

Dolby Europe Limited

**Annual report and financial
statements for the year
ended 30 September 2017**

Company Registration number 06035472

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Dolby Europe Limited
Financial statements for the year ended 30 September 2017

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Dolby Europe Limited

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STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their Strategic Report and financial statements for the year ended 30 September 2017.

Principal activities and business review

During the year, the company performed liaison services for Dolby Laboratories International Services Inc. (DLIS), including carrying out a large number of product & technology demonstrations for customers, exhibiting Dolby products at European trade shows, assisting DLIS to secure technology wins from companies based in Europe, and assisting DLIS to build relationships and to define broadcast standards across Europe.

The profit for the financial year 2017 decreased compared to 2016 by GBP 102,431 going from GBP 1,496,779 (2016) to GBP 1,394,348 (2017) mainly due to the tax charge in 2017.

Principal risks, uncertainties and future developments

During FY17, the company continued to support Sales & Marketing across Europe on behalf of its parent company, Dolby Laboratories Inc.


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.

The company is not expecting significant changes around the business model. There are no significant projects anticipated for FY18. The company is expected to generate positive cash flow that will improve the balance sheet.

Key Performance Indicators

Due to the simple nature of the operations the directors consider that analysis of financial and non-financial performance using key performance indicators is not appropriate for this company.

By Order of the board



Lesley Brookes
Director

4-6 Soho Square
London
W1D 3PZ

Dolby Europe Limited

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2017.

Dividends

The directors recommend that no dividend is paid in respect of the current financial year (2016: GBP nil).

Political and charitable contributions

The company made no charitable donation during the year 2017 (2016: GBP nil).

There was no political contribution in the current financial year (2016: GBP nil).

Directors

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

Alan Sankin

Mark Andrew Sherman

Lesley Brookes

Post balance sheet events

There are no post balance sheet events to be disclosed.

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.

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.

Independent Auditors

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:

Lesley Brookes
Director



4-6 Soho Square
London
W1D 3PZ

Date: 28-06-2018

Dolby Europe Limited

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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 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOLBY EUROPE LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 4-5, 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.

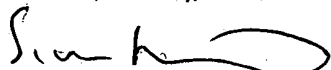
Auditor's responsibilities

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.



Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

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

29 June 2018

Dolby Europe Limited

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Profit and loss account for the year ended 30 September 2017

	Note	2017 GBP	2016 GBP
Turnover		17,392,483	14,978,102
Gross Profit		17,392,483	14,978,102
Administrative expenses		(2,821,581)	(2,356,071)
Marketing expenses		(12,931,078)	(11,458,489)
Operating profit		1,639,824	1,163,542
Interest receivable and similar incomes	6	0	4,776
Interest payable and similar charges	7	(23,654)	(54,049)
Profit before taxation		1,616,170	1,114,269
Tax on profit	8	(221,822)	382,510
Profit for the financial year		1,394,348	1,496,779
Other Comprehensive Income		0	0
Total Comprehensive Income for the financial year		1,394,348	1,496,779

All results relate to continuing operations.

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Balance Sheet at 30 September 2017

	Note	2017 GBP	2016 GBP
Fixed assets			
Tangible assets	9	4,969,571	5,276,611
Current assets			
Debtors	10	4,874,021	3,551,415
Cash at bank and in hand		<u>6,832,539</u>	<u>5,372,161</u>
		11,706,560	8,923,576
Creditors: amounts due within one year	11	<u>(5,609,663)</u>	<u>(4,450,745)</u>
Net current assets/(liabilities)		<u>6,096,897</u>	<u>4,472,831</u>
Total assets less current liabilities		11,066,468	9,749,442
Creditors: amounts due after more than one year	13	(519,830)	(611,027)
Provision for liabilities	12	<u>(909,523)</u>	<u>(895,648)</u>
Net assets		<u>9,637,115</u>	<u>8,242,767</u>
Capital and reserves			
Called-up share capital	14	1	1
Profit and loss account		<u>9,637,114</u>	<u>8,242,766</u>
Total Equity		<u>9,637,115</u>	<u>8,242,767</u>

These financial statements were approved by the board of directors on 28-06-2018 and were signed on its behalf by:



Lesley Brookes
 Director
 Company registered number: 06035472

All company notes form part of the financial statements.

Dolby Europe Limited

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Statements of Changes in Equity for the year ended 30 September 2017

	Called-up Share Capital	Profit and Loss Account	Total Equity
	GBP	GBP	GBP
Balance at 1 October 2015	1	6,745,987	6,745,988
Comprehensive income for the year			
Profit for the financial year	–	1,496,779	1,496,779
Share Based Payments		674,960	674,960
Share Based Payments Recharged		(674,960)	(674,960)
Total comprehensive income for the year		1,496,779	1,496,779
Balance at 30 September 2016	1	8,242,766	8,242,767
Comprehensive income for the year			
Profit for the financial year	–	1,394,348	1,394,348
Share Based Payments	–	734,556	734,556
Share Based Payments Recharged		(734,556)	(734,556)
Total comprehensive income for the year		1,394,348	1,394,348
Balance at 30 September 2017	1	9,637,114	9,637,115

Dolby Europe Limited
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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.

The company performs liaison services for Dolby Laboratories International Services Inc. (DLIS), including carrying out a large number of product & technology demonstrations for customers, exhibiting Dolby products at European trade shows, assisting DLIS to secure technology wins from companies based in Europe, and assisting DLIS to build relationships and to define broadcast standards across Europe.

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.

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 no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Dolby Europe Limited to continue as a going concern.

The directors have a reasonable expectation that the Group, to which the Company belongs, has adequate resources to continue in business for the foreseeable future thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

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 recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities that are measured in

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Notes (continued)

terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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 10% for the 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

Notes (continued)

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.

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 and contributions payable to the scheme in respect of the accounting period.

Turnover

The turnover is based on the costs of the entity plus 10% as per the relevant transfer pricing agreement supporting this.

4 Expenses and auditor's remuneration

	2017	2016
	GBP	GBP
<i>Included in profit/loss are the following</i>		
Auditors' remuneration		
Audit of these financial statements	30,088	21,161
Hire of other assets - operating leases	985,206	849,012
Depreciation and other amounts written off tangible fixed assets	1,554,798	1,251,919

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:

	2017	2016
Marketing & Business Development employees	76	85

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NOTES (continued)

The aggregate payroll costs of these persons were as follows:

	2017	2016
	GBP	GBP
Wages and salaries	5,590,340	4,670,611
Social security costs	573,785	449,253
Share based remuneration	734,556	674,960
Other pension costs	322,341	278,562
	<u>7,221,022</u>	<u>6,073,386</u>

The directors are also directors of other group companies. The directors consider their services to the company insignificant compared with the group and therefore, no emoluments are reported for the company in respect of these directors.

6 Interest receivable

	2017	2016
	GBP	GBP
Other interest receivable	-	4,776

7 Interest payable

	2017	2016
	GBP	GBP
Other interest payable	17,257	12,663
Foreign Exchange Loss	6,397	41,386
	<u>23,654</u>	<u>54,049</u>

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NOTES (continued)

8 Taxation

Analysis of charge in the period

	2017	2016
	GBP	GBP
<i>UK corporation tax</i>		
Current tax on income for the period	428,994	478,449
Adjustments in respect of prior periods	(238,435)	(361,197)
Total current tax	190,559	117,252
<i>Deferred tax (see note 10)</i>		
Origination / reversal of timing differences	(105,564)	(175,015)
Adjustments in respect of prior periods	132,560	(316,463)
Effect of change in tax rate	4,268	(8,284)
Total deferred tax	31,263	(499,762)
Tax charge / (credit) on profit	221,821	(382,510)

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 Section 29 of FRS 102.

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Financial statements for the year ended 30 September 2017

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 31 December 2017 of 19.5% (2016: 20%).

	2017 GBP	2016 GBP
Profit on ordinary activities before tax	1,616,170	1,114,269
Current tax at 19.5 % (2016: 20%)	315,131	222,854
Effects of:		
Return to provision adjustment in respect of prior years	(238,435)	(361,197)
Deferred tax adjustments in respect of prior years	132,560	(316,463)
Other permanent differences	8,298	80,580
Re-measurement of deferred tax-charge in UK tax rate	4,268	(8,284)
Tax charge for the year	221,822	(382,510)

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.

NOTES (continued)

9 Tangible fixed assets

	Leasehold improvements GBP	Plant & equipment GBP	Computer equipment GBP	Total GBP
Cost				
At beginning of year	7,153,235	5,055,520	1,608,397	13,817,152
Additions	58,740	1,018,176	129,486	1,206,402
Transfers		98,142	(44,242)	53,900
Disposals		(27,292)	(5,890)	(33,183)
At end of year	7,211,975	6,144,545	1,687,751	15,044,271
Depreciation				
At beginning of year	3,959,070	3,154,264	1,427,208	8,540,543
Charge for year	796,592	655,834	102,372	1,554,798
Transfers		28,248	(28,248)	0
Disposals		(14,750)	(5,890)	(20,640)
At end of year	4,755,663	3,823,596	1,495,442	10,074,701
Net book value				
At 30 September 2017	2,456,312	2,320,950	192,309	4,969,571
At 30 September 2016	3,194,165	1,901,256	181,189	5,276,611

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NOTES (continued)

10. Debtors

	2017	2016
	GBP	GBP
Amounts owed by group undertakings	3,237,849	2,140,564
Other debtors	226,558	211,942
Deferred tax asset	486,706	517,970
Prepayments and accrued income	515,123	364,341
Corporation tax receivable	407,785	316,598
	4,874,021	3,551,415

All debtors are due within one year

Deferred tax asset	2017	2016
	GBP	GBP
At start of year	517,970	18,208
(Credit)/Charge to profit and loss	(31,264)	499,762
At the end of the year	486,706	517,970

The elements of deferred taxation are as follows:

	2017	2016
	GBP	GBP
Fixed Asset timing differences	208,896	274,261
Stock Compensation timing difference	277,810	243,709
Other timing differences	0	0
	486,706	517,970

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NOTES (continued)

11. Creditors (amounts falling due within one year)

	2017	2016
	GBP	GBP
Trade creditors	458,954	296,069
Amounts owed to group undertakings	3,234,968	2,938,241
Corporation tax	0	0
Accruals	1,915,741	1,216,435
	5,609,663	4,450,745

12. Provisions for liabilities

	Dilapidations	Total
	GBP	GBP
At beginning of year	895,647	895,647
Amounts utilized	0	0
Unwinding of discount	13,876	13,876
At end of year	909,523	909,523

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.

Provision is the best estimate of the amount needed at the end of the leasing period (see note 19.).

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

	2017	2016
	GBP	GBP
Creditors (deferred rent)	519,830	611,027

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NOTES (continued)

14. Called-up share capital

Called-up share capital not paid

	2017 GBP	2016 GBP
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 322,341 (2016: GBP 278,562).

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 2017

17. Commitments

At 30 September 2017, the company had capital commitments of GBP nil (2016 GBP nil)
Future Minimum Lease Payments under non-cancellable Operating Leases are as follows:

	2017	2016
	Land and buildings GBP	Land and buildings GBP
Payment due:		
Not later than one year	1,124,153	918,186
Later than one year and not later than five years	2,606,230	3,730,382
Later than five years	-	-
	<u>3,730,383</u>	<u>4,648,568</u>

The company has a lease over one property in Wootton Bassett with an annual rental of GBP 164,153 which expires in May 2020 and one property in London with annual rental of GBP 960,000 (Soho Square) which expires in March 2021. Total expenses charged to the P/L for these leases in current year are of GBP 985,206.

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.