

ROCKSTAR NORTH LIMITED
Directors' Report and Financial Statements
for the year ended 31 October 2003

Registration Number 3312220



ROCKSTAR NORTH LIMITED

Company Information

Directors	B Rutcofsky R Bryant (appointed 2 January 2003) K Sumner (resigned 2 January 2003)
Secretary	B Rutcofsky
Company Number	3312220
Registered Office	Saxon House 2-4 Victoria Street Windsor Berkshire SL4 1EN
Auditors	Johnston & Co 9-11 Register Street Bo'ness EH51 9AE
Business Address	Calton Square 1 Greenside Row Edinburgh
Bankers	Llyods TSB Scotland plc Meadowside Dundee
Solicitors	Shepherd & Wedderburn WS Saltire Court 20 Castle Terrace Edinburgh EH1 2ET

ROCKSTAR NORTH LIMITED

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Directors' Report for the year ended 31 October 2003

The directors present their report and the financial statements for the year ended 31 October 2003.

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 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	
	2003	2002
B Rutcofsky	-	-
R Bryant (appointed 2 January 2003)	-	-
K Sumner (resigned 2 January 2003)	-	-

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.

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**Directors' Report
for the year ended 31 October 2003**

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 20 August 2004 and signed on its behalf by



**B. Rutcofsky
Director**

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 October 2003 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 the information specified by law regarding director's 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 October 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Johnston & Co
Chartered Accountants and
Registered Auditor
9-11 Register Street
Bo'ness, EH51 9AE

Date: 25 August 2004

ROCKSTAR NORTH LIMITED

Profit and Loss Account for the year ended 31 October 2003

		2003	2002
	Notes	£	£
Turnover	2	8,736,909	5,266,777
Cost of sales		(6,521,329)	(3,382,846)
Gross profit		2,215,580	1,883,931
Administrative expenses		(1,646,396)	(1,540,076)
Operating profit	3	569,184	343,855
Interest receivable and similar income	4	7,218	-
Profit on ordinary activities before taxation		576,402	343,855
Tax on profit on ordinary activities	7	(175,986)	(113,000)
Retained profit for the year		400,416	230,855
Accumulated (loss) brought forward		(1,838,450)	(2,069,305)
Accumulated (loss) carried forward		(1,438,034)	(1,838,450)

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

Statement of total recognised gains and losses

Total recognised gains relating to the year	400,416	230,855
Prior year adjustment (see note 1.7)	-	237,000
Total recognised gains since last financial statements	400,416	467,855

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

ROCKSTAR NORTH LIMITED

Balance Sheet as at 31 October 2003

		2003		2002	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	8		538,607		471,604
Current Assets					
Debtors	9	38,080		36,641	
Deferred tax	10	99,211		124,000	
Cash at bank and in hand		731,684		22,620	
		<u>868,975</u>		<u>183,261</u>	
Creditors: amounts falling due within one year	11	<u>(1,642,714)</u>		<u>(1,053,357)</u>	
Net Current Liabilities			<u>(773,739)</u>		<u>(870,096)</u>
Total Assets Less Current Liabilities			<u>(235,132)</u>		<u>(398,492)</u>
Creditors: amounts falling due after more than one year	12		<u>(1,202,901)</u>		<u>(1,439,957)</u>
Net Liabilities			<u>(1,438,033)</u>		<u>(1,838,449)</u>
Capital and Reserves					
Called up share capital	13		1		1
Profit and loss account			<u>(1,438,034)</u>		<u>(1,838,450)</u>
Shareholders' Funds	14		<u>(1,438,033)</u>		<u>(1,838,449)</u>

The financial statements were approved by the Board on *20 August 2004* and signed on its behalf by


B Rutcofsky
Director

Date: *20 August 2004*

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 2003

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 - 25% Straight line basis

Motor vehicles - 25% 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. The adoption of FRS 19 last year gave rise to the prior year adjustment.

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Notes to the Financial Statements for the year ended 31 October 2003

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1.8. Foreign currencies

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

1.9. 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.

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.

2. Turnover

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

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

3. Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	314,976	259,169
Operating lease rentals		
- plant & machinery	66,137	41,378
- other	181,071	230,615
Auditors' remuneration	2,900	2,700

4. Interest receivable and similar income

	2003	2002
	£	£
Bank interest	7,218	-

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Notes to the Financial Statements for the year ended 31 October 2003

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5. Employees

Number of employees

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

	2003 Number	2002 Number
Development	73	63
Administration	5	4
	<u>78</u>	<u>67</u>

Employment costs

	2003 £	2002 £
Wages and salaries	4,837,333	3,177,478
Social security costs	1,916,726	405,412
Other pension costs	88,050	63,170
	<u>6,842,109</u>	<u>3,646,060</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 £88,050 (2002 - £63,170).

7. Taxation

	2003 £	2002 £
UK current year taxation		
Corporation Tax	151,197	-
Transfer to deferred taxation	26,783	113,000
	<u>177,980</u>	<u>113,000</u>
Prior years		
Transfer from deferred taxation	(1,994)	-
	<u>175,986</u>	<u>113,000</u>

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Notes to the Financial Statements for the year ended 31 October 2003

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7. Taxation (continued)

	2003	2002
	£	£
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	576,402	343,855
Profit on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 30% (2002 : 30%)	172,921	103,157
Effects of :		
Non deductible expenses	5,059	10,472
Accelerated capital allowances/other timing differences	(26,783)	(113,629)
	(21,724)	(103,157)
Current tax charge for the year	151,197	-

8. Tangible fixed assets

	Leasehold property improvement	Computer equipment	Fixtures, fittings, equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2002	147,569	1,276,254	81,078	5,775	1,510,676
Additions	9,284	347,512	25,184	-	381,980
At 31 October 2003	156,853	1,623,766	106,262	5,775	1,892,656
Depreciation					
At 1 November 2002	38,872	944,236	50,774	5,191	1,039,073
Charge for the year	21,699	280,128	12,565	584	314,976
At 31 October 2003	60,571	1,224,364	63,339	5,775	1,354,049
Net book values					
At 31 October 2003	96,282	399,402	42,923	-	538,607
At 31 October 2002	108,697	332,018	30,304	584	471,603

9. Debtors

	2003	2002
	£	£
Other debtors	38,080	36,641

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Notes to the Financial Statements for the year ended 31 October 2003

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10. 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 2002	(124,000)
Profit and loss account	24,789
Balance at 31st October 2003	<u>(99,211)</u>

Deferred taxation provided in the financial statements is as follows:

	2003	2002
	£	£
Accelerated capital allowances	(98,370)	(91,000)
Tax losses carried forward	-	(32,000)
Short term timing differences	(841)	(1,000)
	<u>(99,211)</u>	<u>(124,000)</u>

11. Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	-	2,611
Trade creditors	60,424	96,890
Corporation tax	151,197	-
Other taxes and social security costs	1,240,477	72,600
Accruals and deferred income	190,616	881,256
	<u>1,642,714</u>	<u>1,053,357</u>

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

	2003	2002
	£	£
Amounts owed to group undertakings	<u>1,202,901</u>	<u>1,439,957</u>

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Notes to the Financial Statements for the year ended 31 October 2003

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13. Share capital	2003	2002
	£	£
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>
14. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit for the year	400,416	230,855
Opening shareholders' funds	<u>(1,838,449)</u>	<u>(2,069,304)</u>
Closing shareholders' funds	<u>(1,438,033)</u>	<u>(1,838,449)</u>

15. Financial commitments

At 31 October 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Between one and five years	160,848	-	61,104	57,036
In over five years	<u>-</u>	<u>125,828</u>	<u>-</u>	<u>-</u>
	<u>160,848</u>	<u>125,828</u>	<u>61,104</u>	<u>57,036</u>

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Notes to the Financial Statements for the year ended 31 October 2003

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16. Capital commitments

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

	2003 £	2002 £
Authorised and contracted for	-	167,395

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. Copies of the group financial statements of Take Two Interactive Software, Inc. are available from 622 Broadway, 5th Floor, New York, NY 10012, United States of America