

Acer U.K. Limited

**Directors' report and financial
statements**

Registered number 2252821

31 December 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Acer U.K. Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholders' funds/(deficit)	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

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

Business review and future development

The company recorded a profit of £2,191,000 (2001: profit £18,000).

Directors and directors' interests

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

Eric Tien (Resigned 26 February 2002)

Scott Dodds

Gainfranco Lanci

Tai Teuh-Lai

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 (2001: 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.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment 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

Independent auditors' report to the members of Acer U.K. Limited

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

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 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 2002 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

14 May 2003

Profit and loss account

for the year ended 31 December 2002

	Note	2002 £000	2001 £000
Turnover	2	67,194	46,456
Cost of sales		(58,811)	(41,063)
Gross profit		8,383	5,393
Administrative expenses		(6,240)	(5,427)
Operating profit/(loss)	2-5	2,143	(34)
Interest receivable and similar income	6	87	122
Interest payable and similar charges	7	(39)	(70)
Profit for the financial year		2,191	18

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 2002

	<i>Note</i>	2002	2001
		£000	£000
Fixed assets			
Tangible assets	9	236	379
Current assets			
Stocks	10	991	956
Debtors	11	17,991	7,824
Cash at bank and in hand		2,435	6,252
		<u>21,417</u>	<u>15,032</u>
Creditors: amounts falling due within one year	12	(18,995)	(14,900)
		<u>2,422</u>	<u>132</u>
Net current assets		2,422	132
Total assets less current liabilities		2,658	511
Provisions for liabilities and charges	13	(560)	(604)
		<u>2,098</u>	<u>(93)</u>
Net assets/(liabilities)		2,098	(93)
Capital and reserves			
Called up share capital	14	9,072	9,072
Share premium account	15	519	519
Profit and loss account	15	(7,493)	(9,684)
		<u>2,098</u>	<u>(93)</u>
Shareholders' funds/(deficit) – Equity		2,098	(93)

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

4th April 2003

and



Scott Dodds
Director

Reconciliation of movements in shareholders' funds/(deficit)

for the year ended 31 December 2002

	2002	2001
	£000	£000
Profit for the financial year	2,191	18
Net addition to shareholders' funds	2,191	18
Opening shareholders' deficit	(93)	(111)
Closing shareholders' funds/(deficit)	2,098	(93)

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 except as noted below. The company has adopted FRS 18 'Accountancy policies' and FRS 19 'Deferred tax' in these financial statements. No adjustment to the comparative figures was required.

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 Inc., includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Acer Inc., the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Acer Inc., 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 to 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.

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.

Notes (continued)

1 Accounting policies (continued)

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 items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

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

2 Turnover

	2002 £000	2001 £000
<i>By geographical market</i>		
United Kingdom	66,082	45,534
Rest of the Europe	1,112	922
	67,194	46,456

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

3 Profit/(loss) on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	24	23
Other services	17	3
Depreciation and other amounts written off tangible fixed assets	183	102
Exchange losses	322	42
Hire of plant and machinery - rentals payable under operating leases	26	6
Hire of other assets - operating leases	157	184
Gain on sale of fixed asset	(3)	-

Notes (continued)

4 Remuneration of directors

	2002 £000	2001 £000
Director's emoluments	301	178
Company contributions to money purchase pension schemes	11	7
	<u>312</u>	<u>185</u>

The aggregate of emoluments of the highest paid director was £301,000 (2001 :£109,000), and company pension contributions of £11,000 (2001 :£5,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2002	2001
Money purchase schemes	<u>1</u>	<u>1</u>

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 2002	2001
Office and Management	30	28
Sales	11	11
Technical support	13	13
	<u>54</u>	<u>52</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	1,512	1,530
Social security costs	149	145
Other pension costs	60	59
	<u>1,721</u>	<u>1,734</u>

6 Interest receivable and similar income

	2002 £000	2001 £000
Bank interest	87	116
Other income	-	6
	<u>87</u>	<u>122</u>

Notes (continued)

7 Interest payable and similar charges

	2002	2001
	£000	£000
On bank loans and overdrafts	22	54
Similar charges	17	16
	<u>39</u>	<u>70</u>

8 Taxation

Analysis of charge in period

	2002	2001
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002	2001
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,191	18
	<u>2,191</u>	<u>18</u>
Current tax at 30 % (2001: 30%)	(657)	(5)
	<u>(657)</u>	<u>(5)</u>
<i>Effects of:</i>		
Utilisation of tax losses	657	5
	<u>657</u>	<u>5</u>
Total current tax charge (see above)	-	-
	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has carried forward losses of approximately £7.4m. No asset has been recognised for the utilisation of these losses.

The directors do not believe it is prudent to recognise a deferred tax asset, as there is uncertainty regarding the availability of future profits to utilise the losses.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £000	Office equipment £000	Fixtures & fittings £000	Total £000
Cost				
At beginning of year	145	502	423	1,070
Additions	0	28	12	40
Disposals	0	(4)	(1)	(5)
At end of year	145	526	434	1,105
Depreciation				
At beginning of year	86	381	224	691
Charge for year	46	61	76	183
On disposals	0	(4)	(1)	(5)
At end of year	132	438	299	869
Net book value				
At 31 December 2002	13	88	135	236
At 31 December 2001	59	121	199	379

10 Stocks

	2002 £000	2001 £000
Finished goods and goods for resale	991	956

11 Debtors

	2002 £000	2001 £000
Trade debtors	15,628	5,834
Amounts owed by group undertakings	770	1,020
Prepayments and accrued income	1,593	970
	17,991	7,824

Notes (continued)

12 Creditors: amounts falling due within one year

	2002	2001
	£000	£000
Bank loans and overdrafts	-	1,999
Trade creditors	1,069	483
Amounts owed to group undertakings	12,536	10,055
Other creditors including taxation and social security	3,550	1,384
Accruals and deferred income	1,840	979
	<u>18,995</u>	<u>14,900</u>

13 Provisions for liabilities and charges

	Warranty provision £000
At beginning of year	604
Utilised during year	(548)
Charge for the year	504
	<u>560</u>
At end of year	<u>560</u>

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 two years in line with the warranty periods provided to customers.

14 Called up share capital

	2002	2001
	£000	£000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	9,072	9,072
	<u>9,072</u>	<u>9,072</u>

15 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	519	(9,684)
Profit for the year	-	2,191
	<u>519</u>	<u>(7,493)</u>
At end of year	<u>519</u>	<u>(7,493)</u>

Notes (continued)

16 Commitments

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

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	247	14	243	3
	<u>247</u>	<u>14</u>	<u>243</u>	<u>3</u>

17 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 £60,000 (2001: £59,000).

Contributions amounting to £9,000 (2001: £10,000) were payable to the scheme, and are included in creditors.

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,. 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.