

Rockstar Games UK Limited

Registered No. 03312220

Report and Financial Statements

For the year ended 31 March 2021

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Rockstar Games UK Limited

Registered No. 03312220

Directors

Daniel Emerson
Rowan Hajaj

Company Secretaries

Daniel Emerson
HAL Management Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Business address

Barclay House
108 Holyrood Road
Edinburgh
EH8 8AS

Bankers

JPMorgan Bank
25 Bank Street
London
E14 5JP

Registered Office

7 Savoy Court
London
United Kingdom
WC2R 0EX

Rockstar Games UK Limited

Strategic report

Registered No. 03312220

The directors present their Strategic report and financial statements for the year ended 31 March 2021.

Change of Name

On 21 December 2021, the company changed its name from Rockstar North Limited to Rockstar Games UK Limited.

Principal activity, review of the business and future developments

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

	2021	2020	Change
	£	£	
Turnover	331,760,185	275,543,985	20%
Average number of employees	1,320	1,213	9%
Profit on ordinary activities before taxation	9,471,928	9,628,411	(2)%

Turnover increased by 20% due to higher employment costs during the year.

On October 1, 2020, Take-Two Interactive Software, Inc. acquired Ruffian Games Limited, which subsequently changed its name to Rockstar Dundee Limited. In January 2021 Rockstar Dundee's business and assets were transferred to Rockstar Games UK Limited.

The directors do not anticipate any significant changes in the activities of the company for the foreseeable future.

Principal risks and uncertainties

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

Cash flow risk

The company has established cash forecasting models to manage cash flow.

COVID-19

Since the outbreak of the COVID-19 pandemic, our focus has been on the health and safety of our employees. We were able to implement remote working, in line with the UK government guidance, quickly and effectively across all our operations; maintaining the highest standards of performance whilst adapting to new working practices. It is not anticipated that COVID-19 will have any future impact on the business relating to its ability to deliver new interactive software product.

Rockstar Games UK Limited is fortunate to be in an industry where the pandemic has had no meaningful negative impact on revenue or ongoing operations.

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

DocuSigned by:

Dan Emerson

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Daniel Emerson

Director

Date: 15th March 2022

Rockstar Games UK Limited

Directors' report

Registered No. 03312220

The directors present their Directors' report and financial statements for the year ended 31 March 2021.

Results and dividends

The results for the year are set out on page 11.

The directors do not recommend payment of a dividend (2020 - £40,000,000).

Research and development

The Company continues to be involved in the design and development of interactive software products to deliver the most innovative and entertaining product to its consumers.

Stakeholder Engagement

In compliance with section 172 of the Companies Act 2006, the directors recognise the importance of engagement with all stakeholders and the impact this has on the company's long-term success. The company has built and maintained relationships with investors, advisors, suppliers and all other stakeholders. The directors recognise the importance of these and take active steps to develop and strengthen them through dialogue and engagement. These relationships are monitored at board level. The following stakeholder groups, according to Section 172(1) Companies Act 2006, were identified as relevant for the company.

Workforce

The company recognises the importance of engaging with all employees to ensure that they are fully aligned with the objectives and values of the business; we use a variety of feedback tools such as forums, surveys and interactive town halls. Employees benefit in the success of the business through bonus schemes and group employee share schemes.

Suppliers

Suppliers are a crucial link in the overall supply chain, providing key game development and other services to allow the company to fulfil its overall functions and aims. The company is in constant interaction and two-way engagement with its suppliers and partakes in regular reviews and consistent communication to ensure that the goals, messaging and direction undertaken are aligned between the company and the supplier. We aim to pay all suppliers promptly.

Shareholders

The board consistently engages with its shareholder and ultimate parent company to ensure that all key decisions, actions that are taken are aligned with the goals and objectives of the parent company and group as a whole.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company recognizes the importance of communicating with employees and providing them with information about the company and its business. Throughout the year, meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate in the success of the business through bonuses and group employee share schemes.

Principal Decisions

In all decisions, the directors have considered all stakeholders and the impact that any decision would have.

Rockstar Games UK Limited

Directors' report (continued)

Registered No. 03312220

In mid March 2020 in line with UK government guidelines in relation to the Covid-19 pandemic and with the health and well-being of employees in mind we moved all employees onto a work from home basis until we can ensure adequate safety in an office environment. Owing to previous investments in our IT infrastructure and key systems we were able to achieve this without significant impact on our day to day operations.

Environment

Rockstar Games UK Limited recognises the importance of its environmental responsibilities as part of the wider community and is committed to reducing its energy consumption and carbon footprint.

Streamlined Energy and Carbon Reporting (SECR)

This report outlines Rockstar Games UK Limited's greenhouse gas (GCG) and energy usage for the year ending 31 March 2021 as required by and, in accordance with, Companies and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018.

UK kWh and CO₂e

Energy Type	Emissions Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Gas	Scope 1	Total Energy Consumption - Gas	3,324,816	611.33
Electricity	Scope 2	Total Energy Consumption - Elec	5,176,904	1,206.94
Transport	Scope 3	Total Energy Consumption - Elec Business related mileage *1	3,113	0.77
Total			8,504,833	1,819.04

*1 Assumption - Medium Vehicle; fuel type unknown.

Intensity Ratio

Intensity Measurement	Floor Area	Intensity ratio (tCO ₂ e/Floor Area m ²)
Floor Area	16,027	0.11

Reporting Methodology and Quantification

Rockstar Games UK Limited's approach to reporting is based on WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard revised edition in conjunction with UK Government environmental reporting guidelines including SECR guidance. An operational control approach has been taken. UK Government greenhouse gas conversion factors for company reporting 2021 have been employed. Scope 2 emissions from purchased electricity have been calculated primarily using the location-based approach. During the financial period all of the electricity use at the Edinburgh Studios was REGO backed (renewable) electricity.

Rockstar Games UK Limited

Directors' report (continued)

Registered No. 03312220

Energy Efficiency Actions

Rockstar Games UK Limited continues to implement efficiency measures in line with the company policy to reduce energy consumption and carbon footprint. For example: upgrading from primary heating pumps to more efficient motors; improvements to the building's heat recovery systems and replacing T5 lamps in stairwells with LED lighting.

Going concern

The company's business activities along with its future developments, risks and uncertainties are laid out in the Strategic Report. The principal activity of the company during the year was the provision of research and development services of interactive entertainment software.

As at 31 March 2021, the company had a healthy balance sheet position with net current assets of £220,273k including £23,259k cash at bank. The directors believe that the company's position indicates that it has adequate resources to meet its liabilities for the foreseeable future as they will fall due.

The Directors of the Company have completed a review of the Company's and wider Group's working capital requirements, forecasts and projections, taking account of reasonably possible changes in trading performance, that show that the Company has adequate resources to continue in operational existence for the foreseeable future. These budgets and cash flow projections reflect the underlying strength of the business group and strategy for both the short and long term.

The Directors have also reviewed the impact of Covid-19 on the underlying business and its cash position and consider the Group to continue to be in a strong position for the foreseeable future. With a group wide cash and short term investments position at 31 March 2021 of over \$2.7bn and \$2.5bn at 31 December 2021 and forecast net profits for the next 12 months, generating additional positive cash flow, this would leave the group in a positive cash position in twelve months and demonstrate the underlying strength of the business group and strategy.

In light of the above and the ongoing support of Take-Two Interactive Software Inc, the company's ultimate parent company via a letter of parental support up to 31 December 2023, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

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

Daniel Emerson
Rowan 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), including FRS 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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.

Rockstar Games UK Limited

Directors' report (continued)

Registered No. 03312220

Statement of directors' responsibilities (Continued)

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.

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

DocuSigned by:

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Daniel Emerson

Director

Date: 15th March 2022

Independent auditors' report

To the members of Rockstar Games UK Limited

Opinion

We have audited the financial statements of Rockstar Games UK Limited for the year ended 31 March 2021 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2021 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report (continued)

To the members of Rockstar Games UK Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 5-6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report (continued)

To the members of Rockstar Games UK Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the reporting framework (FRS 102 and the Companies Act 2006), UK tax legislation, anti-bribery regulations, employment laws and regulations, the Data Protection Act (including GDPR), the Health Protection (Coronavirus) Regulations 2020 and Coronavirus Act 2020, and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.
- We understood how Rockstar Games UK Limited is complying with those frameworks by making enquires of management as well as those charged with governance, including those responsible for legal and compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries by reviewing supporting documentation such as the Code of Ethics, staff handbook, communications with employees, board meeting minutes, as well as considerations of the results of our audit procedures, and noted that there was no contradictory evidence. We identified management's attitude and tone from the top to embed a culture of honesty and ethical values whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. The company is supported by a compliance team based at the ultimate parent company in the US that monitors compliance with laws and regulations on a global level. They also have a delegate monitoring compliance at a local level and communicating any issues up to the global compliance team.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering the risk of management override of controls, performance targets and their influence on efforts made by management to manage revenue and earnings. We performed audit procedures to address each risk of management override, including tests of manual journal entries and testing specific expense transactions back to source documentation as appropriate given the entity operates under a cost-plus model, whereby revenue is a mark-up on expenses. These tests were designed to provide reasonable assurance that the financial statements were free from material misstatement, whether due to fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reviewing board meeting minutes, enquires of management around actual and potential litigation and claims, performing analytical procedures, challenging judgements made by management including corroborating the inputs and considering contradictory evidence, and journal entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by specific risk criteria based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report (continued)

To the members of Rockstar Games UK Limited

Use of our report

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 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.

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 17 March 2022

Rockstar Games UK Limited

Income statement

For the year ended 31 March 2021

	Notes	2021 £	2020 £
Turnover	2	331,760,185	275,543,985
Cost of sales		(262,211,162)	(212,415,364)
Gross profit		69,549,023	63,128,621
Administrative expenses		(60,149,451)	(53,608,802)
Operating profit	3	9,399,572	9,519,819
Interest receivable and similar income	4	72,356	109,396
Interest payable	5	—	(804)
Profit on ordinary activities before taxation		9,471,928	9,628,411
Tax on profit	8	64,359,515	65,155,510
Profit for the year		73,831,443	74,783,921

Statement of comprehensive income

for the year ended 31 March 2021

There are no recognised gains or losses other than the profit of £73,831,443 attributable to the shareholders in the year ended 31 March 2021 (2020: profit of £74,783,921).

Rockstar Games UK Limited

Statement of financial position

for the year ended 31 March 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	9	30,215	63,337
Tangible assets	10	7,033,470	7,694,639
		<u>7,063,685</u>	<u>7,757,976</u>
Current assets			
Debtors:			
amounts falling due within one year	12	140,472,123	87,570,590
amounts falling due after one year	12	66,542,181	56,204,571
		<u>207,014,304</u>	<u>143,775,161</u>
Deferred tax	14	926,742	1,143,563
Cash at bank		<u>23,259,347</u>	<u>10,398,700</u>
		<u>231,200,393</u>	<u>155,317,424</u>
Creditors: amounts falling due within one year	15	<u>(10,927,155)</u>	<u>(9,260,425)</u>
Net current assets		<u>220,273,238</u>	<u>146,056,999</u>
Total assets less current liabilities		<u>227,336,923</u>	<u>153,814,975</u>
Creditors: amounts falling due after more than one year	16	<u>(4,145,208)</u>	<u>(4,454,703)</u>
Net assets		<u>223,191,715</u>	<u>149,360,272</u>
Capital and reserves			
Called up share capital	19	1	1
Other reserves	19	15,033,184	15,033,184
Profit and loss account		<u>208,158,530</u>	<u>134,327,087</u>
Total equity shareholders' funds		<u>223,191,715</u>	<u>149,360,272</u>

These financial statements were approved by the Board of Directors and are signed on its behalf by:

DocuSigned by:

Rowan Hajaj
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Rowan Hajaj
Director

Date: 15th March 2022

Registration number 03312220

Rockstar Games UK Limited

Statement of changes in equity

for the year ended 31 March 2021

	Called up Share Capital	Profit and Loss Account	Other Reserves	Total
	£	£	£	£
At 1 April 2019	1	99,543,166	15,033,184	114,576,351
Profit for the year	—	74,783,921	—	74,783,921
Distribution	—	(40,000,000)	—	(40,000,000)
At 31 March 2020	1	134,327,087	15,033,184	149,360,272
At 1 April 2020	1	134,327,087	15,033,184	149,360,272
Profit for the year	—	73,831,443	—	73,831,443
Distribution	—	—	—	—
At 31 March 2021	1	208,158,530	15,033,184	223,191,715

Rockstar Games UK Limited

Notes to the financial statements

For the year ended 31 March 2021

1. Accounting policies

Statement of compliance

Rockstar Games UK Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business are shown in the Company Information.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 March 2021.

Basis of preparation

The financial statements of Rockstar Games UK Limited have been prepared on a going concern basis, in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The financial statements are prepared under the historical cost convention.

The financial statements have been prepared in sterling, which is the functional currency of the company and rounded to the nearest £.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- (b) the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d)
- (c) the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A and Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- (d) the requirements of Section 26 Share Based Payment paragraphs 26.18(b), 26.19 to 26.23
- (e) the requirements of Section 33 Related Party Disclosures paragraph 33.7.

A summary of the more important accounting policies, which have been applied consistently throughout the financial year, is set out below.

Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Judgements

Operating lease commitments

The company has entered into commercial property leases and as lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Estimates

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes to the financial statements (continued)

For the year ended 31 March 2021

1. Accounting policies (continued)

Intangible assets - Computer software

Computer software is written off in equal annual instalments over its estimated useful economic life of 3 years.

Research and development

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

Tangible fixed assets and depreciation

Property, plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

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

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Lease incentives are spread over the term of the lease.

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.

Share 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. 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, calculated on an employee by employee basis and allocated from the group level, since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The company, which is part of the group plan recognises and measures its share based payment expense based on a reasonable allocation of the employee's period of service to the company.

Amounts recharged by the ultimate parent undertaking are accounted for as a distribution and recorded as a reduction of the share based payment reserve.

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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing difference reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 March 2021

1. Accounting policies (continued)

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.

Government grants

Government grants are recognized when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on the submission of a valid claim for payment.

Going concern

The company's business activities along with its future developments, risks and uncertainties are laid out in the Strategic Report. The principal activity of the company during the year was the provision of research and development services of interactive entertainment software.

As at 31 March 2021, the company had a healthy balance sheet position with net current assets of £220,273k including £23,259k cash at bank. The directors believe that the company's position indicates that it has adequate resources to meet its liabilities for the foreseeable future as they will fall due.

The Directors of the Company have completed a review of the Company's and wider Group's working capital requirements, forecasts and projections, taking account of reasonably possible changes in trading performance, that show that the Company has adequate resources to continue in operational existence for the foreseeable future. These budgets and cash flow projections reflect the underlying strength of the business group and strategy for both the short and long term.

The Directors have also reviewed the impact of Covid-19 on the underlying business and its cash position and consider the Group to continue to be in a strong position for the foreseeable future. With a group wide cash and short term investments position at 31 March 2021 of over \$2.7bn and \$2.5bn at 31 December 2021 and forecast net profits for the next 12 months, generating additional positive cash flow, this would leave the group in a positive cash position in twelve months and demonstrate the underlying strength of the business group and strategy.

In light of the above and the ongoing support of Take-Two Interactive Software Inc, the company's ultimate parent company via a letter of parental support up to 31 December 2023, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Turnover 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 value added tax and other sales taxes or duty.

Impairment of financial and non financial assets

The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

	2021	2020
	£	£
Sales	331,760,185	275,543,985

Turnover attributable to geographical markets outside the United Kingdom amounted to 100% for the current and prior year, being the United States of America.

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

3. Operating Profit

	2021	2020
	£	£
Operating profit is stated after charging:		
Equity settled share-based payments	31,937,353	29,786,296
Depreciation and other amounts written off intangible assets	33,122	34,186
Depreciation and other amounts written off tangible assets	4,170,858	4,152,434
Operating lease rentals		
– Plant and machinery	39,093	40,263
– Land and buildings	2,397,704	2,222,022
Auditors' remuneration	<u>67,620</u>	<u>70,500</u>
and after crediting:		
Net foreign exchange gain / (loss)	23,364	(13,729)
Research and Development Expenditure Credits	<u>303,739</u>	<u>1,455,122</u>

4. Interest receivable and similar income

	2021	2020
	£	£
Bank interest	14,300	57,877
Other interest	58,056	51,519
	<u>72,356</u>	<u>109,396</u>

5. Interest payable

	2021	2020
	£	£
On loans	<u>—</u>	<u>804</u>

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

6. Employees**Number of employees**

The average monthly number of employees, including the directors, during the year were:

	2021	2020
Development	1,246	1,150
Administration	74	63
	<u>1,320</u>	<u>1,213</u>

Employment costs

	2021	2020
	£	£
Wages and salaries	223,366,023	191,512,717
Social security costs	21,503,653	21,569,212
Pension costs	3,538,646	2,986,508
Equity settled share based payments	31,937,353	29,786,296
	<u>280,345,675</u>	<u>245,854,733</u>

7. Directors' emoluments

	2021	2020
	£	£
Directors' emoluments	—	—
Company contribution to money purchase pension scheme	—	—

The directors of the company are also directors of other group companies. The directors received remuneration for the year, all of which was paid by other group companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the other group companies.

8. Pension costs

The company operates a defined contribution pension scheme in respect 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 £3,538,646 (2020 - £2,986,508).

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

9. Tax on profit on ordinary activities
Analysis of charge in period

	2021	2020
	£	£
Current tax:		
UK corporation tax, current year	(64,576,337)	(66,301,940)
UK corporation tax, prior year	—	—
Total current tax charge	<u>(64,576,337)</u>	<u>(66,301,940)</u>
Deferred tax:		
Timing differences, origination and reversal	216,822	1,146,430
Effect of changes in tax rates	—	—
Total deferred tax	<u>216,822</u>	<u>1,146,430</u>
Tax on profit on ordinary activities	<u><u>(64,359,515)</u></u>	<u><u>(65,155,510)</u></u>

Factors affecting tax charge for period

The tax assessed for the period differs for the period from the standard rate of corporation tax in the UK (19%). The tax rate when monetizing a net operating loss as a result of video games tax relief is 25%. The difference are explained below:

	2021	2020
	£	£
Profit on ordinary activities before taxation	<u>9,471,928</u>	<u>9,628,411</u>
Profit on ordinary activities @ blended rate	<u>2,317,878</u>	<u>2,214,020</u>
Effects of:		
Expenses not deductible for tax purposes	2,305,009	506,428
Permanent excess benefit related to stock compensation	(2,931,938)	(968,302)
Video Games Tax Relief	(68,376,369)	(56,684,144)
Differences between corporation tax and deferred tax rates	1,914,709	(3,985,557)
Adjustment in respect of previous years – Deferred tax	391,658	(5,991,989)
Other adjustments	<u>19,538</u>	<u>(245,966)</u>
Total tax charge / (credit) for period	<u><u>(64,359,515)</u></u>	<u><u>(65,155,510)</u></u>

£8,636,860 qualifying activity is being taxed at 25% and £835,069 is being taxed at 19%, in line with the UK's corporation tax rate.

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

9. Tax on profit on ordinary activities (continued)**Factors that may affect future tax charges**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The previously-enacted rate reduction to 17% was ultimately cancelled by order of a "Ways and means" motion passed on 17 March 2020, such motions having statutory effect under the Provisional Collection of Taxes Act 1968, and therefore this change was substantively enacted as at 31 March 2020. Deferred tax has been recognised at the applicable 19% rate, which continues to remain in force, and at which rate timing differences are expected to reverse.

The Finance Act 2021 included legislation to increase the main UK corporation tax rate from the current rate of 19% to 25% as of 1 April 2023. This became law when Finance Act 2021 received Royal Assent 10 June 2021 therefore this change was substantively enacted post the balance sheet date, deferred tax has been recognised at 19% at the balance sheet date. The company will assess the impact upon deferred tax balances arising from future change in rate in the next financial statements for the next period.

10. Intangible fixed assets

	Computer Software	Total
	£	£
Cost:		
At 1 April 2020	743,848	743,848
Additions	—	—
At 31 March 2021	<u>743,848</u>	<u>743,848</u>
Amortisation		
At 1 April 2020	(680,511)	(680,511)
Charge for the year	(33,122)	(33,122)
At 31 March 2021	<u>(713,633)</u>	<u>(713,633)</u>
Net book value:		
At 1 April 2020	63,337	63,337
At 31 March 2021	<u>30,215</u>	<u>30,215</u>

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

11. Tangible fixed assets

	Leasehold improvements £	Computer and Office Equipment £	Fixtures and fittings £	Total £
Cost:				
At 1 April 2020	15,405,149	14,478,443	2,207,639	32,091,231
Additions	1,010,790	2,475,660	317,231	3,803,681
At 31 March 2021	16,415,939	16,954,103	2,524,870	35,894,912
Amortisation				
At 1 April 2020	(10,630,131)	(11,741,594)	(2,024,868)	(24,396,593)
Charge for the year	(2,094,806)	(2,163,072)	(206,972)	(4,464,850)
At 31 March 2021	(12,724,937)	(13,904,666)	(2,231,840)	(28,861,443)
Net book value:				
At 1 April 2020	4,775,018	2,736,849	182,771	7,694,638
At 31 March 2021	3,691,002	3,049,437	293,030	7,033,470

12. Debtors: amounts falling due within one year

	2021 £	2020 £
Amounts owed by group undertakings	82,984,133	24,496,720
Other debtors	57,487,990	63,073,870
	<u>140,472,123</u>	<u>87,570,590</u>

Other debtors includes £55,507,437 for Video Games Tax relief and other research and development tax credits.

13. Debtors: amounts falling due after more than one year

	2021 £	2020 £
Other debtors	66,542,181	56,204,571
	<u>66,542,181</u>	<u>56,204,571</u>

Other debtors relates to a receivable for Video Games Tax relief and other research and development tax credits.

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

14. Deferred tax asset

	2021 £	2020 £
Accelerated / (Decelerated) capital allowances	<u>(926,742)</u>	<u>(1,143,564)</u>
Provision / (asset) at 1 April 2020	(1,143,564)	
Deferred tax credit in profit and loss account	216,822	
Balances transferred	—	
Provision / (asset) at 31 March 2021	<u>(926,742)</u>	

15. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	519,266	573,274
Other taxes and social security costs	5,362,020	4,448,718
Pension costs	522,321	397,788
Accruals	<u>4,523,548</u>	<u>3,840,645</u>
	<u>10,927,155</u>	<u>9,260,425</u>

There is no committed overdraft facility.

16. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Provision for dilapidations	2,895,960	2,895,960
Accruals	<u>1,249,248</u>	<u>1,558,743</u>
	<u>4,145,208</u>	<u>4,454,703</u>

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

17. Provisions

	Reduced Rent	Dilapidation	Total
	£	£	£
At 1 April 2020	1,996,720	2,895,960	4,892,680
Charge for the year	—	—	—
Utilised in the year	(386,694)	—	(386,694)
At 31 March 2021	<u>1,610,026</u>	<u>2,895,960</u>	<u>4,505,986</u>

Dilapidations

Dilapidations provisions of £2,895,960 are provided in respect of the leased premises.

Reduced Rent

In 2015 the company entered into a new lease agreement which for the initial 10 years the company would benefit from a reduced rent charge. The reduced rent provision spreads from the benefit of the reduced rent across the term of the whole lease.

In the financial year ending 31 March 2021 the lease for Rockstar Dundee Limited was transferred to Rockstar Games UK Limited.

18. 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 annually if the employee remains in continuous service for a period of three years from the date of grant and the company meets various financial performance criteria. The stock units are awarded free of charge.

Upon vesting, the company will typically withhold shares to satisfy tax liabilities.

19. Share capital and reserves

	2021	2020
	£	£
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>

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

This approach changed after intercompany stock comp recharge was implemented.

For movement in all reserves please see Statement of changes in equity.

Rockstar Games UK Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

20. Financial lease commitments

	<i>Land and buildings</i>	
	2021	2020
	£	£
Expiry date:		
Not later than one year	2,557,299	2,219,782
After one year but no more than five years	7,221,663	8,015,683
After five years	2,509,128	2,319,619
	<u>12,288,090</u>	<u>12,555,084</u>

The company has only short term plant and machinery commitments.

In the financial year ending 31 March 2021 the lease for Rockstar Dundee Limited was transferred to Rockstar Games UK Limited.

21. Capital commitments

	2021	2020
	£	£
Contracted for but not provided in the financial statements	<u>264,748</u>	<u>48,344</u>

22. Ultimate parent undertaking

The company's immediate parent undertaking is DMA Design Holdings Limited, a company incorporated in England and Wales whose registered office is 7 Savoy Court, London, WC2R 0EX.

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 the company's registered office, 110 West 44th Street, New York, NY 10036, United States of America.

23. Subsequent events

The UK Budget 2021 announced on 3 March 2021 an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the statement of financial position date and hence have not been reflected in these financial statements. The company will assess the effect of this announcement in its next set of statutory accounts.