

ROCKSTAR NORTH LIMITED
Directors' Report and Financial Statements
for the year ended 31 October 2006

Registration Number 3312220

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ROCKSTAR NORTH LIMITED

Company Information

Directors	B Rutcofsky T J Donovan R M S Hajaj D Emerson	Resigned 22 June 2007 Resigned 22 June 2007 Appointed 22 June 2007 Appointed 22 June 2007
Secretary	D Emerson	
Company Number	3312220	
Registered Office	Saxon House 2-4 Victoria Street Windsor SL4 1EN	
Accountants	Johnston & Co Chartered Accountants New Custom House Register Street Bo'ness, EH51 9AE	
Business Address	Calton Square 1 Greenside Row Edinburgh EH1 3AP	
Auditors	Ernst & Young LLP Chartered Accountants Ten George Street Edinburgh, EH2 2DZ	
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh , EH2 2YB	

ROCKSTAR NORTH LIMITED

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ROCKSTAR NORTH LIMITED

Directors' Report for the year ended 31 October 2006

The directors present their report and the financial statements for the year ended 31 October 2006

Principal Activity and Review of the Business

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

The company's key financial and other performance indicators during the year were as follows:-

	2006	2005	% Change
Turnover	£11,371,969	£ 8,610,791	+32
Average number of employees	148	110	+34

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.

Results and Dividends

The results for the year are set out on page 4.

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	
		2006	2005
B Rutcofsky	Resigned 22 June 2007	-	-
T J Donovan	Resigned 22 June 2007	-	-
R M S Hajaj	Appointed 22 June 2007	-	-
D Emerson	Appointed 22 June 2007	-	-

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.

ROCKSTAR NORTH LIMITED

Directors' Report for the year ended 31 October 2006

Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they 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 affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and 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 that 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 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.

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

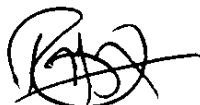
- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps that a director might reasonably be expected to have taken to be aware of relevant audit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

Auditors

The auditors, Ernst & Young LLP have indicated their willingness to accept re-appointment under Section 385 of the Companies Act 1985.

On behalf by the Board

Director



Date:

30/8/07

Independent auditors' report

to the members of ROCKSTAR NORTH LIMITED

We have audited the company's financial statements for the year ended 31 October 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under 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 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

The directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 the information specified by law regarding director's remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the director's report is consistent with the financial statements



Ernst & Young LLP
Registered Auditors
Edinburgh

Date: 7/1/07

ROCKSTAR NORTH LIMITED

Profit and Loss Account for the year ended 31 October 2006

		2006	2005
	Notes	£	£
Turnover	2	11,371,969	8,610,791
Cost of sales		(6 647,198)	(5,378,343)
Gross profit		4,724,771	3,232,448
Administrative expenses		(3,980,812)	(2,669,126)
Operating profit	3	743,959	563,322
Interest receivable and similar income		24,796	33,561
Profit on ordinary activities before taxation		768,755	596,883
Tax on profit on ordinary activities	6	(196,355)	(271,049)
Retained profit for the year		572,400	325,834
Accumulated (loss) brought forward		(680,993)	(1,006,829)
Accumulated (loss) carried forward		(108,593)	(680,995)

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 annexed notes form an integral part of these financial statements.

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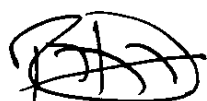
Balance Sheet as at 31 October 2006

		2006	2005
	Notes	£	£
Fixed Assets			
Tangible assets	7	2,044,006	1,504,402
Current Assets			
Debtors	8	1,531,972	268,106
Deferred tax	9	62,882	65,877
Cash at bank and in hand		275,473	1,451,758
		<u>1,870,327</u>	<u>1,785,741</u>
Creditors: amounts falling due within one year	10	<u>(4,022,925)</u>	<u>(3,971,137)</u>
Net Current Liabilities		<u>(2,152,598)</u>	<u>(2,185,396)</u>
Total Assets Less Current Liabilities		<u>(108,592)</u>	<u>(680,994)</u>
Capital and Reserves			
Called up share capital	11	1	1
Profit and loss account		<u>(108,593)</u>	<u>(680,995)</u>
Shareholders' Funds	12	<u>(108,592)</u>	<u>(680,994)</u>

The financial statements were approved by the Board on

On behalf of the Board

Director



Date

30/8/07

The annexed notes form an integral part of these financial statements.

ROCKSTAR NORTH LIMITED

Notes to the Financial Statements for the year ended 31 October 2006

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 are prepared under the historical cost and in accordance with applicable UK accounting standards. There were no material departures from those standards.

The company has consistently applied all relevant accounting standards.

1.2. Research and development

Expenditure on research and development is written off against profits 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	
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

1.4. Leasing

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

1.5. 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.

1.6. 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 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.

1.8. 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.

ROCKSTAR NORTH LIMITED

Notes to the Financial Statements for the year ended 31 October 2006

continued

1.9. 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

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

3. Operating profit

	2006 £	2005 £
Operating profit is stated after charging		
Depreciation and other amounts written off tangible assets	618,643	462,754
Loss on disposal of tangible fixed assets	51,466	-
Operating lease rentals		
- plant & machinery	12,534	34,850
- other	1,414,698	701,426
Auditors' remuneration	3,500	3,125
	<u>1,482,241</u>	<u>1,199,155</u>

4. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were

	2006 Number	2005 Number
Development	141	105
Administration	7	5
	<u>148</u>	<u>110</u>

Employment costs

	£	£
Wages and salaries	6,091,870	4,806,212
Social security costs	705,000	544,241
Other pension costs	236,169	148,714
	<u>7,033,039</u>	<u>5,499,167</u>

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Notes to the Financial Statements for the year ended 31 October 2006

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5. 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 £236,169 (2005 - £148,714)

6. Taxation	2006	2005
	£	£
UK current year taxation		
Corporation Tax	259,400	182,606
Transfer to deferred taxation	2,995	6,093
	<u>262,395</u>	<u>188,699</u>
Prior years		
UK Corporation Tax	(66,040)	82,350
	<u>196,355</u>	<u>271,049</u>
	£	£
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>768,755</u>	<u>596,883</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 30% (2005 30%)	<u>230,627</u>	<u>179,065</u>
Effects of:		
Non deductible expenses	31,768	9,634
Accelerated capital allowances/other timing differences	(2,995)	(6,093)
	<u>28,773</u>	<u>3,541</u>
Current tax charge for the year	<u>259,400</u>	<u>182,606</u>

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Notes to the Financial Statements for the year ended 31 October 2006

continued

7. Tangible fixed assets

	Leasehold property improvement	Computer equipment	Fixtures, fittings, equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2005	910,272	2,372,951	364,176	5,775	3,653,174
Additions	503,569	541,949	164,196	-	1,209,714
Disposals	(156,853)	-	-	-	(156,853)
At 31 October 2006	<u>1,256,988</u>	<u>2,914,900</u>	<u>528,372</u>	<u>5,775</u>	<u>4,706,035</u>
Depreciation					
At 1 November 2005	206,060	1,783,872	153,066	5,775	2,148,773
On disposals	(105,387)	-	-	-	(105,387)
Charge for the year	125,699	411,760	81,184	-	618,643
At 31 October 2006	<u>226,372</u>	<u>2,195,632</u>	<u>234,250</u>	<u>5,775</u>	<u>2,662,029</u>
Net book values					
At 31 October 2006	<u>1,030,616</u>	<u>719,268</u>	<u>294,122</u>	<u>-</u>	<u>2,044,006</u>
At 31 October 2005	<u>704,212</u>	<u>589,079</u>	<u>211,110</u>	<u>-</u>	<u>1,504,401</u>

8. Debtors

	2006	2005
	£	£
Amounts owed by group undertakings	1,351,846	124,037
Other debtors	<u>180,126</u>	<u>144,069</u>
	<u>1,531,972</u>	<u>268,106</u>

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Notes to the Financial Statements for the year ended 31 October 2006

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9. Deferred tax

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

	Deferred Taxation £
Balance at 1st November 2005	(65,877)
Profit and loss account	2,995
Balance at 31st October 2006	<u>(62,882)</u>

Deferred taxation provided in the financial statements is as follows.

	2006 £	2005 £
Accelerated capital allowances	(62,042)	(65,037)
Short term timing differences	(840)	(840)
	<u>(62,882)</u>	<u>(65,877)</u>

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft	16,366	-
Trade creditors	106,878	182,895
Amounts owed to group undertakings	3,515,114	2,016,969
Corporation tax	142,932	182,606
Other taxes and social security costs	200,837	1,498,864
Other creditors	3,358	4,233
Accruals and deferred income	37,440	85,570
	<u>4,022,925</u>	<u>3,971,137</u>

11. Share capital

	2006 £	2005 £
Authorised equity		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid equity		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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Notes to the Financial Statements for the year ended 31 October 2006

. continued

12. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the year	572,400	325,834
Opening shareholders' funds	(680,992)	(1,006,826)
Closing shareholders' funds	<u>(108,592)</u>	<u>(680,992)</u>

13. Financial commitments

At 31 October 2006 the company had annual commitments under non-cancellable operating leases as follows.

	Land and buildings		Other	
	2006 £	2005 £	2006 £	2005 £
Expiry date:				
Within one year	-	-	-	2,460
Between one and five years	542,450	542,450	-	-
In over five years	609,000	609,000	-	-
	<u>1,151,450</u>	<u>1,151,450</u>	<u>-</u>	<u>2,460</u>

14. Capital commitments

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

	2006 £	2005 £
Authorised	<u>-</u>	<u>96,955</u>

15. 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 2006**

continued

16. 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.