

ROCKSTAR NORTH LIMITED

Directors' Report and Financial Statements

for the year ended 31 October 2008

Registration Number 3312220

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ROCKSTAR NORTH LIMITED

Company Information

Directors	R M S Hajaj D Emerson
Secretary	D Emerson
Company Number	3312220
Registered Office	c/o Take 2 Interactive Software 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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Directors' Report for the year ended 31 October 2008

The directors present their report and the financial statements for the year ended 31 October 2008.

Principal Activity and Review of the Business

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

	2008	2007	% Change
Turnover	£ 14,742,632	£ 12,481,810	+18
Average number of employees	198	185	+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 dividend.

Research and Development

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

Directors

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

R M S Hajaj
D Emerson

ROCKSTAR NORTH LIMITED

Directors' Report for the year ended 31 October 2008

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 of the Board



**R M S Hajaj
Director**

Date: 31/10/2008

Independent auditors' report

to the members of ROCKSTAR NORTH LIMITED

We have audited the company's financial statements for the year ended 31 October 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 2008 and of its loss 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

Ernst & Young LLP
Registered Auditors
Edinburgh

Date: 31/5/09

ROCKSTAR NORTH LIMITED

**Profit and Loss Account
for the year ended 31 October 2008**

		2008	2007
	Notes	£	As Restated £
Turnover	2	14,742,632	12,481,810
Cost of sales		(9,231,462)	(7,344,258)
Gross profit		5,511,170	5,137,552
Administrative expenses		(7,201,115)	(6,672,487)
Operating loss	3	(1,689,945)	(1,534,935)
Interest receivable and similar income		129,852	41,533
Loss on ordinary activities before taxation		(1,560,093)	(1,493,402)
Tax on loss on ordinary activities	6	(330,387)	(71,515)
(Loss) for the year		(1,890,480)	(1,564,917)
Accumulated (loss) brought forward		(1,673,509)	(108,593)
Accumulated (loss) carried forward		(3,563,989)	(1,673,510)

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

Statement of total recognised gains and losses

Total recognised losses relating to the year	(1,890,480)	(1,564,917)
Prior year adjustment (see note 1.9)	(2,351,501)	-
Total recognised losses since last financial statements	(4,241,981)	(1,564,917)

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

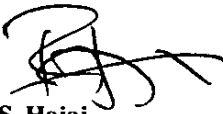
ROCKSTAR NORTH LIMITED

Balance Sheet as at 31 October 2008

		2008		2007	
	Notes	£	£	As Restated	
				£	£
Fixed Assets					
Tangible assets	7		1,831,380		1,965,631
Current Assets					
Debtors	8	567,678		484,346	
Deferred tax	9	116,990		75,292	
Cash at bank and in hand		7,121,840		742,843	
		<u>7,806,508</u>		<u>1,302,481</u>	
Creditors: amounts falling due within one year	10	(8,195,959)		(2,590,120)	
Net Current Liabilities			<u>(389,451)</u>		<u>(1,287,639)</u>
Total Assets Less Current Liabilities			<u>1,441,929</u>		<u>677,992</u>
Capital and Reserves					
Called up share capital	11		1		1
Capital contribution reserve	12		5,005,917		2,351,501
Profit and loss account	12		(3,563,989)		(1,673,510)
Shareholders' Funds	13		<u>1,441,929</u>		<u>677,992</u>

The financial statements were approved by the Board on 31/08/2009

On behalf of the Board


R M S Hajaj
Director

Date: 31/08/2009

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 2008

Compliance with Accounting Standards

The accounts have been prepared in accordance with applicable accounting 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 are prepared under the historical cost convention.

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
Furniture and fixtures	- 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 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. Tax deferred or accelerated is accounted for in respect of all timing differences.

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.

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Notes to the Financial Statements for the year ended 31 October 2008

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1.9. Share base 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.

This accounting policy has been introduced to reflect the requirements of FRS 20. Its adoption requires a prior period adjustment to be made to recognise the capital contribution reserve which existed at the start of the financial year with a resulting decrease in retained profits brought forward.

1.10. 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.

1.11. 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 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 loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	742,720	677,848
Operating lease rentals		
- plant & machinery	8,431	8,958
- other	1,546,532	1,515,462
Auditors' remuneration	9,300	14,750
	<u> </u>	<u> </u>

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Notes to the Financial Statements for the year ended 31 October 2008

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4. Employees

Number of employees

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

	2008 Number	2007 Number
Development	192	178
Administration	6	7
	<u>198</u>	<u>185</u>
Employment costs	£	£
Wages and salaries	11,074,215	9,122,047
Social security costs	958,623	761,856
Other pension costs	296,365	271,515
	<u>12,329,203</u>	<u>10,155,418</u>

No directors received any remuneration from the company during the year. Within wages and salaries £2,654,416 (2007- £2,351,501) is attributable to share based payments.

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 £296,365 (2007 - £271,515).

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Notes to the Financial Statements for the year ended 31 October 2008

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6. Taxation	2008	2007
	£	£
UK current year taxation		
Corporation Tax	372,395	284,912
Transfer from deferred taxation	(43,290)	(12,410)
	<u>329,105</u>	<u>272,502</u>
Prior years		
UK Corporation Tax	(310)	(200,987)
Transfer to deferred taxation	1,592	-
	<u>330,387</u>	<u>71,515</u>
	£	£
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,560,093)	(1,493,402)
Loss on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 28.83% (2007 : 30%)	<u>(449,775)</u>	<u>(448,020)</u>
Effects of :		
Non deductible expenses	778,880	720,522
Accelerated capital allowances/other timing differences	43,290	12,410
	<u>822,170</u>	<u>732,932</u>
Current tax charge for the year	<u>372,395</u>	<u>284,912</u>

Factors affecting the tax charge for the year

The UK corporation tax rate decreased from 30% to 28% from 1st April 2008. This rate change affected the amount of future cash tax payments to be made by the company.

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Notes to the Financial Statements for the year ended 31 October 2008

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7. Tangible fixed assets

	Leasehold property improvement	Computer equipment	Furniture and fixtures	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2007	1,273,269	3,489,688	514,685	5,775	5,283,417
Additions	39,702	516,789	51,977	-	608,468
At 31 October 2008	1,312,971	4,006,477	566,662	5,775	5,891,885
Depreciation					
At 1 November 2007	354,058	2,641,965	315,987	5,775	3,317,785
Charge for the year	132,358	521,093	89,269	-	742,720
At 31 October 2008	486,416	3,163,058	405,256	5,775	4,060,505
Net book values					
At 31 October 2008	826,555	843,419	161,406	-	1,831,380
At 31 October 2007	919,211	847,723	198,698	-	1,965,632

8. Debtors

	2008	2007
	£	£
Amount owed by group undertakings	280,486	-
Other debtors	287,192	484,346
	<u>567,678</u>	<u>484,346</u>

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Notes to the Financial Statements for the year ended 31 October 2008

..... continued

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 1 November 2007	(75,292)
Profit and loss account	(41,698)
Balance at 31 October 2008	<u>(116,990)</u>

Deferred taxation provided in the financial statements is as follows:

	2008	2007
	£	£
Accelerated capital allowances	<u>(116,990)</u>	<u>(75,292)</u>

A potential additional deferred tax asset of £1,401,656 arising from share based payments has not been recognised. This asset may be recovered on future share acquisitions under schedule 23 of Finance Act 2003.

10. Creditors: amounts falling due within one year	2008	2007
	£	£
Bank overdraft	13,071	55,979
Trade creditors	151,113	320,087
Amounts owed to group undertakings	-	1,883,987
Corporation tax	299,434	27,537
Other taxes and social security costs	7,673,950	237,456
Other creditors	4,784	3,421
Accruals and deferred income	53,607	61,653
	<u>8,195,959</u>	<u>2,590,120</u>

There is no committed overdraft facility.

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Notes to the Financial Statements for the year ended 31 October 2008

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11. Share capital	2008	2007
	£	£
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>

There have been no changes during the year.

12. Equity Reserves	Profit and loss account £	Capital contribution reserve £	Total £
At 31 October 2007			
as previously stated	677,992	-	677,992
Prior year adjustment	(2,351,501)	2,351,501	-
At 1 November 2007	(1,673,509)	2,351,501	677,992
(Loss) for the year	(1,890,480)	-	(1,890,480)
Transfer of share base scheme costs	-	2,654,416	2,654,416
At 31 October 2008	<u>(3,563,989)</u>	<u>5,005,917</u>	<u>1,441,928</u>

13. Reconciliation of movements in shareholders' funds	2008	2007
	£	£
Loss for the year	(1,890,480)	(1,564,917)
Share base scheme costs	2,654,416	2,351,501
Net addition to shareholders' funds	<u>763,936</u>	<u>786,584</u>
Opening shareholders' funds	677,993	(108,591)
Closing shareholders' funds	<u>1,441,929</u>	<u>677,993</u>

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Notes to the Financial Statements for the year ended 31 October 2008

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14. Financial commitments

At 31 October 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2008	2007
	£	£
Expiry date:		
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>

15. Capital commitments

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

	2008	2007
	£	£
Authorised	<u>28,000</u>	<u>9,700</u>

16. 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.

17. 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.