

Acer U.K. Limited

**Directors' report and financial
statements**

Registered number 2252821

31 December 2011

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activities for the year were the marketing and sales of computer products in the UK and Ireland. There have been no significant changes to the company's principal activities in the year under review. The directors are not aware, at the date of the report, of any likely changes in the activities in 2012.

Review of the business in 2011

As shown in the company's profit and loss account on page 6, the company's sales have decreased by 52% when compared to the prior year. This was the result of a 7% decline in average selling price year on year and a 44% reduction in the volume of units sold.

The reason for these reductions in the year has been due to 3 main factors. Firstly due to an overall market contraction of over 8% due to a generally weak economic environment and also due to component shortages in Q4 as a result of the Tsunami in Japan and the floods in Thailand. Secondly an increasingly competitive environment pulled down average selling prices. And thirdly a high level of opening inventory in the channel severely inhibited new sales across the year.

As a result of the above the company recorded a loss after tax of £563,000 compared to profit of £2,889,000 in FY10.

The balance sheet on page 7 shows the company's financial position at 31 December 2011. By the end of the first half of 2011 the use of the company's factoring facility ceased. The absence of any factored debt at the end of December 2011 gives rise to the increase in net Debtors year on year. As per note 11 the underlying trade receivables reduced in line with the level business transacted in Q4 2010 and 2011. The decrease in cash in hand year on year was as a result of lower trading levels and also timing. Other balance sheet balances were largely consistent with the prior year.

During 2011 some significant changes to the management team took place. As well as Neil Marshall being appointed Managing Director of operations in Q4, replacing Bobby Watkins, a new Business Controller, Head of Consumer Products and Head of Distribution joined the business. Also due to either departures from the business or changing responsibilities all legal directors have changed.

Key performance indicators in 2011

According to Gartner the company's UK market share fell from 16.7% in Q4 2010 to 7.1% in Q4 2011. This was due to the increasing level of competition across the year but notably due to the high level of opening inventory which inhibited the sale of new product into the channel.

Significantly, after focused efforts across the year the level of inventory in the channel was reduced by the end of Q4 2011 to a level that beat the corporate target, creating a positive platform for new sales for the start of 2012.

Financial operational metrics as at 31 December 2011 experienced a significant improvement year on year - Days of Sales Outstanding (DSO) improved by 22%, and overdue debts reduced by 75%.

2012 – the Year ahead

Trading conditions for the first quarter of 2012 have been challenging but have marginally improved compared to the same period in 2011, seeing the overall market increasing by 2%.

Low opening inventory levels and sustained efforts to develop existing relationships has resulted in the company increasing market share to 9.7% by the end of Q1 2012 from 7.1% in Q4 2011.

Despite the uncertainty in the market place the company is well placed in terms of product offerings and inventory levels to achieve its goals in 2012.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its main competitors. The company manages this risk by its continued commitment to the indirect model, by maintaining strong relationships with customers, being first to market and continued development and enhancement of its product offering.

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Directors

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

Gianfranco Lanci (resigned 02/05/2011)
Gianpiero Morbelli (resigned 08/08/2011)
Walter Deppeler (resigned 21/02/2012)
Che-Min Tu (resigned 14/02/2012)

Oliver Ahrens (appointed 27/02/2012)
Cheng-Tang Wang (appointed 27/02/2012)
Lilia Wang (appointed 27/02/2012)
Jim Wong (appointed 27/02/2012)

Political and charitable contributions

The company made no political or charitable contributions during the year (2010 £nil)

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Director



Acer House
Heathrow Boulevard 3
282 Bath Road
West Drayton
Middlesex
UB7 0DQ

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 proper 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 its financial statements comply with the Companies Act 2006. 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 auditor's report to the members of Acer U.K. Limited

We have audited the financial statements of Acer U.K. Limited for the year ended 31 December 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on 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 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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

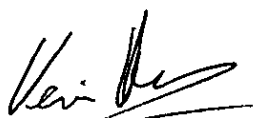
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Acer U.K. Limited (*continued*)

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



Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

16 July 2012

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	289,545	602,391
Cost of sales		(283,068)	(591,387)
Gross profit		6,477	11,004
Administrative expenses		(7,120)	(6,781)
Operating (loss)/profit	2-5	(643)	4,223
Interest receivable	6	37	45
Interest payable	7	(98)	(6)
(Loss)/Profit on ordinary activities before taxation		(704)	4,262
Tax on profit on ordinary activities	8	141	(1,373)
(Loss)/Profit for the financial year		(563)	2,889

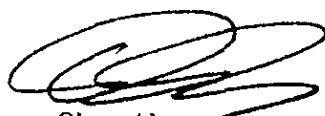
All figures relate to continuing operations. There is no material difference between profit on the historical cost basis and that described in the profit and loss account.

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 2011

	<i>Note</i>	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Tangible assets	9		16		25
Current assets					
Debts factored without recourse	10			78,585	
Gross debts		-		(78,585)	
Less non-returnable proceeds		-			
Debtors	11	73,392		69,134	
Cash in bank and in hand		858		17,692	
Inventory		81		21	
		<u>74,331</u>		<u>86,847</u>	
Creditors amounts falling due within one year	12	<u>(51,864)</u>		<u>(63,826)</u>	
Net current assets			<u>22,467</u>		<u>23,021</u>
Net assets			<u>22,483</u>		<u>23,046</u>
Capital and reserves					
Called up share capital	13		9,072		9,072
Share premium account	14		519		519
Profit and loss account	14		12,892		13,455
Shareholders' funds			<u>22,483</u>		<u>23,046</u>

These financial statements were approved by the board of directors on 16th JULY 2012 and were signed on its behalf by


Oliver Ahrens
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2011

	2011 £000	2010 £000
(Loss)/Profit for the financial year	(563)	2,889
Net (reduction in) / addition to shareholders' funds	(563)	2,889
Opening shareholders' funds	23,046	20,157
Closing shareholders' funds	22,483	23,046

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

The Acer group has a strong position in the markets it serves and a track record of successfully introducing new products. The company has long established relationships with key retailers and channel partners and takes on limited risks as a distributor of the group's products. The company has substantial net assets. Consequently, the directors consider that the company is well placed to manage its business risks and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual 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 are wholly owned within that group (or investees of the group qualifying as related parties). Also, under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The consolidated financial statements of Acer Inc, within which this company is included, can be obtained from the address given in note 17.

Factoring arrangements

The company has entered into a factoring agreement with a factoring company. Debts approved by the factoring company are assigned to it without recourse to the company. Non-refundable advances are made to the company by the factoring company. Therefore no net amount is included in Debtors in respect of those debts but a linked presentation of the relevant balances is shown on the face of the balance sheet in accordance with the requirements of FRS 5.

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

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.

Notes (continued)

1 Accounting policies (continued)

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.

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

	2011 £000	2010 £000
<i>By geographical market</i>		
United Kingdom	286,998	587,253
Rest of Europe	2,547	15,138
	<u>289,545</u>	<u>602,391</u>

All activities of the company are within one class of business, namely the principal activity of the company.

3 Notes to the profit and loss account

	2011 £000	2010 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	14	48
Exchange loss	270	92
Hire of other assets - operating leases	436	423
	<u>£000</u>	<u>£000</u>
Auditor remuneration		
Audit of these financial statements	50	38
Other services relating to IFRS conversion	20	
Amounts receivable by the auditor and their associates in respect of		
Other services relating to taxation	11	25
	<u>11</u>	<u>25</u>

Notes (continued)

4 Remuneration of directors

	2011 £000	2010 £000
Directors' emoluments	-	-
	-	-

There are no directors for whom benefits are accruing under a money purchase or a defined benefit scheme. The directors are remunerated by another group company and rendered no qualifying services to the Company during the year.

5 Staff numbers and costs

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

	Number of employees	
	2011	2010
Office and Management	19	20
Sales and Marketing	37	30
Technical support/Service	4	4
	60	54

The aggregate payroll costs of these people were as follows:

	2011 £000	2010 £000
Wages and salaries	4,151	3,841
Social security costs	495	459
Other pension costs	122	102
	4,768	4,402

6 Interest receivable

	2011 £000	2010 £000
Bank interest	37	45

7 Interest payable

	2011 £000	2010 £000
Bank interest	98	6

Notes (continued)

8 Taxation

Analysis of charge in the period

	2011 £000	2011 £000	2010 £000	2010 £000
<i>UK corporation tax</i>				
Current tax on income for the period	(152)		1,225	
Adjustments in respect of prior periods	-		138	
Total current tax		(152)		1,363
<i>Deferred tax</i>				
Origination/ reversal of timing differences	11		10	
Total deferred tax		11		10
Tax on profit on ordinary activities		(141)		1,373

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2010 higher) than the standard rate of corporation tax in the UK of 26% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(704)	4,262
Current tax at 26 % (2010 28%)	(183)	1,193
<i>Effects of</i>		
Disallowable expenditure	42	41
Capital allowances for period in excess of depreciation	(11)	(9)
Adjustments to tax charge in respect of previous periods	-	138
Total current tax (credit) /charge (see above)	(152)	1,363

Notes (continued)

8 Taxation (continued)

<i>Deferred tax asset</i>	£000
At the beginning of the year	70
Credit to the profit and loss account for the year	(16)
At end of year	54

Deferred taxation is in respect of the difference between accumulated capital allowances and accumulated depreciation. The directors believe there is sufficient evidence that the asset will be recovered.

Factors that may affect future current and total tax charges

The Budget on 21 March 2012 announced that the UK corporation tax rate would be reduced from 26% to 24% from 1st April 2012, 23% from 1st April 2013 and 22% from 1st April 2014. However as this was only substantively enacted after the year end date (1st April 2012), the Company's deferred tax asset has been measured at the 26% rate.

These announcements will reduce the Company's future current tax charge accordingly. If the rate change from 26% to 24% had been substantively enacted on or before the balance sheet date it would have reduced the amount of the total deferred tax assets at that date by £3,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liabilities/assets accordingly.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £000	Office equipment £000	Fixtures & Fittings £000	Total £000
Cost				
At beginning of year	228	188	135	551
Additions	5	-	-	5
Disposals	-	-	(2)	(2)
At end of year	233	188	133	554
Depreciation				
At beginning of year	219	174	133	526
Charge for year	7	6	1	14
Disposals	-	-	(2)	(2)
At end of year	226	180	132	538
Net book value				
At 31 December 2011	7	8	1	16
At 31 December 2010	9	14	2	25

10 Debts factored without recourse

On the 23rd December 2010 the company entered into a receivables purchase agreement with Taishin International Bank Co, Ltd where the company sold £78,591,000 of the company trade debts. As at the 31st December 2011 there was no balance outstanding. Financing costs of £98,000 have been recognised in the year.

'Taishin International Bank Co.', Ltd has agreed in writing that it will seek repayment of the finance, both principal and interest, only to the extent that sufficient funds are generated by the specific items it has financed and that it will not seek recourse in any other form and as such the company is not obliged to support any losses, nor does it intend to do so.

11 Debtors

	2011 £000	2010 £000
Trade debtors	70,501	142,740
Debts factored without recourse	-	(78,591)
Amounts owed by group undertakings	1,447	1,788
Deferred tax asset (note 8)	54	70
Prepayments and accrued income	1,390	3,127
	<u>73,392</u>	<u>69,134</u>

Notes (continued)

12 Creditors amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	1,201	1,433
Amounts owed to group undertakings	32,815	46,805
Taxation, social security and other creditors	1,861	812
Accruals and deferred income	15,987	14,776
	<u>51,864</u>	<u>63,826</u>

13 Called up share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	9,072	9,072
	<u>9,072</u>	<u>9,072</u>

14 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	519	13,455
Loss for the year	-	(563)
	<u>519</u>	<u>12,892</u>
At end of year	<u>519</u>	<u>12,892</u>

15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	2011 Cars £000	2010 Land and buildings £000	2010 Cars £000
Operating leases which expire				
Within one year	-	33	-	85
In the second to fifth years inclusive	234	130	234	58
	<u>234</u>	<u>163</u>	<u>234</u>	<u>143</u>

Notes *(continued)*

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 £122,000 (2010 £102,000).

17 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 Palan 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.