Acer U.K. Limited

Directors' report and financial statements

Registered number 2252821

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activities for the year were in connection with the marketing and sale of computer products.

Business review and future development

The company recorded a profit of £18,000 *(2000: Loss £1,836,000).*

Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

Dion Weisler	- resigned 10 June 2001
Eric Tien	- resigned 26 February 2002
Scott Dodds	- appointed 1 July 2001
Gainfranco Lanci	- appointed 1 July 2001
Tai Yuen-Lai	- appointed 1 July 2001

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Political and charitable contributions

The company made no political or charitable contributions during the year (*2000: nil*).

Auditors

During the year KPMG were re-appointed auditors. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 11 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Scott Dodds
Director

Acer House
Poyle Road
Colnbrook
Slough
Berkshire
SL3 0QX

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Report of the independent auditors to the members of Acer UK Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

6 December 2002

Profit and loss account

for the year ended 31 December 2001

	Note	2001 £000	2000 £000
Turnover	2	**46,456**	50,613
Cost of sales		**(41,063)**	(45,416)
Gross profit		**5,393**	5,197
Administrative expenses		**(5,427)**	(6,996)
Operating loss	2-5	**(34)**	(1,799)
Interest receivable and similar income	6	**122**	63
Interest payable and similar charges	7	**(70)**	(100)
Profit / (loss) for the financial year		**18**	(1,836)

All figures relate to continuing operations. There is no material difference between profit on the historical cost basis and that described in the profit and loss account.

There are no recognised gains or losses, other than as stated in the profit and loss account for the current financial year and preceding year. Accordingly, no statement of total recognised gains and losses is given.

Balance sheet

at 31 December 2001

	Note	2001		2000	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**379**		238
Current assets					
Stocks	*9*	**956**		1,454	
Debtors	*10*	**7,824**		9,662	
Cash at bank and in hand		**6,252**		7,851	
		15,032		18,967	
Creditors: amounts falling due within one year	*11*	**(14,900)**		(18,749)	
Net current assets			**132**		218
Total assets less current liabilities			**511**		456
Provisions for liabilities and charges	*12*		**(604)**		(567)
Net liabilities			**(93)**		(111)
Capital and reserves					
Called up share capital	*13*		**9,072**		9,072
Share premium account	*14*		**519**		519
Profit and loss account	*14*		**(9,684)**		(9,702)
Shareholders' deficit – Equity			**(93)**		(111)

These financial statements were approved by the board of directors on 15.11.02 and were signed on its behalf by:

Scott Dodds
Director

Reconciliation of movements in shareholders' deficit

for the year ended 31 December 2001

	2001 £000	2000 £000
Profit / (loss) for the financial year	**18**	(1,836)
New share capital subscribed (net of issue costs)	-	3,519
Net addition to shareholders' funds	**18**	1,683
Opening shareholders' deficit	**(111)**	(1,794)
Closing shareholders' deficit	**(93)**	(111)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The accounts have been prepared on a going concern basis since a parent undertaking, Acer Europe B.V. has undertaken to make available sufficient funds to enable the company to trade for a period of at least twelve months from the date of approval of these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking, Acer Europe B.V. includes the company in its own published consolidated financial statements. The consolidated financial statements of Acer Europe B.V. within which this company is included, can be obtained from the address given in note 18.

As the company is a wholly owned subsidiary of Acer Europe B.V. incorporated in the Netherlands, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Acer Europe B.V. within which this company is included, can be obtained from the address given in note 18.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	life of lease
Office equipment	-	2 to 4 years
Fixtures & fittings	-	25% per annum

Government Grants

Capital based government grants are netted against the fixed asset cost in the balance sheet and the depreciation is charged to operating profit based on this net cost, over the estimated useful economic lives of the assets.

Revenue based government grants are deferred in the balance sheet and credited against the costs in which they relate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company contributes into a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Turnover

	2001	2000
	£000	£000
By geographical market		
United Kingdom	**45,534**	49,859
Rest of the World	**922**	754
	46,456	50,613

All activities of the company are within one class of business.

3 Loss on ordinary activities before taxation

	2001	2000
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**23**	22
Other services	**3**	7
Depreciation and other amounts written off tangible fixed	**102**	128
Exchange losses	**42**	786
Hire of plant and machinery - rentals payable under operating leases	**6**	27
Hire of other assets - operating leases	**184**	176
Loss on sale of fixed asset	**-**	4

Notes *(continued)*

4 Remuneration of directors

	2001 £000	2000 £000
Director's emoluments	178	148
Company contributions to money purchase pension schemes	7	9
	185	157

	Number of directors 2001	2000
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2001	2000
Office and Management	28	21
Sales	11	11
Technical support	13	9
	52	41

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	1,530	1,721
Social security costs	145	161
Other pension costs	59	69
	1,734	1,951

6 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest	116	63
Other income	6	-
	122	63

Notes *(continued)*

7 Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	**54**	99
Similar charges	**16**	1
	70	100

8 Tangible fixed assets

	Leasehold improvements £000	Office Equipment £000	Fixtures & Fittings £000	Total £000
Cost				
At beginning of year	149	365	249	763
Additions	-	143	174	317
Disposals	(4)	(6)	-	(10)
At end of year	145	502	423	1,070
Depreciation				
At beginning of year	37	325	163	525
Charge for year	49	61	61	171
On disposals	-	(5)	-	(5)
At end of year	86	381	224	691
Net book value				
At 31 December 2001	**59**	**121**	**199**	**379**
At 31 December 2000	112	40	86	238

9 Stocks

	2001 £000	2000 £000
Finished goods and goods for resale	**956**	1,454

Notes *(continued)*

10 Debtors

	2001 £000	2000 £000
Trade debtors	**5,834**	7423
Amounts owed by group undertakings	**1,020**	618
Prepayments and accrued income	**970**	1,621
	7,824	9,662

11 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans and overdrafts	**1,999**	722
Trade creditors	**483**	1,830
Amounts owed to group undertakings	**10,055**	13,426
Other creditors including taxation and social security	**1,384**	1,592
Accruals and deferred income	**979**	1,179
	14,900	18,749

12 Provisions for liabilities and charges

	Warranty Provision £000
At beginning of year	567
Utilised during year	(538)
Charge for the year	575
At end of year	604

The company maintains a warranty provision to cover the anticipated costs of providing certain warranties on products sold. This provision will be utilised over a maximum of three years in line with the warranty periods provided to customers.

13 Called up share capital

	2001 £000	2000 £000
Authorised		
Equity: Ordinary shares of £1 each	**10,000**	10,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	**9,072**	9,072

Notes *(continued)*

14 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	519	(9,702)
Profit for the year	-	18
At end of year	519	(9,684)

15 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2001 £000	2000 £000
Contracted – Telephone system	-	60

(b) Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	3
In the second to fifth years inclusive	**243**	**3**	184	-
	243	**3**	184	3

16 Pension contributions

The company contributes to a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £59,000 *(2000 :£69,000).*

Contributions amounting to £10,000 *(2000: £10,000)* were payable to the scheme, and are included in creditors.

Notes *(continued)*

17 Post balance sheet events

As part of a European restructuring common functions of a number of fellow European subsidiaries have been centralised and will be operated by Acer Europe Services Limited. This will materially change the way Acer U.K. Limited will operate. For example there is a move towards shipping goods direct to customers and central ordering system which will remove the need for substantive local warehousing.

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Acer Europe B.V. incorporated in The Netherlands. The group headed by Acer Europe B.V. is the smallest group in which the results of the company are consolidated. The consolidated accounts of the company may be obtained from Euro Palaan 89, 5232 BC, S-Hertogenbosch, The Netherlands.

The ultimate parent and controlling party is Acer Inc, incorporated in Taiwan. The largest group in which the results of the company are consolidated is that headed by Acer Inc, incorporated in Taiwan. The consolidated accounts of this company are available to the public and may be obtained from 21F, 88 Hsin Tai Wu Road, Sec 1, Taipei Hsien 221, Taiwan.