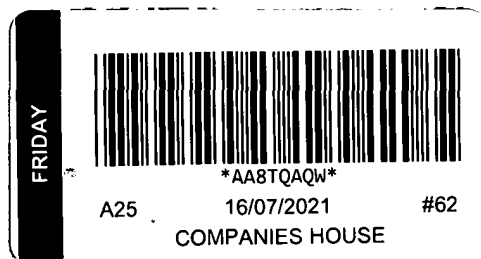


**Dolby Europe Limited**

**Annual report and financial  
statements for the year  
ended 30 September 2020**

**Company Registration number 06035472**



**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

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**Dolby Europe Limited**

**Financial statements for the year ended 30 September 2020**

**STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their Strategic Report and financial statements for the year ended 30 September 2020.

**Principal activities and business review**

During the year, the company performed liaison services for Dolby International AB (DIAB), including carrying out a large number of product & technology demonstrations for customers, exhibiting Dolby products at European trade shows, assisting DIAB to secure technology wins from companies based in Europe, and assisting Dolby Laboratories International Services (DLIS) to build relationships and to define broadcast standards across Europe. Note that many of the interactions were performed virtually since the beginning of the Covid-19 pandemic (since March 2020).

Profit for 2020 is GBP 636,638 compare to GBP 1,073,547 from 2019 which is in line with expectations. The company continues to use the cost plus model and based on that all expenses are being cross charged to the parent company.

**Development of the Company's business, profit and position**

Financial overview	2020	2019	2018
Net Sales	18,289,014	17,862,666	15,425,010
Operating margin%	5%	7%	4%
Net Assets	11,800,262	11,163,624	10,090,077
Equity Ratio	57%	79%	88%

The Operating profit margin for the year of 5% is lower than in prior years as a result of the Covid and in line with Dolby's expectations. Equity ratio is lower compare to previous year and is in line with the decline of GBP 2M in the liability owed towards group undertakings (intercompany payable position).

**Principal risks, uncertainties and future developments**

During FY20, the company continued to support Sales & Marketing across Europe on behalf of its affiliate, Dolby International AB. The directors consider that the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are not material for the assessment of the financial position and profit of the Company. Dolby Europe has no external loans or covenants. All operational expenses are settled with the intercompany agreement and cost plus agreement with Dolby International AB, which has a strong Balance sheet position and is expected to repay its debt towards Dolby Europe Limited as it becomes due.


The company is not expecting significant changes around the business model. Following the review of our real estate in 2019 we are currently in the process of merging our two UK sites Royal Wootton Bassett and London Soho into the London location to be closer to our partners and customers.

Dolby Europe Limited is not significantly impacted by the COVID-19 restrictions introduced by the government. In fact, internal policies (e.g. Work From Home, quarantine after trips) are more restrictive than the official ones. The biggest impact is on the productivity of employees taking care of kids during schools and kindergarten closures. This covers both employee's absences and reduced availability while working at home. The other area impacted by the crisis is the declined pace of the recruitment process. Current observations and estimates indicate that the impact will remain within a manageable range.

The Company forms part of a group of companies headed by Dolby International AB, which is a EMEA revenue generating unit. The Company's revenue structure is a Cost-Plus monthly invoice addressed to Dolby International AB. The Company has no significant decrease in demand of services to be provided and no significant financing implications due to the Company's position in providing marketing and sales services. Some returns or cancellations of expenses are expected, as employees' business trips, office and sport related employee benefits are cancelled due to the situation with COVID-19 in UK and worldwide, which has had non-material influence on Cost-Plus revenue as the company relies to group financing and not external.

**Key Performance Indicators**

Due to the simple nature of the operations further key performance indicators are not required to obtain an understanding of the financial statements.

  
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By Order of the Board  
Wil Vlasveld  
14.07.2021

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 30 September 2020.

**Dividends**

The directors recommend that no dividend is paid in respect of the current financial year (2019: GBP nil).

**Political and charitable contributions**

The company made no charitable donation or political contribution during the year 2020 (2019: GBP nil).

**Environmental impact**

As part of our wider responsibility to the environment the Company actively monitors its energy usage and continually looks to ensure its use of energy is as efficient as possible. During the year the Company has continued to proactively manage its energy usage. Its energy usage in the year was 422,942 kWh, which is equivalent to 94,316KG of carbon dioxide. These emissions and energy consumption have been measured in accordance with industry practice.

**Directors**

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

Grace Chu  
Mark Andrew Sherman  
Wil Vlasveld (appointed on 1st of August 2020)  
Lesley Brooks (resigned 1st of September 2020)

**Post balance sheet events**

In FY19, after a review of the company's real estate, it was decided to merge the two sites in UK (Royal Wootton Bassett and Soho) into the London location. The decision was purely strategic due to the distant location of WB and the fact that a lot of businesses are basically operating closer to the area of Soho, which makes Dolby easily reachable. The move was delayed due to the pandemic in FY20 and actually completed in March 2021. Net financial impact related to the lease expense is immaterial as Dolby Europe terminated the lease in Wootton Bassett and entered into a new 10 years lease in Soho. The impact on the leasehold improvements is approximately GBP 3M for FY20.

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**Disclosure of information to auditor**

- as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves 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 year have been included in the Strategic Report on page 3.

**Independent 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.

**Section 172 statement**

The Directors of the Company are required to promote the success of the Company for the benefit of the Members / Shareholders as a whole. Section 172(1) of the Companies Act 2006) expands this duty and requires the Directors to consider a broader range of interested parties when considering the promotion of the Company.

This wider group of stakeholders will include employees, customers, regulators and others, and the Board will look to understand and take into account the needs of each stakeholder, although recognising that different stakeholders may have conflicting priorities and not all decisions made will be to the benefit of all stakeholder groups. When making decisions the Board should consider the following:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees (if applicable);
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

At every Board meeting the Directors review the performance of the Company against its strategy. The compliance with existing legal and regulatory requirements are reviewed, together with any new regulations that are to be introduced or are being proposed. Any new regulations are discussed and their potential impact on the Company and its stakeholders assessed. The Board recognises the importance of, and is committed to understanding the views of Shareholders and maintaining communication with its Shareholders in the most appropriate manner.

The Directors believe that they have effectively implemented their duties under section 172 of the Companies Act 2006. The Company has considered the long-term strategy of the business and consider that this strategy will continue to deliver long term success to the business and its stakeholders.

**Dolby Europe Limited**

**Financial statements for the year ended 30 September 2020**

**Statement of Directors' responsibilities**

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.

By Order of the board:

DocuSigned by:

*Wil Vlasveld*

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Wil Vlasveld

Director

4-6 Soho Square

London

W1D 3PZ

Date: 7/14/2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOLBY EUROPE LIMITED

### Opinion

We have audited the financial statements of Dolby Europe Limited ("the company") for the year ended 30 September 2020 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 30 September 2020 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 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOLBY EUROPE 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4-6, 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.

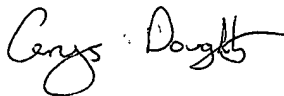
### **Auditor's responsibilities**

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](http://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.



**Cerys Doughty (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
2 Forbury Place  
33 Forbury Road  
Reading  
RG1 3AD

14-07-2021

**Dolby Europe Limited****Financial statements for the year ended 30 September 2020****Profit and loss account for the year ended 30 September 2020**

	Note	2020 GBP	2019 GBP
Turnover		18,289,014	17,862,666
<b>Gross Profit</b>		<b>18,289,014</b>	<b>17,862,666</b>
Administrative expenses		(3,171,322)	(2,197,687)
Marketing expenses		(14,205,184)	(14,214,797)
<b>Operating profit</b>		<b>912,508</b>	<b>1,450,182</b>
Interest receivable and similar incomes	6	31,332	17,924
Interest payable and similar expenses	7	(8,215)	(69,953)
<b>Profit before taxation</b>		<b>935,625</b>	<b>1,398,153</b>
Tax on profit	8	(298,988)	(324,606)
<b>Income for the financial year</b>		<b>636,637</b>	<b>1,073,547</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the financial year</b>		<b>636,637</b>	<b>1,073,547</b>

All results relate to continuing operations.


All company notes form part of the financial statements. Notes attached from page 12 to 24

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**Balance Sheet at 30 September 2020**

	Note	2020 GBP	2019 GBP
<b>Fixed assets</b>			
Tangible assets	9	6,248,386	3,409,183
<b>Current assets</b>			
Debtors	10	2,157,509	1,647,194
Amounts owed by group undertakings		2,521,975	5,144,646
Cash at bank and in hand		7,634,964	9,796,347
		<u>12,314,448</u>	<u>16,588,187</u>
<b>Creditors: amounts due within one year</b>	11	(2,868,617)	(2,819,577)
Amounts owed to group undertakings		(2,632,549)	(4,848,892)
<b>Net current assets</b>		<u>6,813,282</u>	<u>8,919,718</u>
<b>Total assets less current liabilities</b>		<b>13,061,668</b>	<b>12,328,901</b>
<b>Creditors: amounts due after more than one year</b>	13	(310,955)	(228,001)
Provision for liabilities	12	(950,452)	(937,276)
<b>Net assets</b>		<u><u>11,800,261</u></u>	<u><u>11,163,624</u></u>
<b>Capital and reserves</b>			
Called-up share capital	14	1	1
Profit and loss account		<u>11,800,260</u>	<u>11,163,623</u>
<b>Total Equity</b>		<u><u>11,800,261</u></u>	<u><u>11,163,624</u></u>

These financial statements were approved by the board of directors on 14-07-2021 and were signed on its behalf by:

DocuSigned by:  
  
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Wil Vlasveld

Director

Company registered number: 06035472

All company notes form part of the financial statements. Notes attached from page 12 to page 24

## Dolby Europe Limited

## Financial statements for the year ended 30 September 2020

## Statements of Changes in Equity for the year ended 30 September 2020

	Called-up Share Capital	Profit and Loss Account	Total Equity
	GBP	GBP	GBP
Balance at 1 October 2018	1	10,090,076	10,090,077
Comprehensive income for the year			
Profit for the financial year	–	1,073,547	1,073,547
Share Based Payments		879,252	879,252
Share Based Payments Recharged		(879,252)	(879,252)
Total comprehensive Income for the year		1,073,547	1,073,547
Balance at 30 September 2019	1	11,163,623	11,163,624
Total comprehensive Income for the year			
Profit for the financial year	–	636,637	636,637
Share Based Payments	–	1,337,005	1,337,005
Share Based Payments Recharged		(1,337,005)	(1,337,005)
Total comprehensive Income for the year		636,637	636,637
Balance at 30 September 2020	1	11,800,260	11,800,261

All company notes form part of the financial statements. Notes attached from page 12 to page 24

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**NOTES**

(forming part of the financial statements)

**1. General information**

Dolby Europe Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK at 4-6 Soho Square, London, W1D3PZ under the Company Registration number 06035472.

The company performed liaison services for Dolby International AB (DIAB), including carrying out a large number of product & technology demonstrations for customers, exhibiting Dolby products at European trade shows, assisting DIAB to secure technology wins from companies based in Europe, and assisting Dolby Laboratories International Services (DLIS) to build relationships and to define broadcast standards across Europe. Note that many of the interactions were performed virtually since the beginning of the Covid-19 pandemic (since March 2020).

**2. Statement of compliance**

The financial statements have been 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 sterling. All amounts in the financial statements have been rounded to the nearest pound.

The Company's parent undertaking, Dolby Laboratories Inc., includes the Company in its consolidated financial statements. These consolidated financial statements of Dolby Laboratories Inc. are available to the public and may be obtained from its registered office at 1275 Market Street, San Francisco, California.

**3. Summary of significant accounting policies**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements. 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;
- related parties disclosures;
- cash flow statement and related note; and
- key management personnel compensation

As the consolidated financial statements of Dolby Laboratories Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures

- certain disclosures required by FRS 102.26 Share Based Payments; and
- the 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.

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**Notes (continued)**

**Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liability measured at fair value.

**Going concern**

The directors have undertaken a going concern review for the entity and have prepared the financial statements on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company has reported net assets of £11.7M, a profit for the year of £636K and cash of £7.6M for the year ended 30 September 2020. The company performs liaison services for its ultimate parent company, Dolby International AB (DIAB) as outlined on page 3 of the Strategic report.

As a result, the ability of the company to continue as a going concern is based on the ability of DIAB (the 'Group') to continue as a going concern and require the company's services. The Company carries out large number of product & technology demonstrations for customers, exhibiting Dolby products at European trade shows, assisting the Group to secure technology wins from companies based in Europe, and building relationships across Europe. The above services, relationships and capabilities are not held elsewhere in the Group or externally to the Group and therefore could not be realistically replaced in the short to medium term.

The business continues to trade at a profit due to its existing contractual arrangements with other group companies. The ability to achieve its forecasts is dependent on the Groups continued use of the services of Dolby Europe Limited. The Group has indicated its intention to support the UK market for at least the period covered by the forecasts, through December 2023.

The overall impact of the Covid-19 pandemic on the Groups existing products and services has been, and is expected to continue to be, relatively minor. The Group has prepared forecasts, which the Directors have reviewed, covering the period to December 2023, which indicate that the Group will continue to meet its liabilities as they fall due even in a severe but plausible downside.

Consequently, the directors are confident that the company will have sufficient funds to continue 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.

**Dolby Europe Limited**

**Financial statements for the year ended 30 September 2020**

**Tangible fixed assets and depreciation**

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

Leasehold improvements	End of lease term
Plant and equipment	3-15 years
Computer equipment	3-5 years

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.

**Operating leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognized on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**Foreign currencies**

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.

**Dolby Europe Limited**

**Financial statements for the year ended 30 September 2020**

**Notes (continued)**

**Taxation**

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

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 recognized 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; and differences relating to investment subsidiaries, 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 recognized 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 balance are not discounted.

Unrelieved tax losses and other deferred tax assets are recognized 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.

**Turnover**

The company charges Dolby Laboratories International Services Inc at cost plus 6% services provided by the company. All turnover is generated from activities undertaken in the United Kingdom.

**Share based payments**

The share option program allows employees to acquire shares of the ultimate parent company Dolby Laboratories Inc. Services received in equity-settled share based payment transactions are recognized when services are received. The fair value of options granted and those not yet vested is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For corresponding recharges made by Dolby Laboratories Inc. to the company an adjustment to the capital contribution is recognized (decrease in equity) and an intercompany liability is recorded.

**Dolby Europe Limited****Financial statements for the year ended 30 September 2020****Notes (continued)****Post-retirement benefits**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting period

**Provisions**

A provision is recognized 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 recognized at the best estimate of the amount required to settle the obligation at the reporting date.

**4 Expenses and auditor's remuneration**

	2020	2019
	GBP	GBP
<i>Included in profit/loss are the following</i>		
<i>Auditor's remuneration</i>		
Audit of these financial statements	46,663	44,313
Hire of other assets - operating leases	1,998,404	1,006,351
Depreciation and other amounts written off tangible fixed assets	1,179,279	1,346,108

**5 Staff numbers and costs****Number of employees**

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

	2020	2019
Marketing & Business Development employees	74	77

**Dolby Europe Limited**

**Financial statements for the year ended 30 September 2020**

**NOTES (continued)**

The aggregate payroll costs of these persons were as follows:

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Wages and salaries	7,079,670	6,643,091
Social security costs	741,497	623,762
Share based remuneration	1,337,005	879,252
Other pension costs	402,888	437,789
	<b>9,561,060</b>	<b>8,583,894</b>

The directors are also directors of other group companies. The directors consider their services to the company insignificant compared with the group and therefore, zero remuneration is reported for the company in respect of these directors.

**6 Interest receivable**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Foreign exchange gain	23,322	-
Other interest receivable	8,010	17,924
	<b>31,332</b>	<b>17,924</b>

**7 Interest payable**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Other interest payable	8,215	25,013
Foreign Exchange Loss	-	44,940
	<b>8,215</b>	<b>69,953</b>

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**NOTES (continued)**

**8 Taxation**

<i>Analysis of charge in the period</i>	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
<b>UK corporation tax</b>		
Current tax on income for the period	321,183	241,960
Adjustments in respect of prior periods	95,169	29,276
<b>Total current tax</b>	<b>416,352</b>	<b>271,236</b>
<b>Deferred tax (see note 10)</b>		
Origination / reversal of timing differences	(85,287)	42,760
Adjustments in respect of prior periods	0	(21,467)
Effect of change in tax rate	(32,077)	32,077
<b>Total deferred tax</b>	<b>(117,364)</b>	<b>53,370</b>
<b>Tax charge / (credit) on profit</b>	<b>298,988</b>	<b>324,606</b>

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

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

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**NOTES (continued)**

**Reconciliation of tax charge**

Tax assessed for the year is lower than the standard rate of corporation tax in the UK for the year ended 30 September 2020 of 19% (2019: 19%).

	2020 GBP	2019 GBP
Profit before tax	935,625	1,398,153
Current tax at 19 % (2018: 19%)	177,769	265,649
Effects of:		
Return to provision adjustment in respect of prior years	95,169	29,276
Deferred tax adjustments in respect of prior years	0	(21,467)
Other permanent differences	58,127	19,071
Re-measurement of deferred tax-charge in UK tax rate	(32,077)	32,077
<b>Tax charge for the year</b>	<b>298,988</b>	<b>324,606</b>

***Factors that may affect future current and total tax charges***

The directors consider that the deferred tax asset is recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

## Dolby Europe Limited

## Financial statements for the year ended 30 September 2020

## NOTES (continued)

## 9 Tangible fixed assets

	Leasehold improvements GBP	Plant & equipment GBP	Computer equipment GBP	Total GBP
<b>Cost</b>				
At beginning of year	7,802,347	6,687,926	1,796,915	16,287,188
Additions	3,748,854	277,005	38,231	4,064,090
Transfers	-	-	-	-
Disposals	-	(111,652)	-	(111,652)
<b>At end of year</b>	<b>11,551,201</b>	<b>6,853,279</b>	<b>1,835,146</b>	<b>20,239,626</b>
<b>Depreciation</b>				
At beginning of year	6,237,615	4,952,662	1,687,728	12,878,005
Charge for year	712,385	385,677	81,217	1,179,279
Transfers	-	-	-	-
Disposals	-	(66,044)	-	(66,044)
<b>At end of year</b>	<b>6,950,000</b>	<b>5,272,295</b>	<b>1,768,945</b>	<b>13,991,240</b>
<b>Net book value</b>				
At 30 September 2020	4,601,201	1,580,984	66,201	6,248,386
At 30 September 2019	1,564,732	1,735,264	109,187	3,409,183

**Dolby Europe Limited****Financial statements for the year ended 30 September 2020****NOTES (continued)****10. Debtors**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Other debtors	461,132	578,043
Deferred tax asset	588,624	471,259
Prepayments and accrued income	1,107,753	478,374
Corporation tax receivable	0	119,518
	<b>2,157,509</b>	<b>1,647,194</b>

All debtors are due within one year

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
<b>Amounts owed by group Undertakings</b>	<b>2,521,975</b>	<b>5,144,646</b>
	<b>2,521,975</b>	<b>5,144,646</b>

<b>Deferred tax asset</b>	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
At start of year	471,259	524,629
(Credit)/Charge to profit and loss	117,365	(53,370)
<b>At the end of the year</b>	<b>588,624</b>	<b>471,259</b>

The elements of deferred taxation are as follows:

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Fixed Asset timing differences	170,309	211,692
Stock Compensation timing difference	418,315	235,368
Other timing differences	-	24,199.00
	<b>588,624</b>	<b>471,259</b>

**Dolby Europe Limited****Financial statements for the year ended 30 September 2020****NOTES (continued)****11. Creditors (amounts falling due within one year)**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Trade creditors	278,964	427,436
Corporation tax	88,834	0
Accruals	2,500,819	2,392,141
	<b>2,868,617</b>	<b>2,819,577</b>

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
<b>Amounts owed to group undertakings</b>	<b>2,632,549</b>	<b>4,848,892</b>
	<b>2,632,549</b>	<b>4,848,892</b>

**12. Provisions for liabilities**

	<b>Dilapidations</b>	<b>Total</b>
	<b>GBP</b>	<b>GBP</b>
At beginning of year	937,276	937,276
Amounts utilized	-	-
Unwinding of discount	13,176	13,176
At end of year	<b>950,452</b>	<b>950,452</b>

A dilapidation provision has been recognized in the financial statements to cover the costs of work required to be carried out on premises leased by the company, as noted in leases as a requirement to make good. The provision is the best estimate of the amount needed at the end of the leasing period in line with the lease contract and represents management's best estimate as to the cost of restoring leased property to its original condition at the end of the lease.

**13. Creditors (amount falling due after more than one year)**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Creditors (deferred rent)	310,955	228,001
	<b>310,955</b>	<b>228,001</b>

**Dolby Europe Limited****Financial statements for the year ended 30 September 2020****NOTES (continued)****14. Called-up share capital****Called-up share capital not paid**

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
1 ordinary share of GBP 1 each	<u>1</u>	<u>1</u>

**15. Pension scheme****Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to GBP 402,888 (2019: GBP 437,789). There were no outstanding contributions at the end of the financial year.

**16. Contingent liabilities**

Dolby Europe Limited has no contingent liabilities as at 30th September 2020.

**17. Commitments**

At 30 September 2020, the company had capital commitments of GBP nil (2019 GBP nil)

Future Minimum Lease Payments under non-cancellable Operating Leases are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>GBP</b>	<b>GBP</b>
Payment due:		
Not later than one year	737,917	1,069,432
Later than one year and not later than five years	4,010,417	440,000
Later than five years	6,050,000	-
	<u><b>10,798,334</b></u>	<u><b>1,509,432</b></u>

The company has a lease over one property in London with annual rental of GBP 960,000 (Soho Square) which expires in March 31 and renewed for annual rent of GBP 1,100,000. Total expenses charged to the Profit and Loss for all leases including storage rent and yearly lease for additional spaces in current year are of GBP 2,007,593.

**Dolby Europe Limited**  
**Financial statements for the year ended 30 September 2020**

**NOTES (continued)**

**18. Ultimate parent company and parent undertaking of larger group of which the company is a member which the company is a member**

The company is a subsidiary undertaking of Dolby Laboratories International Services Limited and the ultimate parent company is Dolby Laboratories Inc. incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Dolby Laboratories Inc. incorporated in the United States of America. The consolidated financial statements of Dolby Laboratories Inc. are available to the public from its registered office at 1275 Market Street, San Francisco, California.

**19. Post balance sheet events**

In FY19, after a review of the company's real estate, it was decided to merge the two sites in UK (Royal Wootton Bassett and Soho) into the London location. The decision was purely strategic due to the distant location of WB and the fact that a lot of businesses are basically operating closer to the area of Soho, which makes Dolby easily reachable. The move was delayed due to the pandemic in FY20 and actually completed in March 2021. Net financial impact related to the lease expense is immaterial as Dolby Europe terminated the lease in Wootton Bassett and entered into a new 10 years lease in Soho. The impact on the leasehold improvements is approximately GBP 3M for FY20.