

ROCKSTAR NORTH LIMITED

Directors' report and financial statements

for the year ended 31 October 2009

Registration number 3312220

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ROCKSTAR NORTH LIMITED

Company information

Directors	R M S Haja D Emerson
Secretary	D Emerson
Company number	3312220
Registered office	Saxon House 2-4 Victoria Street Windsor Berkshire
Accountants	Johnston & Co New Custom House Register Street Bo'ness EH51 9AE
Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Business address	Calton Square 1 Greenside Row Edinburgh EH1 3AP
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB

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ROCKSTAR NORTH LIMITED

Directors' report for the year ended 31 October 2009

The directors present their report and the financial statements for the year ended 31 October 2009

Company registration number

The company registration number is 3312220

Principal activity and review of the business

The principal activity of the company during the year was the conception and development of entertainment software

	2009	2008	% Change
Turnover	14,853,498	14,742,632	+1.2
Average number of employees	212	198	+7

The increased turnover in the year is primarily attributable to the move to develop content appropriate for the next generation of video game consoles. This necessitates an increase in the manpower and the purchase of new hardware and software tools to enable the company to service its contract with Take Two Interactive Software Inc. Despite the operating losses recorded the directors are satisfied that the company will continue to be supported by Take Two Interactive Software Inc. as detailed in note 1.10.

Results and dividends

The results for the year are set out on page 4

The directors do not recommend payment of a final dividend

Research and development

The company is committed to product development with the aim of increasing the group's market share

Directors

The directors who served during the year are as stated below

R M S Hajaj

D Emerson

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements the directors are required to

- select suitable accounting policies and apply them consistently,

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Directors' report for the year ended 31 October 2009

. . . continued

- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Statement of Disclosure of Information to Auditors

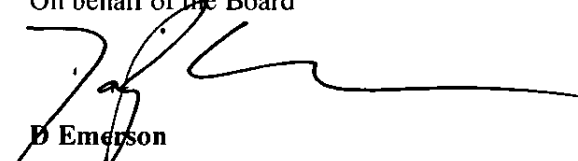
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps that a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Ernst & Young LLP are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006

On behalf of the Board



D Emerson
Secretary

Date:

July 8, 2010

ROCKSTAR NORTH LIMITED

Independent auditors' report to the members of ROCKSTAR NORTH LIMITED

We have audited the financial statements of ROCKSTAR NORTH LIMITED for the year ended 31 October 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Walter Campbell

Walter Campbell (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Edinburgh

Date : 9/7/2010

ROCKSTAR NORTH LIMITED

Profit and loss account for the year ended 31 October 2009

		2009	2008
	Notes	£	£
Turnover	2	14,853,498	14,742,632
Cost of sales		(9,079,562)	(9,231,462)
Gross profit		<u>5,773,936</u>	<u>5,511,170</u>
Administrative expenses		(8,288,372)	(7,201,115)
Operating loss	3	(2,514,436)	(1,689,945)
Other interest receivable and similar income	4	<u>7,396</u>	<u>129,852</u>
Loss on ordinary activities before taxation		(2,507,040)	(1,560,093)
Tax on loss on ordinary activities	7	<u>202,688</u>	<u>(330,387)</u>
Loss for the year	14	(2,304,352)	(1,890,480)
Accumulated loss brought forward		(3,563,989)	(1,673,509)
Accumulated loss carried forward		<u>(5,868,341)</u>	<u>(3,563,989)</u>

There were no acquisitions and no discontinued operations in the period

There are no recognised gains or losses other than the profit or loss for the above two financial years

The notes on pages 6 to 14 form an integral part of these financial statements.

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Balance sheet as at 31 October 2009

		2009		2008	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8		1,480,292		1,831,380
Current assets					
Debtors	9	731,246		567,678	
Deferred tax	11	173,128		116,990	
Cash at bank and in hand		754,087		7,121,840	
		<u>1,658,461</u>		<u>7,806,508</u>	
Creditors: amounts falling due within one year	10	<u>(453,992)</u>		<u>(8,195,959)</u>	
Net current assets/(liabilities)			<u>1,204,469</u>		<u>(389,451)</u>
Total assets less current liabilities			2,684,761		1,441,929
Net assets			<u>2,684,761</u>		<u>1,441,929</u>
Capital and reserves					
Called up share capital	13		1		1
Capital contribution reserve	14		8,553,101		5,005,917
Profit and loss account	14		<u>(5,868,341)</u>		<u>(3,563,989)</u>
Shareholders' funds	15		<u>2,684,761</u>		<u>1,441,929</u>

The financial statements were approved by the Board on

On behalf of the Board


D Emerson
Director

Date:

July 8, 2010

The notes on pages 6 to 14 form an integral part of these financial statements.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 October 2009

1. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts

1.1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board

The company has consistently applied all relevant accounting standards

1.2. Going concern

The company's ultimate parent undertaking, Take Two Interactive Software, Inc , has confirmed that it will continue to provide such financial support as the company may need from time to time, for the foreseeable future to enable it to continue to trade and meet its liabilities as they fall due

1.3. Research and development

Research and development expenditure is written off against profits in the year in which it is incurred

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows

Leasehold property	
improvements	- Straight line over the life of the lease
Computer equipment	- 33 1/3% Straight line basis
Furniture & fixtures	- 20% Straight line basis

1.5. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1 6. Cash flow statement

The results of the company are included in the published financial statements of its ultimate parent company The company has therefore taken advantage of the exemption available in FRS 1 from publishing a cash flow statement

1.7. Share based scheme

The company operates a share base scheme with shares offered in the company's ultimate parent company Take Two Interactive Software, Inc , for the benefit of certain employees The exercise cost of this scheme is separately identified using the market value of shares at the date of vesting and this cost is transferred annually to a capital contribution reserve maintained for this purpose

1.8. Pensions

The company operates a defined contribution scheme for the benefit of its employees The costs of contributions are written off against profits in the year they are payable

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Notes to the financial statements for the year ended 31 October 2009

continued

1.9. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise

1.10. Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

1.11. Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and other sales taxes or duty.

2. Turnover

The company's turnover for the year has been derived from its principal activity wholly undertaken in the UK and excludes value added tax.

Turnover attributable to geographical markets outside the United Kingdom amounted to 100% for the year.

3. Operating loss

	2009 £	2008 £
Operating loss is stated after charging		
Equity settled share-based payments	3,547,184	2,654,416
Depreciation	733,980	742,720
Net foreign exchange loss	8,841	2,743
Operating lease rentals		
- Plant and machinery	18,720	8,431
- Land and buildings	1,551,383	1,546,532
Auditors' remuneration	12,000	9,300

4. Interest receivable and similar income

	2009 £	2008 £
Bank interest	7,396	129,852

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Notes to the financial statements for the year ended 31 October 2009

continued

5. Employees

Number of employees	2009	2008
The average monthly numbers of employees (including the directors) during the year were		
Development	205	192
Administration	7	6
	<u>212</u>	<u>198</u>
Employment costs	2009	2008
	£	£
Wages and salaries	11,868,514	11,074,215
Social security costs	909,610	958,623
Pension costs	366,514	296,365
	<u>13,144,638</u>	<u>12,329,203</u>

No directors received any remuneration from the company during the year. Within wages and salaries £3,547,184 (2008 - £2,654,416) is attributable to share based payments.

6. Pension costs

The company operates a defined contribution pension scheme in respect of certain of its employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £366,514 (2008 - £296,365).

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Notes to the financial statements for the year ended 31 October 2009

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7. Tax on loss on ordinary activities

Analysis of charge in period	2009 £	2008 £
Current tax		
UK corporation tax	347,227	372,395
Adjustments in respect of previous periods	(493,777)	(310)
Total current tax charge	<u>(146,550)</u>	<u>372,085</u>
Deferred tax		
Timing differences, origination and reversal	(56,138)	(43,290)
Prior period adjustments	-	1,592
Total deferred tax	<u>(56,138)</u>	<u>(41,698)</u>
Tax on loss on ordinary activities	<u>(202,688)</u>	<u>330,387</u>
Factors affecting tax charge for period		
	2009 £	2008 £
Loss on ordinary activities before taxation	<u>(2,507,040)</u>	<u>(1,560,093)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.00% (31 October 2008 28.83%)	(701,971)	(449,775)
Effects of:		
Expenses not deductible for tax purposes	989,350	778,880
Accelerated capital allowances/other timing differences	59,848	43,290
Adjustments to tax charge in respect of previous periods	(493,777)	(310)
Current tax charge for period	<u>(146,550)</u>	<u>372,085</u>

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Notes to the financial statements for the year ended 31 October 2009

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8. Tangible fixed assets	Leasehold property improvement £	Computer equipment £	Furniture and fixtures £	Motor vehicles £	Total £
Cost					
At 1 November 2008	1,312,971	4,006,477	566,662	5,775	5,891,885
Additions	-	351,872	31,020	-	382,892
At 31 October 2009	<u>1,312,971</u>	<u>4,358,349</u>	<u>597,682</u>	<u>5,775</u>	<u>6,274,777</u>
Depreciation					
At 1 November 2008	486,416	3,163,058	405,256	5,775	4,060,505
Charge for the year	135,761	521,132	77,087	-	733,980
At 31 October 2009	<u>622,177</u>	<u>3,684,190</u>	<u>482,343</u>	<u>5,775</u>	<u>4,794,485</u>
Net book values					
At 31 October 2009	<u>690,794</u>	<u>674,159</u>	<u>115,339</u>	<u>-</u>	<u>1,480,292</u>
At 31 October 2008	<u>826,555</u>	<u>843,419</u>	<u>161,406</u>	<u>-</u>	<u>1,831,380</u>

9. Debtors	2009 £	2008 £
Amount owed by connected companies	396,801	280,486
Other debtors	334,445	287,192
	<u>731,246</u>	<u>567,678</u>

Other debtors includes a corporation tax creditor of £32,884 and repayment interest accrued at the year end of £61,497

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Notes to the financial statements for the year ended 31 October 2009

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10. Creditors: amounts falling due within one year	2009 £	2008 £
Bank overdraft	26,654	13,071
Trade creditors	112,346	151,113
Corporation tax	-	299,434
Other taxes and social security costs	272,300	7,673,950
Other creditors	3,780	4,784
Accruals and deferred income	38,912	53,607
	<u>453,992</u>	<u>8,195,959</u>

There is no committed overdraft facility.

11. Provision for deferred taxation

The company has included the deferred tax asset arising from the interaction of depreciation and capital allowances. The directors are of the opinion that suitable profit will arise in the future against which this asset can be recovered.

	2009 £	2008 £
Accelerated capital allowances	<u>(173,128)</u>	<u>(116,990)</u>
Provision at 1 November 2008	(116,990)	
Deferred tax credit in profit and loss account	<u>(56,138)</u>	
Provision at 31 October 2009	<u>(173,128)</u>	

A potential additional deferred tax asset of £2,394,867 arising from the share based payments has not been recognised. This asset may be recovered on future share acquisitions under schedule 23 of Finance Act 2003.

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Notes to the financial statements for the year ended 31 October 2009

continued

12. Share Based Payments

The company operates a discretionary stock related compensation scheme whereby shares in Take Two Interactive are granted to key employees to reward performance and aid employee retention. The vesting period for each grant is typically three years with quarterly or annual vests of stock. Any remaining unexpired shares are forfeited if the employee leaves the company before the vesting date.

Details of the number of shares and the weighted average exercise price (WAEP) outstanding during the year are as follows

	2009		2008	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	272,824	9.21	525,907	9.15
Granted during the year	1,301,580	5.69	-	-
Forfeited during the year	55,056	6.32	-	-
Exercised during the year	557,666	5.61	253,083	9.30
Outstanding at the end of the year	<u>961,682</u>	<u>5.81</u>	<u>272,824</u>	<u>9.21</u>

13. Share capital

	2009 £	2008 £
Authorised		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary shares of 1 each	<u>1</u>	<u>1</u>
Equity Shares		
1 Ordinary shares of 1 each	<u>1</u>	<u>1</u>

14. Equity Reserves

	Profit and loss account £	Capital contribution reserve £	Total £
At 1 November 2008	(3,563,989)	5,005,917	1,441,928
Loss for the year	(2,304,352)	-	(2,304,352)
Transfer of share base scheme costs	-	3,547,184	3,547,184
At 31 October 2009	<u>(5,868,341)</u>	<u>8,553,101</u>	<u>2,684,760</u>

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Notes to the financial statements for the year ended 31 October 2009

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15. Reconciliation of movements in shareholders' funds	2009	2008
	£	£
Loss for the year	(2,304,352)	(1,890,480)
Share base scheme costs	3,547,184	2,654,416
Net addition to shareholders' funds	1,242,832	763,936
Opening shareholders' funds	1,441,929	677,993
Closing shareholders' funds	<u>2,684,761</u>	<u>1,441,929</u>

16. Financial commitments

At 31 October 2009 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2009	2008
	£	£
Expiry date:		
Between one and five years	1,151,450	542,450
In over five years	-	609,000
	<u>1,151,450</u>	<u>1,151,450</u>

17. Capital commitments	2009	2008
	£	£
Details of capital commitments at the accounting date are as follows.		
Contracted for but not provided in the financial statements	<u>85,587</u>	<u>28,000</u>

18. Related party transactions

No disclosure has been made within these financial statements of any transactions with the ultimate parent company or fellow subsidiaries in accordance with the exemptions allowed by FRS8

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Notes to the financial statements for the year ended 31 October 2009

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19. Ultimate parent undertaking

The ultimate parent company and controlling party of the company is Take Two Interactive Software Inc. Copies of the group financial statements of Take Two Interactive Software Inc. are available from 622 Broadway, New York, NY 10012, United States of America.