

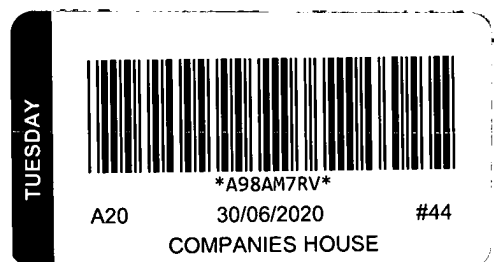
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Western Digital (UK) Limited

**Annual report and financial
statements**

Registered number 1827612

28 June 2019



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Strategic Report

The directors present their strategic report on Western Digital (UK) Limited ("the Company") for the period ended 28 June 2019.

Performance for the period

The results for the financial period and the financial position of the Company are shown in the accompanying financial statements from page 10. Western Digital (UK) Limited has seen revenue of \$163m, a 15% decrease on 2018 (2018: \$192m). Profit on ordinary activities before tax has decreased to \$4.8m (2018: \$5.5m) which is a decrease of 13%.

The cash position decreased by \$7.5m due to \$29m Dividend Declared (2018: \$0) and the timing of intercompany settlements, the cash position at the period end was \$11m (2018: \$18m). As at 28 June 2019 the Company's net assets were \$35

m (2018: \$60m).

Principal risks and uncertainties

Market and Portfolio

The changing markets in EMEA necessitate constant adjustments to the Company's sales strategy to maximise market opportunities for future growth. There was a worldwide fall in the TAM (Total Available Market), however, EMEA sales remain robust as EMEA has a high demand for both higher capacity products, e.g. solid state drives, and the HGST products which Western Digital UK Limited supplies.

In response to technical developments in the storage market demand, the Western Digital group acquired SanDisk Corporation in March 2016 as, coupled with HGST and WD, the group now have a strong portfolio of products. The breadth of this portfolio ensures we have the correct product portfolio for our customers.

Brexit

There are also other factors that contribute to market conditions including fluctuating European exchange rates and volatile political uncertainty, including Brexit. The directors have undertaken a review of the potential impact of Brexit across the Western Digital Group and all UK customers and their Incoterms have been reviewed. Contingency plans for possible logistic delivery scenarios based on probable outcomes have been created and prospective partners engaged.

Future Outlook

Western Digital UK limited has leveraged the strengths and resources of other Western Digital group companies from the HGST, SanDisk and WD legacies to create a powerful platform for growth and long-term industry leadership. With the portfolio breadth, along with strong staff and manufacturing resources now available, Western Digital UK Limited is uniquely positioned to deliver the possibilities of data and ensure a robust economic outlook.

We are currently working towards a consolidated organisational structure through completion of the HGST, SanDisk and Western Digital integration, in line with MOFCOM regulations.

We are creating a merged operating model which will generate operational synergies with minimum disruption to customers, taking full advantage of the opportunities this new structure will create.

Post balance sheet events

On 31 January 2020, the World Health Organisation ("WHO") announced Covid-19 as a global health emergency and on 11 March 2020, the WHO declared it to be a pandemic in recognition of its rapid spread across the globe. The operations of the Company and wider Western Digital group, together with those of our suppliers and customers, are concentrated in large, purpose-built facilities, subjecting us to risk of loss

if operations at any of these facilities are disrupted as a result of Covid 19. As at the date of approval of these financial statements, the Directors have assessed the impact of Covid-19 and do not believe this will affect the ability of Western Digital (UK) Limited to continue as a going concern for at least the next twelve months from the date of this report.

There have been no significant events subsequent to the balance sheet date requiring adjustment to, or disclosure in, the financial statements

By order of the board



G L Holmes
Director

Directors' report

Principal activities

The principal activity of the Company is the marketing, sales and support of disc drives supplied directly to customers by the group's manufacturing entities.

The Company has branches based in Prague, Dubai & Russia.

Financial instruments

The Company continues to produce robust cash flows that further strengthen our financial condition.

Performance indicators utilised include distribution customers' sell through, inventory levels and weeks of inventory which are monitored on a weekly basis, together with daily monitoring of all customers' receivables. All functions are measured against annual and rolling budgets with variance analysis performed monthly and monitored accordingly.

The Company is exposed to credit risk arising from a customer failing to meet its contractual obligations. The directors consider that the credit control and insurance policies in place substantially mitigate this risk. Although most of the invoicing is in U. S. Dollars and the majority of operating expenses in Sterling, the Company does not speculate on exchange rate movements or make forward contracts as all currency hedging is undertaken by the holding company.

Dividend

During the year ending 28 June 2019, the directors approved dividend payments of \$29m to its parent company (2018:\$0m), see note 15.

Directors

The directors who held office during the period were as follows:

G L Holmes

P J Dyson

M C Ray (Resigned 18th October 2019)

Employees

It remains the policy of the Company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the same employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Company. Information is communicated to employees through a series of formal / informal meetings, and emails.

Political contributions

The Company made no political donations or incurred any political expenditure during the period.

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' report (continued)

Disclosure of information to 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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on page 2.

Auditor

Pursuant to 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



G L Holmes
Director

Date: 24 JUNE 2020

6th Floor
65 Gresham Street
London
EC2V 7NQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN DIGITAL (UK) LIMITED

Opinion

We have audited the financial statements of Western Digital (UK) Limited ("the company") for the period ended 28 June 2019 which comprise the Profit and Loss Account, 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 28 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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, including the impact of Brexit, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN DIGITAL (UK) LIMITED *(Continued)*

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 those reports 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 the 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.

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.

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.

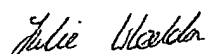
Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN DIGITAL (UK) LIMITED (*Continued*)

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.



Julie Wheeldon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Date: 25 June 2020

Profit and Loss Account
for the period ended 28 June 2019

	<i>Note</i>	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Turnover	2	163,486	191,730
Cost of sales		(154,903)	(181,181)
Gross profit		8,583	10,549
Distribution costs		(3,577)	(3,946)
Administrative expenses		(15,382)	(17,306)
Other operating income	3	15,480	16,363
Operating profit		5,104	5,660
Interest payable and similar charges	7	(342)	(206)
Profit before taxation		4,762	5,454
Tax on profit	8	(774)	(1,013)
Profit for the financial period		3,988	4,441

The Company had no other comprehensive income other than the profit after taxation stated above. Accordingly, no statement of comprehensive income is given.

All of the Company's activities for the period related to continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Balance Sheet
at 28 June 2019

	Note	28 June 2019		29 June 2018	
		\$000	\$000	\$000	\$000
Fixed assets					
Tangible assets	9		689		880
			<u>689</u>		<u>880</u>
Current assets					
Inventory	10		31		265
Debtors	11		29,725		44,685
Cash at bank and in hand			10,963		18,338
			<u>40,719</u>		<u>63,288</u>
Creditors: amounts falling due within one year	12		<u>(6,053)</u>		<u>(4,320)</u>
Net current assets			<u>34,666</u>		<u>58,968</u>
Net assets			<u>35,355</u>		<u>59,848</u>
Capital and reserves					
Called up share capital	14		68		68
Profit and loss account			35,287		59,780
Shareholders' funds			<u>35,355</u>		<u>59,848</u>

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 24 June 2020 and were signed on its behalf by:



G L Holmes
Director

Company registered number: 1827612

Statement of Changes in Equity

	Called up Share Capital	Profit or loss account	Total equity
	\$000	\$000	\$000
Balance at 1 July 2017	68	54,800	54,868
Total comprehensive income for the period			
Profit or loss	-	4,441	4,441
Total comprehensive income for the period	-	4,441	4,441
Transactions with owners, recorded directly in equity			
Capital contribution	-	539	539
Total contributions by and distributions to owners	-	539	539
Balance at 29 June 2018	68	59,780	59,848
Balance at 30 June 2018	68	59,780	59,848
Total comprehensive income for the period			
Profit or loss	-	3,988	3,988
Total comprehensive income for the period	-	3,988	3,988
Transactions with owners, recorded directly in equity			
Capital contribution	-	519	519
Dividends Declared		(29,000)	(29,000)
Total contributions by and distributions to owners	-	(28,481)	(28,481)
Balance at 28 June 2019	68	35,287	35,355

The accompanying notes form part of these financial statements.

Notes

1 Accounting policies

Western Digital (UK) Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The company registered number is 1827612 and the registered address is 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is US\$. All amounts in the financial statements have been rounded to the nearest \$1,000.

The Company's ultimate parent undertaking, Western Digital Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Western Digital Corporation are prepared in accordance with U.S. GAAP and are available to the public and may be obtained from the address in note 17. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Western Digital Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosure:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 period are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's report. The Directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future and therefore continue to adopt the going concern basis in preparing the Directors' report and financial statements.

The company's activities is the marketing, sales and support of disc drives supplied to customers by the group's manufacturing entities. The ability of the company to continue as a going concern is therefore dependent on the ability of the Western Digital Corporation Group (WDC) to continue as a going concern and continue to operate in accordance with the transfer pricing policies in place. The WDC Group has prepared forecasts which the directors have reviewed covering a period to 30 June 2021. These forecasts indicate the WDC Group will be able to continue to operate within the facilities it has in place and hence continue to provide the support required by the Company.

The WDC Group continues to monitor the impact of COVID-19 and has prepared a severe but plausible downside scenario with no growth and increased manufacturing and shipping costs. The Group does not expect there to be a significant adverse impact to the nature of the business and products. In April 2020 the Group suspended its cash dividend policy and used this cash to repay external financing such that the Group now has no external borrowings due for repayment until 2022. The remaining cash was reinvested in the business.

The WDC Group has indicated its intention to continue to make available such support as needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have resources to continue to meet its obligations as they fall due and continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 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.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition 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, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.9 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures and fittings 2-7 years
- Plant and equipment 5 years
- Leasehold Term of the lease

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.6 Employee benefits

Defined contribution plans and other long term employee benefits

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.

Share-based payment transactions

Where the Company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

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 recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.8 Turnover

Turnover represents amounts invoiced in respect of goods sold during the period, excluding value added tax and trade discounts. Turnover is recognised on delivery of goods to customers.

Notes (continued)

1 Accounting policies (continued)

1.9 Expenses

Operating lease

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 unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases 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).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.10 Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Sale of goods	<u>163,486</u>	<u>191,730</u>
Total turnover	<u><u>163,486</u></u>	<u><u>191,730</u></u>

Turnover is wholly attributable to the principal activity of the Company, being the marketing, sales and support of disc drives supplied directly to customers by Western Digital Corporation's manufacturing entities. Turnover is wholly generated in the UK and Europe.

3 Other operating income

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Branch recharges	<u>15,480</u>	<u>16,363</u>

4 Auditor's remuneration

Auditor's remuneration:

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Audit of these financial statements	67	64
Amounts receivable by the Company's auditor in respect of:		
Other services relating to taxation	13	84
Other services including transfer pricing	-	17
Other services*	-	58
	<u> </u>	<u> </u>

* Other services relate to activities within the Company branches. These costs are recharged to the parent company, Western Digital Corporation.

Notes (continued)

5 Staff numbers and costs

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

	Period ended 28 June 2019	Period ended 29 June 2018
Employees	105	107
Directors	3	3
	<u>108</u>	<u>110</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Wages and salaries	9,530	11,083
Social security costs	1,137	1,279
Pension costs (see note 13)	389	401
Share Based Payments	519	539
	<u>11,575</u>	<u>13,302</u>

6 Directors' remuneration

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Directors' remuneration	663	1,006
Company contributions to money purchase schemes	32	32
	<u>695</u>	<u>1,038</u>

The remuneration of the highest paid director was \$382,679 (2018: \$635,403) and company pension contributions of \$16,966 (2018: \$16,760) were made to a money purchase scheme on his behalf. Emoluments of two directors (2018: two) were borne by the company as disclosed above. Emoluments of one director (2018: one) were borne by another Western Digital Inc. group company of which £10k of their remuneration can be attributed to services performed for this company.

Number of directors

	Period ended 28 June 2019	Period ended 29 June 2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

Notes (continued)

7 Interest payable and similar charges

	Period ended 28 June 2019 \$000	Period ended 29 June 2018 \$000
Net foreign exchange loss	342	206

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2019 \$000	2018 \$000
<i>Current tax</i>		
Current tax on income for the period	807	963
Adjustments in respect of prior period	(33)	50
Total current tax	774	1,013

Analysis of current tax recognised in profit and loss

	2019 \$000	2018 \$000
UK corporation tax	710	978
Double taxation relief	16	16
Foreign tax	48	19
Total current tax recognised in profit and loss	774	1,013

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2019 \$000	2018 \$000
Profit for the period	3,988	4,441
Total tax expense	774	1,013
Profit excluding taxation	<u>4,762</u>	<u>5,454</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	905	1,036
Non-deductible expenses	(80)	24
Depn for the period in excess of capital allowance	14	-
Double tax relief	(63)	-
Other timing differences	31	3
Under / (over) provided in prior periods	(33)	(50)
Total tax expense included in profit or loss	<u>774</u>	<u>1,013</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly.

9 Tangible fixed assets

	Leasehold Improvement \$000	Plant and Equipment \$000	Fixtures & fittings \$000	Total \$000
Cost				
Balance at 30 June 2018	1,699	151	182	2,032
Additions	-	-	26	26
Disposals	-	-	-	-
Balance at 28 June 2019	<u>1,699</u>	<u>151</u>	<u>208</u>	<u>2,058</u>
Depreciation				
Balance at 30 June 2018	980	151	21	1,152
Depreciation charge for the period	180	-	37	217
Disposals	-	-	-	-
Balance at 28 June 2019	<u>1,160</u>	<u>151</u>	<u>58</u>	<u>1,369</u>
Net book value				
At 30 June 2018	<u>719</u>	<u>-</u>	<u>161</u>	<u>880</u>
At 28 June 2019	<u>539</u>	<u>-</u>	<u>150</u>	<u>689</u>

Notes (continued)

10 Inventory

	28 June 2019	29 June 2018
	\$000	\$000
Finished goods	31	265
	<u>31</u>	<u>265</u>
	<u>31</u>	<u>265</u>

Inventory is valued at lower of cost or net realisable value and does not differ materially from its stated balance sheet value. The replacement cost does not differ materially from its stated balance sheet values. Finished goods recognised as cost of sales in the year amounted to £154,903k (2018: £181,181k).

11 Debtors: amounts falling due within one year

	28 June 2019	29 June 2018
	\$000	\$000
Trade Debtors	5,870	21,190
Amounts owed by Group undertakings	22,558	22,602
Taxation and Social Security	594	209
Prepayments	449	391
Accrued Income	254	293
	<u>29,725</u>	<u>44,685</u>
	<u>29,725</u>	<u>44,685</u>

12 Creditors: amounts falling due within one year

	28 June 2019	29 June 2018
	\$000	\$000
Trade Creditors	81	-
Amounts owed to Group undertakings	69	87
Taxation and Social Security	41	371
Other Creditors	172	403
Accruals	2,447	1,971
Deferred Income	3,243	1,489
	<u>6,053</u>	<u>4,320</u>
	<u>6,053</u>	<u>4,320</u>

Notes (continued)

13 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current period was \$388,604 (2018: \$401,450).

14 Capital and reserves

Share capital

	28 June 2019 \$000	29 June 2018 \$000
<i>Authorised, allotted, called up and fully paid</i>		
50,000 Ordinary shares of £1 each	68	68
	<u>68</u>	<u>68</u>

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.

15 Dividend Paid

Western Digital (UK) Ltd, has paid the dividends of \$29,000,000 during the year.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	28 June 2019 \$000	29 June 2018 \$000
Less than one year	842	746
Between one and five years	2,065	1,195
More than five years	-	-
	<u>2,907</u>	<u>1,941</u>

During the period \$861,717 was recognised as an expense in the profit and loss account in respect of operating leases (2018: \$761,352).

Notes (continued)

17 Related parties

Western Digital Corporation, the parent company, hold an Employees Stock Purchase Plan (ESPP). Employees are eligible to join the scheme under the terms of the Western Digital Corporation ESPP scheme. The scheme has an offering period of 24 months for eligible employees at a discounted rate of 5%. The Plan is administered by the Board of Directors of Western Digital Corporation (the "Company"). See note 19.

Share options in the parent company, Western Digital Corporation, may be granted under the terms of the Western Digital Corporation Employee Stock Option Plan. The Plan is administered by the Board of Directors of Western Digital Corporation (the "Company"). The Board determines, from time to time, those individuals to whom options shall be granted and the terms of such options.

All those receiving options agree to remain in the employ of the Company or its subsidiaries for a period of one year from the date that the option is granted. The option exercise price shall be not less than 100% of the Fair Market Value of the shares of Common Stock of the Company on the date the option is granted.

No option may vest prior to six months from the date the option is granted. Options expire on dates determined by the Board but not later than 10 years after the date the option is granted.

In the 52 weeks to 28 June 2019, the Directors of Western Digital (UK) Limited exercised 0 (zero) options under the Plan. (2018: 1,216).

Identity of related parties with which the Company has transacted

	Receivables outstanding		Creditors outstanding	
	Period ending 28 June 2019 \$000	Period ending 29 June 2018 \$000	Period ending 28 June 2019 \$000	Period ending 29 June 2018 \$000
Parent	21,744	21,276	-	-
Group companies	814	1,326	69	87
	<u>22,558</u>	<u>22,602</u>	<u>69</u>	<u>87</u>

18 Accounting estimates and judgements

Key sources of estimation uncertainty

Share-based payment transactions

The Company is part of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

Notes (continued)

19 Ultimate parent company and parent company of larger group

The Company is controlled by its immediate parent undertaking Western Digital Technologies Inc. which is incorporated in the United States of America.

The Company's ultimate holding company is Western Digital Corporation, which is incorporated in the San Jose California, United States of America, 5601 Great Oaks Parkway, San Jose, California 95119.

The only group in which the results of the Company are consolidated is that headed by Western Digital Corporation. The consolidated accounts of Western Digital Corporation are available to the public through the Company website www.wdc.com and may be obtained from the Securities and Exchange Commission, Washington DC 20549, Commission file number #1 – 8703.