Acer U.K. Limited

Directors' report and financial statements

Registered number 2252821

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 £2,083,000 *(2002: profit £2,191,000).*

Directors and directors' interests

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

Scott Dodds	(Resigned 3rd November 2003)
Paul Cook	(Appointed 3rd November 2003)
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 (*2002: nil*).

Auditors

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

Paul Cook
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 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 2003 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

28 January 2005

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	*2*	**102,283**	67,194
Cost of sales		**(92,663)**	(58,811)
Gross profit		**9,620**	8,383
Administrative expenses		**(7,583)**	(6,240)
Operating profit	*2-5*	**2,037**	2,143
Interest receivable	*6*	**126**	87
Interest payable and similar charges	*7*	**(19)**	(39)
Profit on ordinary activities before taxation		**2,144**	2,191
Taxation	*8*	**(61)**	-
Profit on ordinary activities after taxation		**2,083**	2,191

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 2003

	Note	2003		2002	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**369**		236
Current assets					
Stocks	*10*	**49**		991	
Debtors	*11*	**17,547**		17,991	
Cash at bank and in hand		**5,373**		2,435	
		22,969		21,417	
Creditors: amounts falling due within one year	*12*	**(17,984)**		(18,995)	
Net current assets			**4,985**		2,422
Total assets less current liabilities			**5,354**		2,658
Provisions for liabilities and charges	*13*		**(1,173)**		(560)
Net assets			**4,181**		2,098
Capital and reserves					
Called up share capital	*14*		**9,072**		9,072
Share premium account	*15*		**519**		519
Profit and loss account	*15*		**(5,410)**		(7,493)
Shareholders' funds – Equity			**4,181**		2,098

These financial statements were approved by the board of directors on 15 January 2005 and were signed on its behalf by:

Paul Cook
Director

Reconciliation of movements in shareholders' funds/(deficit)

for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	**2,083**	2,191
Net addition to shareholders' funds	**2,083**	2,191
Opening shareholders' funds/(deficit)	**2,098**	(93)
Closing shareholders' funds	**4,181**	2,098

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.

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 to 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. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

2 Turnover

	2003	2002
	£000	£000
By geographical market		
United Kingdom	**100,660**	66,082
Rest of Europe	**1,623**	1,112
	102,283	67,194

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

3 Profit on ordinary activities before taxation

	2003	2002
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit	**27**	24
Other services	**19**	17
Depreciation and other amounts written off tangible fixed assets	**171**	183
Exchange losses	**169**	322
Hire of plant and machinery - rentals payable under operating leases	**24**	26
Hire of other assets - operating leases	**157**	157
Gain on sale of fixed asset	**(1)**	(3)

Notes *(continued)*

4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	**261**	301
Company contributions to money purchase pension schemes	**12**	11
	273	312

The aggregate of emoluments of the highest paid director was £203,000 *(2002 :£301,000)*, and company pension contributions of £12,000 *(2002 :£11,000)* were made to a money purchase scheme on his behalf.

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

	Number of directors 2003	2002
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 2003	2002
Office and Management	**7**	6
Sales	**20**	17
Technical support	**37**	33
	64	56

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	**1,731**	1,512
Social security costs	**220**	149
Other pension costs	**63**	60
	2,014	1,721

6 Interest receivable

	2003 £000	2002 £000
Bank interest	**126**	87

Notes *(continued)*

7 Interest payable and similar charges

	2003 £000	2002 £000
On bank loans and overdrafts	-	22
Similar charges	19	17
	19	39

8 Taxation

Analysis of charge in period

	2003 £000	2002 £000
UK corporation tax		
Current tax on income for the period	61	-
Tax on profit on ordinary activities	61	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*2002: lower*) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £000	2002 £000
Current tax reconciliation		
Profit on ordinary activities before tax	2,144	2,191
Current tax at 30 % (*2002: 30%*)	643	657
Effects of:		
Utilisation of tax losses	(647)	(690)
Capital allowances in excess of depreciation	60	63
Permanent differences	5	(30)
Total current tax charge (see above)	61	-

Factors that may affect future tax charges

The company may have significant taxable losses to carry forward, but based on the prudence concept, no deferred tax asset is recognised until such taxable losses have been agreed with the Inland Revenue.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £000	Office equipment £000	Fixtures & fittings £000	Total £000
Cost				
At beginning of year	145	526	434	1,105
Additions	-	278	74	352
Disposals	-	(54)	-	(54)
At end of year	145	750	508	1,403
Depreciation				
At beginning of year	132	438	299	869
Charge for year	13	90	68	171
On disposals	-	(6)	-	(6)
At end of year	145	522	367	1,034
Net book value				
At 31 December 2003	**-**	**228**	**141**	**369**
At 31 December 2002	13	88	135	236

10 Stocks

	2003 £000	2002 £000
Finished goods and goods for resale	**49**	991

11 Debtors

	2003 £000	2002 £000
Trade debtors	**15,333**	15,628
Amounts owed by group undertakings	**951**	770
Prepayments and accrued income	**1,263**	1,593
	17,547	17,991

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2003 **£000**	2002 £000
Trade creditors	**783**	1,069
Amounts owed to group undertakings	**10,184**	12,536
Other creditors	**4,389**	3,550
Other taxation and social security	**16**	29
Accruals and deferred income	**2,612**	1,811
	17,984	18,995

13 Provisions for liabilities and charges

	Warranty provision £000
At beginning of year	560
Charge for the year	**1,853**
Utilised during year	**(1,240)**
At end of year	**1,173**

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

	2003 **£000**	2002 £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

15 Share premium and reserves

	Share premium account £000	**Profit and loss account** £000
At beginning of year	519	(7,493)
Profit for the year	-	2,083
At end of year	**519**	**(5,410)**

Notes *(continued)*

16 Commitments

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

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**7**	-	-
In the second to fifth years inclusive	**411**	**-**	247	14
	411	**7**	247	14

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 £63,000 *(2002:£60,000)*.

Contributions amounting to £ nil *(2002: £9,000)* 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.