

**ROCKSTAR NORTH LIMITED**

***Directors' Report and Financial Statements***

**for the year ended 31 October 2002**

***Registration Number 3312220***



## ROCKSTAR NORTH LIMITED

### Company Information

|                   |   |
|-------------------|---|
| Directors         | B Rutcofsky<br>K Sumner (resigned 2 <sup>nd</sup> January 2003)<br>R Brant (appointed 2 <sup>nd</sup> January 2003) |
| Secretary         | B Rutcofsky   |
| Company Number    | 3312220   |
| Registered Office | Saxon House<br>2-4 Victoria Street<br>Windsor<br>Berkshire<br>SL4 1EN   |
| Auditors          | Johnston & Co<br>Chartered Accountants<br>9-11 Register Street<br>Bo'ness<br>EH51 9AE                               |
| Business Address  | Suites 2/1 & 2/2<br>Links House<br>15 Links Place<br>Edinburgh  |
| Bankers           | Llyods TSB Scotland plc<br>Meadowside<br>Dundee   |
| Solicitors        | Shepherd & Wedderburn WS<br>Saltire Court<br>20 Castle Terrace<br>Edinburgh<br>EH1 2ET                              |

# ROCKSTAR NORTH LIMITED

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# ROCKSTAR NORTH LIMITED

## Directors' Report for the year ended 31 October 2002

The directors present their report and the financial statements for the year ended 31 October 2002.

### Principal Activity and Review of the Business

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

### Results And Dividends

The results of the year's trading, the financial position of the company and the transfer to reserves are shown in the annexed financial statements.

The directors do not recommend payment of a dividend.

### Research and Development

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

### Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

|             | Ordinary shares |      |
|-------------|-----------------|------|
|             | 2002            | 2001 |
| K Sumner    | -               | -    |
| B Rutcofsky | -               | -    |

The interests of the directors in the shares of the parent company are shown in the accounts of that company. The company's Articles of Association do not require directors to retire by rotation.

### Directors' Responsibilities

UK company law requires the directors to prepare financial statements for each financial year which 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 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 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 1985. 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 October 2002**

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Johnston & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on **28.8.03** and signed on its behalf by

A handwritten signature in black ink, appearing to be 'B Rutcofsky', written over a horizontal line.

**B Rutcofsky  
Director**

**28.8.03**

## **ROCKSTAR NORTH LIMITED**

### **Independent Auditors' Report to the Shareholders of ROCKSTAR NORTH LIMITED**

We have audited the financial statements of Rockstar North Limited for the year ended 31<sup>st</sup> October 2002 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if in our opinion the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> October 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Johnston & Co  
Registered Auditors  
9-11 Register Street  
Bo'ness  
EH51 9AE

Date: 29 August 2003

**ROCKSTAR NORTH LIMITED**  
**Profit and Loss Account**  
**for the year ended 31 October 2002**

|  |          | 2002               | 2001               |
|--|----------|--------------------|--------------------|
|  | Notes    | £                  | as restated<br>£   |
| <b>Turnover</b>  | <b>2</b> | 5,266,777          | 2,708,992          |
| Cost of sales  |          | (3,382,846)        | (1,293,684)        |
| <b>Gross profit</b>                                      |          | <u>1,883,931</u>   | <u>1,415,308</u>   |
| Administrative expenses                                  |          | <u>(1,540,076)</u> | <u>(1,238,042)</u> |
| <b>Operating profit</b>                                  | <b>3</b> | 343,855            | 177,266            |
| Interest payable<br>and similar charges                  | 4        | <u>-</u>           | <u>(42)</u>        |
| <b>Profit on ordinary<br/>activities before taxation</b> |          | 343,855            | 177,224            |
| Tax on profit on<br>ordinary activities                  | 7        | <u>(113,000)</u>   | <u>(92,000)</u>    |
| <b>Profit retained for the year</b>                      |          | <u>230,855</u>     | <u>85,224</u>      |
| Accumulated (loss) brought forward                       |          | (2,069,305)        | (2,154,529)        |
| <b>Accumulated (loss) carried forward</b>                |          | <u>(1,838,450)</u> | <u>(2,069,305)</u> |

There were no acquisitions and no discontinued operations in the period.

**Statement of total recognised gains and losses**

|  | 2002           | 2001          |
|--|----------------|---------------|
|  | £              | £             |
| Total recognised gains relating to the year                                  | 230,855        | 85,224        |
| Prior year adjustment(as explained in note 1.5)                              | <u>237,000</u> | <u>-</u>      |
| <b>Total gains and losses recognised since last<br/>financial statements</b> | <u>467,855</u> | <u>85,224</u> |

The annexed notes form part of these financial statements

# ROCKSTAR NORTH LIMITED

## Notes to the Financial Statements for the year ended 31 October 2002

..... continued

### Balance Sheet as at 31 October 2002

|  |       | 2002           |                    | 2001<br>as restated |                    |
|--|-------|----------------|--------------------|---------------------|--------------------|
|  | Notes | £              | £                  | £                   | £                  |
| <b>Fixed Assets</b>  |       |                |                    |                     |                    |
| Tangible assets  | 8     |                | 471,604            |                     | 497,204            |
| <b>Current Assets</b>  |       |                |                    |                     |                    |
| Debtors  | 9     | 36,641         |                    | 59,297              |                    |
| Deferred tax   | 10    | 124,000        |                    | 237,000             |                    |
| Cash at bank and in hand                                       |       | 22,620         |                    | 28,246              |                    |
|  |       | <u>183,261</u> |                    | <u>324,543</u>      |                    |
| <b>Creditors: amounts falling due within one year</b>          | 11    | (1,053,357)    |                    | (259,436)           |                    |
| <b>Net Current Assets/(Liabilities)</b>                        |       |                | (870,096)          |                     | 65,107             |
| <b>Total Assets Less Current Liabilities</b>                   |       |                | (398,492)          |                     | 562,311            |
| <b>Creditors: amounts falling due after more than one year</b> | 12    |                | (1,439,957)        |                     | (2,631,615)        |
| <b>Net Liabilities</b>   |       |                | <u>(1,838,449)</u> |                     | <u>(2,069,304)</u> |
| <b>Capital and Reserves</b>                                    |       |                |                    |                     |                    |
| Called up share capital  | 13    |                | 1                  |                     | 1                  |
| Profit and loss account  |       |                | (1,838,450)        |                     | (2,069,305)        |
| <b>Shareholders' Funds</b>                                     | 14    |                | <u>(1,838,449)</u> |                     | <u>(2,069,304)</u> |

The financial statements were approved by the Board on 28 8 03 and signed on its behalf by

  
B Rutcofsky  
Director

28 8 03

The annexed notes form part of these financial statements



## ROCKSTAR NORTH LIMITED

### Notes to the Financial Statements for the year ended 31 October 2002

#### Compliance with Accounting Standards

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

#### 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.

FRS 19 "Deferred Tax" has been adopted during the year. This has resulted in the recognition of a deferred tax asset on the balance sheet and a corresponding prior year adjustment has been made to reflect this. The comparative primary statements and notes have been restated to reflect its adoption.

##### 1.2. 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 |  |
| improvement        | - Straight line over the life of the lease |
| Computer equipment | - 33 1/3% Straight line basis              |
| Fixtures, fittings |  |
| and equipment      | - 20% Straight line basis                  |
| Motor vehicles     | - 20% Straight line basis                  |

##### 1.3. Leasing

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

##### 1.4. Pensions

The pension 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.

##### 1.5. Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 – Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The adoption of the standard requires a prior period adjustment to be made to recognise the asset which existed at the start of the financial year and which was not recognised under the old accounting policy. This has increased the deferred tax asset and increased the retained profits by £237,000.

## ROCKSTAR NORTH LIMITED

### Notes to the Financial Statements for the year ended 31 October 2002

..... continued

#### 1.6. Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the transaction.

#### 1.7. Research and developments

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### 1.8. Cash flow statement

The results of the company and its parent undertaking 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.

#### 1.9. Going concern

The company's ultimate parent, 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.

#### 1.10. Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of DMA Design Holdings Limited, a company incorporated in England.

#### 2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

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

#### 3. Operating profit

|  | 2002    | 2001    |
|--|---------|---------|
|  | £       | £       |
| Operating profit is stated after charging:                 |         |         |
| Depreciation and other amounts written off tangible assets | 259,169 | 242,648 |
| Operating leases – plant and machinery                     | 57,036  | 4,177   |
| Operating leases – other assets                            | 125,828 | 174,057 |
| Auditors' remuneration                                     | 2,700   | 22,500  |
| Loss on disposal of tangible fixed assets                  | -       | 147,862 |

#### 4. Interest payable and similar charges

|                              | 2002 | 2001 |
|------------------------------|------|------|
|                              | £    | £    |
| On bank loans and overdrafts | -    | 42   |

# **ROCKSTAR NORTH LIMITED**

## **Notes to the Financial Statements for the year ended 31 October 2002**

..... continued

### **5. Employees**

#### **Number of employees**

The average monthly number of employees  
(including the directors) during the year was:

|                               | <b>2002</b>   | <b>2001</b>   |
|-------------------------------|---------------|---------------|
|                               | <b>Number</b> | <b>Number</b> |
| Management and administration | 6             | 6             |
| Productions                   | <u>61</u>     | <u>42</u>     |
|                               | <u>67</u>     | <u>48</u>     |

#### **Employment costs**

|                       | <b>2002</b>      | <b>2001</b>      |
|-----------------------|------------------|------------------|
|                       | <b>£</b>         | <b>£</b>         |
| Wages and salaries    | 3,177,478        | 1,283,103        |
| Social security costs | 405,412          | 135,309          |
| Other pension costs   | <u>63,170</u>    | <u>84,058</u>    |
|                       | <u>3,646,060</u> | <u>1,502,470</u> |

### **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 £63,170 (2001 £84,058)

### **7. Taxation**

#### **UK current year tax**

|                               | <b>2002</b>    | <b>2001</b>   |
|-------------------------------|----------------|---------------|
|                               | <b>£</b>       | <b>£</b>      |
| Corporation tax               | -              | -             |
| Transfer to deferred taxation | <u>113,000</u> | <u>92,000</u> |
|                               | <u>113,000</u> | <u>92,000</u> |

#### **Factors affecting the tax charge for the year**

|   |                |                |
|---|----------------|----------------|
| Profit on ordinary activities before taxation | <u>343,855</u> | <u>177,266</u> |
|---|----------------|----------------|

Profit on ordinary activities before taxation multiplied by standard rate of UK  
Corporation tax of 30.00% (2001: 30.00%)

|  |                |               |
|--|----------------|---------------|
|  | <u>103,157</u> | <u>53,180</u> |
|--|----------------|---------------|

Effects of:

|   |                  |                 |
|---|------------------|-----------------|
| Non deductible expenses                                   | 10,472           | 7,973           |
| Accelerated capital allowances/other timing differences   | (113,629)        | (92,212)        |
| Tax losses surrendered to UK group company free of charge | <u>-</u>         | <u>31,059</u>   |
|   | <u>(103,157)</u> | <u>(53,180)</u> |

|                    |          |          |
|--------------------|----------|----------|
| Current tax charge | <u>-</u> | <u>-</u> |
|--------------------|----------|----------|

# **ROCKSTAR NORTH LIMITED**

## **Notes to the Financial Statements for the year ended 31 October 2002**

..... continued

### **8. Tangible fixed assets**

|                        | Leasehold<br>property<br>improvement | Computer<br>equipment | Fixtures,<br>fittings,<br>equipment | Motor<br>vehicles | Total            |
|------------------------|--------------------------------------|-----------------------|-------------------------------------|-------------------|------------------|
|                        | £                                    | £                     | £                                   | £                 | £                |
| <b>Cost</b>            |                                      |                       |                                     |                   |                  |
| At 1 November 2001     | 147,569                              | 1,056,204             | 67,560                              | 5,775             | 1,277,108        |
| Additions              | -                                    | 220,050               | 13,519                              | -                 | 233,569          |
| At 31 October 2002     | <u>147,569</u>                       | <u>1,276,254</u>      | <u>81,079</u>                       | <u>5,775</u>      | <u>1,510,677</u> |
| <b>Depreciation</b>    |                                      |                       |                                     |                   |                  |
| At 1 November 2001     | 17,791                               | 716,045               | 42,032                              | 4,036             | 779,904          |
| Charge for the year    | 21,081                               | 228,191               | 8,742                               | 1,155             | 259,169          |
| At 31 October 2002     | <u>38,872</u>                        | <u>944,236</u>        | <u>50,774</u>                       | <u>5,191</u>      | <u>1,039,073</u> |
| <b>Net book values</b> |                                      |                       |                                     |                   |                  |
| At 31 October 2002     | <u>108,697</u>                       | <u>332,018</u>        | <u>30,305</u>                       | <u>584</u>        | <u>471,604</u>   |
| At 31 October 2001     | <u>129,778</u>                       | <u>340,159</u>        | <u>25,528</u>                       | <u>1,739</u>      | <u>497,204</u>   |

### **9. Debtors**

|               | 2002          | 2001          |
|---------------|---------------|---------------|
|               | £             | £             |
| Other debtors | <u>36,641</u> | <u>59,297</u> |

### **10. Deferred tax**

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

|  | Deferred Taxation |
|--|-------------------|
|  | £                 |
| Balance at 1 <sup>st</sup> November 2001 | (237,000)         |
| Profit and loss account                  | <u>113,000</u>    |
| Balance at 31 <sup>st</sup> October 2002 | <u>(124,000)</u>  |

Deferred taxation provided in the financial statements is as follows:

|                                | 2002             | 2001             |
|--------------------------------|------------------|------------------|
|                                | £                | £                |
| Accelerated capital allowances | (91,000)         | (90,000)         |
| Tax losses carried forward     | (32,000)         | (146,000)        |
| Short term timing differences  | <u>(1,000)</u>   | <u>(1,000)</u>   |
|                                | <u>(124,000)</u> | <u>(237,000)</u> |

# **ROCKSTAR NORTH LIMITED**

## **Notes to the Financial Statements for the year ended 31 October 2002**

..... continued

|  |                    |                    |
|--|--------------------|--------------------|
| <b>11. Creditors: amounts falling due within one year</b>          | <b>2002</b>        | <b>2001</b>        |
|  | <b>£</b>           | <b>£</b>           |
| Bank overdraft   | 2,610              | -                  |
| Trade creditors  | 96,890             | 178,063            |
| Other taxes and social security costs                              | 72,600             | 44,110             |
| Accruals and deferred income                                       | 881,257            | 37,263             |
|  | <u>1,053,357</u>   | <u>259,436</u>     |
| <b>12. Creditors: amounts falling due after more than one year</b> | <b>2002</b>        | <b>2001</b>        |
|  | <b>£</b>           | <b>£</b>           |
| Amounts owed to group undertakings                                 | <u>1,439,957</u>   | <u>2,631,615</u>   |
| <b>13. Share capital</b>   | <b>2002</b>        | <b>2001</b>        |
|  | <b>£</b>           | <b>£</b>           |
| <b>Authorised equity</b>   |                    |                    |
| 1,000 Ordinary shares of £1 each                                   | <u>1,000</u>       | <u>1,000</u>       |
| <b>Allotted, called up and fully paid equity</b>                   |                    |                    |
| 1 Ordinary shares of £1 each                                       | <u>1</u>           | <u>1</u>           |
| There have been no changes during the year.                        |                    |                    |
| <b>14. Reconciliation of movements in shareholders' funds</b>      | <b>2002</b>        | <b>2001</b>        |
|  | <b>£</b>           | <b>£</b>           |
| Profit for the year  | 230,855            | 85,224             |
| Opening shareholders' funds  | <u>(2,069,304)</u> | <u>(2,154,528)</u> |
| Closing shareholders' funds  | <u>(1,838,449)</u> | <u>(2,069,304)</u> |

# ROCKSTAR NORTH LIMITED

## Notes to the Financial Statements for the year ended 31 October 2002

..... continued

### 15. Capital commitments

Commitments for capital expenditure at the end of the year were as follows:

|                               | 2002           | 2001     |
|-------------------------------|----------------|----------|
|                               | £              | £        |
| Authorised and contracted for | <u>167,395</u> | <u>-</u> |

### 16. Financial commitments

At 31 October 2002 the company had annual commitments under non-cancellable operating leases as follows:

|                            | Land and buildings |                | Other         |              |
|----------------------------|--------------------|----------------|---------------|--------------|
|                            | 2002               | 2001           | 2002          | 2001         |
|                            | £                  | £              | £             | £            |
| <b>Expiry date:</b>        |                    |                |               |              |
| Within one year            | -                  | 70,672         | -             | 282          |
| Between one and five years | -                  | -              | 57,036        | 4,716        |
| In over five years         | 125,828            | 125,828        | -             | -            |
|                            | <u>125,828</u>     | <u>196,500</u> | <u>57,036</u> | <u>4,998</u> |

### 17. 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.

### 18. Ultimate parent undertaking

The ultimate parent company and controlling party of the company is Take Two Interactive Software, Inc., a company registered in United States of America. Copies of the group financial statements of Take Two Interactive Software, Inc. are available from 622 Broadway, 5<sup>th</sup> Floor, New York, NY 10012, United States of America.