Acer U.K. Limited

Annual report and financial statements

Registered number 02252821

31 December 2019

Contents

Strategic Report

Business Review 2019

The UK market for computer products remained very challenging in 2019. Total shipments of mobile PCs, desktops, monitors, projectors and tablets by Acer UK Ltd ("the company") decreased by 27% compared to the prior year. This was predominantly due to a combination of factors including: a decline in the overall market size; the end of Acer Tablet production; and a strategic decision to drive a richer product mix. Turnover by comparison, as shown in the company's profit and loss account on page 9, decreased by 14.8%. This relatively smaller decline in turnover versus total shipments over the same period was due to the aforementioned change in product mix.

Gross profit percentage, determined by Group intercompany pricing for product purchases, improved to 3.6% in 2019 versus 3.3% in 2018. This was mainly due to a change in the product mix as a direct result of the end of the lacklustre Tablet product line. Administrative expenses remain tightly controlled and fell by 3.7% in 2019 compared to 2018.

The company recorded a profit before tax of £1,016,000 in the year compared to £1,312,000 in 2018.

The balance sheet on page 10 shows the company's financial position at 31 December 2019.

Key performance indicators in 2019

According to figures quoted by market research expert GFK, Acer's UK market share of Consumer Mobile PC and Desktop shipments decreased from 13.4% in 2018 to 13.1% in 2019.

Channel inventory, defined as all Acer stock held by Tier 1 (Distribution) and Tier 2 (Retailers/resellers), was well managed despite the challenging environment. The average days of stock in the channel, calculated as the total stock in Tier 1 and Tier 2 divided by the average daily sales of the preceding 4 weeks, was 52 at 31 December 2019 compared to 56 at 31 December 2018. The business typically aims to be at 50 days of stock for the right balance of profitability, product availability and channel confidence.

The level of overdue debt at 31 December 2019 stood at 1.5% of the Trade Debtor balance which compared unfavourably to the ratio as at 31 December 2018 which was 0.2%. At this level it remains within the target for overdue debts with no subsequent write offs since 31 December 2019. The year-end Trade Debtor balance fell from £60,833,000 at 31 December 2018 to £53,097,000 at 31 December 2019. This 12.7% decrease was principally driven by the decrease in the fourth quarter sales in the respective periods which was predominantly market driven.

Principal risks and uncertainties

Brexit

The UK officially left the EU on 31 January 2020. However it has now entered an 11-month transition period during which time the UK remains in the EU's customs union, single market and effectively continues to abide by EU rules and legislation. The deadline for extending the transition period beyond 31 December 2020 expired on 30 June 2020 and no agreement has been announced.

During the aforementioned transition period the company does not anticipate any major disruption to normal business activity. However there remains much uncertainty as to both the ultimate timings and also as to whether a trade deal can be successfully negotiated in the timeframe. Consequently, since the supply chain operates from countries both within and outside of the EU, the business has already taken a number of actions to try to mitigate any impending supply chain disruptions.

Volatility in the foreign exchange markets remains one of the principal risks in regards to ongoing Brexit outcomes. Purchases are largely dollar denominated hence a robust foreign exchange Hedging policy is carried out by the Group, on behalf of the company, in order to align with business cycles and to hence mitigate exposure in this regard.

Strategic Report (continued)

Principal risks and uncertainties (Continued)

From a sales perspective, 97% of Company turnover in 2019 was generated within the UK, hence the company has minimal exposure in regards to sales in to the European Union.

Whilst the ultimate outcome and longer term impact of a no trade deal scenario with the EU remains uncertain, the business continues to work proactively with all the relevant stakeholders such as freight forwarders, contractors, customers and other suppliers in order to manage the associated risks accordingly.

Coronavirus 2019

Coronavirus disease 2019 (COVID-19) is defined as an illness caused by a novel coronavirus which was first identified amid an outbreak of respiratory illness cases in Wuhan City, Hubei Province, China. It was initially reported to the WHO on December 31, 2019. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency.

The majority of the company's products are sourced from manufacturers in the Far East and in particular in China. Many factories of these manufacturers were either closed under lockdown or were operating at reduced capacity in the early part of 2020. This resulted in considerable supply chain pressure such that shipments of new products in the first quarter of 2020 are significantly below anticipated levels.

Factory capacity has now resumed to normal levels in the second quarter of the current financial year and continues to operate so at the time of writing. The company is currently experiencing a strong demand for its products. This demand is largely fuelled by the high proportion of individuals working from home and hence shopping for home office equipment. In addition, at the enterprise level, the Education and Health sectors have been performing strongly. Consequently the business is forecasting revenue for the first half of 2020 to be ahead of both prior year and budget.

It is anticipated that the high levels of demand will soften towards the end of the current year as the macro economic consequences of the Covid-19 pandemic become more apparent.

The company office has remained open for staff who wish to use the premises although the vast majority of the workforce is electing to work from home in line with government guidance. This has not resulted in any operational issues and productivity remains the same if not better than before. It has not been necessary to furlough any staff given the satisfactory performance of the business to date and there are no plans to do so in the imminent future.

The company is also taking the necessary actions to mitigate any future impact of COVID-19 on its operations. Key individuals have been identified to ensure appropriate cover is in place in the event of any unforeseen absence. The roll out of IT solutions, to further support remote working, has been expedited across the wider business.

Whilst the company is fortunate to be in a sector that has so far proved resilient to the pandemic there does remain an uncertainty as to the potential impact on future trading. Consequently the Directors have prepared a stressed cash flow scenario which is covered further in the going concern statement.

Strategic Report (continued)

Section 172 Statement Companies Act 2006

In line with the Companies Act requirement for periods commencing on or after 1 January 2019, the Directors set out below their key considerations and steps taken with regard to the 'enlightened shareholder value' requirements of s172 in performing their duties.

The Directors have identified those parties who have an interest in, or are impacted by, the decisions taken by the Company. All strategic decisions take into account these stakeholders' interests and the Directors consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole. In particular, the Directors have considered the following matters:

- *Long term factors affecting the Company* – The Company aims to develop technology and products for which there is a long-term need supported by sustainable markets. Long-term planning is key to ensuring that the business identifies these opportunities and has the appropriate infrastructure in place to support the development and commercialisation of its products. Commercial sales have been identified as a potential growth area for the business and investment has hence been made in our people to try and drive this growth. The ultimate aim is to double the share of our commercial sales on a three to five year view. Our product line up for 2020 and beyond also has some exciting propositions in the commercial space

- *Interest of our employees* – Our employees are fundamental to the success of our business. Our office operates on an open-door policy and due to our relatively flat structure, employees are encouraged at all levels to directly feedback to management. Regular company meetings are conducted where the management team update on a range of business activity. An active social committee operates to ensure a healthy balance between work commitments and social activities. Regular employee engagement surveys are conducted to make sure issues are addressed in a timely fashion. We strive to empower all employees to take control of their career development, not least to support the longer-term growth of the Company. All employees are able to raise grievances and to escalate concerns. We continue to develop our performance management and to promote a culture of continuous improvement throughout the business

- *Business relationships with customers* - We hold strong and well established long term business relationships with our customers as it is they who will drive the long term growth of the business. The industry is dynamic in nature and we engage frequently with our customer base to ensure a smooth end to end process. We receive feedback on our products and this input allows us to make strategic decisions accordingly

- *Business relationships with suppliers* - Supplier relationships are crucial to the success of the Company and are constantly monitored. We strive to have an open, constructive and effective relationship through regular meetings and feedback sessions. We value the role of our contractors and suppliers play in delivering our business operations and supporting our teams. We collaborate and continually work with our contractors and the full supply chain, sharing best practice and seeking out synergies to improve performance.

- *Reputation for high standards of business conduct* – The Board seeks to enshrine high standards of conduct within all of its business activities. Our company values, which underpin the day-to-day working environment in which we operate, are to be user-centric, passion, innovation, teamwork, balance of interests and integrity. There is an expectation that all employees, at all levels 'live' these values.

By order of the board

Craig Booth
Director

26/03/2020

Acer House
Heathrow Boulevard 3
282 Bath Road
West Drayton
Middlesex

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activities for the year were the marketing and sales of Acer group 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 2020.

2020 – the year ahead

The business entered the current year in a position of relative strength. In particular inventory levels were well managed, strong trading relations with key partners have been established and investment in our commercial side of the business has started to yield benefits.

As discussed in the Strategic Report the first quarter of the current year was severely impacted by the Covid-19 pandemic. Major disruption to the supply chain meant that, although demand for the company's products was strong, we were unable to produce and ship to match this demand.

Production capacity resumed more typical levels at the back end of the first quarter and demand has remained strong throughout the period. Consequently revenue for the first half of the current financial year is higher than both the budget and the prior year.

This robust performance in the first half of the year has largely been driven from online demand with people working at home and also a strong performing education and health sector. Although retailers closed their brick-and-mortar outlets in line with government guidance, their online shops have largely compensated for any sales shortfall in this regard. Retailers have since re-opened for business in June albeit under very different circumstances.

The supply chain is now operating efficiently, customer warehouses remain open for business and the demand for the company's products continues to operate at high levels. Management do foresee the demand side softening towards the end of 2020 as the macro-economic impact of the pandemic starts to have a bearing on consumer spending. The impact of this on sales for the second half of the year remains uncertain but management see no reason to deviate from its full year budget at this stage.

Dividends

The directors do not recommend the payment of a dividend *(2018: £nil)*.

Directors

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

Emmanuel Fromont
Tai-Chi Shih
Craig Booth (appointed 4 December 2019)

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Political and charitable contributions

The company made no political or charitable contributions during the year (*2018: £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.

Directors' report (continued)

By order of the board

Craig Booth
Director

26/08/2020

Acer House
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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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACER UK LIMITED

Opinion

We have audited the financial statements of Acer U.K. Limited ("the company") for the year ended 31 December 2019 which comprise the Profit & Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACER UK LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Kevin Hall

Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
READING
RG1 3AD

27 August 2020

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2019

	Note	2019 Total £000	2018 Total £000
Turnover	*2*	**166,936**	196,031
Cost of sales		**(160,984)**	(189,621)
Gross profit		**5,952**	6,410
Administrative expenses		**(4,934)**	(5,122)
Operating profit	*3-5*	**1,018**	1,288
Other interest receivable and similar income	*6*	**19**	24
Interest payable and similar expenses	*7*	**(21)**	-
Profit before taxation		**1,016**	1,312
Tax on profit	*8*	**(227)**	(186)
Profit for the financial year		**789**	1,126
Other comprehensive income		**-**	-
Total comprehensive income		**789**	1,126

All of the activities of the company are classed as continuing.

The notes on pages 12 to 26 form an integral part of these financial statements.

Balance Sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible assets	9		**981**		47
Current assets					
Stocks	10	33		-	
Debtors	11	56,477		63,352	
Cash at bank and in hand		2,671		2,179	
			59,181		65,531
Creditors: amounts falling due within one year	12	(29,118)		(36,266)	
Net current assets			**30,063**		29,265
Total assets less current liabilities			**31,044**		29,312
Creditors: amounts falling due after more than one year	13	(943)		-	
Net assets			**30,101**		29,312
Capital and reserves					
Called up share capital	16		**9,072**		9,072
Share premium account	16		**519**		519
Profit and loss account			**20,510**		19,721
Shareholders' funds			**30,101**		29,312

The notes on pages 12 to 26 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 26 August 2020 and were signed on its behalf by:

Craig Booth
Director

Company registered number: 02252821

Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	9,072	519	18,595	28,186
Profit for the year	-	-	1,126	1,126
Balance at 31 December 2018	**9,072**	**519**	**19,721**	**29,312**
Adjustment on initial application of IFRS 16, net of tax (note 1.12)	-	-	-	-
Adjusted balance at 1 January 2019	9,072	519	19,721	29,312
Profit for the year	-	-	789	789
Balance at 31 December 2019	**9,072**	**519**	**20,510**	**30,101**

The notes on pages 12 to 26 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Acer U.K Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02252821 and the registered address is Acer House, Heathrow Boulevard 3, 282 Bath Road West Drayton, Middlesex, UB7 0DQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The accounts are prepared on the historical cost basis and rounded to £'000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Acer Inc., includes the Company in its consolidated financial statements. The consolidated accounts of this company are available to the public and may be obtained from 8F, No. 88, Sec 1, Xintai 5th Road, Xizhi Dist., New Taipei City 221, Taiwan.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of transactions with wholly owned subsidiaries; and
- Disclosures in respect of capital management

As the consolidated financial statements of Acer Inc, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

New accounting standard IFRS 16 has been adopted in the year, and details are included in the policies below in [1.12]. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As at 31 December 2019 the Company had net current assets of £30.1m and net assets of £31.0m and generated a profit for the year of £0.8m. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency. Since the year end, and during the lockdown periods, the company has made sales to customers at satisfactory levels compared to prior year.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements taking account of reasonably possible and severe but plausible downsides. The severe but plausible downside scenario includes a severe stress scenario involving the cessation of sales for a period of four months from September 2020 assuming further lockdowns, disruption to supply and increased pressure on consumer spending as a result of macroeconomic conditions. This scenario shows that the Company will have sufficient funds, to meet its liabilities as they fall due under the terms of its distribution agreement with Acer Europe AG, the Supplier. In accordance with the terms of its distribution agreement the Company would be compensated by the Supplier in the instance of uncollectible customer debt. As such the risk of the Company having to settle liabilities to the Supplier without having collected the customer debt is mitigated.

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore it is appropriate to adopt the going concern basis in preparing these financial statements.

1.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies (continued)
1.3 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

On initial recognition, a financial asset is classified as measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies (continued)

1.3 Financial instruments (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL [Trade receivables and contract assets with significant financing component are measured using the general model described above]

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.8 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. It is recognised at the point at which the goods are shipped and is measured net of both contractual and non-contractual rebates.
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.
The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

1.9 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested.
Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Expenses

Operating lease payments (policy applicable before 1 January 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance expense on lease liabilities (prior to 1 January 2019) finance leases under IAS 17 recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested, interest income on lease receivables (prior to 1 January 2019 unearned finance income) and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 *Leases (policy applicable from 1 January 2019)*

In the current year, the company has implemented IFRS 16: Leases. The company has applied this standard using the modified retrospective with cumulative effect method i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information: The company initially applied IFRS 16 Leases from 1 January 2019 but it has no effect on the company's financial statements for the impact on opening balance on retained earnings (As shown in the Impact of the adoption of IFRS 16 below). The details of the changes and quantitative impact are set out below.

Impact of adoption of IFRS 16 table:

	Impact of adoption of IFRS 16		
	As reported on 1 January 2019	**Adjustments**	**Balances without adoption of IFRS 16 on 1 January 2019**
	£000	**£000**	**£000**
Balance sheet			
Tangible fixed assets	1,294	1,247	47
Lease liability	1,247	1,247	-

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Leases (policy applicable from 1 January 2019) (continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible fixed assets' and lease liabilities in 'creditors' in the balance sheet.

Notes *(continued)*

2 Turnover

	2019	2018
	£000	£000
By geographical market		
United Kingdom	**162,476**	190,503
Rest of Europe	**4,458**	5,459
Rest of World	**2**	69
	166,936	196,031

Turnover in the year is generated from continuing operations only.

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2019	2018
	£000	£000
Audit of these financial statements	**65**	49
Taxation compliance services	**-**	9
	65	58

4 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	
	2019	2018
Office and Management	**18**	16
Sales and Marketing	**33**	32
Technical support/Service	**5**	5
	56	53

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**3,397**	3,555
Social security costs	**452**	452
Contributions to defined contribution plans	**178**	155
	4,027	4,162

Notes *(continued)*

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	14	-
	14	-

The Company contributions to money purchase pension schemes were £2k (2018: zero). Some of the directors are remunerated by another group company, Acer European Holdings SA, and rendered no qualifying services to the Company during the year. Their services to the Company do not occupy a significant amount of their time.

6 Other interest receivable and similar income

	2019 £000	2018 £000
Interest income on unimpaired financial assets	19	24
Total interest receivable and similar income	19	24

7 Interest payable and similar expense

	2019 £000	2018 £000
Total interest expense on financial liabilities measured at amortised cost	21	-
Total interest payable and similar expense	21	-

Notes (continued)

8 Taxation

Recognised in the profit and loss account

	2019 £000	2018 £000
UK corporation tax		
Current tax on income for the period	**232**	273
Adjustments in respect of prior periods	**(1)**	(47)
Total current tax	**231**	226
Total deferred tax (see note 14)	**(4)**	(40)
Tax on profit on ordinary activities	**227**	186

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year – continuing activities	**789**	1,126
Total tax expense	**(227)**	(186)
Profit excluding taxation	**1,016**	1,312
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	**193**	250
Adjustments in respect of prior years	**(1)**	(84)
Expenses not deductible	**35**	20
Total tax expense (including tax on discontinued operations)	**227**	186

A reduction in UK corporation tax rates from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016 and the UK deferred tax balances as at 31 December 2019 have been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and this change was substantively enacted on 17 March 2020. The deferred tax asset as at 31 December 2019 has been calculated based on the rates substantively enacted at the balance sheet date.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvement £000	Fixtures & fittings £000	Land & buildings £000	Vehicles £000	Total £000
Cost					
Balance at 1 January 2018	281	278	-	-	559
Additions	-	33	-	-	33
Balance at 31 December 2018	281	311	-	-	592
Balance at 1 January 2019					
Recognition of right-of-use assets on initial application of IFRS 16	-	-	1,172	75	1,247
Adjusted balance at 1 January 2019	281	311	1,172	75	1,839
Additions	-	5	-	-	5
Disposals	-	-	(90)	(75)	(165)
Balance at 31 December 2019	**281**	**316**	**1,082**	**-**	**1,679**
Depreciation and impairment					
Balance at 1 January 2018	276	237	-	-	513
Depreciation charge for the year	3	29	-	-	32
Balance at 31 December 2018	279	266	-	-	545
Balance at 1 January 2019					
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	-
Adjusted balance at 1 January 2019	279	266	-	-	545
Depreciation charge for the year	2	25	216	72	315
Disposals	-	-	(90)	(72)	(162)
Balance at 31 December 2019	281	291	126	-	698
Net book value					
At 1 January 2018	5	41	-	-	46
At 1 January 2019	2	45	1,172	75	1,294
At 31 December 2019	-	25	956	-	981

At 31 December 2019, Tangible fixed assets includes right-of-use assets as follows:

	Leasehold improvement £000	Fixtures & Fittings £000	Land & buildings £000	Vehicles £000	Total £000
Right-of-use asset					
At 31 December 2019	-	-	956	-	956

Notes *(continued)*

10 Stocks

	2019 £000	2018 £000
Spare parts	33	-

11 Debtors

	2019 £000	2018 £000
Trade debtors	53,097	60,833
Amounts owed by group undertakings	-	2,230
Taxation	3,142	-
Deferred tax assets (see note 14)	49	45
Prepayments	189	244
Due within one year	56,477	63,352

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	715	468
Amounts owed to group undertakings	11,087	13,612
Taxation and social security	448	5,203
Accruals	16,718	16,983
Right-of-use lease liability	150	-
	29,118	36,266

13 Creditors: amounts falling due after one year

	2019 £000	2018 £000
Right-of-use lease liability	943	-

Notes *(continued)*

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	**4**	2	**-**	-	**4**	2
Temporary differences trading	**45**	43	**-**	-	**45**	43
Net tax assets	**49**	45	**-**	-	**49**	45

Movement in deferred tax during the year

	1 January 2019 £000	**Recognised in income £000**	**Recognised in equity £000**	**31 December 2019 £000**
Tangible fixed assets	**2**	**2**	**-**	**4**
Temporary differences trading	**43**	**2**	**-**	**45**
	45	**4**	**-**	**49**

Movement in deferred tax during the prior year

	1 January 2018 £000	**Recognised in income £000**	**Recognised in equity £000**	**31 December 2018 £000**
Tangible fixed assets	5	(3)	-	2
Temporary differences trading	-	43	-	43
	5	40	-	45

Notes *(continued)*

15 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £178,000 *(2018: £155,000).*

The total amount payable as at 31 December 2019 is nil (2018: £26,000).

16 Capital and reserves

Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
9,071,790 Ordinary Shares of £1 each	**9,072**	9,072
Share Premium	**519**	519

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Management proposed and paid no dividends in the year (2018: nil).

17 Ultimate parent company and parent company of larger group

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 Europalaan 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 8F, No. 88, Sec 1, Xintai 5th Road, Xizhi Dist., New Taipei City 221, Taiwan.

Notes *(continued)*

18 Accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 1, the directors are required to make critical accounting judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following estimates that the directors have made in applying in the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are:

Non-contractual (Tactical) rebates
The Company operates both an indirect and direct trading model. Under the indirect model distributors purchase products to hold in inventory for future sale to resellers, whilst under the direct model Acer U.K., sell directly to resellers. This is a highly competitive environment with many vendors selling similar products. The Company may at its sole discretion offer price support, marketing support and other forms of financial support to customers from time to time to enhance the sell-out of stock held. This price support would take the form of a non-contractual rebate. The Company accrues for rebates based upon stock levels, agreed customer price support, sell-out history and the competitive position for each product type.

19 Post balance sheet event

The spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The Company, has proactively taken steps to manage the impact of COVID-19 by addressing key concerns around people and society, business continuity, financial viability and situation management. It has engaged with key stakeholders and continues to monitor the situation on an ongoing basis. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic is subject to uncertainty and it is not possible to reliably estimate the duration and severity of the consequences.