

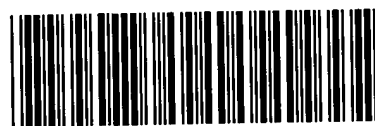
Registration number 03312220

**ROCKSTAR NORTH LIMITED**

**Annual report and financial statements**

**for the year ended 31 March 2015**

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## ROCKSTAR NORTH LIMITED

### Company information

Directors	D Emerson R M S Hajaj
Company secretaries	D Emerson HAL Management Limited
Company number	03312220
Registered office	Hanover House 14 Hanover Square London W1S 1HP
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Business address	Barclay House 108 Holyrood Road Edinburgh EH8 8AS
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Accountants	Johnston & Co New Custom House Register Street Bo'ness EH51 9AE

# ROCKSTAR NORTH LIMITED

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# ROCKSTAR NORTH LIMITED

## Strategic report for the year ended 31 March 2015

The directors present their strategic report and the financial statements for the year ended 31 March 2015.

### Principal activity and review of the business

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

	2015	2014	Change
Turnover	£42,909,043	£32,252,221	+33.0%
Average number of employees	420	356	+64
Profit for the year	£2,101,529	£1,274,856	+826,673

Turnover increased by 33.0% during the year due to increased charges to the parent company. Operating expenses increased primarily due to increased amounts spent on staffing as well as recharges from fellow group undertakings.

The total average number of employees increased by 18% during the year. This was primarily due to an increased number of persons engaged in development of entertainment software.

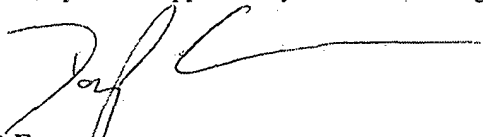
### Principal risks and uncertainties

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

- Cash flow risk

The company has established cash forecasting models to manage cash flow within the constraints of the company's banking facilities.

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



D Emerson  
Director

Date: 2 December 2015

## **ROCKSTAR NORTH LIMITED**

### **Directors' report for the year ended 31 March 2015**

The directors present their report and the financial statements for the year ended 31 March 2015.

#### **Results and dividends**

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

#### **Going concern**

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis. The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management position are described above.

The directors have also received a letter of support from the ultimate parent company Take Two Interactive Software Inc that confirms its intention to support the company for at least 12 months from the date of signing these financial statements.

Therefore, after making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and has, as a result, continued to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Directors**

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

D Emerson

R M S 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). 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.

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.

**ROCKSTAR NORTH LIMITED**

**Directors' report  
for the year ended 31 March 2015**

(continued)

**Statement of disclosure of information to auditors**

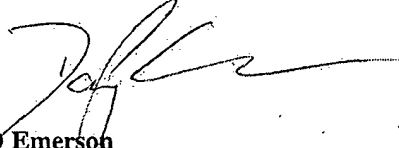
In so far as the directors are aware:

- 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



**D Emerson**  
Director

Date: 2 December 2015.

**Independent auditor's report to the shareholders of  
ROCKSTAR NORTH LIMITED**

We have audited the financial statements of ROCKSTAR NORTH LIMITED for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1-22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any material misstatements or uncertainties we consider the implications for our report.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

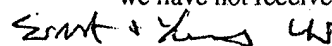
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

**Matters on which we are required to report by exception**

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

  
Philip Young (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Date: 4 December 2015

# **ROCKSTAR NORTH LIMITED**

## **Profit and loss account for the year ended 31 March 2015**

		<b>Continuing operations</b>	
		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	42,909,043	32,252,221
Cost of sales		(26,501,031)	(16,111,491)
<b>Gross profit</b>		16,408,012	16,140,730
Administrative expenses		(13,600,894)	(13,986,232)
<b>Operating profit</b>	<b>3</b>	2,807,118	2,154,498
Other interest receivable and similar income	<b>4</b>	12,587	7,993
Interest payable and similar charges	<b>5</b>	(20)	-
<b>Profit on ordinary activities before taxation</b>		2,819,685	2,162,491
Tax credit/(charge) on profit on ordinary activities	<b>8</b>	(718,156)	(887,635)
<b>Profit for the year</b>	<b>16</b>	2,101,529	1,274,856

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 15 form an integral part of these financial statements.



# ROCKSTAR NORTH LIMITED

## Balance sheet as at 31 March 2015

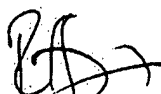
	Notes	2015		2014	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		8,948,094		1,229,305
<b>Current assets</b>					
Debtors	10	1,539,540		917,327	
Deferred tax asset	13	270,885		208,727	
Cash at bank and in hand		1,473,597		2,915,922	
		<u>3,284,022</u>		<u>4,041,976</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(8,094,212)</u>		<u>(3,234,906)</u>	
<b>Net current (liabilities)/assets</b>			<u>(4,810,190)</u>		<u>807,070</u>
<b>Total assets less current liabilities</b>			<u>4,137,904</u>		<u>2,036,375</u>
<b>Net assets</b>			<u>4,137,904</u>		<u>2,036,375</u>
<b>Capital and reserves</b>					
Called up share capital	15		1		1
Other reserves	16	15,033,184		15,033,184	
Profit and loss account	16	<u>(10,895,281)</u>		<u>(12,996,810)</u>	
<b>Shareholders' funds</b>	17	<u>4,137,904</u>		<u>2,036,375</u>	

The financial statements were approved by the Board on 2 December 2015  
on its behalf by

and signed

R M S Hajaj  
Director

Date:

  
2/12/15

Registration number 03312220

The notes on pages 7 to 16 form an integral part of these financial statements.

## ROCKSTAR NORTH LIMITED

### Notes to the financial statements for the year ended 31 March 2015

#### 1. Accounting policies

##### 1.1. Accounting convention

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board.

The results of the company are included in the published financial statements of its ultimate parent company. The company has therefore taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement.

The company has consistently applied all relevant accounting standards.

##### 1.2. Research and development

Research expenditure is written off to the profit and loss account 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

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
Asset under construction	-	Nil% until brought into use

The asset under construction is the refurbishment of new leasehold office premises.

##### 1.4. 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.

##### 1.5. Shares 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. Fair value is determined using an appropriate pricing model requiring judgement in estimating expected stock volatility and the amount of stock-based awards that are expected to be forfeited. 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.

##### 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.

# ROCKSTAR NORTH LIMITED

## Notes to the financial statements for the year ended 31 March 2015

(continued)

### 1.7. 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.

### 1.8. Going concern

The directors have received a letter of support from the ultimate parent company Take Two Interactive Software Inc that confirms its intention to support the company for the next 12 months from the date of signing these financial statements.

### 1.9 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 valued added tax 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 profit

	2015 £	2014 £
Operating profit is stated after charging:		
Equity settled share-based payments	5,664,180	7,996,435
Depreciation		
- written off owned tangible fixed assets	582,864	331,392
Research and development		
- expenditure in current year *	39,372,919	29,441,954
Operating lease rentals		
- Plant and machinery	9,565	11,597
- Land and buildings	2,412,668	1,376,817
Auditors' remuneration	6,510	11,500

\* includes employment costs disclosed in Note 6

During the year various costs that were incurred by three fellow group undertakings in relation to game development were recharged to the company.

## 4. Interest receivable and similar income

	2015 £	2014 £
Bank interest	12,587	7,993

# **ROCKSTAR NORTH LIMITED**

## **Notes to the financial statements for the year ended 31 March 2015**

(continued)

<b>5. Interest payable and similar charges</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
On loans and overdrafts	20	-
	<u>20</u>	<u>-</u>
<b>6. Employees</b>		
<b>Number of employees</b>	<b>2015</b>	<b>2014</b>
The average monthly numbers of employees (including the directors) during the year were:		
Development	399	342
Administration	21	14
	<u>420</u>	<u>356</u>
<b>Employment costs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	15,557,791	13,730,885
Social security costs	2,680,074	2,608,326
Pension costs	757,300	641,068
Equity settled share based payments	5,664,180	7,996,435
	<u>24,659,345</u>	<u>24,976,714</u>

No directors received any remuneration for their qualifying services from the company during the year.

### **7. 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 £757,300 (2014 - £641,068).

# **ROCKSTAR NORTH LIMITED**

## **Notes to the financial statements for the year ended 31 March 2015**

(continued)

### **8. Tax on profit on ordinary activities**

Analysis of (credit)/charge in period	2015 £	2014 £
<b>Current tax</b>		
UK corporation tax	780,314	827,635
Total current tax (credit)/charge	<u>780,314</u>	<u>827,635</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(75,702)	57,391
Effect of changes in tax rates	13,544	2,609
Total deferred tax	<u>(62,158)</u>	<u>60,000</u>
Tax on profit on ordinary activities	<u><u>718,156</u></u>	<u><u>887,635</u></u>

### **Factors affecting tax (credit)/charge for period**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (21.00 per cent). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>2,819,685</u>	<u>2,162,491</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.00% (31 March 2014 : 23.00%)	592,134	497,373
<b>Effects of:</b>		
Expenses not deductible for tax purposes	444,909	862,965
Capital allowances for period in excess of depreciation	35,306	(60,000)
Permanent excess benefit related to stock compensation	(469,181)	-
Adjustments to tax charge in respect of previous periods	82,221	(472,703)
Temporary difference related to stock compensation	94,925	-
Current tax (credit)/charge for period	<u><u>780,314</u></u>	<u><u>827,635</u></u>

The rate of corporation tax reduced from 23% to 21%, effective from 1 April 2014 with a further reduction in the corporation tax rate to 20%, effective from 1 April 2015. These reductions were enacted on 17 July 2013.

# **ROCKSTAR NORTH LIMITED**

## **Notes to the financial statements for the year ended 31 March 2015**

(continued)

9. Tangible fixed assets	Leasehold property improvement £	Computer equipment £	Furniture and fixtures £	Motor vehicles £	Asset under construction £	Total £
<b>Cost</b>						
At 1 April 2014	1,139,862	3,853,300	415,549	5,775	7,012	5,421,498
Additions	4,039	1,024,441	-	-	7,273,173	8,301,653
Disposals	-	-	-	(5,775)	-	(5,775)
At 31 March 2015	<u>1,143,901</u>	<u>4,877,741</u>	<u>415,549</u>	<u>-</u>	<u>7,280,185</u>	<u>13,717,376</u>
<b>Depreciation</b>						
At 1 April 2014	1,095,824	2,682,264	408,330	5,775	-	4,192,193
On disposals	-	-	-	(5,775)	-	(5,775)
Charge for the year	12,205	568,886	1,773	-	-	582,864
At 31 March 2015	<u>1,108,029</u>	<u>3,251,150</u>	<u>410,103</u>	<u>-</u>	<u>-</u>	<u>4,769,282</u>
<b>Net book values</b>						
At 31 March 2015	<u>35,872</u>	<u>1,626,591</u>	<u>5,446</u>	<u>-</u>	<u>7,280,185</u>	<u>8,948,094</u>
At 31 March 2014	<u>44,038</u>	<u>1,171,036</u>	<u>7,219</u>	<u>-</u>	<u>7,012</u>	<u>1,229,305</u>

10. Debtors	2015 £	2014 £
Other debtors	840,409	574,144
Corporation tax repayable	699,131	343,183
	<u>1,539,540</u>	<u>917,327</u>

11. Creditors: amounts falling due within one year	2015 £	2014 £
Trade creditors	1,467,544	149,910
Amounts owed to group undertaking	930,330	1,104,512
Corporation tax	698,573	42,673
Other taxes and social security costs	1,486,469	1,185,478
Accruals and deferred income	3,511,296	752,333
	<u>8,094,212</u>	<u>3,234,906</u>

There is no committed overdraft facility.

## ROCKSTAR NORTH LIMITED

### Notes to the financial statements for the year ended 31 March 2015

(continued)

#### 12. Provisions for dilapidations

During the year, the company had certain existing property leases which were due to expire. An amount of £472,280 (2014: £472,280) represents dilapidations provisions payable on cessation of the existing lease agreements.

13. Deferred tax	2015 £	2014 £
Accelerated/(Declerated) capital allowances	<u>(270,885)</u>	<u>(208,727)</u>
Provision at 1 April 2014	(208,727)	
Deferred tax credit in profit and loss account	<u>(62,158)</u>	
Provision at 31 March 2015	<u>(270,885)</u>	

# ROCKSTAR NORTH LIMITED

## Notes to the financial statements for the year ended 31 March 2015

(continued)

### 14. 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. The stock units are awarded free of charge.

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

#### Expenses charged to income statement

The expense recognised for share based transactions in respect of employee services received during the year is £5,664,180 (31 March 2014 £7,996,435).

	RSU	
Outstanding at the beginning of the year	1,853,749	17.16
Granted during the year	134,084	25.86
Forfeited during the year	(73,408)	16.38
Vested during the year	(507,049)	16.56
Outstanding at the end of the year	<u>1,407,376</u>	<u>18.24</u>

Stock based compensation expense is calculated based on the number of awards that are ultimately expected to vest, and therefore is reduced for estimated forfeitures. The company's estimate of forfeitures is based on its historical annual forfeiture rate. The estimated forfeiture rate is reassessed each quarter end balance sheet date throughout the life of the award and may change based on new facts and circumstances.

### 15. Share capital

	2015 £	2014 £
<b>Authorised</b>		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary shares of 1 each	<u>1</u>	<u>1</u>
<b>Equity Shares</b>		
1 Ordinary shares of 1 each	<u>1</u>	<u>1</u>



# ROCKSTAR NORTH LIMITED

## Notes to the financial statements for the year ended 31 March 2015

(continued)

16. Equity Reserves	Profit and loss account £	Other reserves £	Total £
At 1 April 2014	(12,996,810)	15,033,184	2,036,374
Profit for the year	2,101,529	-	2,101,529
Distribution	-	-	-
At 31 March 2015	<u>(10,895,281)</u>	<u>15,033,184</u>	<u>4,137,903</u>

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

17. Reconciliation of movements in shareholders' funds	2015 £	2014 £
Profit for the year	2,101,529	1,274,856
Distribution	-	-
Net increase to shareholders' funds	<u>2,101,529</u>	<u>1,274,856</u>
Opening shareholders' funds	2,036,375	761,519
Closing shareholders' funds	<u>4,137,904</u>	<u>2,036,375</u>

### 18. Financial commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2015 £	2014 £
<b>Expiry date:</b>		
Within one year	487,313	-
Between one and five years	-	1,169,552
In over five years	<u>1,430,496</u>	<u>1,430,496</u>
	<u>1,917,809</u>	<u>2,600,048</u>

The company has only short term plant and machinery commitments.

## **ROCKSTAR NORTH LIMITED**

### **Notes to the financial statements for the year ended 31 March 2015**

(continued)

#### **20. Related party transactions**

No disclosure has been made within these financial statements of any transaction with the ultimate parent company or fellow subsidiaries in accordance with the exemptions allowed by FRS8.

#### **21. 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.

#### **22. Post balance sheet events**

On 9th October 2015 Rockstar North Limited received the Final Certification from the Department for Culture, Media & Sport that Grand Theft Auto V (video game reference 2015-40029) has met the requirements of the Cultural Test (Video Games) Regulations 2014 to be classified as a British video game.