364,927	239,557	2,820,188
	<b>124,862,810</b>	<b>119,959,454</b>	<b>108,555,749</b>

Other revenue includes revenue from ticket event sales and the sale of merchandise.

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

	2021	2020	2019
	£	£	£
Transferred at point in time	29,667,312	22,025,515	21,711,150
Transferred over time	95,195,498	97,933,939	86,844,599
	<b>124,862,810</b>	<b>119,959,454</b>	<b>108,555,749</b>

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

	2021	2020	2019
	£	£	£
United Kingdom	15,612,163	15,503,902	13,996,645
European Union	15,914,094	15,447,473	14,653,333
United States	69,716,088	66,144,074	59,290,589
Rest of World	23,620,465	22,864,005	20,615,182
	<b>124,862,810</b>	<b>119,959,454</b>	<b>108,555,749</b>

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

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

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

	2021 £	2020 £	2019 £
Contract liability as at 1 January	15,356,594	11,333,771	12,672,100
Revenue recognised from brought forward contract liability	(15,356,594)	(11,333,771)	(12,672,100)
Element of cash received where performance obligation unsatisfied	16,761,064	15,356,594	11,333,771
<b>Contract liability as at 31 December</b>	<b>16,761,064</b>	<b>15,356,594</b>	<b>11,333,771</b>
Contract liability classified as a current liability	16,761,064	15,356,594	11,333,771
Contract liability classified as a non-current liability	-	-	-

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

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

	2021 £	2020 £	2019 £
Contract asset as at 1 January	1,515,713	1,897,753	4,860,678
Revenue recognised from brought forward contract assets	(1,515,713)	(1,897,753)	(4,860,678)
Element of cash received where performance obligation unsatisfied	2,185,723	1,515,713	1,897,753
<b>Contract asset as at 31 December</b>	<b>2,185,723</b>	<b>1,515,713</b>	<b>1,897,753</b>
Contract asset classified as a current asset	2,185,723	1,515,713	1,897,753
Contract liability classified as a non-current asset	-	-	-

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

The amount of revenue recognised in the year ended 31 December 2021 from performance obligations satisfied in previous periods was £nil (2020: £nil, 2019: £nil).

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2021	2020	2019
	£	£	£
Depreciation of PPE (Note 15)	1,138,458	871,880	914,665
Depreciation of right of use asset (Note 14)	744,719	744,719	742,431
Amortisation of intangible assets (Note 12)	1,160,074	43,903	-
Impairment of intangible assets (Note 12)	-	2,533,180	568,218
Foreign exchange loss	955,120	2,221,718	865,058
Office Costs	1,757,352	1,611,122	2,504,348
Professional & Legal Fees	966,514	447,314	280,165
Research and development costs expensed	2,680,428	3,014,407	1,639,776
Management Services Charge	2,776,447	-	-
Share based payment charge (Note 22)	1,419,400	-	-
Non - recurring items	12,961,617	11,584,024	1,364,506

The analysis of non-recurring items is as follows

	2021	2020	2019
	£	£	£
Professional Fees	5,095,980	4,833,603	-
Restructuring Costs	1,288,284	243,022	1,364,506
Transaction Bonus Scheme	6,405,044	5,227,721	-
Provisions for GST fines and penalties	172,309	1,279,678	-
	<b>12,961,617</b>	<b>11,584,024</b>	<b>1,364,506</b>

The transaction bonus of £6.4m relates to the sale of the Company in January 2021. The transaction bonus in 2020 was awarded in relation to a previous sale of the Company in that year. The professional fees and restructuring costs relate to the sale and as such are considered to one off and are classified as non-recurring.

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

	2021	2020	2019
	£	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements for 2021	230,400	-	-
Fees payable to the Company's previous auditors for the audit of the Company's financial statements for 2019 and 2020	-	66,000	60,000
Fees payable to the Company's auditor for other assurance services	765,000	-	-
Fees payable to the Company's previous auditor for other services (non-tax)	-	8,000	60,000

No services were provided pursuant to contingent fee arrangements.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 8. STAFF NUMBERS AND COSTS

The average monthly number of employees (including Directors):

	2021	2020	2019
Directors	2	2	2
Commercial/Management	94	97	80
Development	249	192	174
Customer relations	38	37	38
Technical	91	88	83
	<b>474</b>	<b>416</b>	<b>377</b>

Their aggregate remuneration comprised:

	2021	2020 (Restated)	2019
	£	£	£
Wages and salaries	29,052,635	31,541,741	30,090,304
Social security costs	3,254,742	3,781,355	3,367,808
Pension Costs	1,978,776	1,659,334	1,317,104
Share based payment expense	1,419,400	-	-
	<b>35,705,553</b>	<b>36,982,430</b>	<b>34,775,215</b>

Remuneration costs in 2020 have been restated to include transaction related bonus of £2.7m and related social security costs £0.4m previously excluded from the disclosure.

#### 9. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2021	2020	2019
Directors' remuneration	£	£	£
Emoluments	2,310,954	4,162,959	5,663,885
Share Based payment expense	2,274,781	-	-
Company contributions to money purchase pension schemes	72,707	101,809	58,480
	<b>4,658,442</b>	<b>4,264,768</b>	<b>5,722,365</b>

	2021	2020	2019
The number of directors who:			
Are members of a money purchase pension scheme	2	2	2



## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

	2021	2020	2019
	£	£	£
<b>Remuneration of the highest paid director:</b>			
Emoluments	1,287,138	2,621,006	2,597,960
Share based payments charge	1,834,293	-	-
Company contributions to money purchase pension schemes	54,230	77,441	49,000
	<b>3,175,662</b>	<b>2,698,447</b>	<b>2,646,960</b>

The directors are also directors of the immediate parent company June UK BidCo Limited and are remunerated for their services by that company. The allocation of the total remuneration that relates to their services to this company is £2.4m (2020: £4.3m, 2019: £5.7m). Charges relating to share-based payments for directors are an expense of June UK BidCo Limited.

In addition to the amounts described above, £0.3m was paid to Directors as compensation for loss of office during the year.

#### Key Management personnel including directors

	2021	2020	2019
	£	£	£
Salaries and other short-term benefits	7,836,461	8,875,115	9,130,981
Post-employment benefits	208,559	174,022	185,231
Share based payment charge	4,774,143	-	-
	<b>12,819,163</b>	<b>9,049,137</b>	<b>9,316,212</b>

Key management personnel include the senior management team comprising 5 individuals (2020: 5, 2019: 5).

#### 10. FINANCE INCOME / (EXPENSE)

Finance interest expense is analysed as follows:

	2021	2020	2019
	£	£	£
Interest expense on lease liabilities	(234,497)	(275,086)	(313,721)
Other Interest Expense	-	-	-
<b>Finance expense</b>	<b>(234,497)</b>	<b>(275,086)</b>	<b>(313,721)</b>
Interest income from loan to parent company	-	-	265,875
Other interest income	15,452	50,082	157,510
<b>Finance income</b>	<b>15,452</b>	<b>50,082</b>	<b>423,385</b>
<b>Net finance costs</b>	<b>(219,045)</b>	<b>(225,004)</b>	<b>109,664</b>

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 11. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2021 £	2020 £	2019 £
<b>Current tax expense</b>			
Current year	2,191,104	2,079,593	923,968
Overseas tax	-	-	-
Uncertain Tax Position	-	2,611,351	-
<b>Total current tax</b>	<b>2,191,104</b>	<b>4,690,944</b>	<b>923,968</b>
<b>Deferred tax</b>	<b>(529,560)</b>	<b>(96,209)</b>	<b>(539,472)</b>
<b>Total tax on profit on ordinary activities</b>	<b>1,661,544</b>	<b>4,594,734</b>	<b>384,496</b>

The effective tax rate for 2021 was 19% (2020: 19%, 2019: 19%). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

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

The closing deferred tax assets and liabilities as at 31 December 2021 have been calculated at 19% if they unwind prior to April 2023 and 25% thereafter (2020: 19%, 2019: 17%) in accordance with the rates enacted at the statement of financial position date. Please refer to note 22 for further information on deferred tax assets. There is no expiry date on timing differences, unused tax losses or tax credits.

A provision for uncertain tax positions was recorded in FY20 in relation to VGTR claims relating to prior periods. There is uncertainty as a result of the timing of the VGTR claims made in respect of these prior periods and the extent to which, if disallowed, they could be claimed in subsequent open periods.

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

**Jagex Limited****Notes to the financial statements****For the year ended 31 December 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Profit before tax</b>	<b>36,783,928</b>	<b>38,794,736</b>	<b>45,414,208</b>
Tax on Group profit tax rate of 19%	6,988,946	7,371,000	8,628,700
Effects of:			
Expenses not deductible for tax purposes	2,423,241	2,716,451	632,284
Fixed asset timing differences	42,968	44,218	44,947
Other timing differences	-	-	-
Video games tax relief	(2,951,956)	(3,100,388)	(2,505,581)
Video games tax credit	-	-	(730,713)
Patent box	(5,084,723)	(5,047,898)	(5,041,444)
Uncertain Tax Position - current tax	-	2,611,351	-
Adjustments to tax charge in respect of previous periods – deferred tax	-	-	(643,697)
Remeasurement of deferred tax for changes in tax rates	(279,658)	-	-
Deferred tax on share-based payments	(354,850)	-	-
Other adjustments	877,576	-	-
	<b>1,661,544</b>	<b>4,594,734</b>	<b>384,496</b>

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

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### 12. INTANGIBLE FIXED ASSETS

Intangible assets are analysed as follows:

	Internally Developed Software £	Software £	Development costs £	Total £
<b>Cost</b>				
<b>At 31 December 2020</b>	-	<b>147,394</b>	<b>7,758,382</b>	<b>7,905,776</b>
Additions	-	299,665	8,000,810	8,300,475
Disposals	-	-	-	-
Transfer to Intellectual Property	4,060,523	-	(4,060,523)	-
<b>At 31 December 2021</b>	<b>4,060,523</b>	<b>447,059</b>	<b>11,698,669</b>	<b>16,206,251</b>
<b>Accumulated amortisation</b>				
<b>At 31 December 2020</b>	-	<b>127,058</b>	-	<b>127,058</b>
Charge for the year	1,116,196	43,878	-	1,160,074
<b>At 31 December 2021</b>	<b>1,116,196</b>	<b>170,936</b>	-	<b>1,287,132</b>
<b>Carrying amounts</b>				
<b>At 31 December 2021</b>	<b>2,944,327</b>	<b>276,123</b>	<b>11,698,669</b>	<b>14,919,119</b>
<b>At 31 December 2020</b>	-	<b>20,336</b>	<b>7,758,382</b>	<b>7,778,718</b>

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

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

The impairment of development costs in 2020 relates to one product that was discontinued when it was no longer considered viable.

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### 13. PROPERTY, PLANT AND EQUIPMENT

Tangible assets are analysed as follows

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
<b>Cost</b>				
<b>At 31 December 2020</b>	<b>2,031,076</b>	<b>70,452</b>	<b>4,600,867</b>	<b>6,702,395</b>
Additions	-	-	1,961,949	1,961,949
Disposals	-	-	(134,312)	(134,312)
<b>At 31 December 2021</b>	<b>2,031,076</b>	<b>70,452</b>	<b>6,428,504</b>	<b>8,530,033</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2020</b>	<b>1,749,716</b>	<b>44,018</b>	<b>3,214,520</b>	<b>5,008,254</b>
Charge for the year	220,711	13,874	903,873	1,138,458
Disposals	-	-	(134,312)	(134,312)
<b>At 31 December 2021</b>	<b>1,970,427</b>	<b>57,892</b>	<b>3,984,081</b>	<b>6,012,400</b>
<b>Carrying amounts</b>				
<b>At 31 December 2021</b>	<b>60,649</b>	<b>12,560</b>	<b>2,444,423</b>	<b>2,517,632</b>
<b>At 31 December 2020</b>	<b>281,360</b>	<b>26,434</b>	<b>1,386,347</b>	<b>1,694,141</b>

#### 14. RIGHT OF USE ASSETS

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

The total cash outflow for leases during the reporting period was £1,093,897.

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

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

	<b>Buildings</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2019	5,953,667
Additions	13,730
<b>At 31 December 2019</b>	<b>5,967,397</b>
<b>At 31 December 2020</b>	<b>5,967,397</b>
<b>At 31 December 2021</b>	<b>5,967,397</b>
<b>Accumulated depreciation</b>	
At 1 January 2019	-
Charge for the year	742,431
<b>At 31 December 2019</b>	<b>742,431</b>
Charge for the year	744,719
<b>At 31 December 2020</b>	<b>1,487,150</b>
Charge for the year	744,719
<b>At 31 December 2021</b>	<b>2,231,869</b>
<b>Carrying amounts</b>	
<b>At 31 December 2021</b>	<b>3,735,528</b>
<b>At 31 December 2020</b>	<b>4,480,247</b>
<b>At 31 December 2019</b>	<b>5,224,966</b>

#### Lease payments not recognised as a liability

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

The expense relating to payments not included in the measurement of the lease liability is £21,882.

## 15. FIXED ASSET INVESTMENTS

#### Principal investments

The Company has invested in the following subsidiary undertakings investments which are all fully impaired.

<b>Subsidiary undertaking</b>	<b>%</b>	<b>Holdings</b>	<b>Registered office</b>	<b>Country of incorporation</b>
Jagex Holdings Limited, Inc.	100%	Ordinary	201 W Passaic Street, Suite 200, Rochelle Park, NJ 07662	United States
Jagex Managements Limited, Inc.	100%	Ordinary	201 W Passaic Street, Suite 200, Rochelle Park, NJ 07662	United States

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### 16. TRADE AND OTHER RECEIVABLES

	2021 £	2020 £	2019 £
<b>Current receivables</b>			
Trade receivables	12,033,049	8,505,657	8,804,110
Prepayments	2,828,275	2,081,742	1,839,245
Contract assets	2,185,723	1,515,713	1,895,753
Other receivables	83,573	2,068	2,559
Loans to group undertakings	8,913,061	-	-
	<b>26,043,681</b>	<b>12,105,180</b>	<b>12,541,668</b>
<b>Non-current receivables</b>			
Other receivables	4,342,900	1,439,013	256,910
	<b>4,342,900</b>	<b>1,439,013</b>	<b>256,910</b>

Trade receivables primarily comprise amounts held by payment providers, where cash has been collected from customers but not yet remitted to the Company. Revenues were higher than normal in the last week of December following a successful holiday promotion which resulted in higher than typical receivables at year end.

Amounts owed by group undertakings relate to unsecured loans which are interest free and are repayable on demand.

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

#### 17. TRADE AND OTHER PAYABLES

	2021 £	2020 £	2019 £
<b>Current payables</b>			
Trade payables	3,848,666	844,888	703,926
Other taxes and social security	1,403,473	1,662,216	2,173,630
Other payables	368,457	291,613	6,200
Contract liabilities	16,761,064	15,356,594	11,333,771
Accruals	6,855,475	13,135,602	7,915,431
Loan from parent company	1,746,930	-	-
	<b>30,984,065</b>	<b>31,290,914</b>	<b>22,192,958</b>

#### 18. CASH AT BANK AND IN HAND

	2021 £	2020 £	2019 £
Cash at bank and in hand	45,640,797	44,352,776	14,790,828
	<b>45,640,797</b>	<b>44,352,776</b>	<b>14,790,828</b>

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### 19. LEASES

The lease liability are as follows:

	2021	2020	2019
	£	£	£
Current	900,249	859,752	818,811
Non-Current	3,510,890	4,411,139	5,270,891
	<b>4,411,139</b>	<b>5,270,891</b>	<b>6,089,702</b>

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

	Within 1 year	1-5 years	After 5 years	Total
	£	£	£	£
<b>31-Dec-19</b>				
Lease payments	1,093,897	4,363,313	1,633,481	7,090,690
Finance charge	(275,086)	(670,757)	(55,146)	(1,000,988)
<b>Net present values</b>	<b>818,811</b>	<b>3,692,556</b>	<b>1,578,335</b>	<b>6,089,702</b>
<b>31-Dec-20</b>				
Lease payments	1,093,897	4,358,403	544,494	5,996,793
Finance charge	(234,145)	(486,261)	(5,497)	(725,903)
<b>Net present values</b>	<b>859,752</b>	<b>3,872,142</b>	<b>538,997</b>	<b>5,270,891</b>
<b>31-Dec-21</b>				
Lease payments	1,091,442	3,811,455	-	4,902,897
Finance charge	(191,193)	(300,565)	-	(491,758)
<b>Net present values</b>	<b>900,249</b>	<b>3,510,890</b>	<b>-</b>	<b>4,411,139</b>

The carrying value of right-of-use assets in respect of the above lease liabilities is disclosed in Note 14. Right-of-use assets relates to the following:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with break/termination options
Office building	1	5 years	5 years	0	0	0	1

The Company has elected to apply the recognition exemptions for leases of short term and low value.



## Jagex Limited

### Notes to the financial statements

#### For the year ended 31 December 2021

The expense relating to low value and short-term leases not included in the measurement of lease liabilities was £21,882 (2020: £213,935, 2019: £79,816).

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

The total cash outflow for leases in 2021 was £1,093,897 (2020: £1,093,897, 2019: £1,091,442).

#### 20. PROVISIONS FOR LIABILITIES

	<b>Global Sales Tax Provision £</b>
At 1 January 2019	4,196,055
Increase in provision	<u>1,429,350</u>
<b>At 31 December 2019</b>	<b><u>5,625,405</u></b>
Increase in provision	<u>3,662,349</u>
<b>At 31 December 2020</b>	<b><u>9,287,754</u></b>
Increase in provision	<u>4,032,704</u>
<b>At 31 December 2021</b>	<b><u>13,320,458</u></b>

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

As a result of the analysis carried out, it is considered that company is obliged to collect and remit taxes in a number of jurisdictions not previously considered, including but not limited to certain US and Canadian states.

As such a provision has been made based on the Company's best estimates of the tax treatment in the countries in question taking into account the applicable tax rates, interest and potential penalties. Depending on the nature of the amount provided the impact on the income statement is a reduction in revenue, or with respect to fines and penalties for prior periods, included as an administrative cost but considered to be one off in nature. The timing of the cash outflows depends on the negotiations with the individual tax authorities, but these are expected to be settled within 12 months. As such they are considered to be current.

In the period the provision estimated for Global sales tax increased to £13.3m (2020: 9.3m, 2019:5.6m). The increase in the provision was charged against revenue in the period £3.6m (2020: £2.4m, 2019: £1.3m) and administration expenses £0.4m (2020: £1.3m, 2019 nil).

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### 21. DEFERRED TAX ASSET

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the wider group.

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

	2021 £	2020 (Restated) £	2019 (Restated) £
Accelerated capital allowances	668,136	498,301	474,030
Share Based Payment	354,850	-	-
Other timing differences	142,256	137,380	65,442
	<u>1,165,242</u>	<u>635,681</u>	<u>539,472</u>

#### *Unrecognised Deferred Tax Asset*

There is also an unrecognised deferred tax asset for historical losses of £1.29m (2020: £0.98m, 2019: £0.98m). The tax losses are generated by games that are under development. Under VGTR rules the tax losses available are locked until the game which they relate to is either launched, at which point any available losses will be used against profits generated by the game, or, when the project is cancelled, at which point the losses can be used to offset any profits generated by other games. These losses have not been recognised as cannot be used against games which are profitable and already claim VGTR relief. It is the opinion of management that as it cannot be approximated when the Company will have sufficient profits arising from non-VGTR qualifying titles this asset cannot be recognised.

#### 22. SHARE BASED PAYMENTS

Certain employees of the Company and the immediate parent company have acquired shares in the ultimate parent company for \$1 each share. The beneficial entitlement to the shares vests 16% per year for the first two years after grant date and the remainder vests in year 3. Vesting is accelerated to 100% on an exit event as defined by a change in control and ownership of June UK TopCo (Jersey) Limited.

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

Valuation date	EV	Scenario Probability 31/12/2023
31-Dec-20	518.0	80%

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

30-Jun-21	518.3	80%
31-Dec-21	536.6	80%

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

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

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

	Number	Weighted average exercise price (£)
<b>At 29 September 2020</b>	-	-
Granted during the period	2,092,312	0.74
Forfeited during the period	(556,348)	-
<b>At 31 December 2021</b>	<u>1,535,964</u>	<u>0.74</u>

Number of options exercisable	-
Average remaining contractual life	4.00 years
Weighted average exercise price (£)	0.74

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

#### 23. CALLED-UP SHARE CAPITAL AND RESERVES

	2021 £	2020 £	2019 £
<b>Allotted, called-up and fully paid</b>			
1,126,753,629 ordinary shares of £0.00001 each	<u>11,267</u>	<u>11,267</u>	<u>11,267</u>

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

## **Jagex Limited**

### **Notes to the financial statements For the year ended 31 December 2021**

The Group and Company's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
- Retained earnings represents the cumulative profits or losses brought forward and profit for the year attributable to owners, net of dividends paid and other adjustments.

#### **24. DIVIDEND**

Dividends of £12.1m (1.1p per share) were paid in year 2021 (2020: £15.1m (1.3p per share), 2019: £76.4m (6.8p per share)). No further dividends have been proposed or declared.

#### **25. COMMITMENTS AND CONTINGENT LIABILITIES**

There were no known commitments or contingent liabilities for any of three periods being presented as part of the financial statements.

#### **26. EMPLOYEE BENEFITS**

##### ***Defined contribution schemes***

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2021 was £1,978,776 (2020: £1,659,334, 2019: £1,317,104).

#### **27. RELATED PARTY TRANSACTIONS**

During the year there were no consultancy services (2020: none, 2019: £2,238,000) provided by the Company to Shanghai Hontou Network Technology Co., Ltd, the previous parent company. This was included under other income (note 6) in the prior years.

The Company makes certain payments on behalf of June UK BidCo Limited, its immediate parent. At 31 December 2021, there was an intercompany loan of £8.9m in relation to these payments.

Jagex limited provided a loan to a member of the key management team for £10,655 to facilitate them buying into the share option scheme in June UK Topco (Jersey) Limited. This loan carries an interest rate of 2.25% and is included in other debtors (Note 16)

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

#### **28. CONTROLLING PARTY**

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

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

In the opinion of the directors the ultimate controlling party is CPVII Holdings III s.a.r.l, a company registered in Luxembourg.

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

#### **29. EVENTS AFTER THE REPORTING PERIOD**

On 14 July 2022 the Company's immediate parent June UK BidCo Limited made a repayment of £12.6m on an intercompany loan.

The company subsequently extended an intercompany loan to its subsidiary Jagex Holdings Inc.of £22.8m. The company made a further capital contribution to the same subsidiary of \$40.6m.

#### **30. TRANSITION TO FINANCIAL REPORTING STANDARD 101, 'REDUCED DISCLOSURE FRAMEWORK' (FRS 101) AND RESTATEMENTS**

##### *FRS 101 Conversion*

This is the Company's first financial statements prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("FRS101"). The accounting policies set out in note 2 have been applied in preparing the financial statements for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

In preparing its FRS101 financial statements, the Company has had to adjust amounts reported previously in financial statements prepared under FRS 102 for the following statements:

1. Statement of comprehensive income for the year ending 31 December 2019
2. Statement of financial position as at 31 December 2019
3. Statement of comprehensive income for the year ending 31 December 2020
4. Statement of financial position as at 31 December 2020

There is no impact on opening equity, therefore no reconciliation of opening balance sheet changes in equity is provided.

##### *Restatement of Prior Periods*

In addition to the transition adjustments, the Income Statements and Balance Sheets for 2019 and 2020 have been restated to correct certain identified errors.

Expenses previously included in Cost of Sales have been reclassified as Administrative Expenses. This reclassification has been applied retrospectively in all periods. The reclassification has no impact on Profit for the business and does not impact any KPIs.

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

A number of software licenses incorrectly classified as PPE have been reclassified as Intangible Assets. This is a reclassification only and has no impact on profitability. It impacts the disclosure of the face of the Balance Sheet in both years.

Further a foreign exchange loss of £0.4m relating to Trade Receivables held on the balance sheet at 31 December 2019 was incorrectly recognised in 2020. This has been restated in both periods. This results in increased profit in 2020 and a corresponding decrease in 2019.

In 2019, some administrative expenses of £0.1m were incorrectly capitalised as development. These were subsequently written off in 2020. This has been restated in both periods. This results in increased profit in 2020 and a corresponding decrease in 2019.

In finalising the corporation tax return for 2019, it was noted a Deferred tax asset should be recognised of £0.5m in 2019 increasing to £0.6m in 2020. This has been processed through the tax charge in both years.

In 2019, impairment of asset of £0.5m was included in non-recurring costs this has been reclassified to asset impairment.

All identified errors have been adjusted and specific values are noted as footnotes to the conversion tables below. The errors do not impact total retained earnings over the two-year period.

## Jagex Limited

### Notes to the financial statements For the year ended 31 December 2021

#### Statement of comprehensive income for the year ending 31 December 2019

	As previously reported for year ended 31 December 2019	Identified errors	FRS 101 Adjustments	Restated and reported under FRS 101 for year ended 31 December 2019
Revenue	108,555,749	-	-	108,555,749
Cost of sales	(39,108,355)	27,541,503	-	(11,566,852)
<b>Gross profit</b>	<b>69,447,394</b>	<b>27,541,503</b>	<b>-</b>	<b>96,988,897</b>
Administrative expenses	(23,748,258)	(28,095,348)	159,253	(51,684,353)
<b>Operating Profit</b>	<b>45,699,136</b>	<b>(553,845)</b>	<b>159,253</b>	<b>45,304,544</b>
Share Based Payments	-	-	-	-
Impairment of Assets	-	568,218	-	568,218
Depreciation & Amortisation of Assets	914,665	-	742,431	1,657,096
Non-recurring items	1,932,724	(568,218)	-	1,364,506
<b>Adjusted EBITDA</b>	<b>48,546,525</b>	<b>(553,845)</b>	<b>901,684</b>	<b>48,894,364</b>
Finance income	423,385	-	-	423,385
Finance costs	-	-	(313,721)	(313,721)
<b>Net Interest Payable</b>	<b>423,385</b>	<b>-</b>	<b>(313,721)</b>	<b>109,664</b>
<b>Profit on Ordinary Activities before Taxation</b>	<b>46,122,521</b>	<b>(553,845)</b>	<b>(154,468)</b>	<b>45,414,208</b>
Income tax	(2,146,435)	1,761,939	-	(384,496)
<b>Profit for the year</b>	<b>43,976,086</b>	<b>1,208,094</b>	<b>(154,468)</b>	<b>45,029,712</b>
<b>Total comprehensive income for the year</b>	<b>43,976,086</b>	<b>1,208,094</b>	<b>(154,468)</b>	<b>45,029,712</b>

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### Statement of financial position as at 31 December 2019

	As previously reported for year ended 31 December 2019	Identified errors	FRS 101 Adjustments	Restated and reported under FRS 101 for year ended 31 December 2019
	£	£	£	£
<b>Assets</b>				
Intangible assets	4,680,052	(84,510)	-	4,595,542
Property, plant and equipment	1,487,594	(56,489)	-	1,431,105
Right of use asset	-	-	5,224,966	5,224,966
Deferred Tax Asset	-	539,472	-	539,472
Other non-current assets	256,910	-	-	256,910
<b>Non-current assets</b>	<b>6,424,556</b>	<b>398,473</b>	<b>5,224,966</b>	<b>12,047,995</b>
Trade and other receivables	12,954,514	(412,846)	-	12,541,668
Cash and cash equivalents	14,790,828	-	-	14,790,828
<b>Current assets</b>	<b>27,745,342</b>	<b>(412,846)</b>	<b>-</b>	<b>27,332,496</b>
<b>Total assets</b>	<b>34,169,898</b>	<b>(14,373)</b>	<b>5,224,966</b>	<b>39,380,491</b>
<b>Equity</b>				
Share capital	11,267	-	-	11,267
Share premium	80	-	-	80
Retained earnings	4,345,967	1,208,094	(154,468)	5,399,593
<b>Total equity</b>	<b>4,357,314</b>	<b>1,208,094</b>	<b>(154,468)</b>	<b>5,410,940</b>
<b>Liabilities</b>				
Provisions	5,625,405	-	-	5,625,405
Non-current lease liabilities	-	-	5,270,891	5,270,891
<b>Non-current liabilities</b>	<b>5,625,405</b>	<b>-</b>	<b>5,270,891</b>	<b>10,896,296</b>
Trade and other payables	22,903,227	-	(710,268)	22,192,958
Current income tax	1,283,952	(1,222,466)	-	61,486
Current lease liabilities	-	-	818,811	818,811
<b>Current liabilities</b>	<b>24,187,179</b>	<b>(1,222,466)</b>	<b>108,543</b>	<b>23,073,255</b>
<b>Total liabilities</b>	<b>29,812,584</b>	<b>(1,222,466)</b>	<b>5,379,434</b>	<b>33,969,551</b>
<b>Total equity and liabilities</b>	<b>34,169,898</b>	<b>(14,372)</b>	<b>5,224,966</b>	<b>39,380,491</b>



## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

There IFRS transition had no impact on opening equity reserves at 1 January 2019.

The above adjustments relate to the following:

##### **Identified errors**

- Correction of disclosure of Cost of Sales to reflect only costs considered by the board to be specific to the generation of sales (£27,541,503)
- Correction of foreign exchange impact on payments received and recorded against trade receivables (£ 412,846)
- Expenses incorrectly capitalised as part of intangible assets (£141,000)
- Reclassification of software assets from tangible assets to intangible assets (£56,489)
- Recognition of deferred tax asset for prior periods (£539,473)
- Correction to Income Tax to reflect the impact of the above
- Reclassification of asset impairment from non-recurring costs (£568,518)

##### **IFRS conversion adjustments**

- Recognition of the interest expense associated with IFRS 16 within finance income/costs (£313,721). Net movement of recognising the depreciation charge and removing the associated rent expense and rent-free period credit (£159,253) against administrative expenses.
- Recognition of right-of-use assets (£5,224,966) and lease liabilities (£6,089,702) split between long term lease liabilities (£5,270,891) and current lease liabilities (£818,811) in accordance with IFRS 16. The rent-free creditor at the transition date has been removed at the transition date (£900,026). Retained earnings impact of recognising the depreciation charge and interest expense, whilst removing the associated rent expense and rent-free creditor.

## Jagex Limited

### Notes to the financial statements

For the year ended 31 December 2021

#### Statement of comprehensive income for the year ending 31 December 2020

	As previously reported for year ended 31 December 2020	Identified errors	FRS 101 Adjustments	Restated and reported under FRS 101 for year ended 31 December 2020
Revenue	119,959,454	-	-	119,959,454
Cost of sales	(44,239,649)	31,036,688	-	(13,202,961)
<b>Gross profit</b>	<b>75,719,805</b>	<b>31,036,688</b>	<b>-</b>	<b>106,756,493</b>
Administrative expenses	(37,424,509)	(30,482,843)	170,599	(67,736,753)
<b>Operating Profit</b>	<b>38,295,296</b>	<b>553,845</b>	<b>170,599</b>	<b>39,019,740</b>
Share Based Payments	-	-	-	-
Impairment of Assets	2,674,180	(141,000)	-	2,533,180
Depreciation & Amortisation of Assets	774,772	-	744,719	1,519,491
Nonrecurring items	11,584,024	-	-	11,584,024
<b>Adjusted EBITDA</b>	<b>53,328,272</b>	<b>412,845</b>	<b>915,318</b>	<b>54,656,435</b>
Finance income	50,082	-	-	50,082
Finance costs	0	-	(275,086)	(275,086)
<b>Net Interest Payable</b>	<b>50,082</b>	<b>-</b>	<b>(275,086)</b>	<b>(225,004)</b>
<b>Profit on Ordinary Activities before Taxation</b>	<b>38,345,378</b>	<b>553,845</b>	<b>(104,487)</b>	<b>38,794,736</b>
Income tax	(2,667,631)	(1,927,104)	-	(4,594,735)
<b>Profit for the year</b>	<b>35,677,747</b>	<b>(1,373,259)</b>	<b>(104,487)</b>	<b>34,200,001</b>
<b>Total comprehensive income for the year</b>	<b>35,677,747</b>	<b>(1,373,259)</b>	<b>(104,487)</b>	<b>34,200,001</b>

**Jagex Limited****Notes to the financial statements****For the year ended 31 December 2021****Statement of financial position as at 31 December 2020**

	As previously reported for year ended 31 December 2020	Identified errors	FRS 101 Adjustments	Restated and reported under FRS 101 for year ended 31 December 2020
	£	£	£	£
<b>Assets</b>				
Intangible assets	7,758,381	20,337	-	7,778,718
Property, plant and equipment	1,279,293	414,848	-	1,694,141
Right of use asset	-	-	4,480,247	4,480,247
Deferred Tax Asset	-	635,681	-	635,681
Other non-current assets	1,439,013	-	-	1,439,013
<b>Non-current assets</b>	<b>10,476,687</b>	<b>1,070,886</b>	<b>4,480,247</b>	<b>16,027,800</b>
Trade and other receivables	12,105,180	-	-	12,105,180
Cash and cash equivalents	44,352,776	-	-	44,352,776
<b>Current assets</b>	<b>56,457,956</b>	<b>-</b>	<b>-</b>	<b>56,457,956</b>
<b>Total assets</b>	<b>66,934,643</b>	<b>1,070,866</b>	<b>4,480,247</b>	<b>72,485,756</b>
<b>Equity</b>				
Share capital	11,267	-	-	11,267
Share premium	80	-	-	80
Retained earnings	24,923,714	(165,165)	(258,955)	24,499,594
<b>Total equity</b>	<b>24,935,061</b>	<b>(165,165)</b>	<b>(258,955)</b>	<b>24,510,941</b>
<b>Liabilities</b>				
Provisions	9,287,754	-	-	9,287,754
Non-current lease liabilities	-	-	4,411,139	4,411,139
<b>Non-current liabilities</b>	<b>9,287,754</b>	<b>-</b>	<b>4,411,139</b>	<b>13,698,893</b>
Trade and other payables	31,387,418	435,185	(531,689)	31,290,914
Current income tax	1,324,410	800,846	-	2,125,256
Current lease liabilities	-	-	859,752	859,752
<b>Current liabilities</b>	<b>32,711,828</b>	<b>1,236,031</b>	<b>328,063</b>	<b>34,275,922</b>
<b>Total liabilities</b>	<b>41,999,582</b>	<b>1,236,031</b>	<b>4,739,202</b>	<b>47,974,815</b>
<b>Total equity and liabilities</b>	<b>66,934,643</b>	<b>1,070,866</b>	<b>4,480,247</b>	<b>72,485,756</b>

## **Jagex Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

The above adjustments relate to the following:

##### **Identified errors**

- Correction of disclosure of Cost of Sales to reflect only costs considered by the board to be specific to the generation of sales (£31,036,688)
- Correction of foreign exchange impact on payments received and recorded against trade receivables (£412,845)
- Expenses incorrectly capitalised as part of intangible assets (£141,000) in 2019 that were written off in non-recurring items in 2020, now corrected to be included in administrative expenses in 2019.
- Reclassification of software assets from tangible assets to intangible assets (£20,337)
- Asset purchases made during the year that had not been included in the ledger (£435,185)
- Recognition of deferred tax asset for prior periods (£635,681)
- Correction to Income Tax to reflect the impact of the above

##### **IFRS conversion adjustments**

- Recognition of the interest expense associated with IFRS 16 within finance income/costs (£275,086). Net movement of recognising the depreciation charge and removing the associated rent expense and movement in rent free creditor (£170,599) against administrative expenses.
- Recognition of right-of-use assets (£4,480,247) and lease liabilities (£5,270,891) split between long term lease liabilities in accordance (£4,411,139) and current lease liabilities (£859,752) in accordance with IFRS 16.). Retained earnings impact of recognising the depreciation charge and interest expense, whilst removing the associated rent expense and rent-free creditor.