

Registration number 03312220

ROCKSTAR NORTH LIMITED

Annual report and financial statements

for the year ended 31 March 2014



ROCKSTAR NORTH LIMITED

Company information

Directors	D Emerson R M S Hajaj
Company secretaries	D Emerson HAL Management Limited
Company number	03312220
Registered office	Hanover House 14 Hanover Square London W1S 1HP
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Business address	Calton Square 1 Greenside Row Edinburgh EH1 3AP
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Accountants	Johnston & Co New Custom House Register Street Bo'ness EH51 9AE

ROCKSTAR NORTH LIMITED

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ROCKSTAR NORTH LIMITED

Strategic report for the year ended 31 March 2014

The directors present their strategic report and the financial statements for the year ended 31 March 2014.

Principal activity and review of the business

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

	2014	2013	Change
Turnover	£32,252,221	£20,127,149	+60.2%
Average number of employees	356	318	+38
Profit/(loss) for the year	£1,274,856	£(1,325,051)	+2,599,907

Turnover increased by 60.2% during the year due to increased charges to the parent company. Operating expenses increased primarily due to increased amounts spent on staffing.

The total average number of employees increased by 12% during the year. This was primarily due to an increased number of persons engaged in development of entertainment software.

Principal risks and uncertainties

The directors have established controls to mitigate the following risk appropriate to the size and complexity of the business.

- Cash flow risk

The company has established cash forecasting models to manage cash flow within the constraints of the company's banking facilities.

This report was approved by the Board and signed on its behalf by

D Emerson
Director

Date:

ROCKSTAR NORTH LIMITED

Directors' report for the year ended 31 March 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis. The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management position are described above.

The directors have also received a letter of support from the ultimate parent company Take Two Interactive Software Inc that confirms its intention to support the company for at least 12 months from the date of signing these financial statements.

Therefore, after making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and has, as a result, continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the year are as stated below:

D Emerson

R M S Hajaj

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ROCKSTAR NORTH LIMITED

**Directors' report
for the year ended 31 March 2014**

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Statement of disclosure of information to auditors

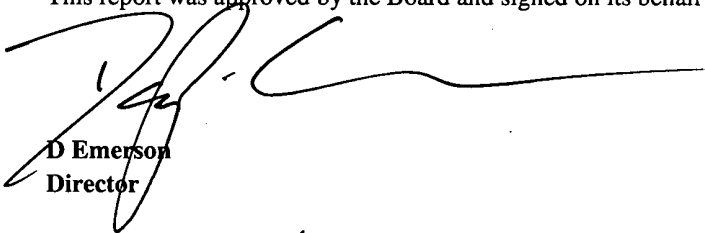
In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any 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.

This report was approved by the Board and signed on its behalf by



D Emerson
Director

Date:

2014/10/20

**Independent auditor's report to the shareholders of
ROCKSTAR NORTH LIMITED**

We have audited the financial statements of ROCKSTAR NORTH LIMITED for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1-21. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006.

In our opinion the information given in the Strategic Report and 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.

 LP

Philip Young (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Date: 24/10/14

1 More London Place
London
SE1 2AF

ROCKSTAR NORTH LIMITED

Profit and loss account for the year ended 31 March 2014

		Continuing operations	
		2014	2013
	Notes	£	£
Turnover	2	32,252,221	20,127,149
Cost of sales		(16,111,491)	(12,404,764)
Gross profit		16,140,730	7,722,385
Administrative expenses		(13,986,232)	(6,413,329)
Operating profit	3	2,154,498	1,309,056
Other interest receivable and similar income	4	7,993	1,580
Interest payable and similar charges	5	-	(174,220)
Profit on ordinary activities before taxation		2,162,491	1,136,416
Tax charge on profit on ordinary activities	8	(887,635)	(2,461,467)
Profit/(loss) for the year	16	1,274,856	(1,325,051)

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

The notes on pages 7 to 16 form an integral part of these financial statements.

ROCKSTAR NORTH LIMITED

Balance sheet as at 31 March 2014

		2014		2013	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		1,229,305		411,303
Current assets					
Debtors	10	917,327		1,560,513	
Deferred tax	13	208,727		268,727	
Cash at bank and in hand		2,915,922		46,776	
		4,041,976		1,876,016	
Creditors: amounts falling due within one year	11	(3,234,906)		(1,525,800)	
Net current assets			807,070		350,216
Total assets less current liabilities			2,036,375		761,519
Net assets			2,036,375		761,519
Capital and reserves					
Called up share capital	15		1		1
Other reserves	16		15,033,184		15,033,184
Profit and loss account	16		(12,996,810)		(14,271,666)
Shareholders' funds	17		2,036,375		761,519

The financial statements were approved by the Board on
on its behalf by

2014/10/20

and signed



R M S Hajaj
Director

Registration number 03312220

The notes on pages 7 to 16 form an integral part of these financial statements.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

1. Accounting policies

1.1. Accounting convention

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

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 in FRS1 from the requirement to produce a cashflow statement.

The company has consistently applied all relevant accounting standards.

1.2. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

1.3. 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	-	Straight line basis over 3 and 5 years
Furniture & fixtures	-	20% Straight line basis

1.4. Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.5. Shares based transactions - equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

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1.6. 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.

1.7. Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes except to the extent that the directors consider the liability to taxation is unlikely to materialise.

1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

1.9. Going concern

The directors have received a letter of support from the ultimate parent company Take Two Interactive Software Inc that confirms its intention to support the company for the next 12 months from the date of signing these financial statements.

1.10. 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 valued added tax and other sales taxes or duty.

2. Turnover

The total turnover of the company 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.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

..... continued

3. Operating profit	2014	2013
	£	£
Operating profit is stated after charging:		
Equity settled share-based payments	7,996,435	837,107
Depreciation		
- written off owned tangible fixed assets	331,392	294,802
Research and development		
- expenditure in current year *	29,441,954	18,330,085
Operating lease rentals		
- Plant and machinery	11,597	11,635
- Land and buildings	1,376,817	1,862,334
Auditors' remuneration	11,500	17,900
	<u> </u>	<u> </u>
and after crediting:		
Net foreign exchange gain	-	41
	<u> </u>	<u> </u>
* includes employment costs disclosed in Note 6		
 4. Interest receivable and similar income	 2014	 2013
	£	£
Bank interest	7,993	1,580
	<u> </u>	<u> </u>
 5. Interest payable and similar charges	 2014	 2013
	£	£
Other	-	174,220
	<u> </u>	<u> </u>

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

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6. Employees

Number of employees	2014	2013
The average monthly numbers of employees (including the directors) during the year were:		
Development	342	307
Administration	14	11
	<u>356</u>	<u>318</u>
Employment costs	2014	2013
	£	£
Wages and salaries	13,730,885	11,527,782
Social security costs	2,608,326	1,107,404
Pension costs	641,068	527,583
Equity settled share based payments	7,996,435	837,107
	<u>24,976,714</u>	<u>13,999,876</u>

No directors received any remuneration for their qualifying services from the company during the year.

7. 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 £641,068 (2013 - £527,583).

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

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8. Tax on profit on ordinary activities

Analysis of charge in period	2014	2013
	£	£
Current tax		
UK corporation tax	827,635	374,063
Adjustments in respect of previous periods	-	2,027,669
	<u>827,635</u>	<u>2,401,732</u>
Total current tax charge	<u>827,635</u>	<u>2,401,732</u>
Deferred tax		
Timing differences, origination and reversal	57,391	14,485
Effect of changes in tax rates	2,609	12,313
Prior period adjustments	-	32,937
	<u>60,000</u>	<u>59,735</u>
Total deferred tax	<u>60,000</u>	<u>59,735</u>
Tax on profit on ordinary activities	<u>887,635</u>	<u>2,461,467</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (23.00 per cent). The differences are explained below:

	2014	2013
	£	£
Profit on ordinary activities before taxation	<u>2,162,491</u>	<u>1,136,416</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.00% (31 March 2013 : 24.00%)	497,373	272,740
Effects of:		
Expenses not deductible for tax purposes	862,965	118,215
Capital allowances for period in excess of depreciation	(60,000)	(16,892)
Adjustments to tax charge in respect of previous periods	<u>(472,703)</u>	<u>2,027,669</u>
Current tax charge for period	<u>827,635</u>	<u>2,401,732</u>

The government has announced that the rate of UK corporation tax will reduce to 20% by 1 April 2015. The rate of corporation tax reduced from 24% to 23%, effective from 1 April 2013 and was enacted on 17 July 2012. Further reductions in the corporation tax rate to 21%, effective from 1 April 2014, and then 20%, effective from 1 April 2015 were enacted in July 2013.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

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9.	Tangible fixed assets	Leasehold property improvement £	Computer equipment £	Furniture and fixtures £	Motor vehicles £	New Premises £	Total £
	Cost						
	At 1 April 2013	1,122,563	2,734,858	408,908	5,775	-	4,272,104
	Additions	17,299	1,118,442	6,641	-	7,012	1,149,394
	At 31 March 2014	1,139,862	3,853,300	415,549	5,775	7,012	5,421,498
	Depreciation						
	At 1 April 2013	1,060,032	2,390,920	404,074	5,775	-	3,860,801
	Charge for the year	35,792	291,344	4,256	-	-	331,392
	At 31 March 2014	1,095,824	2,682,264	408,330	5,775	-	4,192,193
	Net book values						
	At 31 March 2014	44,038	1,171,036	7,219	-	7,012	1,229,305
	At 31 March 2013	62,531	343,938	4,834	-	-	411,303

10.	Debtors	2014 £	2013 £
	Amount owed by connected companies	-	994,660
	Other debtors	917,327	565,853
		917,327	1,560,513

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

..... continued

11. Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	149,910	156,698
Amounts owed to group undertaking	1,104,512	-
Corporation tax	42,673	89,855
Other taxes and social security costs	1,185,478	377,862
Accruals and deferred income	752,333	901,385
	<u>3,234,906</u>	<u>1,525,800</u>

There is no committed overdraft facility.

12. Provisions for dilapidations

During the year, the company had certain existing property leases which were due to expire. An amount of £472,280(2013: £472,280) represents dilapidations provisions payable on cessation of the existing lease agreements.

13. Deferred tax asset	2014	2013
	£	£
Accelerated capital allowances	<u>(208,727)</u>	<u>(268,727)</u>
Provision at 1 April 2013	(268,727)	
Deferred tax charge in profit and loss account	<u>60,000</u>	
Provision at 31 March 2014	<u>(208,727)</u>	

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Notes to the financial statements for the year ended 31 March 2014

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14. Employee share schemes

The following stock based compensation plans are granted to certain employees of the company:

Restricted stock unit awards (RSU)

A restricted stock unit is the right to receive Common Share stock of the company's ultimate parent undertaking. The stock units vest if the employee remains in continuous service for a period of three years from the date of grant. The stock units are awarded free of charge.

Restricted stock is issued and outstanding upon grant; holders of Restricted Stock awards are restricted from selling the shares until such times as they are vested. Upon vesting, the company will typically withhold shares to satisfy tax liabilities.

Expenses charged to income statement

The expense recognised for share based transactions in respect of employee services received during the year is £7,996,435 (31 March 2013 £837,107).

The following table illustrates the number and weighted average fair value on grant date (WAFV) of, and movements in, restricted stock units during the year.

	2014	
	RSU	
	WAFV	
	No.	\$
Outstanding at the beginning of the year	286,665	9.24
Granted during the year	2,283,790	18.04
Forfeited during the year	(1,849)	14.25
Vested during the year	(714,857)	16.86
Outstanding at the end of the year	<u>1,853,749</u>	<u>17.16</u>

Stock based compensation expense is calculated based on the number of awards that are ultimately expected to vest, and therefore is reduced for estimated forfeitures. The company's estimate of forfeitures is based on its historical annual forfeiture rate. The estimated forfeiture rate is reassessed each quarter end balance sheet date throughout the life of the award and may change based on new facts and circumstances.

15. Share capital

	2014	2013
	£	£
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>

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

..... continued

16. Equity Reserves	Profit and loss account £	Other reserves £	Total £
At 1 April 2013	(14,271,666)	15,033,184	761,518
Profit for the year	1,274,856	-	1,274,856
Distribution	-	-	-
At 31 March 2014	<u>(12,996,810)</u>	<u>15,033,184</u>	<u>2,036,374</u>

Other reserves relates to the share based payment reserve which accounts for share based payment charges for in accordance with FRS20 Share Based Transactions. In accordance with the same Standard, the amounts pushed down by the ultimate parent undertaking are accounted for as distribution and recorded as a reduction of the share based payment reserve.

17. Reconciliation of movements in shareholders' funds	2014 £	2013 £
Profit/(loss) for the year	1,274,856	(1,325,051)
Distribution	-	(3,469,566)
Net (deduction from) shareholders' funds	1,274,856	(4,794,617)
Opening shareholders' funds	761,519	5,556,136
Closing shareholders' funds	<u>2,036,375</u>	<u>761,519</u>

18. Financial commitments

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

	Land and buildings 2014 £	2013 £
Expiry date:		
Between one and five years	1,169,552	1,169,552
In over five years	1,430,496	-
	<u>2,600,048</u>	<u>1,169,552</u>

The company has only short term plant and machinery commitments.

ROCKSTAR NORTH LIMITED

Notes to the financial statements for the year ended 31 March 2014

..... continued

19. Capital commitments	2014 £	2013 £
Details of capital commitments at the accounting date are as follows:		
Contracted for but not provided in the financial statements	-	13,550

20. Related party transactions

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

21. 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.