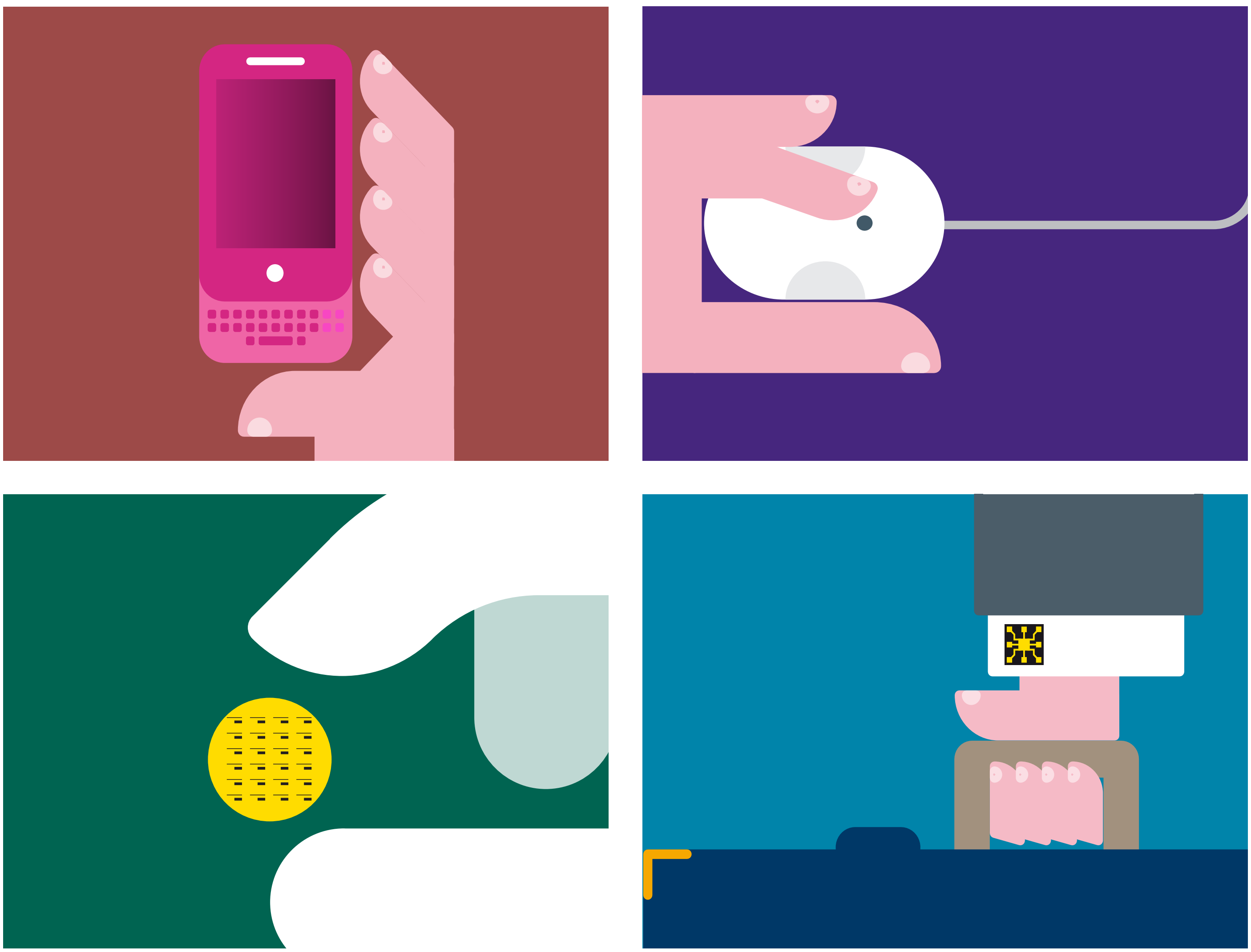
ARM



Enabling innovation
Creating value

Annual report and accounts 2008

ARM uses its expertise in research and development to create advanced technology for use in semiconductor chips found in many digital electronic devices.

ARM licenses its technology to leading semiconductor companies who create innovative chip designs. Every time a chip is shipped containing our technology we earn a royalty.

ARM® processor technology is found in most of the world's mobile phones and is gaining market share beyond mobile markets. ARM is continually developing complementary technology which lends itself to a licensing and royalty business model, such as physical IP, graphics IP and video IP.

The success of the ARM business model, combined with financial discipline, creates the opportunity for increased shareholder value and has resulted in growing revenues, profitability and free cash flow.

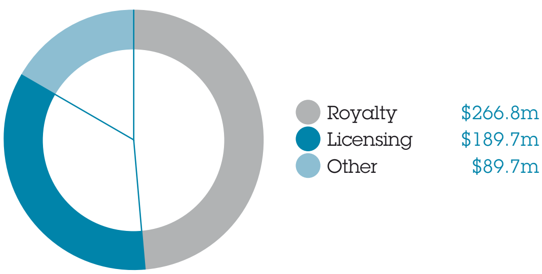
In a world of growing complexity and energy efficiency, ARM technology is being increasingly used in digital electronic products and services to make life safer, simpler and more enjoyable for everyone.

ARM in 2008

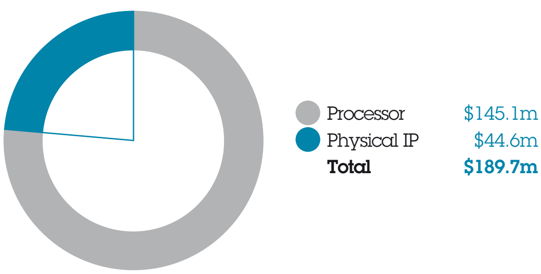
ARM in 2008

Our revenue largely comprises of licence and royalty payments.

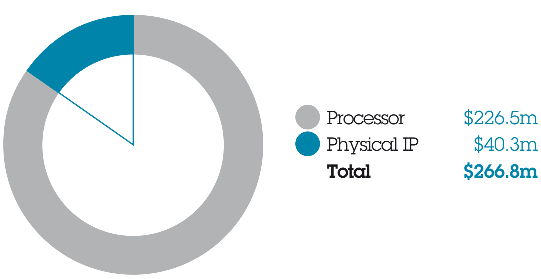
2008 revenue breakdown



2008 revenue from licensing



2008 revenue from royalties



Processor royalties grew by 28% to $226.5 million.

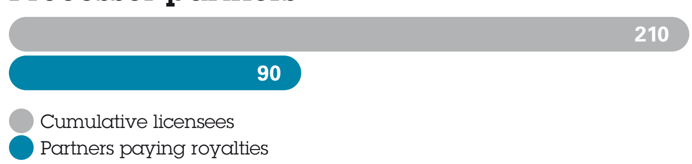
Physical IP royalties grew by 24% to $40.3 million.

In 2008 we have continued to grow our processor licence base – increasing the number of licences in the year by 61 to a total of 587.

Number of processor licences

During the year, ten of the top 20 semiconductor companies re-equipped their product lines with new ARM processors, while others licensed their first ARM processors. A total of 210 leading companies have licensed ARM technology.

Processor partners



Of these 210 companies, 90 are now paying ARM royalties.

Facts and figures

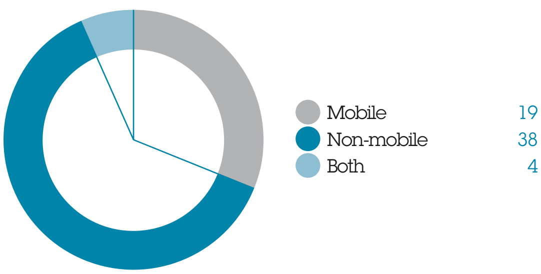
- ARM processor-based chips are in over 95% of mobile phones shipped
- Average of 1.9 ARM processor-based chips per mobile phone
- ARM dollar value per handset increased by 55% since 2003

Facts and figures

- ARM processor-based chips shipped in hard disk drives increased by 60% in 2008 to give ARM a 20% market share
- ARM processor-based microcontroller shipments increased by 90% to give ARM a 10% market share
- ARM processor-based chips shipped in digital TVs increased by 50% to give ARM a 25% market share

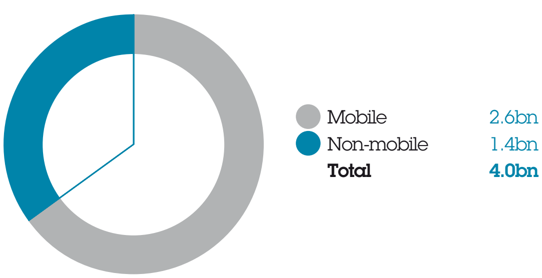
Our processors go into both mobile and non-mobile applications.

2008 licences by application (number)



The use of ARM processors in non-mobile devices is growing rapidly. In 2008, about two-thirds of our licences were for non-mobile applications.

2008 royalties by application (units shipped)



In 2008, units shipped by our partners into mobile applications totalled 2.6 billion – an increase of 35%.

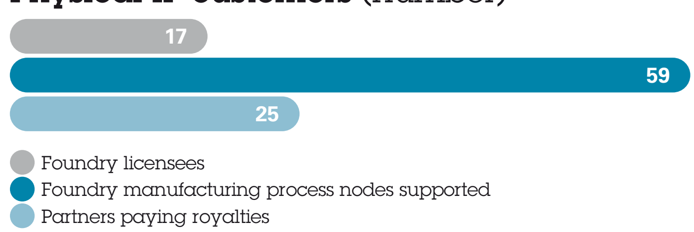
Beyond mobile, our partners shipped 1.4 billion ARM processors – an increase of 45%.

Number of physical IP licences

Our physical IP division has created a portfolio of products for licensing by leading semiconductor manufacturers, yielding significant contracts.

All of the principal foundries have licensed ARM physical IP for use in their chip manufacturing processes. In 2008 six of the top 20 semiconductor companies licensed ARM physical IP.

Physical IP customers (number)



25 of our physical IP customers are now paying ARM royalties.

2009 and beyond...

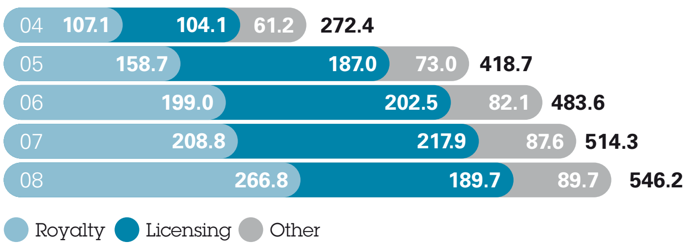
During 2009 we will release several new ARM products, our silicon partners will bring many new chip designs to market and we expect many thousands of new ARM Powered product designs will go on sale.

We intend to continue to grow our processor and physical IP licence base, and in doing so we will continue to grow the size of our royalty-generating opportunity.

Financial highlights

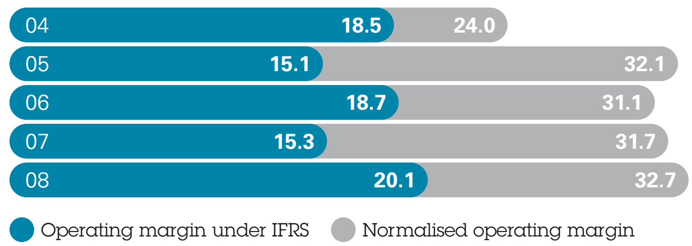
Normalised figures quoted below for operating margin, profit from operations and EPS are non-GAAP measures. For reconciliations of IFRS GAAP measures to normalised non-GAAP measures, see page 12.

Revenue $m



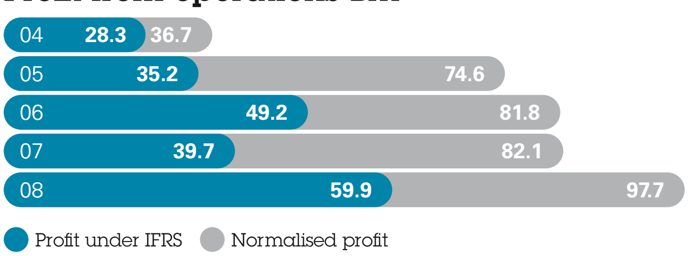
ARM's revenue growth is sustained by our customers incorporating ARM technology in more of their product lines.

Operating margin %



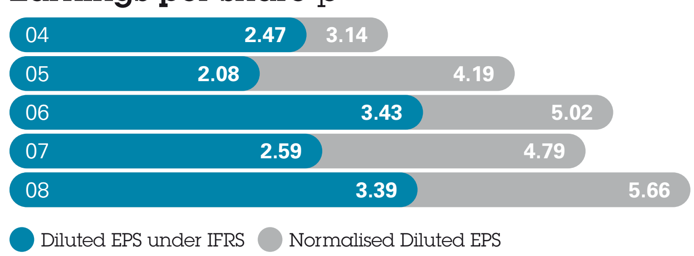
ARM's financial discipline balances long-term R&D investment with cost control to improve operating margins over time.

Profit from operations £m



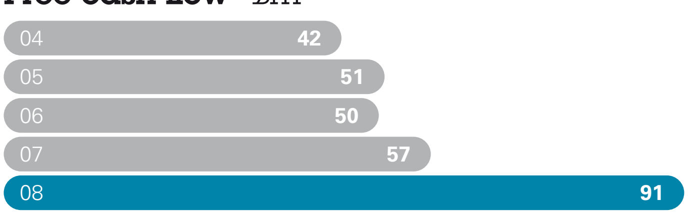
Growing revenues and continued financial discipline drive ARM's profitability.

Earnings per share p



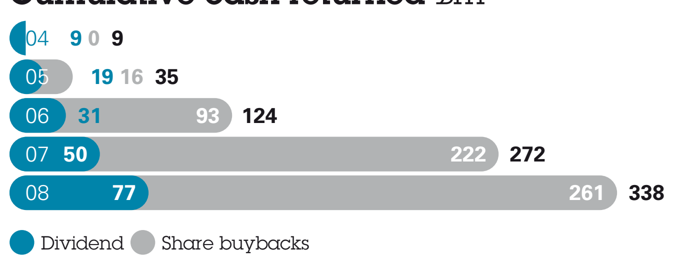
In 2008, on top of increasing profitability, the strengthening of the dollar vs sterling assisted EPS growth.

Free cash flow* £m



Regular licences and robust royalties deliver a reliable cash flow.

Cumulative cash returned £m



Reliable cash generation allows dividend growth.

* Free cash flow is defined as movement on cash, cash equivalents, marketable securities and short-term investments, adding back share buybacks, dividend payments, investment and acquisition consideration, and deducting inflows from share option exercises and proceeds from investment disposals.

Chairman's statement

The results for 2008 represent a significant achievement in a difficult trading environment. The Company reached some important milestones across the business: shipments of ARM technology-based chips rose to four billion in the year (2007: 2.9 billion), ARM's growth was ahead of both the FTSE 250 and the semiconductor industry and six of the top 20 semiconductor companies licensed ARM physical IP products.

The year 2009 will be a year of technology leadership for ARM as the market demands ever smarter and more efficient ways to harness electronic products to the internet and deliver better, more interactive and more productive digital devices to consumers.

ARM has now licensed more than 580 processors to more than 200 leading semiconductor companies. About half of these companies are delivering royalty revenue to the business. We noted last year that there was an increasing trend for intelligence in electronic products; this has multiplied significantly in 2008 and we expect to see it develop further and faster in 2009, especially as smartphone functionality increases and they evolve into mobile computers and netbooks, and also as microcontrollers become ever more pervasive in our homes, offices and cars. During 2008, ARM saw a 38% increase in the number of units shipped, a remarkable achievement, and the business delivered 18% earnings growth. While semiconductor industry revenues declined slightly, ARM's dollar revenues increased by 6% in the year. Against a backdrop of global economic uncertainty and ARM's own financial discipline, this is a strong and hard-earned result.

Shareholders should take comfort in the robustness and flexibility of ARM's business model, which has enabled the Company to respond to customer needs in the short term, while investing in technology that will provide them with products for the future. ARM's reliable and consistent cash generation enables both this vital investment for the future and the ability to reward shareholder commitment with a 10% increase in dividend for 2008. The board is recommending a final dividend of 1.32 pence per share, bringing the total for the year to 2.2 pence per share.

The market

ARM is well placed to face the likely hardships of 2009, with diverse revenue streams coming from a very wide base of industries, geographies and product applications. Approximately 50% of ARM's revenues are generated through licensing and services agreements, with the other 50% delivered in ongoing royalties. This model reduces risk for the business and enables the development of long-term relationships with customers. The Company has noted before now that a large percentage of its revenues comes from outside the mobile applications environment that was traditionally associated with ARM.

I am pleased to report that during 2008 this was a higher proportion than ever before; approximately two-thirds of licences sold in 2008 were driven by applications such as digital TV, robotics, gaming and networking, and 1.4 billion ARM processor-based chips were shipped into non-mobile devices. This trend is likely to continue to grow into 2009 and beyond.

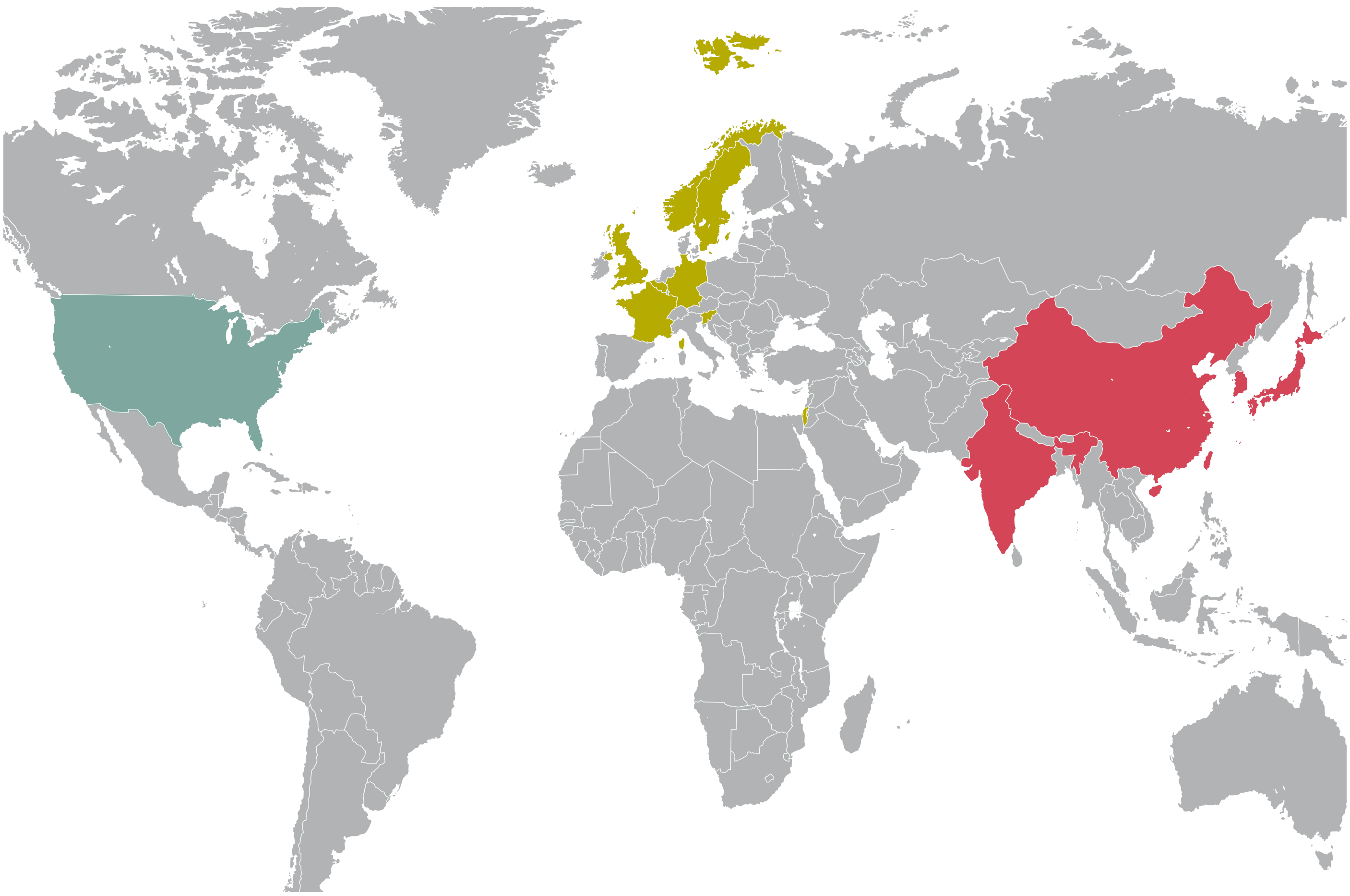
People

The year 2008 was planned to be one of growing industry influence, with further productivity improvement. It is a credit to the considerable abilities and efforts of our employees world-wide that we achieved these strong results without a significant increase in headcount. At the year end, we had 1,740 full-time employees compared to 1,728 at the end of 2007. We have also had the benefit of an unchanged board during 2008 and I would like to thank all employees and my colleagues on the board for the contribution each of them has made to the continued success of the Company.

Doug Dunn, Chairman

A global business

ARM develops new processor, physical IP and development systems products in engineering centres based in the UK, Europe, US and India. Having world-wide development teams ensures a steady stream of innovation. We also have sales and support teams local to our customers wherever they are in the world.



North America

Revenue

38%

Headcount

501

Europe

Revenue

17%

Headcount

UK 645
Rest of Europe 212

Asia

Revenue

45%

Headcount

India 300
Asia Pacific 82

What ARM does

ARM Holdings plc is the world's leading semiconductor intellectual property (IP) supplier. The technology we design is at the heart of many of the digital electronic products sold in 2008.

ARM has an innovative business model. Instead of bearing the costs associated with manufacturing, we license our technology to a network of partners, mainly leading semiconductor manufacturers and OEMs. These partners utilise our designs to create smart, low-energy chips suitable for modern electronic devices.

By the end of 2008, more than 200 leading semiconductor companies had licensed more than 580 ARM technology designs.

Why do semiconductor companies use ARM technology?
The design work that ARM does requires a large amount of R&D investment and expertise. Every semiconductor company would need to spend between $50 million and $150 million every year to reproduce what ARM does. This represents an additional $20 billion of annual cost for the industry. By designing once and licensing many times, ARM spreads the R&D costs over the whole industry and thereby helps make digital electronics cheaper.

How does ARM make money?
The partner companies who adopt ARM technology pay an up-front licence fee to gain access to a design and also a royalty on every chip that uses the licensed design. A single licence is the starting point for many different ARM Powered® chip designs and in 2008, ARM partners shipped four billion ARM Powered chips.

Our designs are used in more than 95% of the world's mobile phones and are increasingly designed into a wide range of other digital electronic products.

How does ARM create value for investors?
ARM aims to recover its costs from the future licence revenues of each new technology. This would leave the majority of royalties as profits. Over the medium term, we expect royalties to grow much faster than licence revenues and costs, making ARM increasingly profitable.

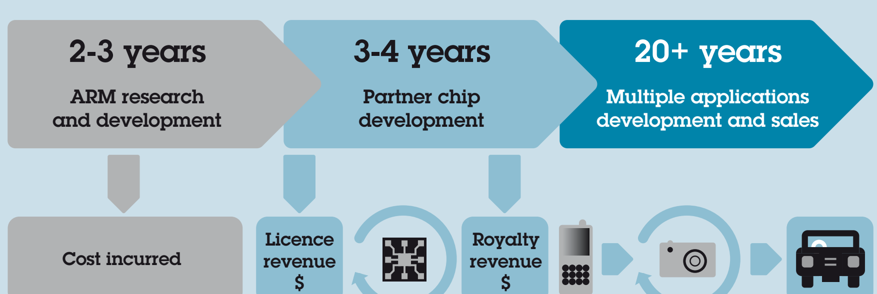
As our customers are the world's largest semiconductor manufacturers, their regular royalty payments have become a highly reliable cash flow. Given our broad base of partners and end markets, ARM is not overly reliant on any one company or consumer product for its future profits and cash.

Since 2004, ARM has returned over £300 million of cash to shareholders through a mixture of share buybacks and dividends.

ARM licenses technology designs to semiconductor companies. The licence fee is typically several million dollars, dependent upon which technology has been licensed and the type of licence. The semiconductor company will design and manufacture a chip utilising the ARM technology. The chip will then be incorporated into a digital electronic product, which is sold to the consumer. ARM receives a royalty, typically based on a percentage of the chip price, for every chip sold by the semiconductor company containing ARM technology.

It takes an average of 3-4 years from the time the semiconductor company signs the licence until they start to pay royalties.

Many customers are able to re-use the same ARM technology in many different chips going into a broad range of end markets. Each new chip starts a new stream of royalties.



Creating value for investors

ARM is growing in mobile as phones are getting smarter and using more technology. ARM is also gaining market share beyond mobile markets.

ARM is continually developing complementary technology which lends itself to a licensing and royalty business model, such as physical IP, graphics IP and video IP.

Enabling innovation in a broad range of end markets and technologies, combined with the operating leverage in ARM's business model, creates the opportunity for creating shareholder value and has resulted in growing revenues, profitability and free cash flow.

Mobile: Increasing value per handset

There was at least one ARM Powered chip in more than 95% of mobile phones sold in 2008

	a Mobiles shipped in 2008	b Average number of chips	c Total available market for ARM Powered chips	d Shipments of ARM Powered chips
Smartphone	200m	4	800m	650m
Feature phone	700m	2	1,400m	1,200m
Basic phone	300m	1	300m	285m

a 200m smartphones were shipped in 2008

b Each smartphone contains four processors on average:
- Baseband processor
- Applications processor
- BlueTooth • Wi-Fi

c The total available market for ARM-based chips is 200m x 4 = 800m

d ARM shipped 650m chips into smartphones – a market share of 80%

ARM is getting more royalty revenue per mobile phone as:

- The average number of chips per mobile phone is increasing in all phones
- Consumers are choosing smarter mobile phones with higher value chips

Average number of chips per phone is increasing

Average number of ARM Powered chips per mobile phone:

2004 1.2 | 2005 1.2 | 2006 1.5 | 2007 1.6 | 2008 1.9

Smarter phones deliver more royalty revenue

ARM typically gets about six times more royalty revenue from a smartphone than from a basic phone.

Chip function	Smart	Feature	Basic
Applications processor	$ $ $	$	
Baseband processor	$ $	$	$
Wi-Fi/BlueTooth	$	$	

$ represents a unit of royalty.

ARM value per phone* is increasing:
- Although phone prices are falling
- ARM average royalty revenue per phone is increasing

2004 110% | 2005 125% | 2006 135% | 2007 140% | 2008 155%

* Normalised to 2003.

>10bn

Since 1996 more than 10 billion ARM processors have gone into mobile devices

2008

2013

1 | How many mobiles shipped in 2008?

2 | How many ARM Powered chips were in mobile phones in 2008?

3 | How much money does ARM get per mobile phone?

4 | What is the future of mobile phones?

	Basic phone millions	Feature phone millions	Smartphone millions
	300	700	200
2008	300	700	200
2007	225	735	140
2006	247	663	90
2005	405	350	55
2004	404	238	32

=1,200m mobile phones shipped in 2008

Smartphone
- Voice-calls, text
- Photos, music, internet and email
- Large colour display
- Touchscreen

Feature phone
- Voice-calls and text
- Photos and music
- Colour display
- May have touchscreen

Basic phone
- Voice-calls and text
- Simple display

+ **35%**

ARM in mobile devices grew 35% in 2008

In 2013 there will be more phones with more ARM Powered chips

500m smartphones* (at least 4 chips per phone) ■ =100m chips

Opportunity for ARM Powered chips: **2,000m**

450m feature phones* (at least 2 chips per phone)

Opportunity for ARM Powered chips: **900m**

400m basic phones* (at least 1 chip per phone)

Opportunity for ARM Powered chips: **400m**

* Based on ARM and industry estimates.

Basic phones getting smarter

Basic phones are getting smarter too as they are connected more to the people, business and services that we interact with every day

Music | Credit card | Video | Cashless payment | Wireless hands-free

Smartphone getting smarter

Smartphones are becoming smarter and will be pocket-sized mobile computers. They will be:
- **Always connected** To the internet, your social network, sharing thoughts and work with your online community
- **Always on** Battery lasting all day
- **Always entertaining** Browsing the internet, emailing, playing music, mobile tv or gaming

Internet	Social networks
Email	Location services
Music	Credit card
Games	Cashless payment
Mobile TV	Newspaper

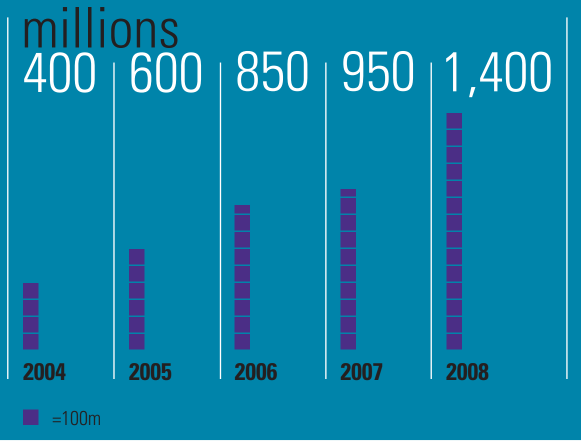
Non-mobile: Growing market share

1

How many ARM technology-based chips are shipped into non-mobile devices?

In 2008, **1.4 billion** chips went into non-mobile devices

Main growth drivers are digital TVs (DTV), PC peripherals and microcontrollers



+ 45% ARM in non-mobile grew 45% in 2008

2

What does the ARM processor do in a digital TV?

The **ARM** processor manages the decoding of the digital video and audio streams and displays them on the screen. The ARM processor also displays the user interface, menus and the channel and programme listings

How many were shipped in 2008?

2008 300m — 25% contain an **ARM** processor

+50% **ARM's growth rate**

+25% **Market growth rate**

FUTURE

Digital TVs are becoming smarter

They are connecting to the internet and downloading news, sports, stock-picks and weather information

As they can do more the remote control is becoming more like a keyboard

All these "smarts" are opportunities for ARM technology-based chips:

- **Wi-Fi for the internet connection**
- **Microcontrollers in the remote controls**
- **ARM graphics to mix the internet content with the TV picture**

FUTURE ARM technology-based chips are increasingly used in storage devices to manage data and security, wireless communications in the home, and managing data on the internet

3

What part does ARM play in your PC?

Your PC system at home or office will probably consist of:

Hard disk drive

Networking equipment (broadband and wireless router)

Wireless peripherals (mouse, keyboard and headset)

Printers (desktop and enterprise)

What does the ARM processor do?

Hard disk drive The ARM processor controls the writing and reading of data to and from the disk. With more data being stored on ever smaller disks, increasingly fine-grain control of the disk is needed

Networking The ARM processor runs the communications software that connects the home to the internet via Wi-Fi and broadband

Wireless peripherals The ARM processor runs the BlueTooth protocol stack that communicates from the main computer to the wireless mouse and keyboard controllers or to the headphones

Printers The ARM processor controls the user interface and manages the document being printed

Applications	2008 units	ARM shipments	ARM share	ARM growth
Hard disk drive	600m	320m	50%	60%
Networking	620m	130m	20%	20%
BlueTooth	1,000m	350m	35%	300%
Printers	140m	85m	60%	20%

4

What is a microcontroller?

Microcontrollers (MCUs) are used to make everyday products a little bit smarter, so that life is easier, safer and more energy efficient

The ARM processor is the brain inside the microcontroller. It takes inputs from sensors, quickly makes a selection about how to respond and then controls the system to implement its decision

MCUs are used in the following:

- Washing machines that use less energy, water and detergent
- Air-conditioning units that use less electricity
- Toys that interact and learn from their environment
- Light "switches" that are controlled centrally
- Motion sensors in burglar alarms

How many were shipped in 2008?

ARM's share was 10% of the 2.6bn MCUs shipped

ARM share

ARM's growth rate 90%

Market growth rate 10%

FUTURE

More products around the home are incorporating microcontrollers to make them safer, more energy efficient and easier to use

Medical sensors monitor blood in diabetics and warn if sugar level is low

Intelligent cars prevent batteries from running flat when lights have been left on

Energy monitors reduce household energy consumption

Physical IP: Extending the business model

Physical IP is a library of components that is used to translate the chip design into a highly detailed blueprint that tells the manufacturer exactly how to build the chip

Process geometry refers to the size of the transistors, which are the basic building blocks in a chip. The smaller the transistor, the more functionality that can be built into each chip. Transistors are measured in nanometres (nm) equal to one billionth of a metre

1

Where are chips manufactured?

All the principal foundries have licensed ARM physical IP to enable chips to be manufactured

Process geometry	Manufacturing process nodes at our foundry customers enabled with ARM physical IP
180 to 250nm	20
130nm	12
90nm	9
65nm	10
45nm	6
32nm	3

As costs increase leading semiconductor companies are outsourcing physical IP to ARM. In 2008, six of the top 20 semiconductor companies licensed ARM physical IP

32nm

In 2008

7,000 new chip designs entered manufacture

1,000 (15%) of these new chip designs used ARM's physical IP

First chip to use **45nm** technology started manufacture

2

How many chips are manufactured each year?

ARM's opportunity in 2008: $80 billion worth of chips were shipped

- 10% used ARM physical IP
- 12 of the top 20 semiconductor companies are shipping chips built with ARM physical IP
- First 65nm chips started yielding royalty

Number of chip designs in manufacture using ARM physical IP

2005	2.8k
2006	4.5k
2007	4.9k
2008	5.2k

Physical IP royalties

2005	$27.6m
2006	$34.9m
2007	$32.3m
2008	$40.2m

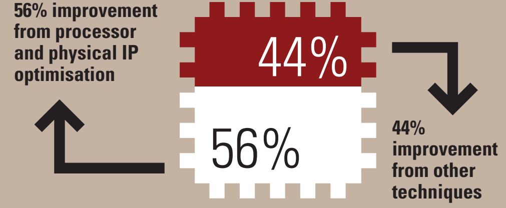
Combined R&D teams enable ARM to develop better physical IP and better processors

Building better processors

3

High-performance Cortex™-A9 processor

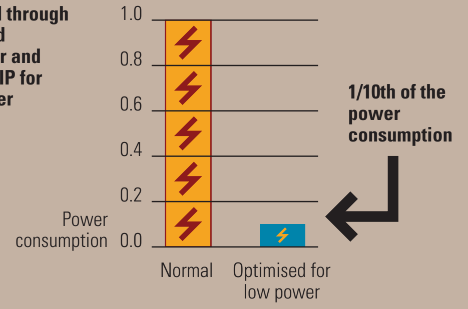
Improving Cortex-A9 performance on 45/40nm process



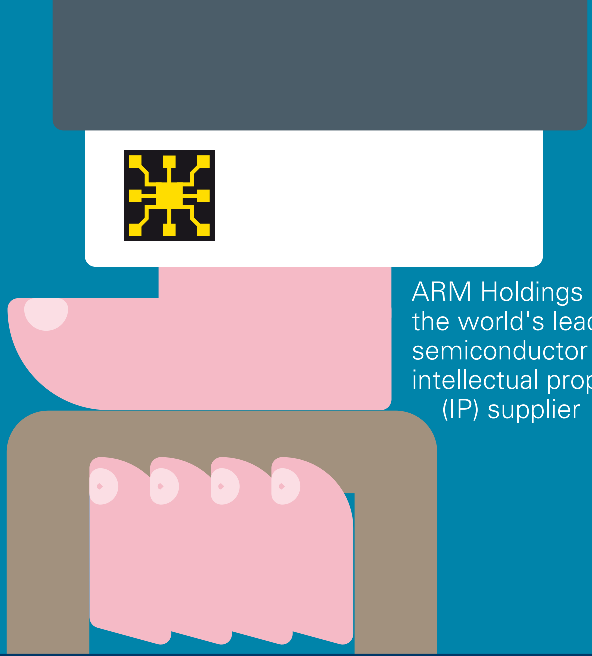
Low-power Cortex-M3 processor

Reducing Cortex-M3 processor energy consumption 90% on 180nm

Achieved through optimised processor and physical IP for low power process



Investment case

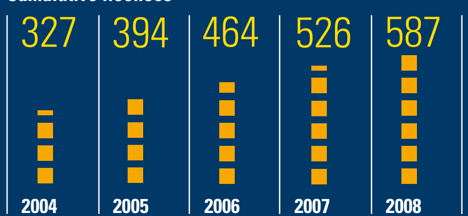


ARM Holdings plc is the world's leading semiconductor intellectual property (IP) supplier

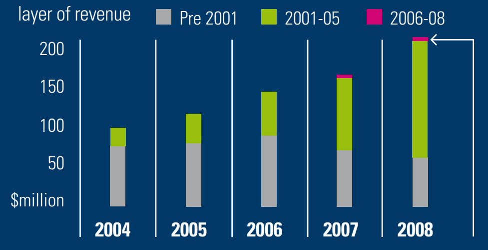
1 | How does ARM make money?

ARM sells its technology for a licence fee plus a royalty on every ARM technology-based chip. ARM already has a substantial base of licences that will drive future royalties

Cumulative licences



Royalties grow as each new chip starts to ship and adds another layer of revenue



Licences signed in the last three years have only just started generating royalties

2 | How does ARM turn revenues into profits?

The majority of ARM's investments are directly related to headcount. Financial discipline balances cost control with the investment needed to develop the next generation technology

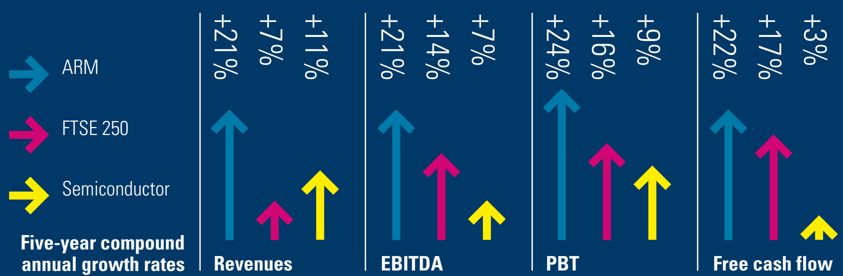
Headcount

2004	1,170
2005	1,320
2006	1,660
2007	1,730
2008	1,740

For the last three years ARM has grown revenue without needing to significantly increase headcount – increasing the underlying profitability of the business

3 | How does ARM compare with its peers?

Over the last five years, ARM has outperformed in a wide range of measures



* All 84 semiconductor companies in the UBS coverage universe (Q1 2009).

Chief Executive Officer's review of operations

2008 was a very good year for ARM as we continued to outperform the semiconductor industry in the growth of revenues, profitability and cash generation. In addition, we reached several important milestones on the way towards achieving our vision of having all electronic products and services based on ARM technology, making life safer, simpler and more enjoyable for everyone.

ARM's dollar revenues grew 6% despite declining revenues in the semiconductor industry. The operating leverage in the business model, combined with financial discipline and a stronger dollar exchange rate in the closing months of the year, delivered earnings growth of 18%. Cash generation was at record levels with more than £90 million of free cash flow.

During the year our licensees reported shipments of four billion ARM Powered chips. This was achieved as we increased the average value of ARM technology per mobile handset, and also increased our market share beyond mobile devices. We grew our licensing base to more than 580 processor licences which will drive our long-term royalty revenues. We are also very pleased to report progress in our Physical IP Division. Our focus on accelerated R&D through 2006 and 2007 has achieved its goal of technology leadership and has begun to yield strategic licences with major customers. 2008 was also the tenth anniversary of ARM's Initial Public Offering, and in the last five years we have been pleased to return £338 million to our shareholders.

Long-term relationships bear fruit

The success we have seen in 2008 is the result of not one, but 18 years of work by our employees. ARM's business model is based upon long-term relationships that bear fruit in the form of product sales and revenues years after initial agreements with customers. We have a significant share in consumer products because we have spent many years in partnership with our licensees and their customers. Our proximity to the thought-leaders of the electronics industry has enabled us to tune our business model and products to match their needs and their vision of the future.

Our customers come back to us repeatedly because when they buy into ARM technology, they are buying into a long-term roadmap and the ARM community, not simply a one-off licence. In 2008, we grew the licensing base by an additional 61 licences to 587. Each licence equips a semiconductor company to develop new product lines based on ARM technology, and each of those product lines has the potential to create future royalties. About half of the licences we sold in 2008 were for ARM's latest Cortex family of processors, and half were for older technologies. The ARM7™ family was first licensed in 1994 and is still producing licensing revenue and being used in new chip designs 14 years later, demonstrating the longevity of ARM technology.

During the year, ten of the top 20 semiconductor companies re-equipped their product lines with new ARM processors, and several companies licensed their first ever ARM processor, increasing the number of leading technology companies who are ARM licensees to 210.

After the licence purchase, the next step for our partners is to complete an ARM technology-based chip design and begin sales of those devices to electronic product manufacturers. It is at that stage, normally about four years after the initial licence sale, when ARM begins to earn royalty revenue from that licence. As we share our customers' risk so we work together to get their chips designed into end-products, creating sales for those customers and a royalty revenue stream for ARM.

Extending ARM's reach

Today there are hundreds of companies building thousands of chips for tens of thousands of equipment manufacturers; and hundreds of thousands of software developers writing programmes for millions of products to be sold to hundreds of millions of consumers.

The world has seen a proliferation of smarter and easier-to-use mobile devices, blurring the distinction between phones and PCs.

This universe of people and products creates an extremely powerful and almost self-perpetuating ecosystem around ARM technology.

ARM's reach is so extensive that universities teach students how to build chips and write software using ARM technology and in turn graduates get jobs developing ARM-based products. Engineering managers choose ARM technology for their next design because of this vast ecosystem of ARM expertise. All those ARM experts and all those products that are already optimised for ARM technology mean that when companies, wherever they are in the value chain, standardise on ARM technology they can enjoy the benefit of huge savings.

Smarter trend boosts royalties
During 2008, the world has seen a proliferation of smarter and easier-to-use mobile devices, blurring the distinction between phones and PCs. Smarter phones need more intelligent ARM technology-based chips and, for us yield more royalty. In 2008 there was an average of 1.9 ARM technology-based chips per handset, with some smartphones containing five ARM technology-based chips.

We expect the increasing sophistication of handsets to continue as companies are now licensing ARM processors to develop chips for mobile TV, gaming, BlueTooth and touch-screen controllers.

This increasing sophistication brings an opportunity for ARM to add more specialist technology into mobile devices and other consumer electronics. At the end of 2008, we acquired a new video processing business which further extends the capability of our Mali multimedia processor family. This acquisition has provided us with a smart, fully functional capability to provide additional ARM technology to our existing licensees.

Personally, I find it encouraging that not only have mobile phones become smarter, but the user experience has improved through better use of graphics and a more thoughtful user interface. Smartphones are getting more intelligent, and as they do we all find it easier to use them.

As smartphones continue to get smarter, they are evolving into mobile computers; always on, always connected and always with the potential to enable communication, productivity or provide entertainment. ARM has an extremely important role to play as mobile computers need ever higher levels of computing performance, but without compromising on battery life. They also need PC-class operating systems, browsers, plug-ins and software. I am very

"The LG Renoir smartphone uses an ARM Mali™ graphics processor to deliver a smooth and responsive user interface."

pleased, therefore, to see ARM and our community of semiconductor, software and equipment manufacturers working successfully to create complete applications that will enhance consumer experience, portability and usability.

Beyond mobile

We have also seen a wealth of smarter ARM Powered products beyond mobile during 2008. This increased intelligence is making life better – more enjoyable, simpler and safer – by enabling the products we use everyday to make better decisions, by connecting people and allowing them access to their content, whether at home or work.

Digital televisions are becoming smarter so they can display digital TV and high-definition movies, but also be connected to the home network to display user-generated content and data from the internet. Smarter televisions may have Wi-Fi for network connection, and may have internal storage and a keyboard as a more sophisticated remote control. All of this is driving the need for more ARM technology-based chips.

Health care is becoming cheaper and more effective by connecting doctors with their patients. An example of this is a project run by T+Medical that ARM has supported to enable children with diabetes to monitor their blood-sugar levels and communicate quickly and effectively with medical professionals. Management of diabetes requires responsive action, and this programme allows advice from doctors to quickly reach the patient. The patient regularly tests their blood and the results are transmitted, by BlueTooth, phone and internet, to the doctor who can record the information and send advice back to the patient. This means an instant diagnosis and recommendation, enabling the patient to act immediately.

The use of ARM in non-mobile devices is growing rapidly; our partners reported 1.4 billion chips shipped in 2008, an increase of 45%. We expect ARM to continue to grow market share as about two-thirds of the licences signed in 2008 were initially for non-mobile applications such as digital TVs, networking, robotics and microcontrollers.

Physical IP on track

When ARM acquired Artisan in 2004 we noted that we would start to see tier 1 semiconductor companies regularly licensing physical IP within four to seven years. I am very pleased to report that we are well on track to achieve this goal having achieved several key milestones during the year.

When we entered 2008, we were coming to the end of a period of rapid technology development in our Physical IP Division to create a portfolio of products suited to our target customers operating at the leading edge of silicon technology.

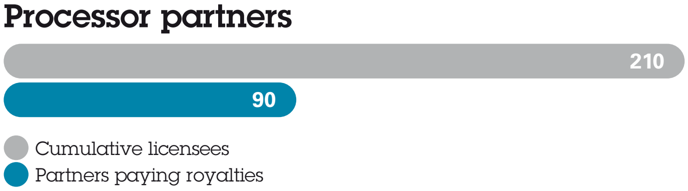
We have demonstrated our capabilities by delivering ARM physical IP and processors at the most advanced process nodes; 45nm at the beginning of the year and 32nm towards the end of the year.

These technology and product developments have yielded significant contracts with tier 1 customers. Six of the top 20 semiconductor companies licensed ARM physical IP in 2008, including STMicroelectronics who licensed 40nm technology in Q3 and Q4. In addition, IBM, Chartered and Samsung have licensed ARM physical IP for their 32nm and 28nm processes.

The use of ARM in non-mobile devices is growing rapidly; our partners reported 1.4 billion chips shipped in 2008, an increase of 45%.

Number of processor licences

Processor partners

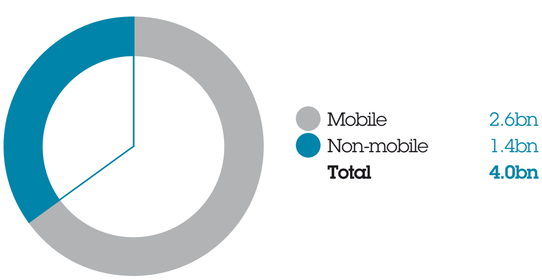


In 2009, ARM will achieve more licences, more design wins and will continue to reap royalties because ARM technology provides a genuinely better solution for consumers.

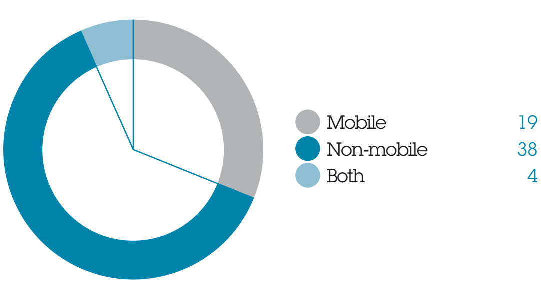
Clearly 2009 is going to be a difficult year across all sectors. As consumer expenditure goes down, we see challenging times for our semiconductor partners and their customers. We cannot ignore these factors as we look into the year ahead. However, we believe that ARM is positioned to perform resiliently in the context of a difficult environment.

ARM's leadership team has experience of managing the business in these conditions; like many in this industry, we learned valuable lessons during the industry downturn of 2002. We are prepared for the next economic cycle with a diversified product portfolio and a broad customer base, and we continue to run a tight ship. However, it is important for ARM to make investments in future technology. Our customers license ARM technology for their future roadmaps, and they are continuing a long-term relationship that will drive our future royalty growth. We will monitor and judge the balance between essential investment for the medium-to-longer term benefit of the business and necessary financial prudence in the short-term.

2008 royalties by application (units shipped)



2008 licences by application (number)



Strengthening our world-leading position

During 2009 we will release several new ARM products, our silicon partners will bring many new chip designs to market and we expect many thousands of new ARM Powered product designs will go on sale. We are growing our market share in a number of key market sectors, and expect to continue to out-perform the industry. ARM will achieve more licences and more design wins, and will continue to reap royalties because ARM technology provides a genuinely better solution for consumers. More ARM technology will be used in smartphones in 2009 than in 2008, and we expect to continue to grow market share within other product categories.

I look forward to a challenging 2009, in which ARM will continue to strengthen its world-leading position and seek to deliver an excellent and sustained return for our shareholders.

Warren East.

Warren East, Chief Executive Officer

Enabling innovation for customers

Using ARM technology enables semiconductor companies to add value by focusing on their strengths, creating innovative digital electronics products based on a standard platform of ARM's processor and physical IP.

Successful customers return to ARM to re-equip with next-generation ARM technology for their future products and to extend their use of ARM technology into additional product lines.


T · ·Mobile·
htc
10:10 AM
IM
Gmail
YouTube
Market
Dialer
Contacts
Browser
Maps
MENU

HTC Dream Smartphone uses multiple chips containing ARM technology

The HTC Dream Smartphone is one of the most advanced pocket-sized computers available. It combines everything you need to take the internet everywhere: connecting wirelessly to the web for email, browsing with multiple windows, watching online multimedia, playing games and finding your way with maps giving detailed street views and up-to-date traffic information. It also makes phone calls.

At the heart of the HTC Dream Smartphone are chips containing ARM technology. An ARM11™ processor runs the main Android operating system and all the applications that users interact with such as the email tool and browser. The 3.5G wireless connection uses an ARM9™ processor to control communications with the cell's base station. In addition, ARM7 processors are used to run the Wi-Fi and BlueTooth protocol stacks.

HTC used different semiconductor companies to purchase the ARM processor-based chips used in the Dream Smartphone. HTC benefits from having multiple suppliers of ARM processor-based chips as they can select which supplier has the most competitive offering, but know there is a common underlying ARM technology regardless of which supplier they choose. Chips that have a common ARM architecture can share software, tools and expertise to help OEMs reduce the total cost of ownership.


ew Rentals on
amazon
Yahoo! Inc.
27.77
+ 0.07
Google
464.19
- 3.62
Microsoft
28.89
+ 0.14
74°
Palo Alto
Razorbacks News
Will Darren McFadden
be traded?
SAMSUNG

Samsung Series 6/7/8/9 HDTV delivers a complete multimedia experience on one screen

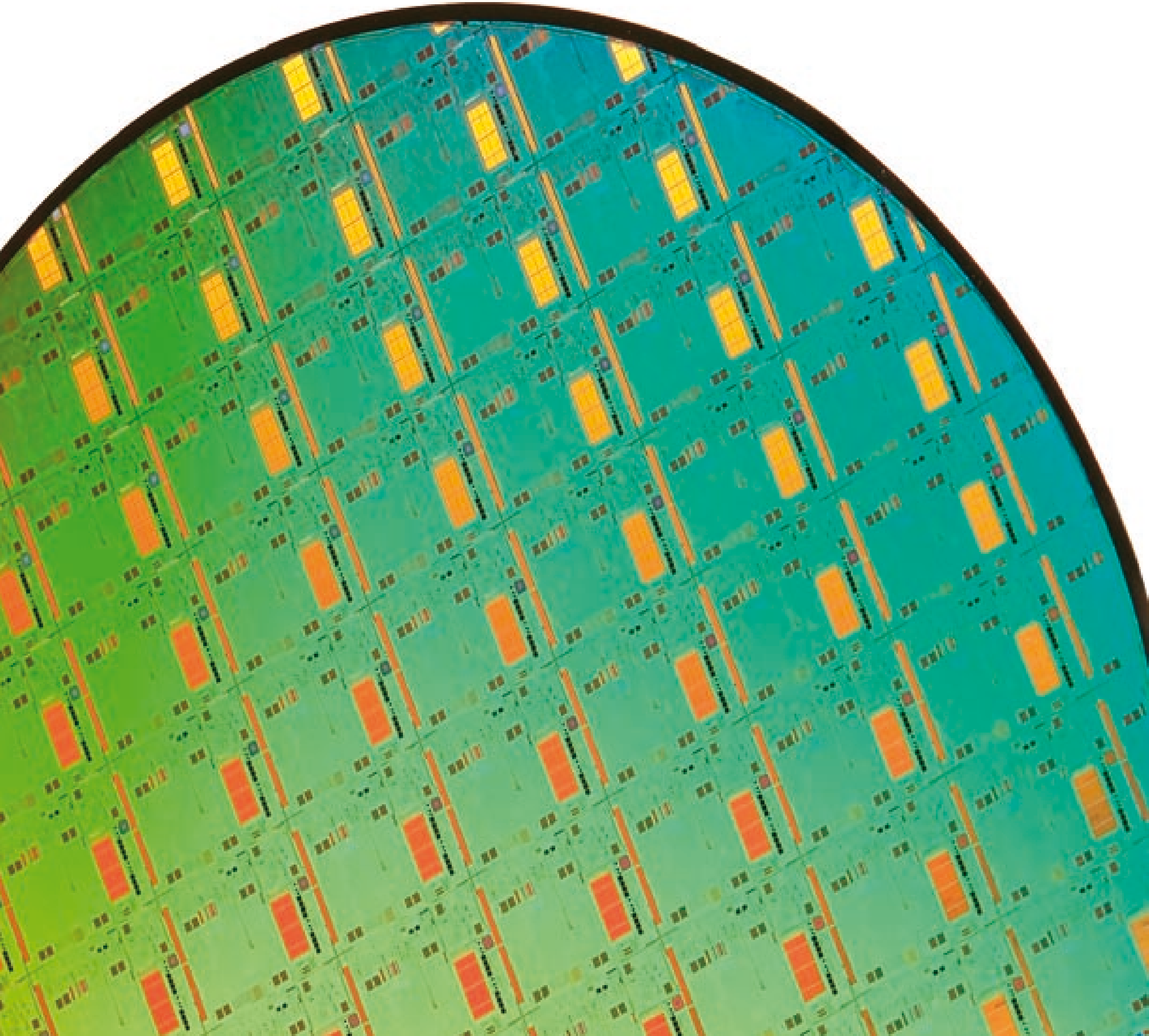
The Samsung 6/7/8/9 series high definition digital TV (HDTV) is the next step to the future of TV technology. As well as delivering an excellent visual and audio experience, the Series 6/7/8/9 is also filled with innovative features to connect consumers to online multimedia content.

One of the most innovative features incorporated into the 6/7/8/9 series HDTV is the ability for the user to display up-to-date information on the TV screen, direct from the internet, without having to boot up a PC.

The 6/7/8/9 series HDTV incorporates an ARM11-based chip manufactured by Samsung's Digital Media division. Samsung have used the ARM processor to connect to the internet and to display streaming web-feeds using an on-screen graphic. News, weather and stock market updates can all be displayed while you are watching TV.

"The ARM processor is used to create a window onto the internet to collect and display up-to-date information on screen. Samsung believes that by starting with "bite-sized" interactive choices, rather than overpowering consumers with too much information, they will conquer aversion to using the TV for surfing and viewing."

Dr. Donghoon Lee, senior vice president of Samsung Digital Media Division



Enabling innovation in physical IP

ARM collaborates with industry leaders to develop advanced physical IP for leading manufacturing processes

ARM, IBM, Chartered Semiconductor Manufacturing Ltd. and Samsung Electronics Co. Ltd, have announced a collaboration in which ARM will develop and license a comprehensive 32 and 28nm physical IP design platform supporting the Common Platform and IBM technologies to enable advanced semiconductor manufacturing processes.

Together ARM, IBM, Chartered and Samsung combine leading R&D and world-class manufacturing of advanced semiconductors for mobile internet devices and other high-performance, low-power consumer electronics.

ARM will deliver the 32nm physical IP platform in 2009 to lead partners. The first commercial 28nm processor should be available in 2010 along with a broader portfolio of optimised physical IP for the ARM Cortex processor family.

"This collaboration with ARM extends IBM's research strategy to the next level, through a common platform for manufacturing to the leading consumer application architecture."

Mike Cadigan, general manager, Semiconductor Solutions, IBM

"The collaboration between ARM and leading manufacturing partners will drive a new level of optimised, power-efficient system-on-chips. This joint development and ecosystem collaboration is the leading model for moving invention to open industry access."

Chia Song Hwee, president and CEO, Chartered

"This collaboration provides our mutual customers with leading design solutions that combine our process breakthroughs in 32nm process technology and ARM optimised low-power, high-performance cores and libraries."

Dr. Chang Sik Choi, executive vice president, Samsung Electronics Co. Ltd.

"This collaboration with ARM extends IBM's research strategy to the next level, through a common platform for manufacturing to the leading consumer application architecture."

Mike Cadigan
general manager, semiconductor solutions
IBM

"The ARM processor is used to create a window onto the internet to collect and display up-to-date information on-screen. Samsung believes that by starting with "bite sized" interactive choices, rather than overpowering consumers with too much information, they will conquer aversion to using the TV for surfing and viewing."

Dr. Donghoon Lee
senior vice president of Samsung Digital
Media Division

The semiconductor industry has changed radically over the past two decades. In the 1980s the semiconductor manufacturing process was the key to success, with each company claiming to have a superior process. Today, with world-class chip facilities costing $3 billion or more, specialist foundries have become the source of much semiconductor manufacturing and "fabless" chip companies abound. In 2008, the chip design is the key to success.

the analyst's perspective

by Will Strauss, President & Principal Analyst, Forward Concepts

Forward Concepts is an independent market research provider, principally focusing on the semiconductor industry. Will Strauss is an internationally-recognised authority on markets driven by digital signal processing technology.

A new computer era is now upon us, with continuous access to the internet, video, graphics and rich audio becoming increasingly important to the user. This new era has been enabled by changes in the way that computer chips are designed and built. Forty years ago, engineers designed chips one transistor at a time, limiting the complexity and capability of the chip. Gradually chip design evolved to employing more integrated circuits and then to incorporating advanced microprocessors.

Today's chip designers create complex integrated systems-on-chip (SoCs) incorporating multiple processors, graphics and analog components. These SoCs enable the growing markets of mobile communications and digital multimedia. This market trend strongly favours ARM technology, especially for consumer products that require long battery life for portability.

Designing everything internally limited the scope of products a chip company could make. By licensing complete microprocessors, like those from ARM, chip companies found that they could leverage the work of others and bring their products to market faster. Licensing its processors has enabled ARM to become a major force in the semiconductor industry.

	1980s	**Today**
Key to success	Manufacturing process	Design capability
Chip design complexity	Simple	Systems-on-chip
Fabrication facility	$40 million	>$3 billion
Manufacturing	Provided by internal fabrication facility	Increasingly outsourced
Design	Everything developed internally	Some components licensed in; some designed internally
Partnerships	Few	Extensive network of partners

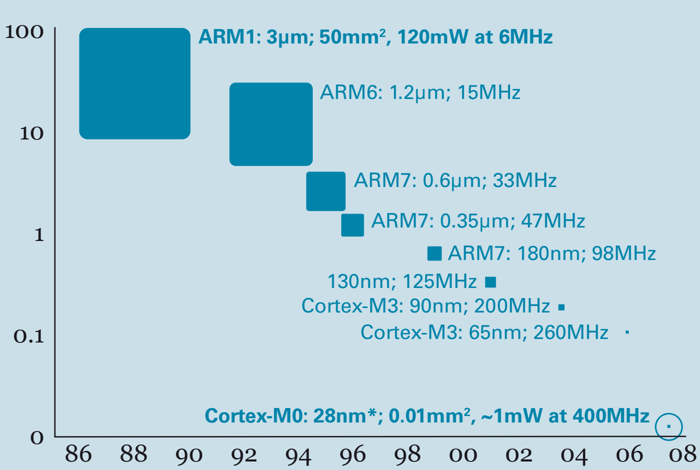
ARM was not the first company to license processor IP, but from the beginning the company distinguished itself by offering lower-power and smaller technology, making its processors ideal for handheld and portable products. ARM quickly found a solid home in personal communications and multimedia products.

ARM processors soon became the brains in a variety of devices, but the company's market breakout was in digital cellphones. With its compact size and energy-conserving design, by the late 1990s the ARM7 family had become the de facto standard processor in cellphones. The ARM7 family was originally paired with wireless modems by major cellular chip suppliers and handled the human interface by controlling the keypad, the display, and the address book and calendar. As the ARM processor families evolved through successively more advanced ARM9 and ARM11 family processors, cellphones gained increased capabilities and began to handle multimedia functions such as audio and video, evolving into the smartphones of today's cellular market.

With the ARM9 family, the company became a powerhouse in the embedded market of hard disk drive controllers – the second-highest unit processor market (after cellphones), with hard disk shipments now more than 500 million annually. Chip companies also began to employ ARM processors at the heart of their own microcontrollers. This engendered competing chip companies, since each could take advantage of the extensive ARM software tools and libraries, but by adding their own peripherals and additional software they are able to differentiate their product from their competitors'. This enabled OEMs to have multiple microcontroller suppliers (and the lower prices that competition brings) but with a commonality that made it easier for software engineers to move from one chip to the other. Now, the semiconductor industry has thousands of software programmers who are trained on ARM processors.

The improvements in ARM processors were the result of new designs, also advances in chip manufacturing capabilities that allowed ARM processors to become faster and lower-power as their physical sizes became smaller. ARM's ability to provide both low-cost and power-efficient solutions has continued.

Scaling the ARM (a)way mm²



* 28nm based on preliminary data.

By 2008, the demand for increasingly sophisticated smartphones, with better video, richer graphics, touch-screen displays and increased connectivity to 3G, Wi-Fi, GPS, BlueTooth and even digital TV, has resulted in cellphones that incorporate five or more ARM technology-based chips. This is clearly a trend that will continue as fourth-generation cellular networks enable increased data speeds, even richer video experiences over the wireless internet, including new location-based services, video-conferencing and better access to popular social websites like YouTube and Facebook.

The recent introduction of the powerful ARM Cortex-A processors also brought signal processing and richer graphics to the market. Companies making chips for cellphones and other portable devices, like personal media players, Mobile Internet Devices (MIDs) and so-called netbooks, were quick to incorporate the Cortex-A processor into their roadmaps. These chips have evolved PC-like functionality. Personal media players based on the Cortex-A processor began shipping in 2008 and cellphones, MIDs and netbooks employing the architecture have been announced by several licensees for volume production in 2009.

The company is also improving the low end with the fast-growing Cortex-R and Cortex-M processors that serve market segments made popular by the earlier ARM products, but as smaller, more power-efficient processor designs.

With a continuing focus on reducing development cost, chip companies are looking at outsourcing beyond processor design, enabling more complex designs without growing development costs. To serve this growing demand, ARM has expanded into the "physical IP" market, providing libraries of licensable elements that are the basic building blocks used in every chip design. This is a new and evolving market, and there are competitive alternatives to ARM technology. Time will tell the extent to which chip companies choose to outsource physical IP and whether ARM will be the successful supplier.

In 2009 the semiconductor industry will be a challenging business environment. As well as uncertainty in the world economy, the semiconductor industry is characterised by rapid technology change and business model innovation. ARM is well positioned to succeed in an industry that continues to outsource technology design as complexity and costs increase, and has demonstrated it is an effective innovator of both technology and business model.

Will Strauss
February 2009

Financial review

Financial performance in 2008 was pleasing against a challenging economic environment. ARM's dollar revenue grew 6% compared with an industry decline of 4%.

Performance
The Group's key financial performance indicators include dollar revenue, margin and earnings per share. Non-financial key performance indicators include the number of ARM technology-based chips sold and licences signed. These are discussed as part of this review.

Revenues
Total revenues for the year ended 31 December 2008 amounted to £298.9 million (2007: £259.2 million). In US dollar terms, revenues grew from $514.3 million in 2007 to $546.2 million in 2008, an increase of 6%. Due to the significant strengthening of the US dollar in the second half of 2008, the actual average dollar exchange rate for ARM in 2008 was $1.83 compared to $1.98 in 2007. As a result, the sterling revenue growth of 15% is higher than the underlying US dollar revenue growth.

Total licensing revenues in 2008 were £103.5 million, being 35% of total revenues, compared to £110.7 million or 43% of total revenues in 2007. In US dollars, total licensing revenues in 2008 were $189.7 million compared to $217.9 million in 2007, a decrease of 13%.

Royalty revenues in 2008 were £147.7 million, representing 49% of total revenues in the year, compared to £104.1 million or 40% of total revenues in 2007. Total royalty revenues in US dollars in 2008 were $266.8 million, up 28% from $208.8 million in 2007.

Sales of development systems in 2008 were £31.1 million, being 10% of total revenues, compared to £27.9 million, or 11% of total revenues in 2007. Development systems revenues in US dollars were up 4% in 2008 to $57.8 million from $55.6 million in 2007. Service revenues, which include consulting services and revenues from support, maintenance and training, were £16.6 million in 2008, representing 6% of total revenues, compared to £16.5 million, or 6% of total revenues, in 2007. Service revenues in US dollars were slightly down at $31.9 million, compared to $32.0 million in 2007.

Licensing revenues
Total licensing revenues for 2008 were £103.5 million, comprising £79.3 million from the Processor Division (PD) and £24.2 million from the Physical IP Division (PIPD). In US dollars, PD licensing revenues were $145.1 million (down 11% on $163.5 million in 2007) and PIPD was $44.6 million (down 18% on $54.4 million in 2007).

Although PD licensing was lower than in 2007 after three years of strong growth, PD licensing comprised a rich mix from all processor families with about half of the licences being for the established ARM7, ARM9 and ARM11 families and half being for the newer Cortex processors and Mali 3D graphics processors. 61 new licences were signed in 2008, with 10 of the top 20 semiconductor companies re-equipping themselves with the latest technologies. In addition, four leading OEMs licensed ARM processor technology directly.

ARM customers are using our processors in an increasingly diverse range of applications; only about one-third of the licences signed in 2008 were for mobile applications, the majority were for applications such as digital TV, networking and automotive.

Since the acquisition of Artisan® in 2004, ARM's Physical IP Division has been engaged in an accelerated technology development phase, creating products suitable for licensing by tier 1 semiconductor companies who are just beginning to consider out-sourcing their chip manufacturing and physical IP development. At the beginning of 2008, this phase was largely complete and ARM has been able to demonstrate market and technology leadership through the licensing of physical IP to leading semiconductor companies. During the year, eight leading semiconductor manufacturers licensed ARM 45/40nm physical IP technology, including STMicroelectronics. In addition, leading foundries Chartered, IBM and Samsung all licensed ARM to develop 32nm and 28nm technology for their next generation manufacturing process.

Royalty revenues and unit shipments
Total royalty revenues for 2008 were £147.7 million, comprising £125.5 million (2007: £88.0 million) from PD and £22.2 million (£16.1 million) from PIPD. Royalties in PD came from record unit shipments of 4.0 billion, up 38% compared with 2.9 billion units in 2007. Dollar royalty revenues earned in PD were $226.5 million, up 28% on 2007.

ARM's unit shipments grew strongly during 2008. Mobile devices used 40% more ARM technology-based chips in 2008 than in 2007, with an average of 1.9 ARM technology-based chips per mobile phone. Beyond mobile, ARM units grew 45% driven by strong growth in digital TVs (50% growth), hard disk drives (up 60%)

Selected financial data

Under IFRS	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Revenues	**298,934**	259,160	263,254	232,439	152,897
Cost of revenues	**(32,878)**	(28,105)	(30,877)	(26,610)	(12,240)
Gross profit	**266,056**	231,055	232,377	205,829	140,657
Total net operating expenses	**(206,113)**	(191,361)	(183,129)	(170,672)	(112,328)
Profit from operations	**59,943**	39,694	49,248	35,157	28,329
Investment income, net	**3,246**	5,402	6,758	5,317	6,944
Profit before tax	**63,189**	45,096	56,006	40,474	35,273
Tax	**(19,597)**	(9,846)	(7,850)	(10,827)	(9,398)
Profit for the year	**43,592**	35,250	48,156	29,647	25,875
Dividends paid	**26,383**	18,547	12,367	10,436	8,975
Capital expenditure	**8,720**	5,444	8,559	6,064	5,036
Research and development expenditure	**87,588**	83,977	84,884	80,273	54,674
Cash, short- and long-term investments	**78,789**	51,323	128,494	160,902	142,817
Shareholders' funds	**740,343**	579,162	660,926	746,847	642,538
Employees at end of year (number)	**1,740**	1,728	1,659	1,324	1,171

The following table shows non-GAAP measures used in this annual report, including reconciliations from the IFRS GAAP measures. They exclude acquisition-related charges, share-based compensation charges and restructuring charges, and profit on disposal or impairments of available-for-sale investments.

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Profit from operations (per GAAP income statement)	**59,943**	39,694	49,248	35,157	28,329
Operating margin	**20.1%**	15.3%	18.7%	15.1%	18.5%
Acquisition-related charge – amortisation of intangibles	**19,601**	19,195	19,337	17,939	511
Acquisition-related charge – other payments	**382**	1,735	1,057	–	–
Share-based compensation and related payroll taxes	**15,908**	18,387	17,445	21,508	8,210
Restructuring charges	**1,872**	1,037	–	–	–
Impairment of available-for-sale security	**–**	2,100	(5,270)	–	(392)
Normalised profit from operations	**97,706**	82,148	81,817	74,604	36,658
Normalised operating margin	**32.7%**	31.7%	31.1%	32.1%	24.0%
Investment income, net	**3,246**	5,402	6,758	5,317	6,944
Normalised profit before tax	**100,952**	87,550	88,575	79,921	43,602
Tax (per GAAP income statement)	**(19,597)**	(9,846)	(7,850)	(10,827)	(9,398)
Tax impact of above charges	**(8,524)**	(12,498)	(10,350)	(9,439)	(1,270)
Normalised profit after tax	**72,831**	65,206	70,375	59,655	32,934
Normalised EPS (pence)	**5.66**	4.79	5.02	4.19	3.14
IFRS Diluted EPS (pence)	**3.39**	2.59	3.43	2.08	2.47

Approximately 95% of the Group's revenues are earned in US dollars. As such, dollar revenues are based on actual dollar invoicing where applicable, and using the rate of exchange on the date of the transaction for invoicing in currencies other than dollars.

	2008	2007	2006	2005	2004
Revenues (£'000)	**298,934**	259,160	263,254	232,439	152,897
ARM's effective exchange rate	**1.83**	1.98	1.84	1.80	1.78
Revenues ($'000)	**546,211**	514,301	483,637	418,668	272,410

The operating leverage inherent in the ARM business model, together with cost control and a strong dollar, have given rise to 18% normalised earnings growth in 2008.

and microcontrollers (up 90%). This reflects the trend for companies to use ARM technology in an increasingly diverse range of applications. The first ARM technology-based chips started shipping in the mid-1990s and by the end of 2008 over 14 billion ARM technology-based chips had been shipped by our licensees.

The total number of partners shipping ARM technology-based product at the end of 2008 was 90. 25 companies are paying meaningful royalties for physical IP products at the end of the year.

Gross margin
Gross margins in 2008 were 89.0% compared to 89.2% in 2007. Cost of sales in 2008 includes compensation charges in respect of share-based payments and related payroll taxes of £1.1 million (2007: £1.1 million). Excluding compensation charges in respect of share-based payments and related payroll taxes, gross margins in 2008 were 89.4% (2007: 89.6%). The slightly lower margin, despite a greater share of total revenue from royalties, is as a result of a larger proportion of income earned from revenue-sharing arrangements, with a resultant share being payable to our collaborative partners.

Operating expenses
Over recent years, ARM has acquired a number of companies, giving rise to the recognition of intangible assets other than goodwill. These are amortised over their expected useful lives, with the cost recorded against R&D, sales and marketing or general and administrative expenses as appropriate. In order to aid comparability, these costs have been separately identified as "acquisition-related charges" in the narrative below. In addition, the issuance of ARM share-based remuneration to employees of the Group gives rise to non-cash share-based compensation charges. These are also separately identified in the narrative below.

Total net operating expenses in the year to 31 December 2008 were £206.1 million compared to £191.4 million in 2007. Operating expenses in 2008 include acquisition-related charges relating to amortisation of intangibles of £19.6 million (2007: £19.2 million), other acquisition-related charges of £0.4 million (2007: £1.7 million), impairment of an available-for-sale security of £nil (2007: £2.1 million), restructuring charges of £1.9 million (2007: £1.0 million) and compensation charges in respect of share-based payments and related payroll taxes of £14.8 million (2007: £17.3 million). Excluding these charges, total operating expenses in 2008 were £169.4 million, compared to £150.1 million in 2007.

R&D expenses in 2008 were £87.6 million, representing 29% of revenues. This compares to £84.0 million or 32% of revenues in 2007. Average headcount in this area decreased from 1,163 in 2007 to 1,115 in 2008. R&D expenses in 2008 include total acquisition-related charges of £11.1 million (2007: £11.4 million) and compensation charges in respect of share-based payments and related payroll taxes of £10.7 million (2007: £10.7 million). Excluding these charges, R&D expenses in 2008 were £65.8 million and £61.9 million in 2007, representing 22% and 24% of revenues respectively. The increase in costs is primarily as a result of the strengthening US dollar resulting in our US dollar cost base having a higher sterling equivalent.

Sales and marketing costs in 2008 were £57.4 million or 19% of revenues, compared to £55.3 million or 21% of revenues in 2007. Average headcount in this area increased from 312 in 2007 to 350 in 2008. Sales and marketing costs in 2008 include total acquisition-related charges of £8.1 million (2007: £8.6 million) and compensation charges in respect of share-based payments and related payroll taxes of £2.0 million (2007: £3.6 million). Excluding these charges, sales and marketing costs in 2008 were £47.3 million and £43.0 million in 2007, representing 16% and 17% of revenues respectively.

General and administrative expenses in 2008 were £61.1 million or 20% of revenues, compared to £52.1 million or 20% of revenues in 2007. Average headcount in this area increased from 226 in 2007 to 246 in 2008. General and administrative expenses in 2008 include total acquisition-related charges of £0.9 million (2007: £0.9 million), restructuring charges of £1.9 million (2007: £1.0 million), impairment of an available-for-sale security of £nil (2007: £2.1 million), and compensation charges in respect of share-based payments and related payroll taxes of £2.1 million (2007: £2.9 million). Excluding these charges, general and administrative expenses in 2008 were £56.2 million, compared to £45.2 million in 2007, representing 19% and 17% of revenues respectively. The increase in costs in this area not only reflects the increases as a result of US dollar cost translation, but also the impact of accounting for derivative and other foreign exchange instruments which has given rise to a net charge in the year of approximately £3.0 million.

The Group has established treasury policies aimed both at mitigating the impact of foreign exchange fluctuations on reported profits and cash flows and at ensuring appropriate returns are earned on the Group's cash resources.

Operating margin
The operating margin in 2008 was 20.0% compared to 15.3% in 2007. The operating margin in 2008, excluding acquisition-related charges of £20.0 million, restructuring charges of £1.9 million and compensation charges in respect of share-based payments and related payroll taxes of £15.9 million, was 32.7% compared to 31.7%, before acquisition-related charges of £20.9 million, restructuring charges of £1.0 million, impairment of an available-for-sale security of £2.1 million, and compensation charges in respect of share-based payments and related payroll taxes of £18.4 million in 2007.

Earnings and taxation
Profit before tax in 2008 was £63.2 million compared to £45.1 million in 2007. Profit before tax in 2008, excluding acquisition-related charges of £20.0 million, restructuring charges of £1.9 million, and compensation charges in respect of share-based payments and related payroll taxes of £15.9 million, was £101.0 million or 33.8% of revenues. This compares to £87.5 million, before acquisition-related charges of £20.9 million, restructuring charges of £1.0 million, impairment of an available-for-sale security of £2.1 million, and compensation charges in respect of share-based payments and related payroll taxes of £18.4 million, or 33.8% of revenues in 2007.

The Group's effective taxation rate in 2008 was 31.0%, compared to 21.8% in 2007. This increase was primarily due to the accounting for deferred tax on share-based remuneration in the respective years and timing of recognition of benefits of restructuring.

Fully diluted earnings per share in 2008 were 3.4 pence compared to 2.6 pence in 2007. Earnings per fully diluted share in 2008, before acquisition-related charges of £20.0 million, restructuring charges of £1.9 million, and compensation charges in respect of share-based payments and related payroll taxes of £15.9 million and related tax adjustments thereon of £8.5 million, were 5.7 pence, compared to 4.8 pence before acquisition-related charges of £20.9 million, restructuring charges of £1.0 million, impairment of an available-for-sale security of £2.1 million, and compensation charges in respect of share-based payments and related payroll taxes of £18.4 million and related tax adjustments thereon of £12.5 million, in 2007.

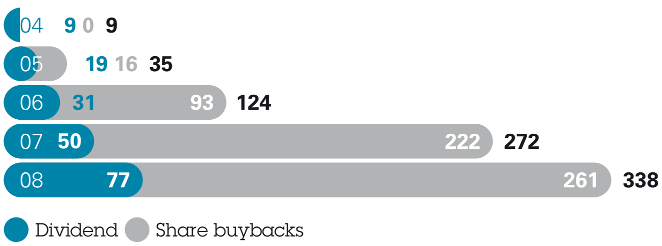
Balance sheet and cash flow
Goodwill at 31 December 2008 was £567.8 million, compared to £420.8 million at 31 December 2007. The increase in goodwill in 2008 is due primarily to foreign exchange movements, given the significant strengthening of the US dollar against sterling from $1.99 at 31 December 2007 to $1.46 at the end of 2008. Goodwill is not amortised under IFRS but is subject to impairment review on at least an annual basis. The review performed in 2008 concluded that no impairment was required.

Other intangible assets at 31 December 2008 were £45.1 million, compared to £44.3 million at 31 December 2007. The movement in other intangible assets in 2008 primarily reflects foreign exchange movements, the additions of software and licences to third-party technologies and intangibles acquired upon the acquisition of Logipard AB, offset by amortisation of the intangible assets. Further analysis can be found in note 17 to the financial statements. Other intangible assets are amortised through the income statement over their estimated useful lives to the Group. Accounts receivable at 31 December 2008 were £76.9 million, compared to £68.2 million at 31 December 2007. The allowance against receivables was £1.7 million at 31 December 2008, compared to £1.5 million at 31 December 2007. Deferred revenues were £29.9 million at 31 December 2008, compared to £27.5 million at the end of 2007.

Resources available
The consolidated cash, cash equivalents, short-term investments and marketable securities balance was £78.8 million at 31 December 2008 compared to £51.3 million at 31 December 2007. The cash generative nature of the ARM business allowed the Group to grow its cash balance as well as continuing its share buyback programme and dividend payments (see below) in the year. Free cash flow for the Group in 2008 was £91.2 million (2007: £57.1 million).

Interest receivable
Net interest receivable was £3.2 million for 2008 compared to £5.4 million in 2007. The reduction is due to lower interest rates and the reduced average cash balances held by the Group during the year (even though cash grew over the year, the average balance in 2008 was lower than in 2007 as a result of returns to shareholders in the latter part of 2007).

Cumulative cash returned £m



Reliable cash generation allows dividend growth.

Returns to shareholders

Dividend

The directors recommend payment of a final dividend in respect of 2008 of 1.32 pence per share, which, taken together with the interim dividend of 0.88 pence per share paid in October 2008, gives a total dividend in respect of 2008 of 2.2 pence per share, an increase of 10% over 2.0 pence per share in 2007. Subject to shareholder approval, the final dividend will be paid on 20 May 2009 to shareholders on the register on 1 May 2009. Total dividends actually paid in 2008 amounted to £26.4 million (2007: £18.5 million).

Share buyback programme

In 2008, the Group continued its share buyback programme to supplement dividends in returning surplus funds to shareholders. During the year, the Company bought back 41.2 million shares (2007: 94.5 million) at a total cost of £40.3 million (2007: £128.6 million).

Since the introduction of dividend payments in 2004 and commencing the share buyback programme in July 2005, £338 million has been returned to shareholders and 213 million shares, being 15.9% of issued share capital, have been bought back. This has contributed to a net reduction in the fully diluted shares in issue from 1,424 million in 2005 to 1,286 in 2008.

Capital structure

The authorised share capital of the Company is 2,200,000,000 ordinary shares of 0.05 pence each (2007: 2,200,000,000). The issued share capital at 31 December 2008 was 1,344,055,696 ordinary shares of 0.05 pence each (2007: 1,344,055,696). As a result of the buyback programme, the Company owns 91,160,488 of its own shares at 31 December 2008 (2007: 65,201,176).

Treasury policies and objectives

The Group has established treasury policies aimed both at mitigating the impact of foreign exchange fluctuations on reported profits and cash flows and at ensuring appropriate returns are earned on the Group's cash resources.

With more than 95% of Group revenues earned in US dollars and approximately 40–45% of Group costs being incurred in US dollars, the Group has a significant exposure to movements in the exchange rate between the US dollar and sterling. This exposure is partially mitigated by an ongoing hedging programme, involving forward contracts and option contracts where appropriate. As mentioned, the US dollar strengthened by approximately 30% during 2008, which overall had a positive impact on the Group's results, with increased revenues exceeding the increased costs.

Principal risks and uncertainties

In line with the guidance for the preparation of an operating and financial review, certain risk factors faced by the Group are identified in the trends, risks and opportunities section on pages 16 and 17. Furthermore, due to economic uncertainties in our key markets, many industries may delay or reduce technology purchases and investments. The impact of this on ARM is difficult to predict, but semiconductor companies may defer the licensing of our technology and require fewer support services, OEMs may require fewer development tools, service providers may delay the roll-out of new services and consumers may choose not to purchase new electronic products. In such circumstances our revenues could decline, leading to an adverse effect on the results of our operations and could have an adverse effect on our financial condition. A more detailed description is included in the Group's annual report on Form 20-F. Details of the Group's internal control and risk management procedures are included in the corporate governance report on page 24.

Tim Score, Chief Financial Officer

Trends, risks and opportunities

Trends

Risks

Licensing: consolidation of customers

The semiconductor industry goes through cycles which include periods of increased consolidation, especially when revenue growth declines.

In 2008, there were several examples of ARM's customer base consolidating either through acquisition of entire companies or one company acquiring the division of another. This trend appears to be particularly marked in the wireless baseband business, where ARM has a large market share.

About half of ARM's revenue comes from direct sales to semiconductor companies. If there are fewer semiconductor companies, then ARM may have fewer customers to sell to.

Two-thirds of ARM's unit shipments come from wireless devices, so consolidation of this part of the industry could represent a loss to ARM's future licensing business.

In addition, due to reductions in venture capital funding, there may be fewer technology start-ups to replace a reduction in the number of customers.

Mobile: convergence of smartphones and laptops

Smartphones are getting smarter and laptops are getting smaller and more portable. This is creating an opportunity for smartphone technology to crossover into laptops and laptop technology to cross over into smartphones.

Consumers want portable products that keep them connected to their social and business networks, have an all-day battery life and are simple to use.

The main processor in a laptop is typically based on the x86 architecture. It has been announced that smaller and lower-power x86-based chips are being worked on that will be suitable for the main processor in a smartphone. There is therefore competition from large, well-funded companies that have demonstrated advanced technology and aggressive marketing strategies. They are capable of reducing ARM's market share in smartphone application processors and hindering any market share gains that might be made by ARM licensees in laptops.

Non-mobile: competing in microcontrollers

Although growing strongly, in 2008 ARM had only a 10% market share of the 2.6 billion unit microcontroller market. This market is characterised by a large number of proprietary processor architectures, being developed by many semiconductor companies, who sell very low-cost chips into a highly fragmented end market.

It could be difficult for ARM to be successful in the microcontroller market. ARM will need to displace many established in-house processor designs.

ARM may invest a lot of effort and cost to achieve modest penetration. As the microcontroller chips are low-cost, the royalty revenue per device will also be lower.

Physical IP: outsourcing by semiconductor companies

As semiconductor manufacturing has become increasingly expensive, most chip companies are considering whether to outsource their manufacturing facilities to specialist foundries. This creates a new opportunity for chip companies to outsource their physical IP R&D. As all chips require physical IP technology, this could be a larger market than processors.

Currently, most major chip companies develop their physical IP using their in-house teams. Even for companies that have outsourced manufacturing, the rate at which they want to outsource physical IP is unclear.

The foundries may choose to develop the physical IP. This would add more value to their customers and help create "lock-in" by making it harder for the customer to change foundry. There are also other independent physical IP suppliers who compete in this market.

Opportunities

Saving cost is often a major driver when two semiconductor companies come together. ARM works with the merged company to demonstrate how increased cost savings may be realised through the adoption of ARM as a common technology across more divisions in the merged company.

None of the consolidation we have seen to date has had a meaningful impact on ARM's licensing opportunity as much of the consolidation consisted of companies selling divisions, where both companies remained ARM licensees after completion of the transaction.

In addition, as about two-thirds of ARM's licences are signed for non-mobile applications, much of ARM's licensing opportunity is beyond wireless.

Technology start-ups account for a very small proportion of ARM's revenues although every quarter throughout 2008 new customers came to license their first ARM processor.

ARM technology-based chips for smartphones are significantly lower-cost and lower-power than current products available based on x86. ARM's licensees have announced chips that are suitable for netbooks and laptops, and they regard this market as a growth opportunity.

The ARM community is working with software companies and OEMs to ensure that a complete ecosystem of PC-class software is available, and that our shared experience in developing portable consumer products enables a new market of low-cost mobile computers.

In addition to the main microprocessor, mobile computers contain many chips that can incorporate ARM-based technology. We expect that most mobile computers could contain 3–5 chips that would increase additional ARM royalty revenues.

ARM believes that it can capture a significant proportion of the microcontroller market as demonstrated by the 90% unit growth rate in 2008. ARM processors are already highly competitive in the 32-bit MCU market and our strategy is to develop technology that enables companies currently using 8- and 16-bit MCUs to migrate to ARM technology-based chips.

As most semiconductor customers already have access to ARM technology, many have already produced MCUs based on ARM7 or ARM9 processor families.

The Cortex-M3 processor was specifically developed for the MCU market and, by the end of 2008, had been licensed 25 times.

In addition, the ARM community is working to ensure that as well as a broad range of ARM technology-based chips, all the software and software tools are available for end-customers using established microcontroller distributors.

ARM is a proven supplier of processor technology to most of the major chip companies in the world. We have developed the most advanced physical IP technology and we were market leaders in the outsourced physical IP market in 2008.

Currently this is a small market that we believe will grow over the medium-term as more major semiconductor companies outsource. ARM can demonstrate significant cost savings for our customers if they outsource physical IP to ARM; and with the combination of advanced physical IP and processor technology we have an unmatched offering.

Board of directors







Doug Dunn, OBE, age 64
Chairman
Doug Dunn joined the board as an independent non-executive director in December 1998 and became non-executive Chairman on 1 October 2006. He was previously President and Chief Executive Officer of ASM Lithography Holding N.V. until his retirement in December 2004. Before joining ASML, he was Chairman and Chief Executive Officer of the Consumer Electronics Division of Royal Philips Electronics N.V. and a member of the board. He was previously Managing Director of the Semiconductor divisions of Plessey and GEC and held several engineering and management positions at Motorola. He was awarded an OBE in 1992. He is a non-executive director of ST Microelectronics N.V., Soitec S.A., and TomTom N.V.

Warren East age 47
Chief Executive Officer
Warren East joined ARM in 1994 to set up ARM's consulting business. He was Vice President, Business Operations from February 1998. In October 2000 he was appointed to the board as Chief Operating Officer and in October 2001 was appointed Chief Executive Officer. Before joining ARM he was with Texas Instruments. He is a chartered engineer, Fellow of the Institution of Engineering and Technology, Fellow of the Royal Academy of Engineering and a Companion of the Chartered Management Institute. He is a non-executive director of Reciva Limited and non-executive director and Chairman of the Audit Committee of De La Rue plc.

Tim Score age 48
Chief Financial Officer
Tim Score joined ARM as Chief Financial Officer and director in March 2002. Before joining ARM, he was Finance Director of Rebus Group Limited. He was previously Group Finance Director of William Baird plc, Group Controller at LucasVarity plc and Group Financial Controller at BTR plc. He is a non-executive director and Chairman of the Audit Committee of National Express Group plc.

Tudor Brown age 50
President
Tudor Brown was one of the founders of ARM. Before joining the company, he was at Acorn Computers where he worked on the ARM R&D programme. He joined the board in 2001 and became President in 2008 with responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. His previous roles include Engineering Director and Chief Technology Officer, EVP Global Development and Chief Operating Officer. He is a Fellow of the Institution of Engineering and Technology and is a non-executive director of ANT plc.

Mike Inglis age 49
EVP and General Manager – Processor Division
Mike Inglis joined ARM in 2002 and became EVP and General Manager of the Processor Division in July 2008, having previously been EVP, Sales and Marketing. Before joining ARM, he worked in management consultancy with A.T. Kearney and held a number of senior operational and marketing positions at Motorola, Texas Instruments, Fairchild and BIS Macintosh and gained his initial industrial experience with GEC Telecommunications. He is a chartered engineer and a Member of the Chartered Institute of Marketing. He is a non-executive director of Pace plc.

Mike Muller age 50
Chief Technology Officer
Mike Muller was one of the founders of ARM. Before joining the Company, he was responsible for hardware strategy and the development of portable products at Acorn Computers. He was previously at Orbis Computers. At ARM he was VP, Marketing from 1992 to 1996 and EVP, Business Development until October 2000 when he was appointed Chief Technology Officer. In October 2001, he was appointed to the board.

Simon Segars age 41
EVP and General Manager – Physical IP Division
Simon Segars joined the board in January 2005 and was appointed EVP and General Manager of the Physical IP Division in September 2007. He has previously been EVP, Engineering, EVP, Worldwide Sales and latterly EVP, Business Development. He joined ARM in early 1991 and has worked on many of the ARM CPU products since then. He led the development of the ARM7 and ARM9 Thumb® families. He holds a number of patents in the field of embedded CPU architectures. He is a non-executive director of Plastic Logic Limited.

Lucio Lanza age 64
Independent non-executive director
Lucio Lanza joined the board in December 2004 following ARM's acquisition of Artisan. He was a director of Artisan, from 1996, becoming Chairman in 1997. He is currently Managing Director of Lanza techVentures, an early stage venture capital and investment firm, which he founded in January 2001. In 1990, he joined US Venture Partners, a venture capital firm, as a venture partner and was a general partner. From 1990 to 1995, he was an independent consultant to companies in the semiconductor, communications and computer-aided design industries, including Cadence Design Systems, Inc. and, from 1986 to 1989, was Chief Executive Officer of EDA Systems, Inc. Before that he was at Daisy Systems Corp, as VP of Marketing and later as GM of the EDA division. From 1977 to 1983 he held several positions with responsibility for strategy and innovation at Intel Corp including Chairman of the Microprocessor Strategic business segment. From 1968 to 1977 he was responsible for processor architecture and design at Olivetti Corporation. He is also on the board of directors of PDF Solutions, Inc., a provider of technologies to improve semiconductor manufacturing yields. He holds a doctorate in electronic engineering from Politecnico of Milano.

Kathleen O'Donovan age 51
Independent non-executive director
Kathleen O'Donovan joined the board in December 2006. She is a non-executive director and Chairman of the Audit Committees of Prudential plc, Great Portland Estates plc and Trinity Mirror plc and Chairman of the Invensys Pension Scheme. Previously she was a non-executive director and Chairman of the Audit Committees of the Court of the Bank of England and EMI Group plc and a non-executive director of O2 plc. Prior to that, she was Chief Financial Officer of BTR and Invensys and before that she was a partner at Ernst & Young.

Philip Rowley age 56
Independent non-executive director
Philip Rowley joined the board in January 2005. He was Chairman and CEO of AOL Europe, the interactive services, web brands, internet technologies and e-commerce provider until February 2007. He is a qualified chartered accountant and was Group Finance Director of Kingfisher plc from 1998 to 2001. Prior to that, his roles included Executive Vice President and Chief Financial Officer of EMI Music Worldwide. He is a non-executive director of HMV Group plc and Misys plc and Chairman of Skinkers Limited.

John Scarisbrick age 56
Independent non-executive director
John Scarisbrick joined the board in August 2001. He was CEO of CSR plc from June 2004 until October 2007 and previously worked for 25 years at Texas Instruments (TI) in a variety of roles including as Senior Vice President responsible for TI's $5 billion ASP chip business, President of TI Europe and leader of the team that created TI's DSP business in Houston, Texas. Before joining TI, he worked in electronics systems design roles at Rank Radio International and Marconi Space and Defence Systems in the UK. He is a non-executive director of Intrinsity, Inc and non-executive Chairman of Netronome Systems Inc.

Jeremy Scudamore age 61
Senior independent director
Jeremy Scudamore joined the board in April 2004. He was Chief Executive Officer of Avecia Group (formerly the specialty chemicals business of Zeneca) until April 2006 and previously held senior management positions both in the UK and overseas with Zeneca and ICI. He has been a board member of the Chemical Industries Association and was Chairman of England's North West Science Council. He was also a member of the DTI's Innovation and Growth Team for the Chemical Industry and Chairman of the Innovation Team. He is non-executive Chairman of SkyePharma plc and Oxford Advanced Surfaces plc and a non executive director of Oxford Catalysts Group plc and Plant Health Care plc.

Young Sohn age 53
Independent non-executive director
Young Sohn joined the board in April 2007. He has extensive experience in the semiconductor industry both in Silicon Valley and in Asia. He is CEO of Inphi Corporation, a director of Cymer, Inc. and Audium Semiconductor Limited and an adviser to Panorama Capital, a Silicon Valley based venture capital firm. Previously he was President of the semiconductor products group at Agilent Technology, Inc. and Chairman of Oak Technology, Inc. Prior to that, he was President of the hard drive business of Quantum Corporation and, before that, Director of Marketing at Intel Corporation.

Shareholder information

ARM Holdings plc

Secretary and registered office
Patricia Alsop
110 Fulbourn Road
Cambridge CB1 9NJ
United Kingdom

Registered number 2548782

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH
United Kingdom

Stockbrokers

UBS Limited
2 Finsbury Avenue
London EC2M 2PP
United Kingdom

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP
United Kingdom

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

Shareholder Helpline
0871 384 2139

Depositary

The Bank of New York
101 Barclays Street
New York
New York 10286
United States of America

Legal advisers

UK Law

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom

US Law

Davis Polk & Wardwell
99 Gresham Street
London EC2V 7NG
United Kingdom

Corporate governance

Role of the board
The board is committed to high standards of corporate governance and business integrity, which it believes are essential to maintaining the trust of investors and other stakeholders in the Group. The board provides leadership for the Group and is responsible for setting the Group's strategic aims and standards of conduct, monitoring performance against the business plan and budget prepared by the executive directors and ensuring that the necessary financial and human resources are in place for it to meet its objectives. The board requires all directors and employees to act fairly, honestly and with integrity and they are all subject to a Code of Business Conduct and Ethics, a copy of which is published on the corporate website at www.arm.com. The board has a formal schedule of matters specifically reserved for its decision, which includes the approval of major business matters, policies and operating and capital expenditure budgets. The board is also responsible for sanctioning unusual commercial arrangements such as atypical licence agreements and investments. The board delegates authority to various committees that are constituted within written terms of reference and chaired by independent non-executive directors where required by the Combined Code. The Chairman has primary responsibility for running the board and the Chief Executive Officer has executive responsibilities for the operations and results of the Group and making proposals to the board for the strategic development of the Group. There are clear and documented divisions of accountability and responsibility for the roles of Chairman and Chief Executive Officer.

Compliance with the Combined Code
The Group complies, and complied throughout 2008, with the Combined Code 2006. There are three elements that make up the Group's corporate governance framework: organisation and structure, the internal control framework and independent assurance. The remainder of this section together with the remuneration report detail how the Group has applied these principles and complies with the provisions of the Combined Code.

Composition and operation of the board
The Combined Code requires that at least half of the board, excluding the Chairman, should comprise independent non-executive directors and the board currently comprises six executive directors, six independent non-executive directors and the Chairman. The Chairman was regarded as independent at the time of his appointment. The executive directors are the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Technology Officer and the General Managers of the Processor and Physical IP Divisions, all of whom play significant roles in the day-to-day management of the business. The board has considered the overall balance between executive and non-executive directors and believes that the number of executive directors is fully justified by the contribution made by each of them. All directors complete conflicts of interest questionnaires and any planned changes in their directorships outside the Group are subject to prior approval by the board.

The board reviews the independence of the non-executive directors on appointment and at appropriate intervals and considers the six non-executive directors to be independent in character, judgement and behaviour, based on both participation and performance at board and committee meetings. There are no relationships or circumstances which are likely to affect the judgement of any of them. Jeremy Scudamore, who has a strong background in industry and commerce, is the senior independent director. In this role, he provides a communication channel between the Chairman and non-executive directors and is available to discuss matters with shareholders, if required. Lucio Lanza, John Scarisbrick and Young Sohn all have a broad understanding of the Group's technology and the practices of major US-based technology companies. Philip Rowley and Kathleen O'Donovan are both financial experts with strong financial backgrounds.

The beneficial interests of the directors in the share capital of the Company are set out on page 36. In the opinion of the board, these shareholdings do not detract from the non-executive directors' independent status.

The table below shows directors' attendance at scheduled meetings and conference calls or ad hoc meetings which they were eligible to attend during the 2008 financial year:

	Scheduled board meetings	Board conference calls/ad hoc meetings	Audit committee	Remuneration committee	Nomination committee
Number	**7**	**3**	**4**	**3**	**2**
Doug Dunn	7/7C	2/3	–	–	2/2C
Warren East	7/7	3/3	–	–	–
Tudor Brown	7/7	3/3	–	–	–
Mike Inglis	6/7	3/3	–	–	–
Lucio Lanza	7/7	1/3	4/4	–	2/2
Mike Muller	6/7	3/3	–	–	–
Kathleen O'Donovan	6/7	1/3	4/4	3/3	–
Philip Rowley	6/7	1/3	4/4C	–	2/2
John Scarisbrick*	7/7	2/3	–	2/2*	2/2
Jeremy Scudamore	6/7	1/3	4/4	3/3C	–
Tim Score	7/7	3/3	–	–	–
Simon Segars	5/7	2/3	–	–	–
Young Sohn	7/7	1/3	4/4	3/3	–

* John Scarisbrick was appointed to the remuneration committee on 24 September 2008.
C Chairman.

In the event that directors are unable to attend a meeting or a conference call they receive and read the papers for consideration at that meeting and have the opportunity to relay their comments and if necessary to follow up with the Chairman or the Chief Executive Officer after the meeting. During 2008, the Chairman held at least two meetings with the non-executive directors without the executives present and the non-executive directors met on at least one occasion without the Chairman being present.

The directors have the benefit of directors' and officers' liability insurance and there is an established procedure for individual directors, who consider it necessary in the furtherance of their duties, to obtain independent professional advice at the Group's expense. In addition, all members of the board have access to the advice of the Company Secretary.

Information and communication with shareholders

Before each meeting, the board is furnished with information concerning the state of the business and its performance in a form and of a quality appropriate for it to discharge its duties. The ultimate responsibility for reviewing and approving the annual report and accounts and the quarterly reports, and for ensuring that they present a balanced assessment of the Group's position, lies with the board. The board delegates day-to-day responsibility for managing the Group to the executive committee and has a number of other committees, details of which are set out below.

The board makes considerable efforts to establish and maintain good relationships with shareholders. The main channel of communication continues to be through the Chief Executive Officer, the Chief Financial Officer and the Director of Investor Relations, although the Chairman, the senior independent director and the other non-executive directors remain willing to engage in dialogue with major shareholders as appropriate.

There is regular dialogue with institutional shareholders throughout the year other than during close periods. The board also encourages communication with private investors and part of the Group's website is dedicated to providing accurate and timely information for all investors including comprehensive information about the business, its Partners and products, all press releases, RNS and Securities and Exchange Commission (SEC) announcements. At present, around 20 analysts write research reports on the Group and their details appear on the Group's website. Shareholders can also obtain telephone numbers from the website, enabling them to listen to earnings presentations and audio conference calls with analysts; and in addition, webcasts or audiocasts of key presentations are made available through the website. Members of the board, including some of the non-executive directors, attend the annual analyst and investor day and develop an understanding of the views of major shareholders through any direct contact that may be initiated by shareholders, or through analysts' and brokers' briefings. The board also receives feedback from the Group's brokers and financial PR advisers, who obtain feedback from analysts and brokers following investor roadshows. All shareholders may register to receive the Group's press releases via the internet.

The board actively encourages participation at the Annual General Meeting, scheduled for 14 May 2009, which is the principal forum for dialogue with private shareholders. A presentation is made outlining recent developments in the business and an open question-and-answer session follows to enable shareholders to ask questions about the business in general.

The resolutions put to shareholders at the meeting and the voting results will be published via RNS and the SEC and will be available on the Group's website.

Board evaluation, induction and training

The board undertakes an annual board evaluation. During 2008, this exercise was conducted internally with each director completing a questionnaire and was led by the Chairman and facilitated by the Company Secretary. The evaluation covered board performance, processes, committees, composition, skills and director induction. The overall conclusion was that individual board members are satisfied that the board works well. They are also satisfied with the contribution made by their colleagues and that board committees operate properly and efficiently. Various recommendations resulted from the evaluation which have been discussed by the board and will be acted upon by the board in 2009, as appropriate. In particular, time is now allocated at board meetings and conference calls for discussions between the non-executive directors with and without the Chairman present and the Chairman will meet regularly with members of the executive committee in 2009. Further, the Chief Executive Officer will meet each non-executive director individually at least once per year. It is intended that there will be a further board evaluation each year, involving external consultants as and when the board deems appropriate.

A full, formal induction programme is arranged for new directors, tailored to their specific requirements, the aim of which is to introduce them to key executives across the business and to enhance their knowledge and understanding of the Group and its activities. The Group has a commitment to training and all directors, executive or non-executive, are encouraged to attend suitable training courses at the Group's expense.

Executive committee
The executive committee is responsible for implementing the strategy approved by the board. Among other things, this committee is responsible for ensuring that the Group's budget and forecasts are properly prepared, that targets are met, and for generally managing and developing the business within the overall budget. Variations from the budget and changes in strategy require approval from the main board of the Group. The executive committee, which meets monthly, comprises the Chief Executive Officer, Chief Financial Officer, the President, the Chief Operating Officer, the Chief Technology Officer, the General Managers of the Processor, Physical IP, System Design and Media Processing Divisions, the EVP Human Resources, the General Counsel, the EVP Sales, the VP Marketing and the Company Secretary and meetings are attended by other senior operational personnel, as appropriate. Biographies of the members of the executive committee appear on the Group's website.

Audit committee
The audit committee has written terms of reference which are published on the corporate website at www.arm.com. The committee has responsibility for, among other things, monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and for reviewing any significant financial reporting judgements contained in them; reviewing the effectiveness of the Group's internal controls over financial reporting and providing oversight of the Group's risk management systems; making recommendations to the board in relation to the appointment, remuneration and resignation or dismissal of the Group's external auditors; reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process; developing and implementing policy on the engagement of the external auditors to supply non-audit services and considering compliance with legal requirements, accounting standards, the Listing Rules of the Financial Services Authority and the requirements of the SEC.

There is a procedure in place for employees to report areas of concern to management in confidence and, if they prefer, anonymously through a third-party telephone line. The committee receives any such confidential reports from the compliance committee. Two whistleblowing incidents were reported in 2008, both of which were fully investigated and the committee is satisfied that there has been no breach of policies and procedures and that any appropriate remedial action has been taken. There have been no other whistleblowing reports up to 20 March 2009 being the latest practicable date before the printing of this report.

The committee also keeps under review the value for money of the audit and the nature, extent and cost-effectiveness of the non-audit services provided by the auditors. The committee has discussed with the external auditors their independence, and has received and reviewed written disclosures from the external auditors as required by the Auditing Practices Board's International Standard on Auditing (ISA) (UK and Ireland) 260 "Communication of audit matters with those charged with governance", as well as those required by the US Independence Standards Board's Standard No. 1, "Independence discussions with audit committees". To avoid the possibility of the auditors' objectivity and independence being compromised, the Group's tax consulting work is carried out by the auditors only in cases where they are best suited to perform the work. In other cases, the Group has engaged another independent firm of accountants to perform tax consulting work. The Group does not normally award general consulting work to the auditors. From time to time, however, the Group will engage the auditors to perform work on matters relating to human resources and royalty audits. The Group may also seek professional advice from another firm of independent consultants or its legal advisers.

The current audit committee comprises Philip Rowley (Chairman), Kathleen O'Donovan, Lucio Lanza, Jeremy Scudamore and Young Sohn. Philip Rowley is the financial expert as defined in the Sarbanes-Oxley Act 2002 (US) and Kathleen O'Donovan is also qualified to fulfil this role. Both have recent and relevant financial expertise. The external auditors, Chief Executive Officer, Chief Financial Officer and the Company Secretary attend all meetings in order to ensure that all the information required by the audit committee for it to operate effectively is available. Representatives of the Group's external auditors meet with the audit committee at least once a year without any executive directors being present.

Remuneration committee
A description of the composition, responsibility and operation of the remuneration committee is set out in the remuneration report on page 33. The terms of reference of the remuneration committee are published on the Group's website at www.arm.com.

Nomination committee
The nomination committee leads the process for board appointments and makes recommendations to the board in relation to new appointments of executive and non-executive directors and on succession planning, board composition and balance. The terms of reference of the nomination committee are published on the Group's website at www.arm.com. It is chaired by Doug Dunn and the other members are John Scarisbrick, Lucio Lanza and Philip Rowley. The committee considers the roles and capabilities required for each new appointment, based on an evaluation of the skills and experience of the existing directors. In relation to the appointment of new directors, the services of external search consultancies are generally used. There were no new appointments to the board during 2008.

Internal control/risk management
The Group fully complies with the Combined Code's provisions on internal control, having established procedures to implement the guidance in the Turnbull Report (2005). The board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The board confirms that the necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from this process.

The board of directors has overall responsibility for ensuring that the Group maintains an adequate system of internal control and risk management and for reviewing its effectiveness. Building on the successful achievement of compliance with section 404 of the Sarbanes-Oxley Act 2002 (US) for the 2006 and 2007 financial years, a considerable amount of resource and effort continued to be committed during 2008 and compliance in relation to the 2008 financial year was also successfully completed. This is reported on in more detail in the annual report on Form 20-F that is filed with the SEC. The processes and procedures have been successfully integrated into day-to-day business operations and proven to provide a sustainable solution for ongoing compliance. The board has reviewed the system of internal control, including internal controls over financial reporting, which has been in place for the year under review and up to the date of approval of the annual report. Such systems are designed to manage rather than eliminate the risks inherent in a fast-moving, high-technology business and can, therefore, provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has a number of other committees which contribute to the overall control environment. These include:

Risk review committee
The risk review committee consists of the Chief Technology Officer, the Chief Financial Officer, the Group Financial Controller and the Company Secretary and it receives and reviews quarterly reports from the divisions and corporate functions. The committee is responsible for identifying and evaluating risks which may impact the Group's strategic and business objectives and for monitoring the progress of actions designed to mitigate such risks. The risk review committee reports formally to the executive committee twice a year where its findings are considered and challenged and, in turn, the executive committee reports to the board once a year.

Compliance committee
The compliance committee consists of the General Counsel, the Chief Operating Officer, the Chief Financial Officer, the EVP Human Resources, the VP Corporate Operations, the Chief Information Officer and the Company Secretary. It oversees compliance throughout the business with all appropriate international regulations, trading requirements and standards, including direct oversight of financial, employment, environmental and security processes and policies. The compliance committee has a reporting line to the audit committee.

Disclosure committee
The disclosure committee comprises the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the General Counsel, the Director of Investor Relations and the Company Secretary. It is responsible for ensuring that disclosures made by the Group to its shareholders and the investment community are accurate, complete and fairly present the Group's financial condition in all material respects.

In addition, there is a series of interconnected meetings that span the Group from the weekly management meeting chaired by the Chief Executive Officer, and the weekly business review meeting chaired by the Chief Operating Officer, the purpose of which is to monitor and control all main business activities, sales forecasts and other matters requiring approval that have arisen within the week, to the board meetings of the Group. Each month management reviews with representation from relevant divisions and functions across the Group; revenues, orders booked, costs, product and project delivery dates and levels of defects found in products in development. The outputs of the weekly business review meeting and the monthly operations meeting are reviewed by the executive committee which, in turn, raises relevant issues with the board of the Group. The processes for identifying, evaluating and managing the significant business, operational, financial, compliance and other risks facing the Group have been in place for the year under review and up to the date of approval of the annual report and financial statements.

As required by the Combined Code, the audit committee has considered whether it would be appropriate for the Group to have its own internal audit function and has concluded that, taking account of its relatively small number of employees and a high degree of centralisation in the way the business is run, this is not appropriate at present. The committee has confirmed this view to the board. The Group has a published management system comprising documented processes and responsibilities across all business functions and operations. As an autonomous part of this system, an operational audit function carries out a programme of audits to assess its effectiveness and efficiency, resulting in continuous maintenance and improvement of the system, adapting to changes in business operations as necessary. To demonstrate compliance with the Sarbanes-Oxley Act, the audit function also maintains the documented controls over financial reporting and confirms the operation of them either by direct testing or through a monitored self-assessment programme. The management system is audited externally by Lloyd's Register Quality Assurance for compliance with ISO9001:2000 and to support the Sarbanes-Oxley compliance activity.

Any significant control failings identified through the operational audit function or the independent auditors are brought to the attention of the compliance committee and undergo a detailed process of evaluation of both the failing and the steps taken to remedy it. There is then a process for communication of any significant control failures to the audit committee.

Environmental, social, corporate governance and ethical policies
While the Group is accountable to its shareholders, it also endeavours to take into account the interests of all its stakeholders, including employees, customers and suppliers and the local communities and environments in which it operates. The Chief Financial Officer takes responsibility for these matters, which are considered at board level. A corporate responsibility (CR) report is on pages 26 and 27 of this report and a more detailed version is available via the Group's website www.arm.com. The company's Code of Business Conduct and Ethics is also available on the Group's website and the Group regularly monitors employees' awareness of Group policies and procedures, including ethical policies. The Group also operates a whistleblowing policy which provides for employees to have access to senior management to raise concerns in strict confidence about any unethical business practices. There is also a facility to make reports by telephone to an independent third party through a whistleblowing hotline.

As a company whose primary business is the licensing of IP, employees are highly valued and their rights and dignity are respected. The Group strives for equal opportunities for all its employees and does not tolerate any harassment of, or discrimination against, its staff. The Group endeavours to be honest and fair in its relationships with its customers and suppliers and to be a good corporate citizen respecting the laws of the countries in which it operates.

The Group's premises are composed entirely of offices since it has no manufacturing activities. Staff make use of computer-aided design tools to generate IP. This involves neither hazardous substances nor complex waste emissions. With the exception of development systems products, the majority of "products" sold by the Group comprise microprocessor core and physical IP designs that are delivered electronically to customers.

A number of initiatives in this area have continued in 2008. The Group's environmental policy is published on its website within the CR report. An environmental action plan is implemented through various initiatives. These include monitoring energy usage, resource consumption and waste creation so that targets set for improvement are realistic and meaningful, ensuring existing controls continue to operate satisfactorily and working with suppliers to improve environmental management.

In line with the Companies Act 2006, the articles of association enable the Company to send information to shareholders electronically and make documents available through the website rather than in hard copy, which provide both environmental and cost benefits. Shareholders can opt to continue receiving a printed copy of the annual report if they prefer.

Health and safety
Although ARM operates in an industry and in environments which are considered low risk from a health and safety perspective, the safety of employees, contractors and visitors is a priority in all ARM workplaces world-wide. Continual improvement in safety management systems is achieved through detailed risk assessments to identify and eliminate potential hazards and through occupational health assessments for employees. More detail about the Group's approach to environmental matters and health and safety is included in the CR report on pages 26 and 27.

By order of the board

Patricia Alsop, Company Secretary

Corporate responsibility

ARM's corporate responsibility programme encompasses accountability to shareholders, commitment to employees and their families, service to our Partners, fostering good relationships with suppliers, involvement in the betterment of local communities and minimising impact on the environment. Within each of these pillars, we focus on continuous improvement measured by internal objectives, external audits and benchmarking.

Employees
ARM endeavours to attract and retain the best people available by being a good and ethical employer. In the UK, ARM participated in the Sunday Times "Best Company to Work For" survey in 2008 and in January 2009, was presented with a 1 star award which means it is a "first class" employer. In 2008 ARM was judged by the UK's Guardian newspaper as a "Top Employer".

Benefits
Employees receive benefits including private medical/healthcare; health, travel and life insurance; pensions/401k plan, sabbaticals and flexible working. ARM aligns the interests of employees and shareholders by providing equity participation through restricted shares under the Employee Equity Plan and the opportunity to buy shares through savings plans. ARM supports family-friendly initiatives such as a child care voucher scheme in the UK and a flexible spending account in the US.

Feedback, development and training
ARM recognises the importance of enabling employees to learn and develop, encouraging each individual to embark on a path of self-betterment using a blend of reflection and feedback, coaching, mentoring, training and education. At least once a year, employees and managers have a formal discussion on performance and development through the ARM Feedback and Development System. Training needs are tracked, delivered and progress is monitored through our Learning and Development team, ensuring that the Group's skills base is increased in line with business needs and personal aspirations.

Health and safety
The safety and welfare of employees, contractors and visitors is a priority. ARM has adopted UK health and safety legislation as the global corporate standard due to its depth and breadth and maintains membership of the British Safety Council to reflect this standard. ARM's global internal audit programme, the Facilities Management Review, evaluates health and safety performance across all sites with a goal of consistency of health and safety provision world-wide. We have seen increased awareness from design centre managers of health, safety and welfare issues and their mitigation in 2008, in the results of audits conducted by Lloyds Register Quality Assurance (LRQA).

To date ARM has had no serious issues and retains a very low accident rate – less than two recorded accidents per one hundred employees annually.

Health and safety issues are communicated to employees through various media including the intranet, email and workshops. As part of ARM's induction process, an extensive workshop introduces new employees to health and safety issues in their office.

Suppliers
ARM has relatively few suppliers, but the Company engages in dialogue with larger vendors to assess their CR credentials. ARM evaluates suppliers on several factors including vendor policies (where applicable) and the reputation of the supplier or contractor. ARM encourages suppliers and contractors to abide by its Human Rights and Ethical Trading Policy. ARM continues to work with suppliers and service providers to minimise environmental impact, wherever practicable.

Local communities
ARM believes a good corporate citizen invests in and engages with local communities.

Business community
ARM is a founding member of both The Learning Collaboration (TLC) and the Cambridge Network as well as a founding sponsor of the Electronics Knowledge Transfer Network. In 2008, ARM co-founded the Cambridge Business Lectures. Four lectures were held in 2008 with combined attendance of more than 1,000. The lectures are free to participants through corporate sponsorship.

Youth and education
ARM supports educational endeavours through sponsorship of science/IT-related education initiatives and donations of supplies such as redundant computer equipment to schools. We support the Engineering Education Scheme, Young Engineers and Young Enterprise as well as the Cambridge University Entrepreneurs, University of Texas College of Communication, Cambridge University Engineering Society and primary educational establishments.

ARM's University Programme engages with universities in nearly every region of the world, including the EU, North and South America, Australia, India, China and Japan – designing course material, providing technical seminars, donating equipment and software and offering assistance to students. This reflects ARM's commitment to help universities produce graduates with the necessary skills that its Partners need.

Employee volunteering and gift matching programme
ARM encourages employees to support their local communities by providing paid volunteer time and a charitable gift matching programme. Employee volunteering includes acting as school governors, mentors to young people, or volunteers to organise events to raise money for charity. Some employees volunteer time for work on engineering projects with school and college students.

Environment
ARM designs technology at the heart of low-power products across a wide range of application areas. Intelligence within its low-power IP cores can be used to measure, manage and control the environmental performance of consumer electronics and IT equipment, while improving functional performance and reducing carbon footprint. Additionally, ARM can leverage its Connected Community™ of partners to provide complete low-power solutions for products based on the ARM architecture.

ARM's activities do not produce harmful waste or emissions, and the Ethical Investment Research Service (EIRIS) grades ARM as an environmentally "low impact" business. However, ARM recognises the need to mitigate any form of environmental impact. ARM's environmental performance is measured against targets to reduce resource usage, increase reuse and recycling and control carbon emissions.

ARM works with LRQA environmental auditors to develop and improve our environmental management system. LRQA's twice yearly environmental and health and safety themed audits are now integrated with their other accreditation work, which has increased understanding of ARM's environmental objectives among the local management and provided action plans for achieving these objectives. Adopting LRQA's Business Assurance approach provides an independent assessment of the ARM Management System and the various review procedures in place within the company. This approach enables LRQA to verify ARM's compliance with ISO9001:2000 and components of other relevant ISO standards.

In UK offices where ARM procures its own energy, supplies are from renewable sources. The application of a greener policy on energy procurement is being extended to other ARM locations where practicable. For example, the new 92,000 sq ft office in San Jose, California has incorporated some of the building technologies that score towards the Leadership in Energy & Environmental Design (LEED) Green Building Rating System and this principle will be implemented in future sites where feasible. In the UK, ARM decreased CO_2 production by 22% from 2006 to 2007 and by 89% between 2007 and 2008. In 2008, ARM also implemented an off-site regional Data Centre in the US and by centralising these services the number of server rooms distributed across multiple ARM locations was reduced with an associated reduction in environmental impact.

ARM continues to assess its waste management strategies and improve the provision for recycling. Paper, cardboard packaging, glass, aluminum and plastic can be recycled in many locations. In the UK, paper recycling grew by 56% between 2006 and 2007 and by 103% between 2007 and 2008. Likewise the cardboard packaging recycling growth between 2006 and 2007 of 12% saw a further increase of 30% between 2007 and 2008.

Travel
ARM recognises the environmental impact of travel and employees are encouraged to cycle to work, to share car journeys, or to use public transport. Consistent with local custom and practice, bus transport is provided for employees in Bangalore to minimise the environmental impact of individual travel to work and to reduce congestion. In a company of 1,740 people, there are fewer than 30 company cars.

Business travel, particularly by air, is important to maintain ARM's very effective Partner relationships, but ways this can be reduced are regularly reviewed. Video conferencing is utilised where practicable and we are progressively upgrading our equipment to make this option more effective. Data regarding flights is benchmarked with a view to reducing business travel while ensuring that good business relationships are maintained. Despite ARM's increased headcount and number of locations between 2006 and the end of 2008, we have achieved a reduction in flight-related CO_2 production of 3.4% over this period.

Ethics and equal opportunities
ARM recognises its ethical responsibilities to all stakeholders which are manifested in a range of policies and processes. ARM conducts its business with integrity, respecting cultures and the dignity and rights of individuals. The Company has an obligation to promote respect for and observance of human rights and fundamental freedoms for all, without distinction as to colour, ethnic origin, gender, age, religion or similar belief, political or other opinion, disability or sexual orientation.

Business continuity plans
ARM has developed business continuity plans for all of its operations world-wide to enable business to continue should a serious event or incident occur. These plans are designed to protect the interests of ARM's stakeholders and in particular ARM's employees, property and other assets, and to provide facilities and infrastructure to reinstate business operations as quickly as possible after an event. The continual review of these plans forms part of the management review process alongside environmental management and health, safety and welfare.

A more detailed CR report is available on our website at www.arm.com

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2008.

Principal activities and review of business
The principal activities of the Group and its subsidiaries are the licensing, marketing, research and development of RISC-based microprocessors, physical IP and associated systems IP and tools. The nature of the global semiconductor industry is such that most of its business is conducted overseas and, to serve its customers better, the Group has sales offices around the world. These include six offices in the US and offices in Shanghai and Beijing, PR China; Shin-Yokohama, Japan; Seoul, South Korea; Taipei, Taiwan; Kfar Saba, Israel; Paris, France; Munich, Germany and Bangalore, India. Design offices are based in Cambridge, Maidenhead, Sheffield and Blackburn, UK; Sophia Antipolis and Grenoble, France; Leuven-Heverlee, Belgium; Aachen and Grasbrunn, Germany; Trondheim, Norway; Sentjernej, Slovenia; Lund, Sweden; Austin, Texas, Olympia, Washington and San Jose, California in the US and Bangalore, India. More information about the business and key performance indicators are set out in the business review comprising the Chairman's statement on pages 2 and 3, the Chief Executive Officer's review of operations on pages 5 to 8, the financial review on pages 11 to 15 and the corporate responsibility report on pages 26 and 27.

Future developments
The Group's stated objective is to establish a global standard for its RISC architecture, physical IP and other products in the embedded microprocessor and semiconductor markets. The directors believe that, in order to achieve this goal, it is important to expand the number and range of potential customers for its technology. The Group intends to enter into licence agreements with new customers and to increase the range of new technology supplied to existing customers. Relationships will continue to be established with third-party tools and software vendors to ensure that their products will operate with the Group's products. As a result of its position in its industry, the Group is presented with many opportunities to acquire complementary technology or resources and it intends to continue to make appropriate acquisitions from time to time.

Going concern
After dividend payments of £26.4 million and spending £40.3 million on the share buyback programme in 2008, the Group grew its cash, cash equivalents, short-term investments and marketable securities balance to £78.8 million at the end of 2008 from £51.3 million at the start of the year. After reviewing the 2009 budget and longer-term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the parent company.

Dividends
The directors recommend a final dividend in respect of the year to 31 December 2008 of 1.32 pence per share which, subject to approval at the Annual General Meeting (AGM) on 14 May 2009, will be paid on 20 May 2009 to shareholders on the register on 1 May 2009. This final dividend, combined with the interim dividend of 0.88 pence per share paid during the year, makes a total of 2.2 pence per share for the year, an increase of 10% on the total dividend of 2.0 pence per share for 2007.

Share buyback programme
In accordance with the rolling authority given by shareholders at the 2007 AGM, 41.2 million shares (representing 3.1% of the issued share capital) of 0.05 pence each were bought back by the Company in 2008 (2007: 94.5 million shares) at a total cost of £40.3 million (2007: £128.6 million). In 2009 to date, no shares have been bought back, but the buyback programme remains in place and may be used during the year, if appropriate.

Research and development (R&D)
R&D is of major importance and, as part of its research activities, the Group collaborates closely with universities world-wide and plans to continue its successful engagement with Michigan University. Key areas of product development for 2009 include the development of further energy efficient, high-performance engines for both data and control applications such as ARM cores based on symmetric multiprocessor and superscalar technology. The Group is investing in future physical IP development including low-power, low-leakage technologies for both bulk CMOS (complementary metal oxide semiconductor) and SOI (silicon on insulator) processes to ensure leadership in this market. In addition, the Group will deliver development tools, graphics processors and fabric IP to enable its customers to design and programme systems-on-chip (SoCs).

The Group incurred R&D expenses of £87.6 million in 2008, representing 29.3% of revenues, compared with £84.0 million in 2007. R&D expenses have been charged to the income statement since the requirements for capitalisation were not met. The requirements for capitalisation are considered in more detail in note 1 on page 53.

Donations
During the year the Group made donations for charitable purposes of £42,290 (2007: £41,214). The total amounts given for each such purpose were:

Local charities	£14,435
Promotion of education	£1,300
Wider understanding of science, maths and information technology	£18.250
Medical research	£1,005
Relief of poverty	£4,047
Other	£3,253

ARM employees are encouraged to offer their time and expertise to help charities and other groups in need. The Group operates a gift matching system for employee fundraising. The Group does not make any political donations.

Directors in the year
The following served as directors of the Company during the year ended 31 December 2008:

Doug Dunn OBE (Chairman)
Warren East (Chief Executive Officer)
Tim Score (Chief Financial Officer)
Tudor Brown (President from 1 July 2008, previously Chief Operating Officer)
Mike Muller (Chief Technology Officer)
Mike Inglis (General Manager, Processor Division from 1 July 2008, previously EVP Sales and Marketing)
Simon Segars (General Manager, Physical IP Division)
Lucio Lanza (independent non-executive director)
Kathleen O'Donovan (independent non-executive director and financial expert)
Philip Rowley (independent non-executive director and financial expert)
John Scarisbrick (independent non-executive director)
Jeremy Scudamore (senior independent non-executive director)
Young Sohn (independent non-executive director)

(See pages 18 and 19 for the directors' biographies.)

Election and re-election of directors
In accordance with Article 79 of the Group's articles of association, Mike Inglis will retire by rotation at the Company's AGM and will seek re-election at that meeting.

Directors' shareholdings in the Company
The interests of the directors in the Company's ordinary shares of 0.05 pence, all of which were beneficially held, are disclosed in the remuneration report on page 36.

The additional information required for shareholders as a result of the implementation of the EU Takeovers Directive is set out below:

Share capital
As at 31 December 2008, ARM's share capital comprised a single class of ordinary shares of 0.05 pence each and there were 1,344,055,696 ordinary shares in issue (2007: 1,344,055,696) of which 91,160,488 ordinary shares were held in treasury (2007: 65,201,176). The rights attached to treasury shares are restricted in accordance with the Companies Acts. The rights attached to ordinary shares are as follows:

1 On a show of hands at a general meeting, every shareholder present in person (or, in the case of a corporation, present at the meeting by way of a representative) and entitled to vote shall have one vote and every proxy present who has been duly appointed by a shareholder entitled to vote on the resolution has one vote;

2 On a poll, every shareholder present in person (or in the case of a corporation, present at the meeting by way of a representative) or by proxy and entitled to vote shall have one vote for every ordinary share held;

3 Shareholders are entitled to a dividend where declared or paid out of profits available for such purposes; and

4 Shareholders are entitled to participate in a return of capital on a winding-up.

The notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on ARM's website after the meeting.

There are no restrictions on the transfer of ordinary shares in ARM other than:

– Restrictions that may from time to time be imposed by laws and regulations (for example, those relating to market abuse and insider dealing);

– Restrictions that may be imposed pursuant to the Listing Rules of the Financial Services Authority under which certain employees of ARM require the approval of the Company to deal in shares;

– Restrictions on the transfer of shares that may be imposed under article 61.2 of ARM's articles of association or under Part 22 of the Companies Act 2006, in either case following a failure to supply information required to be disclosed following service of a request under section 793 of the Companies Act 2006; and

– Restrictions on transfer of shares held under certain of the Company's employee share plans while they remain subject to the plan.

Substantial shareholdings
The directors are aware of the following substantial interests in the issued share capital of the Company as at 20 March 2009:

	Percentage of issued ordinary share capital
Janus Capital Corporation	13.30%
Thornburg Investment Management	10.17%
Capital Group Companies	9.03%
Fidelity Investments	5.12%
Invesco	4.99%
Wellington Management Company	4.98%
Legal and General Investment Management	3.96%

Save for the above, the Company has not been notified, as at 20 March 2009, of any material interest of 3% or more or any non-material interest exceeding 10% of the issued share capital of the Company.

Appointment of directors
ARM shareholders may by ordinary resolution appoint any person to be a director. ARM must have not less than two and no more than 16 directors holding office at all times. ARM may by ordinary resolution from time to time vary the minimum and/or maximum number of directors.

At each AGM, any director who was elected or last re-elected at or before the AGM held in the third calendar year before the then current calendar year must retire by rotation. A retiring director is eligible for re-election unless the directors have agreed otherwise.

The directors may appoint a director to fill a casual vacancy or as an additional director to hold office until the next AGM, who shall then be eligible for election.

Articles of association
ARM's articles of association may be amended only by a special resolution at a general meeting of shareholders.

Directors' authority
The directors are responsible for the management of the business of ARM and may exercise all powers of ARM subject to applicable legislation and regulation and the memorandum and articles of association.

At the 2008 AGM, the directors were given authority to buy back a maximum number of 127,208,000 ordinary shares at a minimum price of 0.05 pence each. The maximum price was an amount equal to 105% of the average of the closing mid market prices of ARM's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary shares are contracted to be purchased. This authority will expire at the earlier of the conclusion of the 2009 AGM or 14 August 2009.

Accordingly, resolution 9 will be proposed as a special resolution at the 2009 AGM to give ARM authority to acquire up to 126,012,000 ordinary shares following expiry of the current authority. The directors will use this authority only after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall position of ARM. In particular, this authority will be exercised only if the directors believe that it is in the best interests of shareholders generally and will increase earnings per share.

Resolution 7 to be proposed at the 2009 AGM will authorise the directors generally to allot up to £210,020 in nominal amount of ordinary shares, and in addition will authorise the directors to allot up to a further £210,020 in nominal amount of ordinary shares in connection with a "rights issue" (as defined in resolution 7). Further, resolution 8 will authorise the directors to allot ordinary shares (or sell treasury shares) for cash (i) otherwise than in connection with a "pre-emptive offer" (as defined in resolution 8) up to an aggregate nominal amount of £33,600, or (ii) in connection with a pre-emptive offer up to an aggregate nominal amount of £210,020, or (iii) in connection with a rights issue up to a further nominal amount of £210,020, in each case as if section 89(1) of the Companies Act 1985 did not apply to such allotment (or sale). The period of authorisation will in each case expire at the earlier of the conclusion of the 2010 AGM or on 13 August 2010.

Change of control
All of ARM's equity-based plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

There are no significant agreements to which ARM is a party that take effect, alter or terminate upon a change of control.

Disabled persons
The Group has a strong demand for highly qualified staff and disability is not seen to be an inhibitor to employment or career development. In the event of any staff becoming disabled while with the Group, their needs and abilities would be assessed and the Group would, where possible, seek to offer alternative employment to them if they were no longer able to continue in their current role.

Employee involvement
As the Group is an IP enterprise, it is vital that all levels of staff are consulted and involved in its decision-making processes. To this end, internal conferences and communications meetings are held regularly which involve employees from all parts of the Group in discussions on future strategy and developments. Furthermore, employee share ownership is encouraged and all employees are able to participate in one of the Group's schemes to encourage share ownership. The Group has an informal and delegated organisational structure. It does not presently operate any collective agreements with any trade unions.

Policy on payment of creditors
The Group's policy is to pay suppliers before the end of the month following the month of receipt of the invoice, unless terms have been specifically agreed in advance. This policy and any specific terms agreed with suppliers are made known to the appropriate staff and to suppliers on request. Trade creditors of the Group at 31 December 2008 were equivalent to 25 days' purchases for the Group (2007: ten days) and nil days for the Company in both years.

Financial instruments
The Group's financial risk management and policies and exposure to risks in relation to financial instruments are detailed in note 1c.

Essential contracts
There are no parties with whom the Group has contractual or other arrangements which are essential to the business of the Group.

Annual General Meeting (AGM)
The AGM will be held at 110 Fulbourn Road, Cambridge, CB1 9NJ, UK, on 14 May 2009 at 2.30pm. A presentation will be made at this meeting outlining recent developments in the business. The Group will convey the results of proxy votes cast at the AGM and on the website after the AGM. Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to The Company Secretary, ARM Holdings plc, 110 Fulbourn Road, Cambridge CB1 9NJ, UK.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Group will be proposed at the AGM. Details of other resolutions to be proposed at the meeting are set out in the Circular and Notice of AGM 2009 which will be made available to all shareholders together with a proxy card.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report, the directors' remuneration report and the Group and the parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements and the directors' remuneration report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those 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 that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements, that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– Prepare the Group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a report containing a fair view of the business and a description of the principal risks and uncertainties facing the Company and the Group. These are set out in the financial review on pages 11 to 15.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements and the directors' remuneration report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the directors whose names and functions are described in the biographies on pages 18 and 19 confirm that to the best of each person's knowledge and belief:

– The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group; and

– The directors' report and the financial review on pages 11 to 15 include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for ensuring the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
In the case of each of the persons who are directors at the time when the report is approved, the following applies:

– So far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware.

– Each director has taken all the steps that he or she ought to have taken in his or her duty as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

By order of the board

Patricia Alsop, Company Secretary

Remuneration report

Remuneration committee
The remuneration committee has responsibility for determining and agreeing with the board, within agreed terms of reference, the Group's policy for the remuneration of the executive directors and the individual remuneration packages for each executive director. This includes basic salary, annual bonus, the level and terms of conditional awards under the Long Term Incentive Plan and the terms of performance conditions that apply to such benefits, pension rights and any compensation payments. Where the remuneration committee considers it appropriate, the committee will make recommendations in relation to the remuneration of senior management. The committee also liaises with the board in relation to the preparation of the board's annual report to shareholders on the Group's policy on the remuneration of executive directors and in particular the directors' remuneration report, as required by the Companies Act 1985, the Combined Code and the Listing Rules of the Financial Services Authority. The committee's terms of reference are published on the company's website at www.arm.com.

The committee is chaired by Jeremy Scudamore and the other members are Kathleen O'Donovan, Young Sohn and John Scarisbrick, who joined the committee in September 2008. The committee met three times during 2008. Given their diverse experience, these four independent non-executive directors are able to offer a balanced view and international expertise in relation to remuneration issues for the Group. The committee has access to professional advice from external advisers (generally appointed by the Executive Vice President, Human Resources) in the furtherance of its duties and makes use of such advice. During 2008, KPMG provided general advice on remuneration and benefits, including tax advice for employees who are seconded overseas and they also worked on royalty audits and the acquisition of Logipard AB. Linklaters provided legal services in relation to equity plans and corporate matters. Monks provided salary survey data. Deloitte provided salary survey data, royalty audit services and tax training. Kepler Associates provided independent verification of TSR calculations for the Long Term Incentive Plan. The Executive Vice President, Human Resources also provided advice to the committee and to the Group. Monks, which provided salary survey data, is an associate of the Group's external auditor and these services were approved by the audit committee in accordance with the procedure described in the corporate governance report. The Chief Executive Officer and the Executive Vice President, Human Resources, normally attend for part of remuneration committee meetings. No director is involved in deciding his or her own remuneration.

The Deferred Annual Bonus Plan for executive directors and senior managers and the Employee Equity Plan for all other employees were approved by shareholders at the 2006 AGM. These plans brought the Group's remuneration structure more closely in line with UK market norms, increased alignment between remuneration and financial performance and strengthened the retention aspect of the deferred bonus. Cessation of option grants to executive directors (other than in exceptional circumstances) and the reduction from three plans to two for executive directors and senior managers, together with the move away from options to shares for all employees, reduces potential dilution and has simplified remuneration arrangements.

Remuneration policy
The remuneration committee, in its deliberations on remuneration policy for the Group's executive directors, seeks to give full consideration to the principles set out in the Combined Code. The committee is able to consider corporate performance on environmental, social and corporate governance issues when setting the remuneration of executive directors. The committee also monitors developments in accounting for equity-based remuneration on an ongoing basis.

The Group operates a remuneration policy and framework for executive directors designed to ensure that it attracts and retains the high quality management skills necessary to achieve a high level of corporate performance, in line with the best interests of shareholders. This policy seeks to provide rewards and incentives for the remuneration of executive directors that reflect their performance and align with the objectives of the Group. These comprise a mix of performance-related and non-performance-related remuneration. The committee believes that a director's total remuneration should seek to recognise his worth in the external market and, to this end, operates a policy of paying base salaries which are in line with the market median, as part of a total remuneration package which is upper quartile. The committee believes that this is justified, recognising that more than 50% of total potential remuneration is performance-related. The committee obtains information about the external market from various independently published remuneration surveys and is committed to benchmarking the total remuneration package.

However for 2009, recognising current market conditions and the uncertainty over when the global economy will start to improve, the board took the decision to postpone the annual pay review across the Group and to review the situation at the mid year in the light of actual business performance and prospects for the remainder of the year and 2010. This applies to all employees and to the board, including executive and non-executive directors.

The nature of the Group's development has meant that there has been a good deal of focus on the attainment of short-term objectives with a high level of variable remuneration. Since 2007, variable remuneration has consisted of two performance-related elements: annual bonus and a conditional award under the Long Term Incentive Plan. A shareholding guideline is in place for executive directors and certain senior managers, who are required to build up a holding of shares in the Company over a period of five years. The shareholdings may be built up of shares received through earlier grants under the Company's share option schemes and/or the Long Term Incentive Plan and/or the Deferred Annual Bonus Plan and, in the case of executive directors, the required holding is 100% of basic salary.

Incentive arrangements
The remuneration committee aims to ensure that individuals are fairly rewarded for their contribution to the success of the Group. The various incentive schemes that comprise the remuneration packages of executive directors and senior managers are described below.

Deferred Annual Bonus Plan
There is a strong variable element to executive directors' remuneration and a bonus of up to 125% of base salary (after application of a personal performance multiplier which flexes the payment by 0.75 to 1.25) can be earned through the Deferred Annual Bonus Plan (DAB) if all targets are met. The personal performance multiplier depends on the achievement of pre-determined objectives which are reviewed and approved by the committee each year. These include key strategic objectives related to each director's role and responsibilities including compliance with the Management Charter which is designed to foster employee development, understanding of the overall vision and strategy of the Group and good governance.

There is compulsory deferral into shares of 50% of the bonus earned and an opportunity to earn an equity match of up to 2:1, subject to achievement of an EPS performance condition. Deferred shares and any matching shares earned will normally be transferred three years from the date of award. Payment of the bonus for 2008 was subject to the achievement of US dollar revenue and normalised operating profit targets set by the remuneration committee, which were directly related to the Group's financial results. The bonuses payable to executive directors in respect of performance during 2008 are shown in the table on page 41 and are in the range 69.0% to 70.7% of base salary, 50% of which was compulsorily deferred into shares. For 2008, 50% of bonus was dependent on achieving a US dollar revenue target and 50% on achieving a normalised operating profit target. At EPS growth equal to the increase in the Consumer Prices Index (CPI) plus 4% per annum, the deferred shares will be matched on a 0.3:1 basis, rising to 2:1 when EPS growth is in excess of CPI plus 12% per annum. The deferred shares can be forfeited in the event of gross misconduct and the matching shares are subject to forfeiture for "bad leavers".

For 2009, 30% of bonus is dependent on achieving a US dollar revenue target and 70% on achieving a normalised operating profit target, which the committee believes have been set at challenging but motivational levels. These targets are directly related to the Group's financial results and encourage achievement of the Group's short-term financial goals, while the deferral and matching elements encourage a longer term view of the success of the Group. Maximum bonus is 125% of base salary depending on the personal performance multiplier described above.

Existing option schemes
The grant of options under the existing share option schemes ceased in 2006 when the DAB and the Employee Equity Plan were approved by shareholders. The Employee Equity Plan has the facility for option grants to be made, but this will be done only in exceptional circumstances. The existing option grants to executive directors remain available for exercise and vesting in accordance with the rules of the relevant schemes. In line with practice among the Group's peers in the technology sector, there are generally no performance conditions attached to the issue or exercise of discretionary options under the existing schemes, except for those issued to executive directors where performance conditions based on real EPS growth apply. Share options issued to executive directors prior to their appointment to the board of the Group do not have performance conditions attached to them. However, discretionary options issued to executive directors after their appointment to the board of the Group do have performance conditions attached to them. These discretionary options will vest after seven years, but may vest after three years from grant to the extent that the performance conditions are satisfied.

The performance conditions applicable to the Long Term Incentive Plan are described in more detail below and are based on TSR rather than EPS, providing the link to performance against an appropriate peer group.

These performance conditions were selected having regard to the position of the Group within its sector and the nature of the companies against which it competes to attract and retain high calibre employees. The committee believes that the performance conditions represent the correct balance between being motivational and challenging.

Pensions
The Group does not operate its own pension scheme but makes payments into a Group personal pension plan, which is a money purchase scheme. For executive directors, the normal rate of Group contribution is 10% of the executive's basic salary plus additional amounts in accordance with the Group's salary sacrifice scheme. Full details of Group contributions are set out in the directors' emoluments table on page 41.

Service agreements
Executive directors have "rolling" service contracts that may be terminated by either party on one year's notice. These agreements provide for each of the directors to provide services to the Group on a full-time basis and contain restrictive covenants for periods of three to six months following termination of employment relating to non-competition, non-solicitation of the Group's customers, non-dealing with customers and non-solicitation of the Group's suppliers and employees. In addition, each service contract contains an express obligation of confidentiality in respect of the Group's trade secrets and confidential information and provides for the Group to own any intellectual property rights created by the directors in the course of their employment.

The dates of the service contracts of each person who served as an executive director during the financial year are as follows:

Director	Date
Warren East	29 January 2001
Tim Score	1 March 2002
Tudor Brown	3 April 1996
Mike Inglis	17 July 2002
Mike Muller	31 January 1996
Simon Segars	4 January 2005

Where notice is served to terminate the appointment, whether by the Group or the executive director, the Group in its absolute discretion is entitled to terminate the appointment by paying to the executive director his salary in lieu of any required period of notice.

Non-executive directors

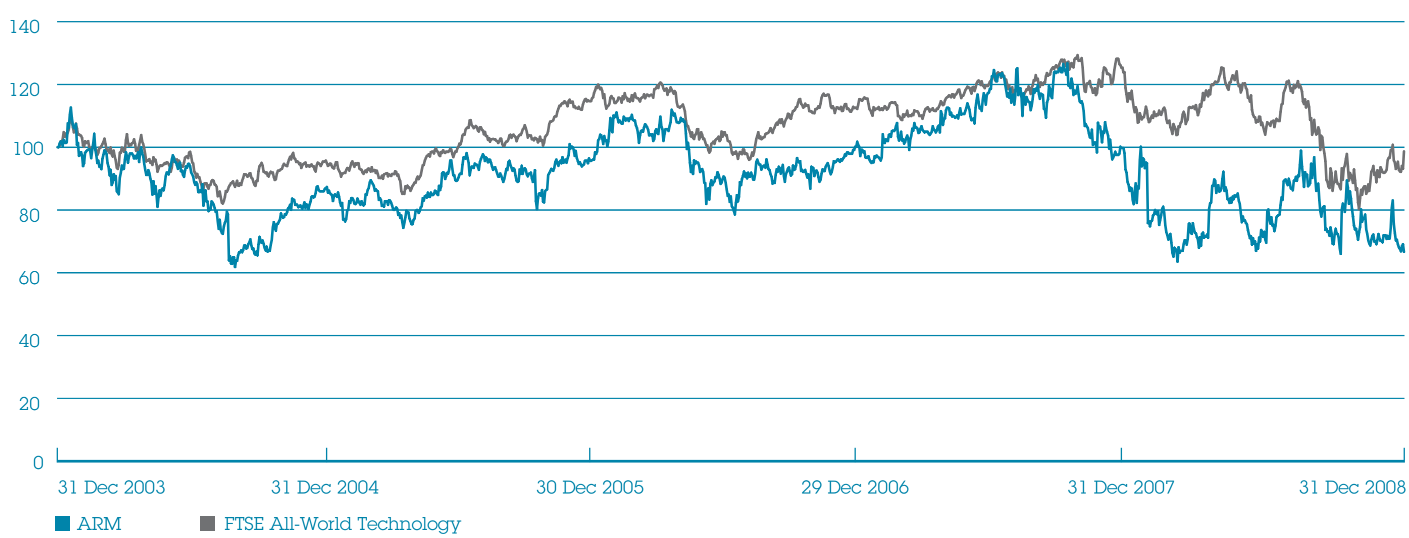
During 2008, the Chairmen of the audit and remuneration committees and the senior independent director each received a total fee of £45,000 per annum and the other non-executive directors each received a total fee of £40,000 per annum. These fees were arrived at by reference to fees paid by other companies of similar size and complexity, and reflected the amount of time non-executive directors were expected to devote to the Group's activities during the year, which is between 10 and 15 working days a year. The remuneration of the non-executive directors is set by the executive directors and the term of appointment is three years. Fees paid to non-executive directors are reviewed annually with effect from 1 January and, as mentioned above, the board agreed that, in the light of current market conditions, no increase should be paid at the start of 2009 and the situation will be reviewed at the mid year.

Non-executive directors do not have service contracts, are not eligible to participate in bonus or share incentive arrangements and their service does not qualify for pension purposes or other benefits. No element of their fees is performance-related. Share options held by Lucio Lanza were granted prior to the Group's acquisition of Artisan.

Performance graphs

A performance graph showing the Company's total shareholder return (TSR) together with the TSR for the FTSE All-World Technology Index from 31 December 2003 is shown below. The TSR has been calculated in accordance with the Directors' Remuneration Report Regulations 2002.

The TSR for the Company's shares was -33.4% over this period compared with -1.3% for the FTSE All-World Technology Index for the same period.



ARM total shareholder return performance from 31 December 2003 to 31 December 2008

The directors consider the FTSE All-World Technology Index to be an appropriate choice as the Index contains companies from the US, Asia and Europe and therefore reflects the global environment in which the Group operates. In addition, the Index includes many companies that are currently the Group's customers, as well as companies which use ARM technology in their end products.

Directors' shareholdings in the Company

The directors' beneficial interests in the Company's ordinary shares of 0.05 pence, which excludes interests under its share option schemes, Long Term Incentive Plan and Deferred Annual Bonus Plan, are set out below.

Director	At date of report Number	31 December 2008 Number	31 December 2007 Number
Warren East	813,806	747,561	627,480
Tim Score	427,949	372,164	247,250
Tudor Brown	1,814,422	1,769,097	1,655,636
Mike Inglis	266,518	227,295	149,771
Mike Muller	2,012,203	1,972,980	1,911,860
Simon Segars	261,732	225,124	172,735
Doug Dunn	48,000	48,000	48,000
Lucio Lanza	1,277,291	1,277,291	1,277,291
Kathleen O'Donovan	–	–	–
Philip Rowley	50,000	50,000	50,000
John Scarisbrick	10,800	10,800	10,800
Jeremy Scudamore	125,000	125,000	125,000
Young Sohn	159,000	159,000	–

In addition to the interests disclosed above, all the executive directors (together with all the employees of the Group) were potential beneficiaries of the ARM Holdings plc Employee Share Ownership Plan. They were, therefore, treated as interested in all the shares held by this trust being nil ordinary shares at 31 December 2008 (and 1,201,434 ordinary shares at 31 December 2007). The executive directors also have interests in dividend shares that could be awarded under the Long Term Incentive Plan, the amount of which will depend on the extent to which the performance criteria are satisfied and the dividends declared during the performance period. Changes in directors' interests in the Company's shares that have taken place in the period from 31 December 2008 to the date of approval of the remuneration report are shown above.

Auditable information

The following information has been audited by the Company's auditors, PricewaterhouseCoopers LLP, as required by Schedule 7A to the Companies Act 1985.

Interests in share options

Details of discretionary options beneficially held by directors are set out below:

Director	As at 1 January 2008 Number	Granted Number	Exercised Number	Lapsed Number	As at 31 December 2008 Number	Exercise price £	Earliest date of exercise	Expiry date
Warren East	8,480	–	–	–	8,480	1.224	11/03/02	10/03/09*
	3,187	–	–	–	3,187	6.155	22/05/03	21/05/10*
	62,909	–	–	(62,909)	–	3.815	22/05/04	22/05/08**
	100,000	–	–	–	100,000	2.465	19/04/05	19/04/09**
	400,000	–	–	–	400,000	1.25	30/01/07	30/01/11**
	592,417	–	–	–	592,417	1.055	04/02/08	04/02/12**
	573,585	–	–	–	573,585	1.325	01/02/09	01/02/13**
	1,740,578	**–**	**–**	**(62,909)**	**1,677,669**			
Tim Score	206,896	–	–	–	206,896	2.465	19/04/05	19/04/09**
	320,000	–	–	–	320,000	1.25	30/01/07	30/01/11**
	473,934	–	–	–	473,934	1.055	04/02/08	04/02/12**
	483,019	–	–	–	483,019	1.325	01/02/09	01/02/13**
	1,483,849	**–**	**–**	**–**	**1,483,849**			
Tudor Brown	3,736	–	–	–	3,736	6.155	22/05/03	21/05/10*
	2,091	–	–	–	2,091	3.35	14/05/04	13/05/11*
	22,909	–	–	(22,909)	–	3.35	14/05/02	13/05/08†
	50,000	–	–	–	50,000	2.465	19/04/05	19/04/09**
	731,428	–	–	–	731,428	0.4375	30/01/06	30/01/10**
	320,000	–	–	–	320,000	1.25	30/01/07	30/01/11**
	436,019	–	–	–	436,019	1.055	04/02/08	04/02/12**
	392,453	–	–	–	392,453	1.325	01/02/09	01/02/13**
	1,958,636	**–**	**–**	**(22,909)**	**1,935,727**			
Mike Inglis	223,515	–	–	–	223,515	2.1475	27/05/03	26/05/09†
	288,000	–	–	–	288,000	1.25	30/01/07	30/01/11**
	379,147	–	–	–	379,147	1.055	04/02/08	04/02/12**
	339,623	–	–	–	339,623	1.325	01/02/09	01/02/13**
	1,230,285	**–**	**–**	**–**	**1,230,285**			
Mike Muller	3,736	–	–	–	3,736	6.155	22/05/03	21/05/10*
	2,091	–	–	–	2,091	3.35	14/05/04	13/05/11*
	22,909	–	–	(22,909)	–	3.35	14/05/02	13/05/08†
	50,000	–	–	–	50,000	2.465	19/04/05	19/04/09**
	288,000	–	–	–	288,000	1.25	30/01/07	30/01/11**
	398,104	–	–	–	398,104	1.055	04/02/08	04/02/12**
	339,623	–	–	–	339,623	1.325	01/02/09	01/02/13**
	1,104,463	**–**	**–**	**(22,909)**	**1,081,554**			
Simon Segars	6,792	–	–	–	6,792	3.35	14/05/04	13/05/11*
	33,208	–	–	(33,208)	–	3.35	14/05/02	13/05/08†
	40,000	–	–	–	40,000	2.465	19/04/03	18/04/09†
	105,142	–	–	–	105,142	0.4375	30/01/04	29/01/10†
	224,000	–	–	–	224,000	1.25	30/01/05	29/01/11†
	341,232	–	–	–	341,232	1.055	04/02/08	04/02/12**
	316,981	–	–	–	316,981	1.325	01/02/09	01/02/13**
	1,067,355	**–**	**–**	**(33,208)**	**1,034,147**			
Lucio Lanza	89,912	–	–	–	89,912	0.57	17/03/00	16/02/10
	7,498	–	–	–	7,498	0.22	16/05/01	15/04/11
	26,236	–	–	–	26,236	0.44	07/03/02	06/02/12
	177,615	–	–	–	177,615	0.66	11/04/04	10/03/14
	301,261	**–**	**–**	**–**	**301,261**			

* Denotes share options issued under the Group's Approved Share Option Scheme.

** Denotes share options issued under the Group's Unapproved Share Option Scheme with performance conditions attached.

† Denotes share options issued under the Group's Unapproved Share Option Scheme which are exercisable as follows: 25% maximum from first anniversary, 50% maximum from second anniversary, 75% maximum from third anniversary, 100% maximum on fourth anniversary.

For options granted before January 2003, the performance condition is that the Group must achieve average real EPS growth of at least 33.1% (i.e. 33.1% greater than the percentage over a performance period of three years from the start of the financial year in which the options were granted (the "performance period").

For options granted in 2003 and 2004 the performance conditions requiring average real EPS growth of at least 33.1% were satisfied and 100% of the options vested on 1 February 2006 and 8 February 2007 respectively. For options granted in 2005 the performance conditions were satisfied to the extent that 89.44% of the options vested on 8 February 2008 and the balance will vest seven years from the date of grant.

For the final grant of options in 2006 the performance conditions were satisfied to the extent that 76.2% of the options vested on 8 February 2009 and the balance will vest seven years from the date of grant. The performance condition was that 50% of the shares under option would vest after three years if the Group achieved average real EPS growth of 12.5% over the performance period. If average real EPS growth of at least 33.1% had been achieved over the performance period, 100% of the shares under option would have vested after three years. For average real EPS growth of between 12.5% and 33.1% over the performance period, the number of shares vested after three years increased on a straight-line basis.

Details of options held by directors under the Group's Save As You Earn option schemes are set out below:

Director	As at 1 January 2008 Number	Granted Number	Exercised Number	As at 31 December 2008 Number	Exercise price £	Earliest date of exercise	Expiry date
Warren East	8,559	–	–	8,559	1.104	01/09/10	28/02/11
Tim Score	27,152	–	(27,152)	–	0.5865	01/08/08	31/01/09
Tudor Brown	8,559	–	–	8,559	1.104	01/09/10	28/02/11
Mike Inglis	9,109	–	–	9,109	1.0264	01/08/09	31/01/10

Options issued under this scheme are issued at a 15% discount to market value for grants made in 2006 and before, and at a 20% discount for those granted in 2007.

Details of options exercised by directors during the year are as follows:

Director	Number of shares	Exercise price £	Market price on date of exercise £	Gains on exercise £
Tim Score	27,152	0.5865	1.0325	12,110

Long Term Incentive Plan

A Long Term Incentive Plan was approved by shareholders at the 2003 AGM. Conditional share awards held by directors are as follows:

Director	Performance period ending 31 December	Award date	Market price at date of award £	As at 1 January 2008 Number	Conditional award Number	Vested* Number	Lapsed Number	As at 31 December 2008 Number	Vesting date
Warren East	2007	20 July 2005	1.165	268,240	–	(147,532)	(120,708)	–	February 2008
	2008	8 May 2006	1.365	278,388	–	–	–	278,388**	February 2009
	2009	8 February 2007	1.28	308,594	–	–	–	308,594	February 2010
	2010	8 February 2008	0.93	–	446,237	–	–	446,237	February 2011
				855,222	**446,237**	**(147,532)**	**(120,708)**	**1,033,219**	
Tim Score	2007	20 July 2005	1.165	214,592	–	(118,026)	(96,566)	–	February 2008
	2008	8 May 2006	1.365	234,432	–	–	–	234,432**	February 2009
	2009	8 February 2007	1.28	261,719	–	–	–	261,719	February 2010
	2010	8 February 2008	0.93	–	387,097	–	–	387,097	February 2011
				710,743	**387,097**	**(118,026)**	**(96,566)**	**883,248**	
Tudor Brown	2007	20 July 2005	1.165	197,425	–	(108,584)	(88,841)	–	February 2008
	2008	8 May 2006	1.365	190,476	–	–	–	190,476**	February 2009
	2009	8 February 2007	1.28	214,844	–	–	–	214,844	February 2010
	2010	8 February 2008	0.93	–	306,452	–	–	306,452	February 2011
				602,745	**306,452**	**(108,584)**	**(88,841)**	**711,772**	
Mike Inglis	2007	20 July 2005	1.165	171,674	–	(94,420)	(77,254)	–	February 2008
	2008	8 May 2006	1.365	164,835	–	–	–	164,835**	February 2009
	2009	8 February 2007	1.28	187,500	–	–	–	187,500	February 2010
	2010	8 February 2008	0.93	–	268,817	–	–	268,817	February 2011
				524,009	**268,817**	**(94,420)**	**(77,254)**	**621,152**	
Mike Muller	2007	20 July 2005	1.165	180,258	–	(99,141)	(81,117)	–	February 2008
	2008	8 May 2006	1.365	164,835	–	–	–	164,835**	February 2009
	2009	8 February 2007	1.28	183,594	–	–	–	183,594	February 2010
	2010	8 February 2008	0.93	–	263,441	–	–	263,441	February 2011
				528,687	**263,441**	**(99,141)**	**(81,117)**	**611,870**	
Simon Segars	2007	20 July 2005	1.165	154,506	–	(84,979)	(69,527)	–	February 2008
	2008	8 May 2006	1.365	153,846	–	–	–	153,846**	February 2009
	2009	8 February 2007	1.28	179,688	–	–	–	179,688	February 2010
	2010	8 February 2008	0.93	–	268,817	–	–	268,817	February 2011
				488,040	**268,817**	**(84,979)**	**(69,527)**	**602,351**	

* The performance conditions applicable to the 2005 conditional awards were satisfied to the extent of 55% plus dividend shares.
** The performance conditions applicable to the 2006 conditional awards were satisfied to the extent of 38.9% plus dividend shares.

Annual grants to executive directors are normally made at a level equivalent to base salary. Conditional awards vest to the extent that the performance criteria are satisfied over a three-year performance period from 1 January of the year of award and no re-testing thereafter is possible. The performance conditions are based on the Company's TSR when measured against that of two comparator groups (each testing half of the shares comprised in the award). The first index comprises UK companies across all sectors (FTSE 350) and the second comprises predominantly US companies within the Hi Tech sector (FTSE Global Technology Index). For each comparator group, the number of shares that may vest may be up to a maximum of 200% of relevant half of the shares comprised in the conditional award if the Company's TSR ranks in the upper decile, 50% will vest in the event of median performance and between median and upper decile performance vesting will increase on a straight-line basis. Additional shares may vest to cover dividends paid by the Company during the performance period. No shares will be received for below-median performance. In addition, no shares will vest unless the committee is satisfied that there has been a sustained improvement in the underlying financial performance of the Company.

As detailed in the 2007 Annual Report the performance conditions applicable to the conditional awards granted on 20 July 2005 were satisfied to the extent of 55% plus dividend shares which vested on 6 February 2008, as follows:

Director	Conditional award Number	Vested award Number	Dividend shares Number	Total award Number	Market value at vesting £
Warren East	268,240	147,532	3,525	151,057	143,591
Tim Score	214,592	118,026	2,820	120,846	114,874
Tudor Brown	197,425	108,584	2,594	111,178	105,683
Mike Inglis	171,674	94,420	2,256	96,676	91,898
Mike Muller	180,258	99,141	2,369	101,510	96,493
Simon Segars	154,506	84,979	2,030	87,009	82,659
Total	**1,186,695**	**652,682**	**15,594**	**668,276**	**635,198**

The performance conditions applicable to the conditional awards granted on 8 May 2006 were satisfied to the extent of 38.9% plus dividend shares which vested on 8 February 2009, as follows:

Director	Conditional award Number	Vested award Number	Dividend shares Number	Total award Number	Market value at vesting £
Warren East	278,388	108,292	3,988	112,280	111,999
Tim Score	234,432	91,194	3,358	94,552	94,316
Tudor Brown	190,476	74,095	2,728	76,823	76,631
Mike Inglis	164,835	64,120	2,361	66,481	66,315
Mike Muller	164,835	64,120	2,361	66,481	66,315
Simon Segars	153,846	59,846	2,203	62,049	61,894
Total	**1,186,812**	**461,667**	**16,999**	**478,666**	**477,470**

The following conditional awards over ordinary shares were made under the LTIP on 8 February 2009: Warren East 416,040; Tim Score 360,902; Tudor Brown 214,286; Mike Inglis 250,627; Mike Muller 245,614 and Simon Segars 250,627. The mid-market closing price of an ordinary share on 6 February 2009, being the business day prior to the date of these conditional awards, was 99.75 pence.

Deferred annual bonus plan
As described above, there is a compulsory deferral of 50% of the annual bonus earned by executive directors in the year. The emoluments detailed below include the full bonus earned, though only half has been settled in cash and the deferred elements will be settled in shares after three years. The following awards were made on 8 February 2009 in respect of the deferred proportion of the 2008 bonus: Warren East 143,388; Tim Score 127,443; Tudor Brown 86,161; Mike Inglis 88,502; Mike Muller 84,650 and Simon Segars 88,502.

The total number of awards under the deferred annual bonus plan held by the directors following the 2009 grant is: Warren East 334,259; Tim Score 288,669; Tudor Brown 215,361; Mike Inglis 201,750; Mike Muller 195,320 and Simon Segars 194,010.

Except as described above, there have been no changes in directors' interests under the Group's equity schemes since the end of the 2008 financial year up to the date of approval of the remuneration report.

The Company's register of directors' interests contains full details of directors' shareholdings and options to subscribe and conditional awards under the LTIP.

Share prices
The market value of the shares of the Company as at 31 December 2008 was 86.5 pence. The closing mid-price ranged from 79.0 pence to 124.5 pence during the year.

Directors' emoluments

The emoluments of the executive directors of the Group in respect of services to the Group were paid through its wholly-owned subsidiary, ARM Limited, as were the non-executive directors with the exception of Lucio Lanza and Young Sohn who were paid through ARM Inc., and were as follows:

Director	Fees £	Basic salary £	Benefits** £	Bonus payments*** £	Subtotal £	Pension contributions £	Total 2008 £	Subtotal 2007 £	Pension contributions 2007 £	Total 2007 £
Executive										
Warren East	–	415,000	14,418	286,501	715,919	45,235	761,154	562,020	39,500	601,520
Tim Score	–	360,000	19,641	254,643	634,284	37,350	671,634	484,063	33,500	517,563
Tudor Brown	–	249,375	12,668	172,160	434,203	26,719	460,922	391,233	27,500	418,733
Mike Inglis	–	250,000	14,418	176,563	440,981	26,875	467,856	345,206	24,000	369,206
Mike Muller	–	245,000	14,418	171,139	430,557	30,877	461,434	340,206	23,500	363,706
Simon Segars	–	250,000	108,998	176,835	535,833	26,875	562,708	360,464	23,000	383,464
Total	–	1,769,375	184,561	1,237,841	3,191,777	193,931	3,385,708	2,483,192	171,000	2,654,192
Non-executive										
Doug Dunn	160,000	–	–	–	160,000	–	160,000	150,000	–	150,000
Peter Cawdron*	–	–	–	–	–	–	–	15,552	–	15,552
Lucio Lanza	40,000	–	–	–	40,000	–	40,000	36,000	–	36,000
Kathleen O'Donovan	40,000	–	–	–	40,000	–	40,000	38,354	–	38,354
Philip Rowley	45,000	–	–	–	45,000	–	45,000	41,000	–	41,000
John Scarisbrick	40,000	–	–	–	40,000	–	40,000	36,000	–	36,000
Jeremy Scudamore	45,000	–	–	–	45,000	–	45,000	41,000	–	41,000
Young Sohn*	40,000	–	–	–	40,000	–	40,000	27,000	–	27,000
Total	410,000	–	–	–	410,000	–	410,000	384,906	–	384,906
Total	**410,000**	**1,769,375**	**184,561**	**1,237,841**	**3,601,777**	**193,931**	**3,795,708**	**2,868,098**	**171,000**	**3,039,098**

* Peter Cawdron's fees are for the period up to his date of resignation on 15 May 2007. Young Sohn's fees are for the period from his appointment on 2 April 2007.

** All the executive directors receive family healthcare and annual travel insurance as part of their benefits in kind. In addition, Tim Score has the use of a company car and Warren East, Tudor Brown, Mike Inglis and Mike Muller receive a car and petrol allowance. Simon Segars receives living and transportation allowances as part of his placement in the US.

*** The bonus payments above represent the full bonus earned during 2008. According to the terms of the deferred annual bonus, 50% of this bonus is not paid in cash, but is deferred and becomes payable in shares after three years. Details of the awards made in February 2009 in respect of these deferrals are detailed above.

Warren East is the highest paid employee in the Company. It is the Company's policy to allow executive directors to hold non-executive positions at other companies and to receive remuneration for their services. The board believes that experience of the operations of other companies and their boards and committees is valuable to the development of the executive directors. Details of executive directors' roles within other companies and their remuneration are as follows:

Warren East is a non-executive director of Reciva Limited and of De La Rue plc. The Group holds 0.4% of the issued share capital of Reciva Limited and more details about this investment are included in note 14 on page 73. In relation to Reciva Limited he was awarded options over 2,838 shares which vested monthly as to 1,350 shares at an option price of £20.00 between January and July 2008, as to 400 shares at an option price of £22.50 between July and August 2008 and as to 1,088 shares at an option price of £16.50 between September and December 2008 and received no other remuneration. In relation to De La Rue plc he received remuneration totalling £39,375 up to 31 December 2008 (2007: £36,247).

Tudor Brown is a non-executive director of ANT plc. In this capacity he received remuneration totalling £22,500 up to 31 December 2008 (2007: £26,250). Mike Inglis was a non-executive director of Superscape plc until 3 March 2008 and received remuneration totalling £9,587 up to that date. He became a non-executive director of Pace plc on 25 July 2008 and in this capacity he received remuneration totalling £14,383 up to 31 December 2008. Tim Score is a non-executive director and was interim chairman of National Express Group plc. In this capacity he received remuneration totalling £58,101 up to 31 December 2008 (2007: £48,000). Simon Segars is a non-executive director of Plastic Logic Limited and in this capacity he received remuneration totalling £15,000 up to 31 December 2008 (2007: £15,000).

All the executive directors are accruing benefits under a money purchase pension scheme as a result of their services to the Group, contributions for which were all paid during the year.

Jeremy Scudamore, Chairman of the Remuneration Committee

Independent auditors' report to the members of ARM Holdings plc

We have audited the Group financial statements of ARM Holdings plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of ARM Holdings plc for the year ended 31 December 2008 and on the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the Chairman's statement, the Chief Executive Officer's review of operations, the financial review and the corporate responsibility report that is cross referred from the review of business section of the directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only ARM in 2008, financial highlights, the Chairman's statement, what ARM does, creating value for investors, the Chief Executive Officer's review of operations, enabling innovation for customers, the analyst's perspective, the financial review, trends, risks and opportunities, the board of directors, shareholder information, corporate governance, corporate responsibility, the directors' report, that part of the remuneration report that is unaudited and the Group directory. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

– The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
– The Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
– The information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 April 2009

Consolidated income statement

For the year ended 31 December

	Note	2008 £000	2007 £000
Revenues			
Product revenues		282,382	242,726
Service revenues		16,552	16,434
Total revenues	2	298,934	259,160
Cost of revenues			
Product costs		(24,539)	(21,475)
Service costs		(8,339)	(6,630)
Total cost of revenues		(32,878)	(28,105)
Gross profit		266,056	231,055
Operating expenses			
Research and development		(87,588)	(83,977)
Sales and marketing		(57,448)	(55,298)
General and administrative		(61,077)	(52,086)
Total operating expenses, net		(206,113)	(191,361)
Profit from operations		59,943	39,694
Investment income		3,297	5,459
Interest payable		(51)	(57)
Profit before tax	2, 6	63,189	45,096
Tax	7	(19,597)	(9,846)
Profit for the year	2	**43,592**	**35,250**
Earnings per share			
Basic and diluted earnings		**43,592**	**35,250**
Number of shares ('000)			
Basic weighted average number of shares		1,265,237	1,321,860
Effect of dilutitive securities: Employee incentive schemes		21,176	39,301
Diluted weighted average number of shares		**1,286,413**	**1,361,161**
Basic EPS	9	3.4p	2.7p
Diluted EPS	9	3.4p	2.6p

All activities relate to continuing operations. All the profit for the year is attributable to the equity holders of the parent. The Company has opted to present its own accounts under UK GAAP as shown on pages 88 to 95. The accompanying notes are an integral part of the financial statements.

Details of dividends paid and proposed are in notes 8 and 28 of the financial statements respectively.

Consolidated balance sheet

As at 31 December

	Note	2008 £000	2007 £000
Assets			
Current assets:			
Financial assets: Cash and cash equivalents	10, 19	76,502	49,509
Short-term investments	14, 19	471	232
Short-term marketable securities	14, 19	1,816	1,582
Available-for-sale investments	14, 19	–	1,180
Embedded derivatives	19	12,298	–
Accounts receivable	11	76,914	68,232
Prepaid expenses and other assets	12	23,134	13,089
Current tax assets		621	6,552
Inventories: Finished goods	13	1,972	2,339
Total current assets		193,728	142,715
Non-current assets:			
Financial assets: Available-for-sale investments	14, 19	1,167	3,701
Prepaid expenses and other assets	12	2,102	2,860
Property, plant and equipment	15	14,197	9,336
Goodwill	16	567,844	420,835
Other intangible assets	17	45,082	44,264
Deferred tax assets	7	24,063	19,233
Total non-current assets		654,455	500,229
Total assets		**848,183**	**642,944**
Liabilities and shareholders' equity			
Current liabilities:			
Financial liabilities: Accounts payable	19	6,953	2,230
Fair value of currency exchange contracts	19	18,457	496
Embedded derivatives	19	–	220
Current tax liabilities		15,655	3,704
Accrued and other liabilities	18	35,646	27,954
Deferred revenue		29,906	27,543
Total current liabilities		106,617	62,147
Net current assets		87,111	80,568
Non-current liabilities:			
Deferred tax liabilities	7	1,223	1,635
Total liabilities		**107,840**	**63,782**
Net assets		**740,343**	**579,162**
Capital and reserves attributable to equity holders of the Company			
Share capital	20	672	672
Share premium account		351,578	351,578
Share option reserve		61,474	61,474
Retained earnings		182,008	185,125
Revaluation reserve		(285)	(214)
Cumulative translation adjustment		144,896	(19,473)
Total equity		**740,343**	**579,162**

The accompanying notes are an integral part of the financial statements. The financial statements on pages 44 to 87 were approved by the board of directors on 2 April 2009 and were signed on its behalf by:

D. J. Dunn

Doug Dunn, Chairman

Consolidated cash flow statement

For the year ended 31 December

	Note	2008 £000	2007 £000
Operating activities			
Profit from operations		59,943	39,694
Adjustments for:			
Depreciation and amortisation of tangible and intangible assets		26,952	26,907
Loss on disposal of property, plant and equipment		36	317
Compensation charge in respect of share-based payments		15,409	16,786
Impairment of available-for-sale investments		–	2,100
Provision for doubtful debts		641	215
Provision for obsolescence of inventories		87	247
Movement in fair value of currency exchange contracts		17,961	935
Changes in working capital			
Accounts receivable		(6,364)	260
Inventories		280	(653)
Prepaid expenses and other assets		(21,433)	(3,291)
Accounts payable		4,661	404
Deferred revenue		1,548	(3,877)
Accrued and other liabilities		6,831	(7,954)
Cash generated by operations before tax		106,552	72,090
Income taxes paid		(6,019)	(12,265)
Net cash from operating activities		100,533	59,825
Investing activities			
Interest received		3,234	5,607
Purchases of property, plant and equipment	15	(8,084)	(4,661)
Purchases of other intangible assets	17	(5,938)	(3,332)
Purchases of available-for-sale investments	14	(1,029)	(2,657)
Proceeds on disposal of available-for-sale investments		6,291	–
Maturity/(purchase) of short-term investments		(758)	35,937
Purchase of subsidiaries, net of cash acquired*		(7,371)	(3,357)
Net cash (used in)/from investing activities		(13,655)	27,537
Financing activities			
Cash received on issue of new share capital on exercise of share options	20	–	5,509
Proceeds received on issuance of shares from treasury		5,581	13,383
Purchase of own shares	21	(40,286)	(128,561)
Dividends paid to shareholders		(26,383)	(18,547)
Net cash used in financing activities		(61,088)	(128,216)
Net increase/(decrease) in cash and cash equivalents		25,790	(40,854)
Cash and cash equivalents at beginning of the year		49,509	90,743
Effect of foreign exchange rate changes		1,203	(380)
Cash and cash equivalents at end of the year	10	**76,502**	**49,509**

* The aggregate cash outflow for purchase of subsidiaries in 2008 was £7,387,000 (2007: £3,357,000) and net cash acquired was £16,000 (2007: £nil).

The accompanying notes are an integral part of the financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December

	Attributable to equity holders of the Company						
	Share capital £000	Share premium account £000	Share option reserve £000	Retained earnings* £000	Revaluation reserve** £000	Cumulative translation adjustment £000	Total £000
Balance at 31 December 2006	695	449,195	61,474	161,453	(544)	(11,347)	660,926
Dividends	–	–	–	(18,547)	–	–	(18,547)
Movement on tax arising on share options	–	–	–	2,212	–	–	2,212
Purchase of own shares	–	–	–	(120,419)	–	–	(120,419)
Appropriation for future share cancellations	–	–	–	(8,142)	–	–	(8,142)
Cancellation of shares*	(28)	–	–	28	–	–	–
Cancellation of share premium account	–	(103,121)	–	103,121	–	–	–
Proceeds from sale of own shares	–	–	–	13,383	–	–	13,383
Unrealised holding gain on available-for-sale investments (net of tax of £146,000)	–	–	–	–	330	–	330
Currency translation adjustment	–	–	–	–	–	(8,126)	(8,126)
Total income/(expense) recognised directly in equity in 2007	(28)	(103,121)	–	(28,364)	330	(8,126)	(139,309)
Shares issued on exercise of options	5	5,504	–	–	–	–	5,509
Profit for the year	–	–	–	35,250	–	–	35,250
Credit in respect of employee share schemes	–	–	–	16,786	–	–	16,786
Balance at 31 December 2007	672	351,578	61,474	185,125	(214)	(19,473)	579,162
Dividends	–	–	–	(26,383)	–	–	(26,383)
Movement on tax arising on share options	–	–	–	(1,030)	–	–	(1,030)
Purchase of own shares	–	–	–	(40,286)	–	–	(40,286)
Proceeds from sale of own shares	–	–	–	5,581	–	–	5,581
Realised gain on available-for-sale investment (net of tax of £84,000)	–	–	–	–	214	–	214
Unrealised holding loss on available-for-sale investments (net of tax of £nil)	–	–	–	–	(285)	–	(285)
Currency translation adjustment	–	–	–	–	–	164,369	164,369
Total income/(expense) recognised directly in equity in 2008	–	–	–	(62,118)	(71)	164,369	102,180
Profit for the year	–	–	–	43,592	–	–	43,592
Credit in respect of employee share schemes	–	–	–	15,409	–	–	15,409
Balance at 31 December 2008	**672**	**351,578**	**61,474**	**182,008**	**(285)**	**144,896**	**740,343**

* Own shares held Offset within retained earnings is an amount of £107,963,000 (2007: £90,000,000) representing the cost of own shares held. These shares are expected to be used in part for the benefit of the Group's employees and directors to satisfy share option, restricted stock units (RSUs) and conditional share awards in future periods. Own shares held include £nil (2007: £348,000), being the cost of nil (2007: 1,201,434) shares in the Company held by the Group's ESOP. Own shares also include £107,963,000 (2007: £89,652,000), being the cost of 91,160,488 (2007: 65,201,176) shares in the Company. On 11 July 2007, the 49,500,000 shares held at 31 December 2006 were cancelled. Refer to note 21 for further details on the movement on these balances.

** Revaluation reserve The Group includes on its balance sheet publicly traded investments, which are classified as available-for-sale. These are carried at market value. Unrealised holding gains or losses on such securities are included, net of related taxes, within the revaluation reserve. Any unrealised gains within this reserve are undistributable.

Notes to the financial statements

1 The Group and a summary of its significant accounting policies and financial risk management

1a General information about the Group
The business of the Group
ARM Holdings plc and its subsidiary companies (ARM or "the Group") design microprocessors, physical IP and related technology and software and sell development tools, to enhance the performance, cost-effectiveness and energy-efficiency of high-volume embedded applications.

The Group licenses and sells its technology and products to leading international electronics companies, which in turn manufacture, market and sell microprocessors, application-specific integrated circuits (ASICs) and application-specific standard processors (ASSPs) based on ARM's technology to systems companies for incorporation into a wide variety of end products.

By creating a network of Partners, and working with them to best utilise ARM's technology, the Group is establishing its processor architecture and physical IP for use in many high-volume embedded microprocessor applications, including cellular phones, digital televisions and PC peripherals and for potential use in many growing markets, including smart cards and microcontrollers.

The Group also licenses and sells development tools direct to systems companies and provides support services to its licensees, systems companies and other systems designers.

The Group's principal geographic markets are Europe, the US and Asia Pacific.

Incorporation and history
ARM is a public limited company incorporated and domiciled under the laws of England and Wales. The registered office of the Company is 110 Fulbourn Road, Cambridge, CB1 9NJ.

The Company was formed on 16 October 1990, as a joint venture between Apple Computer (UK) Limited and Acorn Computers Limited, and operated under the name Advanced RISC Machines Holdings Limited until 10 March 1998, when its name was changed to ARM Holdings plc. Its initial public offering was on 17 April 1998.

Group undertakings include ARM Limited (incorporated in the UK), ARM Inc. (incorporated in the US), ARM KK (incorporated in Japan), ARM Korea Limited (incorporated in South Korea), ARM France SAS (incorporated in France), ARM Belgium NV (incorporated in Belgium), ARM Germany GmbH (incorporated in Germany, merged with Keil Elektronik GmbH during 2008, another Group company incorporated in Germany), ARM Norway AS (incorporated in Norway), ARM Sweden AB (formerly Logipard AB, a company acquired during 2008 and incorporated in Sweden), ARM Embedded Technologies Pvt. Limited (incorporated in India), ARM Physical IP Asia Pacific Pte. Limited (incorporated in Singapore), ARM Taiwan Limited (incorporated in Taiwan) and ARM Consulting (Shanghai) Co. Limited (incorporated in PR China).

1b Summary of significant accounting policies
The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. This is in accordance with the Listing Rules of the Financial Services Authority.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation to fair value of available-for-sale investments; share-based payments; financial assets and liabilities (including derivative instruments) at fair value through the income statement; and embedded derivatives.

Critical accounting estimates and judgements
The preparation of these financial statements requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgements are summarised in note 1d.

1b Summary of significant accounting policies continued

New standards, amendments and interpretations

(a) Standards, amendments and interpretations effective in 2008

IFRIC 11, "IFRS 2, Group and treasury share transactions" This interpretation provides guidance on how share-based transactions involving treasury shares or options should be accounted for. Published by the IASB in November 2006 and effective for annual periods beginning on or after 1 March 2007, this interpretation was early adopted by the Group in 2007 but has no impact on the Group's financial statements.

(b) Standards and interpretations early adopted by the Group

IFRS 8, "Operating segments" This supersedes IAS 14, "Segmental reporting", under which segments were identified and reported on risk and return analysis. Under IFRS 8, segments are reported based on internal reporting, bringing segment reporting in line with the requirements of US standard FAS 131. Published by the IASB in November 2006, this standard is effective for annual periods beginning on or after 1 January 2009 but was early adopted by the Group.

(c) Standards, amendments and interpretations effective in 2008 but not relevant

IFRIC 12, "Service concession arrangements" This applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services, for example, under private finance initiative contracts (PFI) contracts. It is not relevant for the Group. Published by the IASB November 2006, it is effective for annual periods beginning on or after 1 January 2008.

(d) Standards, amendments and interpretations that are not yet effective and have not been early adopted

Amendment to IAS 39, "Financial instruments: Recognition and measurement", and IFRS 7, "Financial instruments: Disclosures" on the 'Reclassification of financial assets'. This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Published in November 2008, this amendment is effective for periods beginning on or after 1 July 2008. This is not expected to have a material impact on the Group since it does not have significant assets of this type.

Amendment to IAS 32, "Financial instruments: Presentation", and IAS 1, "Presentation of financial statements on Puttable financial instruments and obligations arising on liquidation" This amendment ensures entities classify Puttable financial instruments and other financial instruments as equity, provided they have particular features and meet specific conditions. Published by the IASB in February 2008 this amendment is effective for periods beginning on or after 1 January 2009. This is not relevant to the Group as it does not currently enter into these types of transactions.

Amendment to IFRS 2, "Share-based payments" This clarifies what events constitute vesting conditions and also specifies that all cancellations, whether by the Group or by another party, should receive the same accounting treatment. This is not expected to have a material impact on the Group's financial statements as it does not have a significant number of the types of options affected. Published by the IASB in January 2008, this amendment is effective for annual periods beginning on or after 1 January 2009.

IAS 1 (revised), "Presentation of financial statements" This revised standard requires entities to prepare a statement of comprehensive income. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Owner changes in equity are shown in a statement of changes in equity. Also entities making restatements or reclassifications of comparative information are required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. Published by the IASB in September 2007 this revised standard is effective for periods beginning on or after 1 January 2009. This will not have a material impact the Group's financial statements since only the disclosure of the statements will be affected.

IFRS 3, (Revised), "Business combinations" This is equivalent to FAS 141R issued by the FASB in December 2007. The revision to this standard changes accounting for business combinations. While the acquisition method is still applied, there are significant changes to the treatment of contingent payments, transaction costs and the calculation of goodwill. Published by the IASB in January 2008, the standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted. This could impact the Group's financial statements in future if it makes further acquisitions.

Amendment to IAS 39, "Financial Instruments: Recognition and measurement on Eligible hedged items". This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. Published by the IASB in July 2008 it is effective for periods beginning on or after 1 July 2009 and must be applied retrospectively. This is not expected to impact the Group since it does not currently designate any financial instruments as hedges.

1b Summary of significant accounting policies continued
New standards, amendments and interpretations continued
IAS 23 (Amendment), "Borrowing costs" A result of the joint short-term convergence project with the FASB, this new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This will not be relevant to the Group because the Group currently does not fund acquisitions of assets with debt. Published by the IASB in March 2007, this is effective for annual periods beginning on or after 1 January 2009.

IAS 27 (Revised), "Consolidated and separate financial statements" This amendment revises the accounting for transactions with non-controlling interests. Published by the IASB in January 2008, this is effective for annual periods beginning on or after 1 July 2009. This is not relevant to the Group as it does not have any non-controlling interests.

IFRS 7 (Revised), "Financial instruments: Disclosures" This amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhancing accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. Published by the IASB in March 2009 this amendment is effective for periods starting on or after 1 January 2009 with no comparatives for the first year of application. This will only affect presentation and the potential impact of this on the Group's financial statements has not yet been assessed.

IFRIC 13, "Customer loyalty programmes relating to IAS 18, Revenue" This provides guidance on accounting for customer loyalty programmes. As the Group does not offer such incentives, it will not be relevant. Published by the IASB in June 2007, it is effective for annual periods beginning on or after 1 July 2008.

IFRIC 14, "IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction" This provides guidance on accounting for defined benefit pension schemes. The Group does not have any such schemes and therefore it will not be relevant. Published by the IASB in July 2007, it is effective for annual periods beginning on or after 1 January 2009.

IFRIC 15, "Agreements for construction of real estates" This clarifies which standard (IAS 18, 'Revenue', or IAS 11, 'Construction contracts') should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. This is not relevant to the Group as it does not have any transactions involving real estate. Published by the IASB in July 2008, it is effective for periods beginning on or after 1 January 2009.

IFRIC 16, "Hedges of a net investment in a foreign operation" This clarifies the usage and requirements of IAS 21 with respect to net investment hedging. This is not relevant to the Group as it does not undertake such activities. Published by the IASB in July 2008, it is effective for periods beginning on or after 1 October 2008.

IFRIC 17, "Distributions of non-cash assets to owners" This clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. This is not relevant to the Group as it does not make any distributions of assets to its owners, other than cash. Published by the IASB in November 2008 it is effective for periods beginning on or after 1 July 2009.

IFRIC 18, "Transfer of assets from customers" This clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This is not relevant to the Group as it does not engage in such activities. Published by the IASB in January 2009, it is effective for transfers of assets from customers received on or after 1 July 2009.

Other than the potential impact of the revision to IFRS 3, the directors expect that the adoption of these standards, annual improvements and interpretations in future periods will have no material impact on the financial statements when they come into effect for periods after 1 January 2009.

Principles of consolidation The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Intra-group transactions, including sales, profits, receivables and payables, have been eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

Business combinations The results of subsidiaries acquired in the year are included in the income statement from the date they are acquired. On acquisition, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Revisions were made in 2008 to goodwill recognised on acquisitions from earlier years, relating predominantly to contingent consideration adjustments – see note 16.

1b Summary of significant accounting policies continued

Segment reporting

At 31 December 2008, the Group is organised on a world-wide basis into three business segments, namely the Processor Division (PD), the Physical IP Division (PIPD) and the Systems Design Division (SDD). This is based upon the Group's internal organisation and management structure and is the primary way in which the Chief Operating Decision Maker (CODM) and the rest of the board are provided with financial information.

Segment expenses are expenses that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Foreign exchange gains or losses, gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax are not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Corporate assets and liabilities are not included in business segments and are thus unallocated. At 31 December 2008 and 2007, these comprise cash and cash equivalents, short-term investments, short-term marketable securities, tax-related and other assets and the fair value of currency exchange contracts. Any current and deferred tax assets and liabilities are also not included in business segments and are thus unallocated.

Foreign currency translation

(a) Functional and presentation currency The functional currency of each Group entity is the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in sterling, which is the presentation currency of the Group.

(b) Transactions and balances Transactions denominated in foreign currencies have been translated into the functional currency of each Group entity at actual rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at rates ruling at the balance sheet date. Such exchange differences have been included in general and administrative expenses.

(c) Group companies The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) not based in the UK are translated into sterling as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate of exchange at the balance sheet date;

(ii) Income and expenses for each income statement presented are translated at the exchange rate ruling at the time of each transaction during the period; and

(iii) All resulting exchange differences are recognised as a separate component of equity, being taken directly to equity via the cumulative translation adjustment.

When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of foreign currency options is based upon valuations performed by an independent bank as well as management's view of market conditions.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values as this is the amount which would be receivable/payable if the assets/liabilities had crystallised at the balance sheet date. Any current tax liabilities are not included in this category.

Revenue recognition

The Group follows the principles of IAS 18, "Revenue recognition", in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group.

Revenue comprises the value of sales of licences to ARM technology, royalties arising from the resulting sale of licensees' ARM technology-based products, revenues from support, maintenance and training, consulting contracts and the sale of development boards and software toolkits.

1b Summary of significant accounting policies continued

Revenue recognition continued

Revenue from standard licence products which are not modified to meet the specific requirements of each customer is recognised when the risks and rewards of ownership of the product are transferred to the customer.

Many licence agreements are for products which are designed to meet the specific requirements of each customer. Revenue from the sale of such licences is recognised on a percentage-of-completion basis over the period from signing of the licence to customer acceptance. Under the percentage-of-completion method, provisions for estimated losses on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined. The percentage-of-completion is measured by monitoring progress using records of actual time incurred to date in the project compared with the total estimated project requirement, which approximates to the extent of performance.

Where invoicing milestones on licence arrangements are such that the receipts fall due significantly outside the period over which the customisation is expected to be performed or significantly outside its normal payment terms for standard licence arrangements, the Group evaluates whether it is probable that economic benefits associated with these milestones will flow to the Group and therefore whether these receipts should initially be included in the arrangement consideration.

In particular, it considers:

- Whether there is sufficient certainty that the invoice will be raised in the expected timeframe, particularly where the invoicing milestone is in some way dependent on customer activity;
- Whether it has sufficient evidence that the customer considers that the Group's contractual obligations have been, or will be, fulfilled;
- Whether there is sufficient certainty that only those costs budgeted to be incurred will indeed be incurred before the customer will accept that a future invoice may be raised; and
- The extent to which previous experience with similar product groups and similar customers support the conclusions reached.

Where the Group considers that there is insufficient evidence that it is probable that the economic benefits associated with such future milestones will flow to the Group, taking into account these criteria, such milestones are excluded from the arrangement consideration until there is sufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Group. The Group does not discount future invoicing milestones, as the effect of so doing would be immaterial.

Where agreements involve several components, the entire fee from such arrangements is allocated to each of the individual components based on each component's fair value, where fair value is the price that is regularly charged for an item when sold separately. Where a component in a multiple-component agreement has not previously been sold separately, the assessment of fair value for that component is based on other factors, including, but not limited to, the price charged when it was sold alongside other items and the book price of the component relative to the book prices of the other components in the agreement. If fair value of one or more components in a multiple-component agreement is not determinable, the entire arrangement fee is deferred until such fair value is determinable, or the component has been delivered to the licensee. Where, in substance, two elements of a contract are linked and fair values cannot be allocated to the individual components, the revenue recognition criteria are applied to the elements as if they were a single element.

Agreements including rights to unspecified future products (as opposed to unspecified upgrades and enhancements) are accounted for using subscription accounting, with revenue from the arrangement being recognised on a straight-line basis over the term of the arrangement, or an estimate of the economic life of the products offered if no term is specified, beginning with the delivery of the first product.

Certain products have been co-developed by the Group and a collaborative partner, with both parties retaining the right to sell licences to the product. In those cases where the Group makes sales of these products and is exposed to the significant risks and benefits associated with the transaction, the total value of the licence is recorded as revenue and the amount payable to the collaborative partner is recorded as cost of sales. Where the collaborative partner makes sales of these products, the Group records as revenue the commission it is due when informed by the collaborative partner that a sale has been made.

In addition to the licence fees, contracts generally contain an agreement to provide post-delivery service support, in the form of support, maintenance and training which consists of the right to receive services and/or unspecified product upgrades or enhancements that are offered on a when-and-if-available basis. Fees for post-delivery service support are generally specified in the contract. Revenue related to post-delivery service support is recognised based on fair value, which is determined with reference to contractual renewal rates. If no renewal rates are specified, the entire fee under the transaction is amortised and recognised on a straight-line basis over the contractual post-delivery service support period. Where renewal rates are specified, revenue for post-delivery service support is recognised on a straight-line basis over the period for which support and maintenance is contractually agreed by the Group with the licensee.

If the amount of revenue recognised exceeds the amounts invoiced to customers, the excess amount is recorded as amounts recoverable on contracts within accounts receivable. The excess of licence fees and post-delivery service support invoiced over revenue recognised is recorded as deferred revenue.

1b Summary of significant accounting policies continued

Revenue recognition continued

Sales of software, including development systems, which are not specifically designed for a given licence (such as off-the-shelf software) are recognised upon delivery, when the significant risks and rewards of ownership have been transferred to the customer. At that time, the Group has no further obligations except that, where necessary, the costs associated with providing post-delivery service support have been accrued. Services (such as training) that the Group provides which are not essential to the functionality of the IP are separately stated and priced in the contract and, therefore, accounted for separately. Revenue is recognised as services are performed and it is probable that the economic benefits associated with the transaction will flow into the Group.

Royalty revenues are earned on sales by the Group's customers of products containing ARM technology. Royalty revenues are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured.

Revenue from consulting is recognised when the service has been provided and all obligations to the customer under the consulting agreement have been fulfilled. For larger consulting projects containing several project milestones, revenue is recognised on a percentage-of-completion basis described above. Consulting costs are recognised when incurred.

As disclosed above, in accordance with IAS 8, "Accounting policies, changes in accounting estimates and errors", the Group makes significant estimates in applying its revenue recognition policies. In particular, as discussed in detail above, estimates are made in relation to the use of the percentage-of-completion accounting method, which requires that the extent of progress toward completion of contracts may be anticipated with reasonable certainty. The use of the percentage-of-completion method is itself based on the assumption that, at the outset of licence agreements, there is an insignificant risk that customer acceptance is not obtained. The Group also makes assessments, based on prior experience, of the extent to which future milestone receipts represent a probable future economic benefit to the Group. In addition, when allocating revenue to various components of arrangements involving several components, it is assumed that the fair value of each element is reflected by its price when sold separately. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the financial statements. If different assumptions were used, it is possible that different amounts would be reported in the financial statements.

Research and development expenditure

All ongoing research expenditure is expensed in the period in which it is incurred. Where a product is technically feasible, production and sale are intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project, development costs are capitalised and amortised on a straight-line basis over the estimated useful life of the respective product. The Group believes its current process for developing products is essentially completed concurrently with the establishment of technological feasibility which is evidenced by a working model. Accordingly, development costs incurred after the establishment of technological feasibility have not been significant and, therefore, no costs have been capitalised to date.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Any collaborative agreement whereby a third party agrees to partially fund the Group's research and development is recognised over the period of the agreement as a credit within research and development costs.

Government grants

Grants in respect of specific research and development projects are credited to research and development costs within the income statement to match the projects' related expenditure.

Retirement benefit costs

The Group contributes to defined contribution plans substantially covering all employees in Europe and the US and to government pension schemes for employees in Japan, South Korea, Taiwan, PR China, Israel and India. The Group contributes to these plans based upon various fixed percentages of employee compensation, and such contributions are expensed as incurred.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs in respect of operating leases are charged on a straight-line basis over the lease term even if payments are not made on such a basis.

Investment income

Investment income relates to interest income, which is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1b Summary of significant accounting policies continued

Dividends

Distributions to equity holders are not recognised in the income statement under IFRS, but are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a dividend when the dividend is approved by the Company's shareholders. Interim dividends are recognised as a distribution when paid.

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury stock and those shares held in the Employee Share Ownership Plan (ESOP), both of which are treated as cancelled. For diluted earnings per share, the weighted number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted share base for the year ended 31 December 2008 excludes incremental shares of approximately 38,822,000 (2007: 8,786,000) related to employee share options. These shares are excluded due to their anti-dilutive effect as a result of the exercise price of these shares being higher than the market price.

Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalised to the extent they enhance the future economic benefit of the asset.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, which are adjusted, if appropriate, at each balance sheet date, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal economic lives used for this purpose are:

Freehold buildings	25 years
Leasehold improvements	Five years or term of lease, whichever is shorter
Computers	Three to five years
Fixtures and fittings	Five to ten years
Motor vehicles	Four years

Provision is made against the carrying value of property, plant and equipment where an impairment in value is deemed to have occurred. Asset lives and residual values are reviewed on an annual basis.

Intangible assets

(a) Goodwill Goodwill represents the excess of the fair value of the consideration paid on acquisition of a business over the fair value of the assets, including any intangible assets identified and liabilities acquired. Goodwill is not amortised but is measured at cost less impairment losses. In determining the fair value of consideration, the fair value of equity issued is the market value of equity at the date of completion, the fair value of share options assumed is calculated using the Black-Scholes valuation model, and the fair value of contingent consideration is based upon whether the directors believe any performance conditions will be met and thus whether any further consideration will be payable.

(b) Other intangible assets Computer software, purchased patents and licences to use technology are capitalised at cost and amortised on a straight-line basis over a prudent estimate of the time that the Group is expected to benefit from them, which is typically three to ten years. Costs that are directly attributable to the development of new business application software and which are incurred during the period prior to the date that the software is placed into operational use, are capitalised. External costs and internal costs are capitalised to the extent they enhance the future economic benefit of the asset.

Although an independent valuation is made of any intangible assets purchased as part of a business combination, the directors are primarily responsible for determining the fair value of intangible assets. Developed technology, existing agreements and customer relationships, core technology, trademarks and tradenames, and order backlog are capitalised and amortised over a period of one to six years, being a prudent estimate of the time that the Group is expected to benefit from them.

In-process research and development projects purchased as part of a business combination may meet the criteria set out in IFRS 3, "Business combinations", for recognition as intangible assets other than goodwill. The directors track the status of in-process research and development intangible assets such that their amortisation commences when the assets are brought into use. This typically means a write off period of one to five years.

1b Summary of significant accounting policies continued

Intangible assets continued

Amortisation is calculated so as to write off the cost of intangible assets, less their estimated residual values, which are adjusted, if appropriate, at each balance sheet date, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal economic lives used for this purpose are:

Computer software	Three to five years
Patents and licences	Three to ten years
In-process research and development	One to five years
Developed technology	One to five years
Existing agreements and customer relationships	Two to ten years
Core technology	Five years
Trademarks and tradenames	Four to five years
Order backlog	One year

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation but are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The annual impairment tests in 2007 and 2008 showed there was no impairment with respect to goodwill. Furthermore, no trigger events have been identified that would suggest the impairment of any of the Group's other intangible assets.

Financial assets

The Group does not trade in financial instruments.

The Group classifies its financial assets in the following categories: at fair value through the income statement, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through the income statement Financial assets at fair value through the income statement are financial assets held for trading – that is, assets that have been acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. They are initially recognised at fair value with transaction costs being expensed in the income statement. Specifically, the Group's currency exchange contracts and embedded derivatives fall within this category. Gains or losses arising from changes in the fair value of "financial assets at fair value through the income statement" are presented in the income statement within general and administrative expenses in the period in which they arise.

(b) Loans and receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. "Accounts receivable" and "cash and cash equivalents" are classified as "Loans and receivables" in the balance sheet.

(c) Available-for-sale investments Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Publicly-traded investments are classified as available-for-sale. Initially recognised at fair value plus transaction costs on the trade date, they are revalued at market value at each period end. Unrealised holding gains or losses on such securities are included, net of related taxes, directly in equity via a revaluation reserve except where there is evidence of permanent impairment (see below).

Equity securities that are not publicly traded are also classified as available-for-sale and are recorded at fair value plus transaction costs at the trade date. Given the markets for these assets are not active, the Group establishes fair value by using valuation techniques. At 31 December 2008 and 2007, the estimated fair value of these investments approximated to cost less any permanent diminution in value, based on estimates determined by the directors.

1b Summary of significant accounting policies continued

Financial assets continued

Impairment of financial assets The Group considers at each reporting date whether there is any indication that any financial asset is impaired. If there is such an indication, the Group carries out an impairment test by measuring the assets' recoverable amount, which is the higher of the assets' fair value less costs to sell and their value in use. If the recoverable amount is less than the carrying amount an impairment loss is recognised, and the assets are written down to their recoverable amount.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are permanently impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any permanent impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

When securities classified as available-for-sale are sold or permanently impaired, the accumulated fair value adjustments recognised in equity are recycled through the income statement.

Impairment testing of trade receivables is described under "Accounts receivable" below.

Derivative financial instruments

The Group utilises currency exchange contracts to manage the exchange risk on actual transactions related to accounts receivable, denominated in a currency other than the functional currency of the business. The Group's currency exchange contracts do not subject the Group to risk from exchange rate movements because the gains and losses on such contracts offset losses and gains, respectively, on the transactions being hedged. The currency exchange contracts and related accounts receivable are recorded at fair value at each period end. Fair value is estimated using the settlement rates prevailing at the period end. All recognised gains and losses resulting from the settlement of the contracts are recorded within general and administrative expenses in the income statement. The Group does not enter into currency exchange contracts for the purpose of hedging anticipated transactions.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Short-term investments and short-term marketable securities

The Group considers all highly-liquid investments with original maturity dates of greater than three months but less than one year to be either short-term investments or short-term marketable securities. Any investments with a maturity date of greater than one year from the balance sheet date are classified as long-term.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Accounts receivable are first assessed individually for impairment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment.

In the case of impairment, the carrying amount of the asset(s) is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative costs in the income statement.

1b Summary of significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in, first-out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share-based payments" below, a compensation expense is recorded in the Group's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings.

As explained under "Share-based payments" below, no compensation charge is recorded in respect of options granted before 7 November 2002 or in respect of those options which have been exercised or have lapsed before 1 January 2005. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects arising in relation to these options are recorded directly in equity, against retained earnings.

Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount of the outflow can be reliably estimated.

Embedded derivatives

In accordance with IAS 39, "Financial instruments: recognition and measurement", the Group has reviewed all its contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. From time to time, the Group may enter into contracts denominated in a currency (typically US dollars) that is neither the functional currency of the group entity nor the functional currency of the customer or the collaborative partner. Where there are uninvoiced amounts on such contracts, the Group carries such derivatives at fair value. The resulting gain or loss is recognised in the income statement under general and administrative expenses, as shown below:

	2008 £000	2007 £000
Gain in income statement	12,518	1,400

1b Summary of significant accounting policies continued

Share-based payments

The Group issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, "Share-based payments", equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The Group operates Save As You Earn (SAYE) schemes in the UK and an Employee Share Purchase Plan (ESPP) in the US. Options under the SAYE schemes are granted at a 20% discount to market price of the underlying shares on the date of grant and at a 15% discount to the lower of the market prices at the beginning and end of the scheme for the ESPP. The UK SAYE schemes are approved by the UK tax authorities, which stipulates that the saving period must be at least 36 months. The Group has recognised a compensation charge in respect of the SAYE plans and US ESPPs. The charges for these are calculated as detailed above.

The Group also has a Long Term Incentive Plan (LTIP) on which it is also required to recognise a compensation charge under IFRS 2, calculated as detailed above.

The Group has applied the exemption available, and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which were outstanding at 31 December 2004.

The share-based payments charge is allocated to cost of sales, research and development expenses, sales and marketing expenses and general and administrative expenses on the basis of headcount.

Employer's taxes on share options

Employer's National Insurance in the UK and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the intrinsic value of the relevant options at the balance sheet date, pro-rated over the vesting period of the options.

Employee share ownership plans

The Group's Employee Benefit Trust (the "Trust") was set up on 16 April 1998 to administer the Group's Employee Share Ownership Plan (ESOP). The Trust is funded by loans from the Group, with its assets comprising shares in the Company. The Group recognises the assets and liabilities of the Trust in its own accounts and the carrying value of the Company's shares held by the Trust are recorded as a deduction in arriving at shareholders' funds until such time as the shares vest unconditionally to employees. All shares held within the Trust were awarded during 2008 and it is now in the process of being wound up.

Treasury shares

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1c Financial risk management

The Group operates in the intensely competitive semiconductor industry which has been characterised by price erosion, rapid technological change, short product life cycles, cyclical market patterns and heightened foreign and domestic competition. Significant technological changes in the industry could affect operating results.

The Group's operations expose it to a variety of financial risks that include currency risk, interest rate risk, price risk, credit risk and liquidity risk.

Given the size of the Group, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department. The Group has a treasury policy that sets out specific guidelines to manage currency risk, interest rate risk, securities price risk, credit risk and liquidity risk and also sets out circumstances where it would be appropriate to use financial instruments to manage these.

Currency risk

The Group's earnings and liquidity are affected by fluctuations in foreign currency exchange rates, principally in respect of the US dollar, reflecting the fact that most of its revenues and cash receipts are denominated in US dollars, while a significant proportion of its costs are settled in sterling. The Group seeks to use currency exchange contracts and currency options to manage the US dollar/sterling risk as appropriate, by monitoring the timing and value of anticipated US dollar receipts (which tend to arise from low-volume, high-value licence deals and royalty receipts) in comparison with its requirement to settle certain expenses in US dollars. The Group reviews the resulting exposure on a regular basis and hedges this exposure using currency exchange contracts and currency options for the sale of US dollars as appropriate. Such contracts are entered into with the objective of matching their maturity with projected US dollar cash receipts.

The Group is also exposed to currency risk in respect of the foreign currency denominated assets and liabilities of its overseas subsidiaries. At present, the Group does not mitigate this risk, for example by using foreign currency intra-group loans, as it has currently no requirement for external borrowings.

At 31 December 2008, the Group had outstanding currency exchange contracts to sell $100 million (2007: $34 million) for sterling. In addition, the Group utilises option instruments which have various provisions that, depending on the spot rate at maturity, give either the Group or the counterparty the option to exercise. At 31 December 2008, the Group had outstanding currency options under which the Group may, under certain circumstances, be required to sell up to $144 million (2007: $145 million) for sterling. A common scenario with options of this type is that the spot price at expiry is such that neither the Group nor the counterparty chooses to exercise the option. The Group had $86 million (2007: $88 million) of accounts receivable denominated in US dollars at that date, and US dollar cash, cash equivalents, short-term investments and short-term marketable securities balances of $61 million (2007: $78 million). Thus the Group's currency exchange contracts and currency options at the year-end potentially exceeded its US dollar current assets. This is because the Group has taken longer term positions through its currency exchange contracts in recent years given the predictable nature of the Group's cash flows.

The Group does not qualify for hedge accounting, and all movements in the fair value of derivative foreign exchange instruments are recorded in the income statement, offsetting the foreign exchange movements on the accounts receivable, cash, cash equivalents, short-term investments and short-term marketable securities balances being hedged.

In addition, certain customers remit royalties and licence fees in other currencies, primarily the euro. The Group is also required to settle certain expenses in euros, primarily in its French, Belgian and German subsidiaries, and as the net amounts involved are not considered significant, the Group does not take out euro currency exchange contracts.

As at 31 December 2008, if sterling had weakened by 10% against foreign currencies with all other variables held constant, post-tax profit for the year would have been £4.2 million lower (2007: sterling strengthened by 10%, post tax-profit lower by £5.6 million), mainly as a result of the mix of financial instruments at respective year-ends. Equity would have been £62.1 million higher with sterling 10% weaker (2007: £48.9 million lower with sterling 10% stronger) mainly due to the increase in value of US dollar denominated goodwill and intangibles.

Interest rate risk

At 31 December 2008, the Group had £79 million (2007: £54 million) of interest-bearing assets. At 31 December 2008, 38% (2007: 79%) of interest-bearing assets, comprising cash equivalents; short-term investments; short-term marketable securities; and the Group's long-term investment in W&W Communications Inc. (see note 14) in 2007, are at fixed rates and are therefore exposed to fair value interest rate risk. Floating rate cash earns interest based on relevant national LIBID equivalents and is therefore exposed to cash flow interest rate risk. The proportion of funds held in fixed rather than floating rate deposits is determined in accordance with the policy outlined under "Liquidity risk" below. Other financial assets, such as available-for-sale investments, are not directly exposed to interest rate risk.

Had interest rates been 1% lower throughout the year, interest receivable would have reduced by approximately £0.6 million (2007: £1.0 million) and profit after tax by £0.4 million (2007: £0.7 million).

The Group had no borrowings during 2008.

1c Financial risk management continued

Interest rate risk continued

The Group has no derivative financial instruments to manage interest rate fluctuations in place at the year-end since it has no loan financing, and as such no hedge accounting is applied. The Group's cash flow is carefully monitored on a daily basis. Excess cash, considering expected future cash flows, is placed on either short-term or medium-term deposit to maximise the interest income thereon. Daily surpluses are swept into higher-interest earning accounts overnight.

Securities price risk

The Group is exposed to equity securities price risk on available-for-sale investments. As there can be no guarantee that there will be a future market for securities (which are generally unlisted at the time of investment) or that the value of such investments will rise, the directors evaluate each investment opportunity on its merits before committing ARM's funds. The board of directors reviews holdings in such companies on a regular basis to determine whether continued investment is in the best interests of the Group. Funds for such ventures are limited in order that the financial effect of any potential decline of the value of investments will not be substantial in the context of the Group's financial results.

(i) Listed investments At the year end, the Group had no listed investments. At 31 December 2007, the Group's only listed investment was a minority stake in Superscape Group plc (Superscape), the carrying value of which at 31 December 2007 was £1.2 million. A 10% decrease in Superscape's share price as at 31 December 2007 from 7.98 pence to 7.18 pence would have reduced the Group's post-tax profit by £nil and resulted in a £0.1 million charge to other components of equity on the basis that such a reduction in value would have been deemed temporary. Superscape was acquired by Glu Mobile Inc. during 2008 for 10 pence per share, this being the value that the Group had permanently impaired its investment to as at 31 December 2007.

(ii) Unlisted investments The Group has unlisted investments with a carrying value as at 31 December 2008 of £1.2 million (2007: £3.7 million). A permanent 10% fall in the underlying value of these companies as at 31 December 2008 would therefore have reduced the Group's post-tax profit by £0.1 million (2007: £0.4 million) and resulted in a £nil (2007: £nil) reduction in other components of equity.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

As at 31 December 2008, the Group has no significant concentrations of credit risk. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board of directors.

Financial instrument counterparties are subject to pre-approval by the board of directors and such approval is limited to financial institutions with at least an AA rating, or (in the case of UK building societies) had over £1 billion in assets, except in certain jurisdictions where the cash holding concerned is immaterial. At 31 December 2007 and 2008, the majority of the Group's cash, cash equivalents, short-term investments and marketable securities were deposited with major clearing banks and building societies in the UK and US in the form of money market deposits and corporate bonds for varying periods up to two years.

Over 90% of the Group's cash and cash equivalents, short-term investments and short-term marketable securities were held with global financial institutions with at least an AA rating, or (in the case of UK building societies) had over £1 billion in assets, as at 31 December 2008 and 2007.

The Group has implemented policies that require appropriate credit checks on potential customers before sales commence. The Group generally does not require collateral on accounts receivable, as many of its customers are large, well-established companies. The Group has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographic area.

The Group markets and sells to a relatively small number of customers with individually large value transactions. At 31 December 2008, one (2007: nil) customer accounted for more than 10% of accounts receivable. This customer was one of a group of large, established semiconductor companies that accounted for over 80% of the year-end accounts receivable balance, where the risk of default on monies owed is deemed negligible. All monies owed from this customer in respect of the amounts due at 31 December 2008 have been paid after the year-end. The Group performs credit checks on all customers (other than those paying in advance) in order to assess their creditworthiness and ability to pay its invoices as they become due. As such, the balance of accounts receivable not owed by the large semiconductor companies is still deemed by management to be of low risk of default due to the nature of the checks performed on them, and accordingly a relatively small allowance against these receivables is in place to cover this low risk of default.

No credit limits were exceeded during the reporting period and management does not expect any significant losses from non-performance by these counterparties.

1c Financial risk management continued

Liquidity risk

The Group's policy is to maintain balances of cash, cash equivalents, short-term investments and short-term marketable securities, such that highly liquid resources exceed the Group's projected cash outflows at all times. Surplus funds are placed on fixed- or floating-rate deposits depending on the prevailing economic climate at the time (with reference to forward interest rates) and also on the required maturity of the deposit (as driven by the expected timing of the Group's cash receipts and payments over the short- to medium-term).

Management monitors rolling forecasts of the Group's liquidity reserve (comprising an undrawn borrowing facility, and cash and cash equivalents) on the basis of expected cash flow. This is carried out at both a local and a Group level – although only the parent company has access to the borrowing facility.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than six months £000	Between six months and one year £000
At 31 December 2008:		
Accounts payable	6,953	–
Other liabilities	3,411	–
At 31 December 2007:		
Accounts payable	2,230	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than three months 000s	Over three months but less than six months 000s	Between six months and one year 000s
Forward foreign exchange contracts – held-for-trading at 31 December 2008			
Outflow	$94,000	$6,000	–
Inflow	£59,510	£4,095	–
Foreign exchange options – held-for-trading at 31 December 2008			
Outflow (maximum)	$44,300	$42,000	$58,000
Inflow (maximum)	£25,704	£24,488	£35,379
Forward foreign exchange contracts – held-for-trading at 31 December 2007			
Outflow	$34,000	–	–
Inflow	£16,772	–	–
Foreign exchange options – held-for-trading at 31 December 2007			
Outflow (maximum)	$34,000	$36,000	$75,000
Inflow (maximum)	£17,210	£18,152	£38,077

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of cash, cash equivalents, short-term investments and marketable securities and capital and reserves attributable to equity holders of the Company, as disclosed in note 20 and the consolidated statement of changes in shareholders' equity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to raise cash or take on debt.

Between 2004 and 2007, the Group's strategy was to increase its balance sheet efficiency by reducing its cash balance via returning cash to shareholders through a progressive dividend policy and a rolling share buyback programme. Whilst the Group intends to further increase balance sheet efficiency over time, in 2008, recognising the uncertain macroeconomic environment, the net cash balance was increased from £51.3 million at the start of the year to £78.8 million at the year-end. Notwithstanding this, the share buyback programme continued during the year and the dividend was increased by 10%. The capital structure is continually monitored by the Group.

1c Financial risk management continued

Capital risk management continued

During the year, the Group entered into a £50 million revolving credit facility providing the Group access to funds for any corporate purpose. The Group did not drawdown on this facility (or the previous £100 million facility) at any time during the year, and the facility was undrawn at the balance sheet date. Any drawn amounts accrue interest at a LIBOR-plus rate whilst there is a nominal charge for the undrawn portion. Furthermore, the facility requires the Group to adhere to various financial covenants relating to EBITDA multiples and interest cover; the Group adhered to all covenants during the year.

Fair value of currency exchange contracts

The fair value of currency exchange contracts is estimated using the settlement rates. The estimation of the fair value of the liability in respect of currency exchange contracts is £18,457,000 at 31 December 2008 (2007: £496,000). The increase in 2008 is due to the mix of contracts, settlement rates and currency volatility but predominantly due to the significant strengthening of the US dollar during the second half of 2008, resulting in the year-end USD/GBP spot rate being lower than the majority of settlement rates. The resulting loss on the movement of the fair value of currency exchange contracts is recognised in the income statement under general and administrative expenses, as shown below:

	2008 £000	2007 £000
Loss in income statement	17,961	935

1d Critical accounting estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group tests goodwill for impairment at least annually. This requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill is allocated. As discussed in detail in note 16, estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

Revenue recognition

Revenue from the sale of licence agreements which are designed to meet the specific requirements of each customer is recognised on a percentage-of-completion method basis. Use of this method requires the directors to estimate the total project resource requirement and also any losses on uncompleted contracts.

Provisions for income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the world-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision for impairment of trade receivables

The Group assesses trade receivables for impairment which requires the directors to estimate the likelihood of payment forfeiture by customers.

Legal settlements and other contingencies

Determining the amount to be accrued for legal settlement requires the directors to estimate the committed future legal and settlement fees the Group is expecting to incur. Where suits are filed against the Group for infringement of patents, the directors assess the extent of any potential infringement based on legal advice and written opinions received from external counsel and then estimate the level of accrual required.

Contingent consideration for an acquisition is recognised as part of the purchase consideration if the contingent conditions are expected to be satisfied. This requires the directors to estimate the acquiree's future financial performance, typically more than one year post-acquisition.

2 Segmental reporting

At 31 December 2008 the Group is organised on a world-wide basis into three main business segments:

Processor Division (PD), encompassing those resources that are centred around microprocessor cores, including specific functions such as graphics IP, fabric IP, embedded software and configurable digital signal processing IP.

Physical IP Division (PIPD), concerned with the building blocks necessary for translation of a circuit design into actual silicon.

Systems Design Division (SDD), focused on the tools and models used to create and debug software and system-on-chip (SoC) designs.

This is based upon the Group's internal organisation and management structure and is the primary way in which the board of directors is provided with financial information. Whilst revenues are reported into four main revenue streams (namely licensing, royalties, development systems and services), the costs, operating results and balance sheets are only analysed into these three divisions.

In 2007, the Group early-adopted IFRS 8, "Operating segments". This supersedes IAS 14, "Segmental reporting", under which segments were identified and reported on risk and return analyses. Under IFRS 8, segments are reported based on internal reporting, bringing segment reporting in line with the requirements of US standard FAS 131. For the Group, the impact of this is purely presentational – as under IAS 14, the Group's business segments were still defined as PD, PIPD and SDD.

The acquisition of Logipard in 2008 was allocated to PD, together with the related goodwill.

The following analysis is of revenues; operating costs; investment income; interest payable; profit/(loss) before tax, tax; profit/(loss) after tax; depreciation; amortisation of other intangible assets; share-based payment costs; capital expenditure; total assets and liabilities; net assets and goodwill for each segment and the Group in total.

Business segment information

Year ended 31 December 2008	Processor Division £000	Physical IP Division £000	Systems Design Division £000	Unallocated £000	Group £000
Segmental income statement					
Revenue	221,354	46,432	31,148	–	298,934
Operating costs	(112,079)	(73,173)	(38,189)	(15,550)	(238,991)
Investment income	–	–	–	3,297	3,297
Interest payable	–	–	–	(51)	(51)
Profit/(loss) before tax	109,275	(26,741)	(7,041)	(12,304)	63,189
Tax	–	–	–	(19,597)	(19,597)
Profit/(loss) for the year	**109,275**	**(26,741)**	**(7,041)**	**(31,901)**	**43,592**
Segmental balance sheet					
Total assets	235,899	463,302	32,136	116,846	848,183
Total liabilities	(41,696)	(20,192)	(10,617)	(35,335)	(107,840)
Net assets	**194,203**	**443,110**	**21,519**	**81,511**	**740,343**
Other segmental items					
Depreciation	2,740	1,496	934	–	5,170
Amortisation of other intangible assets	2,692	16,187	2,903	–	21,782
Share-based payments cost	8,937	3,698	2,774	–	15,409
Capital expenditure	3,444	4,466	810	–	8,720
Goodwill	143,649	407,940	16,255	–	567,844

2 Segmental reporting continued

Year ended 31 December 2007	Processor Division £000	Physical IP Division £000	Systems Design Division £000	Unallocated £000	Group £000
Segmental income statement					
Revenue	187,829	43,418	27,913	–	259,160
Operating costs	(113,901)	(62,799)	(43,006)	240	(219,466)
Investment income	–	–	–	5,459	5,459
Interest payable	–	–	–	(57)	(57)
Profit/(loss) before tax	73,928	(19,381)	(15,093)	5,642	45,096
Tax	–	–	–	(9,846)	(9,846)
Profit/(loss) for the year	**73,928**	**(19,381)**	**(15,093)**	**(4,204)**	**35,250**
Segmental balance sheet					
Total assets	171,653	358,292	32,160	80,839	642,944
Total liabilities	(33,562)	(14,443)	(10,307)	(5,470)	(63,782)
Net assets	**138,091**	**343,849**	**21,853**	**75,369**	**579,162**
Other segmental items					
Depreciation	2,756	1,800	936	–	5,492
Amortisation of other intangible assets	2,623	15,117	3,675	–	21,415
Share-based payments cost	10,575	3,356	2,855	–	16,786
Capital expenditure	3,161	1,336	947	–	5,444
Goodwill	107,265	302,050	11,520	–	420,835

There are no inter-segment revenues. Unallocated operating costs are foreign exchange revaluation on monetary items, including cash and cash equivalents. Unallocated assets and liabilities include: cash and cash equivalents; short-term investments and marketable securities; some deferred tax balances; current tax and VAT. Capital expenditure comprises additions to property, plant and equipment and other intangible assets, including additions resulting from acquisitions through business combinations.

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

Geographical information
The Group manages its business segments on a global basis. The operations are based in three main geographical areas. The UK is the home country of the parent. The main operations in the principal territories are as follows:

- Europe
- United States
- Asia Pacific

Analysis of revenue by destination*:

	2008 £000	2007 £000
United States	90,648	96,140
Japan	54,561	41,868
Taiwan	26,746	28,358
South Korea	33,472	22,664
Netherlands	16,410	14,743
British Virgin Islands	15,985	8,544
Rest of Europe	35,074	27,911
Rest of North America	6,370	5,211
Rest of Asia Pacific	19,668	13,721
	298,934	**259,160**

* Destination is defined as the location of ARM's customers.

The Group's exports from the UK were £281.1 million and £217.0 million for the years ended 31 December 2008 and 2007 respectively.

2 Segmental reporting continued

Analysis of revenue by origin:

	2008 £000	2007 £000
Europe*	286,299	215,371
United States	12,181	42,115
Asia Pacific	454	1,674
	298,934	**259,160**

* Includes the UK which had total revenues of £284.6 million in 2008 (2007: £213.9 million).

Analysis of revenue by revenue stream:

	2008 £000	2007 £000
Licensing	103,506	110,663
Royalties	147,728	104,150
Services	16,552	16,434
Development systems	31,148	27,913
	298,934	**259,160**

Analysis of non-current assets (excluding deferred tax assets, goodwill and other intangible assets):

	2008 £000	2007 £000
Europe*	8,278	13,885
United States	8,502	2,827
Asia Pacific	2,411	1,891
	19,191	**18,603**

* Includes the UK which had non-current assets (excluding deferred tax assets, goodwill and other intangible assets) of £7.8 million in 2008 (2007: £13.6 million).

3 Recognised income and expense

	2008 £000	2007 £000
Movement on tax arising on share options	(1,030)	2,212
Gain/(loss) on revaluation of publicly-traded available-for-sale investments, net of tax of £84,000 (2007: £146,000)	(71)	330
Foreign exchange difference on consolidation	164,369	(8,126)
Total gain/(loss) recognised directly in equity for the year	163,268	(5,584)
Profit for the year	43,592	35,250
Total recognised income for the year	**206,860**	**29,666**

All activities relate to continuing operations. All of the total recognised profit for the year is attributable to the equity holders of the parent.

4 Key management compensation and directors' emoluments

Key management compensation

The directors are of the opinion that the key management of the Group comprises the executive and non-executive directors of ARM Holdings plc together with the Executive Committee (comprising all directors of ARM Limited and certain senior management). These persons have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The Executive Committee was established during 2008, with key management in 2007 being purely the directors of ARM Holdings plc and ARM Limited. Comparatives for 2007 below have not been restated for the enlarged group of key management. At 31 December 2008, key management comprised 21 people (2007: 17).

The aggregate amounts of key management compensation are set out below:

	2008 £000	2007 £000
Salaries and short-term employee benefits	5,756	3,858
Share-based payments	3,114	3,768
Group pension contributions to money purchase schemes	312	237
	9,182	**7,863**

Directors' emoluments

The aggregate emoluments of the directors of the Company are set out below:

	2008 £000	2007 £000
Aggregate emoluments in respect of qualifying services	3,602	2,868
Aggregate Group pension contributions to money purchase schemes	194	171
Aggregate gains on exercise of share options	12	2,309
Aggregate amounts receivable under the Long Term Incentive Plan	635	–
	4,443	**5,348**

Detailed disclosures of directors' emoluments are shown on pages 41 and 42. Details of directors' interests in share options and awards are shown on pages 37 to 40 which form part of the financial statements.

5 Employee information

The average monthly number of persons, including executive directors, employed by the Group during the year was:

	2008 Number	2007 Number
By segment		
Processor Division	834	801
Physical IP Division	532	527
Systems Design Division	345	373
	1,711	**1,701**

	2008 Number	2007 Number
By activity		
Research and development	1,115	1,163
Sales and marketing	350	312
General and administrative	246	226
	1,711	**1,701**

	2008 £000	2007 £000
Staff costs (for the above persons)		
Wages and salaries	96,893	86,277
Share-based payments (note 23)	15,409	16,786
Social security costs	10,698	9,603
Other pension costs	4,594	4,327
	127,594	**116,993**

6 Profit before tax: analysis of expenses by nature

The following items have been charged/(credited) to the income statement in arriving at profit before tax:

	2008 £000	2007 £000
Staff costs, including share-based payments (note 5)	127,594	116,993
Cost of inventories recognised as an expense (included in cost of sales)	3,522	3,903
Depreciation of property, plant and equipment – owned assets (note 15)	5,170	5,492
Amortisation of other intangible assets (note 17):		
– Cost of sales	463	400
– Research and development	10,854	10,201
– Sales and marketing	8,074	8,653
– General and administrative	2,391	2,161
Impairment of available-for-sale investments	–	2,100
Loss on disposal of property, plant and equipment	36	317
Other operating lease rentals payable		
– Plant and machinery	12,075	11,973
– Property	6,960	5,585
Accounts receivables impairment (including movement in provision)	3,702	215
Foreign exchange losses/(gains) (including movement on embedded derivatives)	3,032	(1,640)

Services provided by the Group's auditor and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and its associates:

	2008 £000	2007 £000
Fees payable to the Group's auditor for the audit of the Company and consolidated financial statements	294	399
Fees payable to the Group's auditor and its associates for other services:		
– The audit of the Group's subsidiaries pursuant to legislation	247	296
– Services pursuant to section 404 of the Sarbanes-Oxley Act	255	649
– Other services pursuant to legislation	52	47
– Tax services	364	302
– All other services	430	129
	1,642	**1,822**

* Included within the 2007 costs are fees of £255,000 incurred in relation to the Group's initial compliance with section 404 of the Sarbanes-Oxley Act.

Fees payable to other major firms of accountants for non-audit services for 2008 amount to £1,794,000 (2007: £1,449,000).

7 Tax

Analysis of charge in the year:

	2008 £000	2007 £000
Current tax	24,751	14,489
Deferred tax	(5,154)	(4,643)
Taxation	**19,597**	**9,846**

Analysis of tax on items charged to equity:

	2008 £000	2007 £000
Deferred tax credit on available-for-sale investments	84	146
Deferred tax charge on outstanding share options	1,838	2,085
Current tax benefit on share options	(808)	(4,297)

The tax for the year is different to the standard rate of corporation tax in the UK, as explained below:

	2008 £000	2007 £000
Profit before tax	63,189	45,096
Profit before tax multiplied by rate of corporation tax in the UK of 28.5% (2007: 30%)	18,009	13,529
Effects of:		
Adjustments to tax in respect of prior years	(707)	(838)
Adjustments in respect of foreign tax rates	1,174	(895)
Research and development tax credits	(5,424)	(5,170)
Permanent differences – foreign exchange	279	(84)
Permanent differences – other*	1,979	(2,726)
Movements in deferred tax assets relating to losses	(1,786)	4,824
Foreign withholding tax	2,551	912
Amortisation of other intangible assets	(1,524)	(1,359)
Timing differences in respect of share-based payments	3,170	599
Other differences	1,876	1,054
Total taxation	**19,597**	**9,846**

* Includes expenditure disallowable for tax purposes and benefits resulting from restructuring following the acquisition of Artisan.

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate relevant to each tax jurisdiction.

The movement on the deferred tax account is shown below:

	2008 £000	2007 £000
At 1 January	17,598	14,916
Profit and loss credit	5,154	4,643
Adjustment in respect of share-based payments	(1,838)	(1,837)
Exchange differences	3,404	22
Amount acquired with subsidiary undertakings	(1,394)	–
Available-for-sale investments	(84)	(146)
At 31 December	**22,840**	**17,598**

7 Tax continued

Deferred tax assets have been partially recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is not probable that the unrecognised portion of these assets will be recovered. The amount of deferred tax assets unrecognised at 31 December 2008 is £8,617,000 (2007: £9,574,000).

No deferred tax has been recognised in respect of a further £16.2 million (2007: £31.7 million) of unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the differences and either it is possible that such differences will not reverse in the foreseeable future or no tax is payable on the reversal.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction as permitted by IAS 12, "Income Taxes") during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets

	Amounts relating to share-based payments £000	Temporary difference on available-for-sale investments £000	Temporary differences relating to fixed assets £000	Tax losses and R&D tax credits carried forward £000	Non-deductible reserves £000	Total £000
At 1 January 2008	14,664	678	4,606	2,669	8,553	31,170
Reclassification	(6,479)	–	–	6,479	–	–
Profit and loss (charge)/credit	(1,197)	–	2,700	(1,297)	1,051	1,257
Available-for-sale investments	–	(84)	–	–	–	(84)
Movement on deferred tax arising on outstanding share options	(1,838)	–	–	–	–	(1,838)
Exchange differences	–	–	–	6,223	–	6,223
At 31 December 2008 (prior to offsetting)	**5,150**	**594**	**7,306**	**14,074**	**9,604**	**36,728**
Offsetting of deferred tax liabilities						(12,665)
At 31 December 2008 (after offsetting)						**24,063**
At 1 January 2007	13,315	231	5,244	13,626	3,878	36,294
Profit and loss (charge)/credit	3,186	593	(638)	(10,752)	4,675	(2,936)
Available-for-sale investments	–	(146)	–	–	–	(146)
Movement on deferred tax arising on outstanding share options	(1,837)	–	–	–	–	(1,837)
Exchange differences	–	–	–	(205)	–	(205)
At 31 December 2007 (prior to offsetting)	**14,664**	**678**	**4,606**	**2,669**	**8,553**	**31,170**
Offsetting of deferred tax liabilities						(11,937)
At 31 December 2007 (after offsetting)						**19,233**

7 Tax continued

Deferred tax liabilities

	Amounts relating to intangible assets arising on acquisition £000	Other £000	Total £000
At 1 January 2008	13,572	–	13,572
Acquired with subsidiary (Logipard)	1,394	–	1,394
Movement in respect of amortisation of intangible assets	(7,341)	–	(7,341)
Other short-term differences	–	3,444	3,444
Exchange differences	2,819	–	2,819
At 31 December 2008 (prior to offsetting)	**10,444**	**3,444**	**13,888**
Offsetting of deferred tax assets			(12,665)
At 31 December 2008 (after offsetting)			**1,223**
At 1 January 2007	21,378	–	21,378
Movement in respect of amortisation of intangible assets	(7,579)	–	(7,579)
Exchange differences	(227)	–	(227)
At 31 December 2007 (prior to offsetting)	**13,572**	**–**	**13,572**
Offsetting of deferred tax assets			(11,937)
At 31 December 2007 (after offsetting)			**1,635**

The deferred tax liability due after more than one year prior to offsetting is £5,025,000 (2007: £7,213,000).

8 Dividends

	2008 £000	2007 £000
Final 2006 paid at 0.60 pence per share	–	8,013
Interim 2007 paid at 0.80 pence per share	–	10,534
Final 2007 paid at 1.20 pence per share	15,267	–
Interim 2008 paid at 0.88 pence per share	11,116	–

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 1.32 pence per share which will absorb an estimated £16.6 million of shareholders' funds. It will be paid on 20 May 2009 to shareholders who are on the register of members on 1 May 2009.

9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the ESOP and treasury stock which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares during the year: those being share options granted to employees and directors where the exercise price is less than the average market price of the Company's ordinary shares during the year and the awards made under the Company's Restricted Stock Unit (RSU), Deferred Annual Bonus Plan (DAB) and Long Term Incentive Plan (LTIP) schemes. For 2008 and 2007 no shares that were allocated for awards under the LTIP were included in the diluted EPS calculation as the performance criteria could not be measured until the conclusion of the performance period.

Reconciliations of the earnings and weighted average number of shares used in the calculations are shown on the face of the income statement.

10 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	48,997	8,162
Short-term bank deposits	27,505	41,347
	76,502	**49,509**

The effective interest rate on short-term deposits outstanding at the year-end was 3.6% (2007: 5.6%) and these deposits have an average maturity of 38 days (2007: 11 days).

Short-term marketable securities There is a readily available market for these investments. Unrealised gains and losses on these investments are recognised directly in equity via the revaluation reserve. The Group recognises an impairment charge when the decline in fair value below cost is judged to be other than temporary. At 31 December 2008 and 2007, the fair value is equal to cost.

Cash and cash-equivalents The carrying amount approximates to fair value because of the short-term maturity of these instruments, being no greater than three months.

11 Accounts receivable

	2008 £000	2007 £000
Trade debtors (including receivables from related parties – see note 27)	60,732	45,249
Less: Provision for impairment of trade debtors	(1,744)	(1,504)
Trade debtors, net	58,988	43,745
Amounts recoverable on contracts	17,926	24,487
Current accounts receivable	**76,914**	**68,232**

Movements in the Group's provision for impairment of trade receivables are as follows:

	2008 £000	2007 £000
At 1 January	(1,504)	(2,556)
Charged to income statement	(641)	(215)
Utilised/reclassification	430	1,253
Foreign exchange	(29)	14
At 31 December	**(1,744)**	**(1,504)**

The other classes within current accounts receivable do not contain impaired assets. See also note 19 for further disclosure regarding the credit quality of the Group's gross trade receivables.

12 Prepaid expenses and other assets

	2008 £000	2007 £000
Other receivables	9,402	2,033
Prepayments and accrued income	13,732	11,056
Current prepaid expenses and other assets	23,134	13,089
Plus: non-current prepayments and accrued income	2,102	2,860
Total prepaid expenses and other assets	**25,236**	**15,949**

13 Inventories

	2008 £000	2007 £000
Finished goods	2,219	2,673
Less: Provision for obsolescence of inventories	(247)	(334)
	1,972	**2,339**

14 Available-for-sale financial assets

	Short-term investments £000	Short-term marketable securities £000	Listed short-term investments £000	Total £000
At 1 January 2008	232	1,582	1,180	2,994
Net cash invested in the year	233	–	–	233
Disposals	–	–	(1,180)	(1,180)
Revaluation through equity	–	(285)	–	(285)
Exchange differences	6	519	–	525
At 31 December 2008	**471**	**1,816**	**–**	**2,287**

	Short-term investments £000	Short-term marketable securities £000	Listed short-term investments £000	Total £000
At 1 January 2007	18,600	19,151	–	37,751
Reclassification from long-term investments	–	–	1,885	1,885
Net cash maturing in the year	(18,363)	(17,395)	–	(35,758)
Impairment charge to income statement	–	–	(1,174)	(1,174)
Revaluation through equity	–	7	469	476
Exchange differences	(5)	(181)	–	(186)
At 31 December 2007	**232**	**1,582**	**1,180**	**2,994**

	Other long-term investments £000	Total £000
Net book value		
At 1 January 2008	3,701	3,701
Additions	1,029	1,029
Disposals	(4,813)	(4,813)
Exchange differences	1,250	1,250
At 31 December 2008	**1,167**	**1,167**

	Listed long-term investments £000	Other long-term investments £000	Total £000
Net book value			
At 1 January 2007	1,885	1,970	3,855
Reclassification to short-term investments	(1,885)	–	(1,885)
Additions	–	2,657	2,657
Impairment charge to income statement	–	(926)	(926)
At 31 December 2007	**–**	**3,701**	**3,701**

Investments in listed companies

The fair value of listed investments is determined with reference to prices quoted on the relevant exchange at the balance sheet date. The Group had no listed investments at 31 December 2008, following the disposal of its investment in Superscape Group plc during the year. The cost and market value of Superscape at 31 December 2007 were £2,652,000 and £1,180,000 respectively.

14 Available-for-sale financial assets continued

Other long-term investments

Those unlisted companies in which the Group has invested are early-stage development enterprises, which are generating value for shareholders through research and development activities, and most do not currently report profits. The directors do not consider it possible to estimate with precision the fair value of the Group's investments in these companies (carrying value at 31 December 2008: £1,167,000; 2007: £3,701,000) as they are, by definition, not traded on an organised market and are unique in their activities. However, based on recent fundraising transactions by these companies and, where possible, following review of relevant financial information prepared by the companies, the directors are of the opinion that the fair value of these investments approximates to carrying value. Provisions have been made against other investments to reflect any impairment in value.

Included in other investments are the Group's less than 1% investment in the share capital of Palmchip Corporation (a private fabless chip company based in California); a less than 1% investment in the share capital of Pixim Inc. (also a private fabless chip company based in California); a 1.4% holding in Reciva Limited (an internet radio company based in the UK); and a minority holding in Embest Info & Tech Co. Ltd (a niche developer of embedded hardware and software based in China). The Group also has an investment in the preference share capital of CoWare Inc. (a company which develops system-on-chip software for a wide range of applications); and an investment in the preference shares of Luminary Micro Inc. (a private fabless semiconductor company based in Texas which develops pioneering ARM architecture-based SoC products). Neither investment in CoWare or Luminary confers any voting rights.

In 2007, the Group invested $5,000,000 (£2,534,000) in W&W Communications Inc. (an unlisted US company) by way of an interest-bearing convertible loan note; and a further $2,000,000 (£1,029,000) during 2008. W&W was acquired in December 2008, at which time the loan notes were repaid including the accrued interest. The exchange gain noted in the above table results from this US dollar denominated loan note.

Available-for-sale financial assets include the following:

	2008 £000	2007 £000
Listed equity securities – UK	–	1,180
Short-term investments – Korea	471	232
Unlisted short-term marketable securities – US	1,816	1,582
Total current financial assets	2,287	2,994
Unlisted equity securities – UK	50	50
Unlisted equity securities – China	123	123
Unlisted equity securities – US	994	994
Convertible loan notes – US	–	2,534
Total non-current financial assets	1,167	3,701
Total financial assets	**3,454**	**6,695**

Available-for-sale financial assets are denominated in the following currencies:

	2008 £000	2007 £000
Sterling	1,167	2,347
US dollars	1,816	4,116
Korean won	471	232
Total financial assets	**3,454**	**6,695**

15 Property, plant and equipment

	Freehold buildings £000	Leasehold improvements £000	Computer equipment £000	Fixtures, fittings and motor vehicles £000	Assets under construction £000	Total £000
Cost						
At 1 January 2008	190	15,837	17,078	3,878	758	37,741
Additions	–	4,169	2,777	1,131	7	8,084
Transfers	–	409	174	175	(758)	–
Acquisitions	–	18	17	86	–	121
Disposals	–	(1,967)	(986)	(170)	–	(3,123)
Exchange differences	–	1,107	2,629	1,027	(7)	4,756
At 31 December 2008	190	19,573	21,689	6,127	–	47,579
Aggregate depreciation						
At 1 January 2008	72	14,561	11,546	2,226	–	28,405
Charge for the year	7	663	3,748	752	–	5,170
Disposals	–	(1,965)	(961)	(161)	–	(3,087)
Exchange differences	–	361	1,885	648	–	2,894
At 31 December 2008	79	13,620	16,218	3,465	–	33,382
Net book value						
At 31 December 2008	**111**	**5,953**	**5,471**	**2,662**	**–**	**14,197**

	Freehold buildings £000	Leasehold improvements £000	Computer equipment £000	Fixtures, fittings and motor vehicles £000	Assets under construction £000	Total £000
Cost						
At 1 January 2007	190	18,054	18,445	4,676	–	41,365
Additions	–	609	2,692	618	742	4,661
Disposals	–	(2,979)	(4,194)	(1,433)	–	(8,606)
Exchange differences	–	153	135	17	16	321
At 31 December 2007	190	15,837	17,078	3,878	758	37,741
Aggregate depreciation						
At 1 January 2007	64	16,266	11,805	2,934	–	31,069
Charge for the year	8	1,032	3,804	648	–	5,492
Disposals	–	(2,761)	(4,161)	(1,371)	–	(8,293)
Exchange differences	–	24	98	15	–	137
At 31 December 2007	72	14,561	11,546	2,226	–	28,405
Net book value						
At 31 December 2007	**118**	**1,276**	**5,532**	**1,652**	**758**	**9,336**

16 Goodwill

	£000
At 1 January 2007	427,679
Revision to consideration – KEG	(65)
Revision to consideration – KSI	(37)
Exchange differences	(6,742)
At 31 December 2007	**420,835**
Acquisition – Logipard	2,074
Revision to consideration – Soisic	(1,385)
Exchange differences	146,320
At 31 December 2008	**567,844**

During the fourth quarter of 2008, the Group tested its balance of goodwill for impairment in accordance with IAS 36, "Impairment of assets". No impairment charge was recorded as a result of this annual impairment test.

Goodwill is allocated to the Group's CGUs according to business segment. The carrying amounts of goodwill by CGU at 31 December 2008 are summarised below:

	Processor Division £000	Physical IP Division £000	Systems Design Division £000	Group £000
Goodwill relating to Artisan	130,115	407,940	–	538,055
Goodwill relating to Falanx	9,400	–	–	9,400
Goodwill relating to Axys	–	–	8,308	8,308
Goodwill relating to KEG and KSI	–	–	7,916	7,916
Goodwill relating to Logipard	2,074	–	–	2,074
Goodwill relating to other acquisitions	2,060	–	31	2,091
Goodwill at 31 December 2008	143,649	407,940	16,255	567,844
Goodwill at 31 December 2007	107,265	302,050	11,520	420,835

The recoverable amount for each CGU has been measured based on a value in use calculation.

Processor Division (PD)
The Processor Division encompasses those resources that are centred around microprocessor cores, including specific functions such as graphics IP, fabric IP, embedded software IP and configurable digital signal processing (DSP) IP.

The key assumptions in the value in use calculations were:

Period over which the directors have projected cash flows A ten-year forecast period is used with an assumed terminal growth rate after 2018 of 3% per annum. It is considered appropriate to use a ten-year forecast period to properly reflect the period over which the benefits of the acquisition of Artisan to the Processor Division are expected to accrue.

Forecast revenue growth Revenue is forecast to grow by an amount consistent with the Group's five-year plan as well as analysts' expectations. These have proved to be reliable guides in the past and the directors believe that these estimates are appropriate.

Revenue attributable to the benefits afforded by owning the PIPD unit The directors believe that revenue will accrue to the Processor Division as a result of the ownership of the Physical IP Division for the following reasons:

– The development of faster and more power-efficient microprocessors as a result of collaboration between PD and PIPD engineering teams. This is expected to generate more PD licensing deals at higher prices;

– The potential for PD to win more microprocessor licensing business as a result of ARM being able to offer both processor and physical IP in-house; and

– The improvement in PD operating margins as a result of being able to transfer a number of engineering tasks to the Bangalore design centre acquired with Artisan.

16 Goodwill continued

Operating margins Operating margins have been assumed to remain consistent with current operating margins over the period of the calculation.

Discount rate Future cash flows are discounted in line with ARM's estimated weighted average cost of capital of approximately 10% pre-tax.

The directors are confident that the amount of goodwill allocated to the Processor Division is appropriate and that the assumptions used in estimating its fair value are appropriate. Whilst it is conceivable that a key assumption in the calculation could change, the directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying value.

Physical IP Division (PIPD)

The Physical IP Division is concerned with the building blocks necessary for translation of a circuit design into actual silicon.

The key assumptions in the value in use calculations were:

Period over which the directors have projected cash flows A ten-year forecast period is used with an assumed terminal growth rate after 2018 of 3% per annum. It is considered appropriate to use a ten-year forecast period to properly reflect the period over which the benefits of the acquisition of Artisan are expected to accrue. It is expected that it will take between four and seven years from acquisition before a meaningful proportion of ARM's larger semiconductor Partners are licensing some of their physical IP technology needs from the Group, with royalties being generated from these licences a further two to four years later, i.e. a total period of six to 11 years. Further, the Group's experience in PD indicates that the base of licences grows gradually over time as licensees outsource an increasing proportion of their physical IP needs, with royalties, which are a function of the cumulative licensing base, increasing accordingly.

Forecast revenue growth Although revenue growth is not forecast in 2009 due to the current global macroeconomic environment, thereafter revenue is expected to grow by approximately 18% per annum on average for the next five years, falling to 8% per annum by 2018, reflecting the uncertainty of forecasting revenues in the years further in the future. In assessing the appropriate valuation of Artisan in 2004, the directors assumed revenue growth of approximately 20% per annum was achievable in the Artisan stand-alone business based on process geometry shrinks bringing more licensing opportunities across a broader range of foundries and based on the significant increase in the usage of Artisan IP in 2003 and 2004 which is now contributing to royalty growth.

Licence revenues decreased by 18% year-on-year in 2008, with the order backlog at the end of the year being approximately 9% down on the level at the beginning of the year. Royalty revenues increased by 24%. During 2008, a significant proportion of engineering resource was deployed to accelerate the development of leading-edge physical IP technology rather than working on the conversion of order backlog into short-term revenue. This acceleration was seen as fundamental to the long-term growth potential of PIPD. During 2008, the initial licences of the leading-edge technology have been signed. The revenue from these licences will be recognised in 2009. The directors believe that the investment in the technology portfolio will not only bring growth in future years to PIPD but also contribute significantly to the success of PD as the synergistic benefits of the combined technologies begin to accrue. Therefore the directors have confidence that the overall forecast growth rate attributable to PIPD is achievable.

Operating margins Operating margins are assumed to increase gradually over time towards 40% by the end of the forecast period. In 2008, PIPD's operating margin as a standalone business was estimated at a loss of 3%, reflecting additional R&D investment in order to accelerate the development of leading edge products. Margins are expected to improve significantly in future years as licence revenues from leading edge products gather pace and royalties increase at effectively 100% margins. Costs are expected to grow broadly in line with licence revenue growth.

This timescale is consistent with ARM's experience in developing the processor licensing and royalty model. ARM has signed nearly 600 processor licences over the last 18 years with less than half of these yielding royalties thus far. As royalty revenues are a function of cumulative licensing, royalty growth gathers momentum as the licensing base grows – ARM processor royalties have increased from $38 million in 2002 to $227 million in 2008.

16 Goodwill continued

Discount rate Future cash flows are discounted in line with ARM's estimated weighted average cost of capital of approximately 10% pre-tax.

The directors are confident that the amount of goodwill allocated to PIPD and the assumptions used in estimating its fair value are appropriate.

Whilst it is conceivable that a key assumption in the calculation could change, the directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying value. The overall assessment is most sensitive to any change in the forecast revenues. Although an overall compound annual growth rate of 12% is anticipated by the directors in reaching their conclusions, an annual growth rate of just 9% would still support the carrying value of goodwill within the division.

Systems Design Division (SDD)

The Systems Design Division is concerned with the tools and models used to create and debug software and system-on-chip (SoC) designs.

The key assumptions in the value in use calculations were:

Period over which the directors have projected cash flows A five-year forecast period is used with an assumed terminal growth rate after 2013 of 3% per annum. It is considered appropriate to use a five-year forecast period to properly reflect the weighted average period over which the benefits of the acquisitions of Axys, KEG and KSI are expected to accrue.

Forecast revenue growth Revenue is forecast to grow by an amount consistent with the Group's five-year plan as well as analysts' expectations. These have proved to be reliable guides in the past and the directors believe that these estimates are appropriate.

Operating margins Operating margins are assumed to grow by an amount consistent with the Group's five-year plan.

Discount rate Future cash flows are discounted in line with ARM's estimated weighted average cost of capital of approximately 10% pre-tax.

The directors are confident that the amount of goodwill allocated to SDD and the assumptions used in estimating its fair value are appropriate. Whilst it is conceivable that a key assumption in the calculation could change, the directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying value.

17 Other intangible assets

	Software £000	Patents and licences £000	In-process research and development £000	Developed technology £000	Existing agreements and customer relationships £000	Core technology £000	Trademarks £000	Order backlog £000	Total £000
Cost									
At 1 January 2008	8,491	16,651	4,687	29,593	42,065	11,604	3,644	1,608	118,343
Additions	636	8,779	–	–	–	–	–	–	9,415
Acquisition – Logipard	–	–	130	3,163	1,684	–	–	–	4,977
Disposals	(140)	–	–	–	–	–	–	–	(140)
Exchange differences	652	–	1,680	9,067	15,013	4,156	1,305	575	32,448
At 31 December 2008	9,639	25,430	6,497	41,823	58,762	15,760	4,949	2,183	165,043
Aggregate amortisation									
At 1 January 2008	5,785	13,954	2,484	17,135	23,690	7,013	2,410	1,608	74,079
Charge for the year	1,718	463	1,107	7,170	7,854	2,557	913	–	21,782
Disposals	(140)	–	–	–	–	–	–	–	(140)
Exchange differences	551	–	1,153	7,274	10,489	3,107	1,091	575	24,240
At 31 December 2008	7,914	14,417	4,744	31,579	42,033	12,677	4,414	2,183	119,961
Net book value									
At 31 December 2008	**1,725**	**11,013**	**1,753**	**10,244**	**16,729**	**3,083**	**535**	**–**	**45,082**

	Software £000	Patents and licences £000	In-process research and development £000	Developed technology £000	Existing agreements and customer relationships £000	Core technology £000	Trademarks £000	Order backlog £000	Total £000
Cost									
At 1 January 2007	8,457	14,102	4,768	29,509	42,692	11,802	3,707	1,635	116,672
Additions	783	2,549	–	–	–	–	–	–	3,332
Disposals	(800)	–	–	–	–	–	–	–	(800)
Exchange differences	51	–	(81)	84	(627)	(198)	(63)	(27)	(861)
At 31 December 2007	8,491	16,651	4,687	29,593	42,065	11,604	3,644	1,608	118,343
Aggregate amortisation									
At 1 January 2007	4,783	13,478	1,503	10,481	15,526	4,771	1,582	1,635	53,759
Charge for the year	1,744	476	1,002	6,697	8,344	2,304	848	–	21,415
Disposals	(796)	–	–	–	–	–	–	–	(796)
Exchange differences	54	–	(21)	(43)	(180)	(62)	(20)	(27)	(299)
At 31 December 2007	5,785	13,954	2,484	17,135	23,690	7,013	2,410	1,608	74,079
Net book value									
At 31 December 2007	**2,706**	**2,697**	**2,203**	**12,458**	**18,375**	**4,591**	**1,234**	**–**	**44,264**

Refer to note 22 for the methods and significant assumptions applied in estimating the fair value of other intangible assets acquired as part of business combinations.

18 Accrued and other liabilities

	2008 £000	2007 £000
Accruals	25,806	18,721
Other taxation and social security	2,609	3,028
Other payables	7,231	6,205
	35,646	**27,954**

19 Financial instruments

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets

	Loans and receivables £000	Assets at fair value through the income statement £000	Available-for-sale £000	Total £000
At 31 December 2008				
Cash and cash equivalents	76,502	–	–	76,502
Short-term investments	–	471	–	471
Short-term marketable securities	–	1,816	–	1,816
Embedded derivatives	–	12,298	–	12,298
Trade receivables (gross of impairment provision)	60,732	–	–	60,732
Total current financial assets	137,234	14,585	–	151,819
Non-current available-for-sale investments – unlisted	–	–	1,167	1,167
Total financial assets	**137,234**	**14,585**	**1,167**	**152,986**
At 31 December 2007				
Cash and cash equivalents	49,509	–	–	49,509
Short-term investments	–	232	–	232
Short-term marketable securities	–	1,582	–	1,582
Trade receivables (gross of impairment provision)	45,249	–	–	45,249
Available-for-sale investments – listed	–	–	1,180	1,180
Total current financial assets	94,758	1,814	1,180	97,752
Non-current available-for-sale investments – unlisted	–	–	3,701	3,701
Total financial assets	**94,758**	**1,814**	**4,881**	**101,453**

Financial liabilities

	2008 £000	2007 £000
Liabilities at fair value through the income statement at 31 December:		
Trade and other payables, excluding embedded derivatives	6,953	2,230
Currency exchange contracts	18,457	496
Embedded derivatives	–	220
Total financial liabilities	**25,410**	**2,946**

19 Financial instruments continued

(b) Credit quality of financial assets

Trade receivables

On a quarterly basis, all trade receivables more than three months overdue are considered for impairment on a line-by-line basis. Either a provision is made or the lack thereof is justified, with review by senior members of the Group's finance team.

	2008 £000	2007 £000
Trade receivables (gross of impairment provision):		
Not yet due	42,899	31,752
Under 90 days overdue	13,074	10,402
Over 90 days overdue but not provided for	3,015	1,591
Fully provided for	1,744	1,504
Total	**60,732**	**45,249**

As shown above, at 31 December 2008 trade receivables less than 90 days overdue amounted to £13.1 million. Of those outstanding at 31 December 2008, £9.8 million had been collected by 26 March 2009 and £1.7 million were owed by large, established customers. Similarly, receivables more than 90 days overdue and not provided for amounted to £3.0 million of which £0.7 million had been collected by 26 March 2009 and £0.4 million was owed by large, established customers. For the remainder, discussions regarding repayment are ongoing and repayment schedules have been agreed with the customers concerned. These will be monitored on a quarterly basis per the control outlined above. No further analysis has been provided here on the quality of these debts as they are not felt to pose a material threat to the Group's future results.

Highly liquid financial assets

As at 31 December 2008, 91% (2007: 91%) of the Group's cash and cash equivalents, short-term bank deposits and short-term marketable securities were held with institutions that had either an AA rating or, in the case of UK building societies, had over £1 billion in assets.

Derivative financial assets

As at 31 December 2008 and 2007, the Group had no derivative financial assets.

20 Called-up share capital

	2008 £000	2007 £000
Authorised		
2,200,000,000 ordinary shares of 0.05 pence each (2007: 2,200,000,000)	**1,100**	**1,100**

	2008		2007	
	Number of shares (000)	Value £000	Number of shares (000)	Value £000
Issued and fully paid				
At 1 January	1,344,056	672	1,389,908	695
Shares cancelled	–	–	(55,719)	(28)
Allotted under employee incentive schemes	–	–	9,867	5
At 31 December	**1,344,056**	**672**	**1,344,056**	**672**

During 2008, the aggregate consideration received on issue of new share capital allotted under employee incentive schemes was £nil (2007: £5.5 million).

21 Own shares held

	Own share held for future cancellation £000	Treasury stock £000	ESOP £000	Total £000
At 1 January 2008	–	89,652	348	90,000
Purchase of own shares	–	40,286	–	40,286
Issuance of shares	–	(21,975)	(348)	(22,323)
At 31 December 2008	**–**	**107,963**	**–**	**107,963**
At 1 January 2007	57,897	–	348	58,245
Purchase of own shares	–	120,419	–	120,419
Appropriation for future share cancellations	8,142	–	–	8,142
Cancellation of shares	(66,039)	–	–	(66,039)
Issuance of shares	–	(30,767)	–	(30,767)
At 31 December 2007	**–**	**89,652**	**348**	**90,000**

During the year £40,286,000 (2007: £128,561,000) of shares were repurchased, representing 41.2 million (2007: 94.5 million) shares. Share repurchase transactions in respect of 55,719,000 shares carried out between 19 May 2006 and 21 February 2007 took place at a time when ARM Holdings plc (Company only) had no distributable reserves and accordingly such shares were not properly acquired in accordance with the Companies Act 1985, and were not available for re-issue or cancellation. ARM Holdings plc made an application to the Court during 2007 and cancelled these shares pursuant to a special resolution passed at the 2007 AGM.

At 31 December 2008, a total of 91.2 million shares (2007: 65.2 million) were held as Treasury stock and nil shares (2007: 1.2 million shares) were held within the ESOP. At 31 December 2008, own shares held have a nominal value of 0.05 pence (2007: 0.05 pence) and in total represent 6.8% (2007: 4.9%) of called-up share capital.

22 Acquisitions

Logipard AB

On 16 December 2008, the Group purchased the entire share capital of Logipard AB (Logipard), a video IP company incorporated in Sweden for total consideration of £5.6 million, comprising £5.5 million cash consideration and £0.1 million of related acquisition expenses. This purchase has been accounted for as an acquisition.

Logipard develops power-efficient video encode and decode acceleration technologies for the mobile and consumer markets and enables ARM to bring to market the ARM® Mali™-VE multi standard video engine family of products. The acquisition adds world class video and imaging technology to the ARM portfolio, making ARM the only IP provider with the in-depth experience and understanding required to meet the market need for an entire range of system elements, from memory controllers, interconnect, application and embedded processors to graphics processors, video engines, physical IP and embedded firmware. For the reasons given above, combined with the ability to hire the entire workforce of Logipard and synergistic benefits that may arise, the Group paid a premium on the Logipard acquisition, giving rise to goodwill.

From the date of acquisition to 31 December 2008, the acquisition contributed under £0.1 million to revenue, and incurred a loss of under £0.1 million before interest and tax. Had the acquisition occurred at the beginning of 2008, it would not have made a material difference to the Group's results. The acquisition did not make a material contribution to the Group's post-acquisition net operating cash flows, tax paid or capital expenditure.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

At 31 December 2008, the accounting for the Logipard acquisition was determined on a provisional basis because the fair values assigned to the acquiree's identifiable assets and liabilities were only provisional. Any adjustments to these provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

22 Acquisitions continued

	Carrying value pre-acquisition £000	Provisional fair value £000
Cash and cash equivalents	16	16
Receivables and other debtors	556	556
Property, plant and equipment	121	121
Other intangible assets	153	4,977
Payables	(289)	(289)
Deferred revenue	(450)	(450)
Deferred tax liability	–	(1,394)
Net assets acquired	107	3,537
Goodwill		2,074
Consideration		**5,611**

Consideration satisfied by:

	£000
Cash consideration paid	5,514
Expenses	97
	5,611

The outflow of cash and cash equivalents on the acquisition of Logipard is calculated as follows:

	£000
Cash consideration paid	5,514
Expenses paid	97
Cash acquired	(16)
Net cash outflow	**5,595**

The intangible assets acquired as part of the acquisition of Logipard can be analysed as follows:

	£000
In-process research and development	130
Developed technology	3,163
Customer relationships	1,684
Total	**4,977**

The methods and significant assumptions involved in valuing these identifiable intangible assets are described below:

In-process research and development In-process research and development of £0.1 million reflects certain research projects, that had not yet reached technological feasibility and commercial viability. The fair value assigned to in-process research and development was estimated using the discounted cash flow method with a post-tax discount rate of approximately 61%.

Developed technology Developed technology of £3.2 million comprises internally-developed technologies. At the date of acquisition, developed technologies were complete and had reached technological feasibility. Any costs incurred in the future will relate to ongoing maintenance of the technologies and will be expensed as incurred. To estimate the fair value of the internally-developed technologies, a discounted cash flow method, specifically the income approach, was used with a post-tax discount rate of 45%. Developed technologies are being amortised over an estimated useful life of five years.

Customer relationships The customer base of £1.7 million represented the fair value of existing customer contracts. To estimate their fair value, a discounted cash flow method, specifically the income approach, was used with reference to the terms of the contracts and management's estimates of the revenue which will be generated from the customer relationships. The valuation was considered in conjunction with an asset purchase made by the Group of similar contracts with the same customers at the same time as the acquisition. A post-tax discount rate of 40% was used for the valuation. Customer relationships are being amortised over an estimated useful life of five years.

23 Share-based payments

The Group has several share option schemes in current operation, whereby options over shares in the Company can be granted to employees and directors. The different schemes are described below, but all options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant, except for those options within the SAYE and ESPP schemes as detailed below. Furthermore, from 2006, the Company has issued Restricted Stock Units (RSUs) to employees instead of options which are actual share awards on vesting rather than options to buy shares at a fixed exercise price. Whilst the Company reserves the right to award options to employees going forward, the majority of awards to employees will be in RSUs.

Under the UK Inland Revenue Executive Approved Share Option Plan (the "Executive Scheme"), the Company may grant options to employees meeting certain eligibility requirements. Options under the Executive Scheme are exercisable between three and ten years after their issue, after which time the options expire.

Under the Company's Unapproved Scheme (the "Unapproved Scheme"), for which it has not sought approval from the UK tax authorities, options are exercisable one to seven years after their issue, after which time the options expire. The Company also operates the US ISO Scheme, which is substantially the same as the Unapproved Scheme, the main difference being that the options are exercisable one to five years after their issue. Under both of these schemes options are exercisable as follows: 25% maximum on first anniversary, 50% maximum on second anniversary, 75% maximum on third anniversary, 100% maximum on fourth anniversary. Various options to directors under the Unapproved Scheme have certain performance criteria attached, which if met are exercisable after three years, otherwise they will become exercisable after seven years.

There are further schemes for our French and Belgian employees (the "French Scheme" and the "Belgian Scheme"). In the French Scheme, options are exercisable between four and seven years after their issue, whilst in the Belgian Scheme, options are exercisable from 1 January following the third anniversary after their issue, up to seven years from issue.

Upon the acquisition of Artisan in 2004, the Company assumed the share schemes of Artisan existing at acquisition. The schemes remained substantially the same as prior to the acquisition, other than the options became options to purchase shares in ARM Holdings plc instead of Artisan Components Inc. The number and value of options were amended in line with the conversion ratio as detailed in the merger agreement. The schemes assumed were the "1993 Plan", the "1997 Plan", the "2000 Plan", the "2003 Plan", the "Director Plan", the "Executive Plan" and the "ND00 Plan".

Under each plan, there are multiple vesting templates and vesting periods. The majority of the options were already vested upon acquisition, and the most common template was 25% vesting after one year, and then 6.25% vesting each quarter thereafter, until 100% vest after four years. Some options vest on a monthly basis, and some vest over five years. All options lapse ten years from the date of grant.

The Company also offers savings-related share option schemes (SAYE) for all non-US employees and executive directors of the Group. The number of options granted is related to the value of savings made by the employee. The period of savings is three or five years. The option price for grants made in 2008 and 2007 was set at 80% of the market share price prior to the announcement of the grant, but in previous years was set at 85%, and the right to exercise normally only arises for a six-month period once the savings have been completed. In 2007, the Company commenced a new savings-related option scheme for US employees, namely the Employee Share Purchase Plan (ESPP). The number of options granted is related to the value of savings made by the employee. The period of savings is six months, with the option price being at 85% of the lower of the market share price at the beginning and end of the scheme.

The main RSU awards (to employees in all jurisdictions other than France) vest similarly to the unapproved scheme above, namely 25% on each anniversary over four years. RSU awards to our French employees vest 50% after two years, and then a further 25% after three and four years.

Additionally, the Company operates a Deferred Annual Bonus plan (DAB). Under the DAB, which is for directors and selected senior management within the Group, participants are required to defer 50% of any related annual bonus into shares on a compulsory basis. These shares will be deferred for three years, and then a further matching award will be made depending on the achievement of an EPS performance condition over that time. The Company also operates the Long Term Incentive Plan (LTIP), also for directors and selected senior management, whereby share awards are made and vest depending on the Company's TSR performance compared to two comparator groups over the three-year performance period.

23 Share-based payments continued

As disclosed in note 5, staff expenses arising from these share-based compensation schemes of £15.4 million (2007: £16.8 million) were charged to the income statement in the year. This is in line with the Group's policies for recognition and measurement of the costs associated with these remuneration schemes as outlined in note 1.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model, except for the ESPP whose fair value is the intrinsic value of the award at the date of vest. The following assumptions for each option grant during 2007 and 2008 were as follows:

Grant date	16 Feb 2008	27 Jun 2008	16 Aug 2008	22 Jun 2007
Scheme	ESPP	SAYE	ESPP	SAYE
Share price at grant date	£0.9825	£0.8607	£1.1025	£1.38
Exercise price	£0.8351	£0.81	£0.8351	£1.104
Number of employees	305	325	297	208
Shares under option	1,034,055	2,871,580	1,007,592	1,065,813
Vesting period (years)	–	3–5	–	3–5
Expected volatility	–	37%-38%	–	32%–43%
Expected life (years)	–	3–5	–	3–5
Risk free rate	–	5.0%	–	5.5%
Dividend yield	–	2.32%	–	1.45%
Fair value per option	£0.1474	£0.243–£0.302	£0.2674	£0.48–£0.65

The fair value of RSUs, LTIP and DAB awards granted was estimated on the date of grant using the Black-Scholes option pricing model. As all are share awards with no exercise price, all awards have been deemed to have an exercise price of £0.0000001 in the Black-Scholes model. The following assumptions for each grant during 2007 and 2008 were as follows:

Grant date	8 Feb 2008	8 Feb 2008	8 Feb 2008	8 Feb 2008	4 Jun 2008
Scheme	DAB	RSU	French RSU	LTIP	RSU
Share price at grant date	£0.95	£0.95	£0.95	£0.95	£1.0297
Number of employees	31	1,516	67	38	41
Shares awarded	861,908	7,992,657	368,157	4,386,320	281,391
Vesting period (years)	–	1–4	2–4	3	1–4
Expected volatility	34%	34%–42%	34%–36%	34%	36%–48%
Expected life (years)	3	1–4	2–4	3	1–4
Risk free rate	5.25%	5.25%	5.25%	5.25%	5.00%
Dividend yield	2.11%	2.11%	2.11%	2.11%	1.94%
Fair value per option	£0.892	£0.873–£0.93	£0.873–£0.911	£0.892	£0.953–£1.01
Grant date	4 Jun 2008	13 Aug 2008	1 Sep 2008	1 Dec 2008	1 Dec 2008
Scheme	French RSU	RSU	RSU	RSU	French RSU
Share price at grant date	£1.0297	£1.09	£1.16	£0.90	£0.90
Number of employees	1	62	17	67	4
Shares awarded	2,277	489,843	122,000	446,889	16,500
Vesting period (years)	2–4	1–4	1–4	1–4	2–4
Expected volatility	36%–39%	37%–50%	37%–50%	39%–59%	39%–47%
Expected life (years)	2–4	1–4	1–4	1–4	2–4
Risk free rate	5.00%	5.00%	5.00%	3.00%	3.00%
Dividend yield	1.94%	2.02%	1.90%	2.44%	2.44%
Fair value per option	£0.953–£0.99	£1.005–£1.068	£1.075–£1.138	£0.816–£0.878	£0.816–£0.857
Grant date	8 Feb 2007	8 Feb 2007	8 Feb 2007	8 Feb 2007	4 Jun 2007
Scheme	DAB	RSU	French RSU	LTIP	RSU
Share price at grant date	£1.28	£1.28	£1.28	£1.28	£1.425
Number of employees	28	1,461	37	31	95
Shares awarded	901,183	7,955,505	192,924	2,770,967	366,170
Vesting period (years)	–	1–4	2–4	3	1–4
Expected volatility	33%	29%–38%	29%–38%	33%	29%–36%
Expected life (years)	3	1–4	2–4	3	1–4
Risk free rate	5.25%	5.25%	5.25%	5.25%	5.5%
Dividend yield	0.7%	0.7%	0.7%	0.7%	1.4%
Fair value per option	£1.25	£1.245–£1.271	£1.245–£1.262	£1.253	£1.347–£1.405

23 Share-based payments continued

Grant date	4 Jun 2007	13 Aug 2007	13 Aug 2007	12 Nov 2007	12 Nov 2007
Scheme	French RSU	RSU	French RSU	RSU	French RSU
Share price at grant date	£1.425	£1.5152	£1.5152	£1.34	£1.34
Number of employees	11	54	2	97	8
Shares awarded	37,294	194,642	13,477	284,356	25,947
Vesting period (years)	2–4	1-4	2–4	1–4	2–4
Expected volatility	29%–36%	28%–34%	30%–34%	29%–33%	29%–33%
Expected life (years)	2–4	1–4	2–4	1–4	2–4
Risk free rate	5.5%	5.75%	5.75%	5.75%	5.75%
Dividend yield	1.4%	1.32%	1.32%	1.49%	1.49%
Fair value per option	£1.347–£1.386	£1.437–£1.495	£1.437–1.476	£1.262–£1.32	£1.262–£1.301

The expected volatility was primarily based upon historical volatility adjusted for past one-time events that are not expected to re-occur. The expected life is the expected period to exercise.

A reconciliation of option and share award movements over the year to 31 December 2008 is shown below. Share awards do not have an exercise price and therefore the reconciliation below shows only the number of awards, with no corresponding weighted average exercise prices.

			2008			2007
	Options Number	Weighted average exercise price	RSUs/ LTIP/DAB Number	Options Number	Weighted average exercise price	RSUs/ LTIP/DAB Number
Outstanding at 1 January	75,229,489	£1.113	22,683,544	111,923,736	£1.093	15,665,056
Granted	4,913,227	£0.820	14,967,942	1,065,813	£1.104	12,742,465
Forfeited	(4,812,171)	£1.223	(1,165,646)	(3,480,686)	£1.230	(3,604,445)
Lapsed	(3,197,174)	£3.356	(1,296,874)	(3,429,172)	£4.848	–
Exercised	(10,079,719)	£0.554	(6,317,335)	(30,850,202)	£0.612	(2,119,532)
Outstanding at 31 December	**62,053,652**	**£1.057**	**28,871,631**	**75,229,489**	**£1.113**	**22,683,544**
Exercisable at 31 December	**52,523,338**	**£1.049**	**–**	**55,652,780**	**£1.120**	**–**

The following options over ordinary shares were in existence at 31 December:

2008 Exercise price (£)	Number outstanding	Weighted average exercise price (£)	Weighted average remaining life Expected	Weighted average remaining life Contractual
Outstanding options:				
0.1125 – 0.45	11,122,672	0.33	1.03	2.16
0.46 – 0.9475	12,109,291	0.67	2.53	4.36
1.005 – 1.055	15,597,167	1.05	1.15	2.69
1.0575 – 1.25	12,350,534	1.24	1.34	1.91
1.325 – 7.738	10,873,988	2.04	1.71	2.43
Total	**62,053,652**	**1.06**	**1.53**	**2.72**
Outstanding RSU/LTIP/DAB awards:				
0.00 (RSUs)	18,070,218	–	1.39	1.39
0.00 (LTIP)	9,115,836	–	1.34	1.34
0.00 (DAB)	1,685,577	–	1.60	1.60
Total	**28,871,631**	**–**	**1.39**	**1.39**

23 Share-based payments continued

2007 Exercise price (£)	Number outstanding	Weighted average exercise price (£)	Weighted average remaining life Expected	Weighted average remaining life Contractual
Outstanding options:				
0.1125 – 0.45	14,608,232	0.32	2.10	3.11
0.46 – 0.9475	14,142,469	0.63	4.22	5.48
1.005 – 1.055	18,110,574	1.05	1.86	3.56
1.0575 – 1.25	13,713,481	1.23	1.72	2.95
1.325 – 7.738	14,654,733	2.34	1.99	2.78
Total	**75,229,489**	**1.11**	**2.35**	**3.57**
Outstanding RSU/LTIP/DAB awards:				
0.00 (RSUs)	13,845,565	–	1.58	1.58
0.00 (LTIP)	7,943,979	–	1.10	1.10
0.00 (DAB)	894,000	–	2.13	2.13
Total	**22,683,544**	**–**	**1.43**	**1.43**

24 Capital and other financial commitments

	2008 £000	2007 £000
Contracts placed for future capital expenditure not provided in the financial statements	**204**	276

25 Operating lease commitments – minimum lease payments

At 31 December 2008, the Group had commitments under non-cancellable operating leases as follows:

	2008			2007		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Commitments under non-cancellable operating leases:						
Within one year	6,772	14,612	21,384	5,360	12,990	18,350
Later than one year and less than five years	21,401	32,515	53,916	11,210	37,347	48,557
After five years	5,907	–	5,907	7,066	49	7,115
At 31 December	**34,080**	**47,127**	**81,207**	**23,636**	**50,386**	**74,022**

26 Financial contingencies

Guarantees It is common industry practice for licensors of technology to offer to indemnify their licensees for loss suffered by the licensee in the event that the technology licensed is held to infringe the intellectual property of a third party. Consistent with such practice, the Group provides such indemnification to its licensees but subject, in all cases, to a limitation of liability. The obligation for the Group to indemnify its licensees is subject to certain provisos and is usually contingent upon a third party bringing an action against the licensee alleging that the technology licensed by the Group to the licensee infringes such third party's intellectual property rights. The indemnification obligations typically survive any termination of the licence and will continue in perpetuity.

The Group does not provide for any such guarantees unless it has received notification from the other party that they are likely to invoke the guarantee. The provision is made if both of the following conditions are met: (i) information available prior to the issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements; and (ii) the amount of the liability can be reasonably estimated. Any such provision is based upon the directors' estimate of the expected costs of any such claim.

27 Related party transactions

During the year, the Group received funding for SOI technology development of £1,570,000 (2007: £1,507,000) from SOI TEC Silicon On Insulator Technologies SA (Soitec). Furthermore, the Group paid £387,000 (2007: £181,000) to Soitec during the year in relation to licence income from the two parties' ongoing collaborative agreement to develop SOI technology. Soitec is an SOI IP company of which Doug Dunn, Group Chairman, is a non-executive director. At 31 December 2008, £nil (2007: £nil) is owed by Soitec. Amounts owed to Soitec at 31 December 2008 and 2007 were £36,000 and £nil respectively.

Also during the year, the Group sold IP technology to Netronome Systems Inc., a company of which John Scarisbrick is Chairman, amounting to £757,000 (2007: £480,000). £244,000 is due from them at 31 December 2008 (2007: £265,000).

There were no other related party transactions during 2008 which require disclosure.

Key management compensation is disclosed in note 4.

28 Post-balance sheet events

After the year-end, the directors declared payment of a final dividend in respect of 2008 of 1.32 pence per share. Subject to shareholder approval, the final dividend will be paid on 20 May 2009 to shareholders on the register on 1 May 2009. The final dividend has not been recognised as a distribution during the year ended 31 December 2008.

29 Principal subsidiaries and associates

Details of principal subsidiary undertakings are shown below. Not all subsidiaries are included as the list would be excessive in length.

Name of undertaking	Country of registration	Principal activity	Proportion of total nominal value of issued shares held
ARM Limited	England and Wales	Marketing, research and development of RISC-based microprocessors	100*
ARM Inc.	US	Marketing and development of RISC-based microprocessors; and marketing, research and development of physical IP components	100
ARM KK	Japan	Marketing of RISC-based microprocessors	100
ARM Korea Limited	South Korea	Marketing of RISC-based microprocessors	100
ARM France SAS	France	Development of RISC-based microprocessors and of silicon-on-insulator IP	100
ARM Belgium NV	Belgium	Development of data engine microprocessors	100
ARM Norway AS	Norway	Marketing, research and development of graphics IP	100
ARM Sweden AB (formerly Logipard AB)	Sweden	Marketing, research and development of video IP	100
ARM Germany GmBH	Germany	Marketing and development of RISC-based microprocessors, integrated processor modelling solutions and microcontroller tools	100
ARM Embedded Technologies Pvt. Ltd.	India	Marketing, research and development of RISC-based microprocessors and physical IP	100
ARM Physical IP Asia Pacific Pte. Ltd.	Singapore	Marketing of physical IP	100
ARM Taiwan Limited	Taiwan	Marketing of RISC-based microprocessors	99.9
ARM Consulting (Shanghai) Co. Ltd.	PR China	Marketing of RISC-based microprocessors	100

* The Company itself owns less than 1% of the share capital of ARM Limited, the remaining shares are held indirectly through ARM Finance UK Limited and ARM Finance UK Three Limited. Both ARM Finance UK Limited and ARM Finance UK Three Limited are 100% owned within the Group.

Nominees of the Company hold 100% of the ordinary share capital of ARM Employee Benefit Trustee Ltd, a company which acts as trustee to the Group's ESOP.

Company balance sheet/ UK GAAP

As at 31 December

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	4	544,685	529,276
Current assets			
Debtors	5	118	61
Cash at bank and in hand		86	128
		204	189
Creditors: amounts falling due within one year	6	(128,875)	(66,348)
Net current liabilities		**(128,671)**	**(66,159)**
Total assets less current liabilities		**416,014**	**463,117**
Net assets		**416,014**	**463,117**
Capital and reserves			
Called-up share capital	7	672	672
Option reserve	8	61,474	61,474
Profit and loss account	8	353,868	400,971
Equity shareholders' funds	9	**416,014**	**463,117**

The financial statements on pages 88 to 95 were approved by the board of directors on 2 April 2009 and were signed on its behalf by:

Doug Dunn, Director

Notes to the financial statements/ UK GAAP

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the UK. A summary of the more important accounting policies, which have been consistently applied and reviewed by the board of directors in accordance with Financial Reporting Standard (FRS) 18, "Accounting policies", is set out below:

Basis of accounting The financial statements are prepared in accordance with the historical cost convention, as modified for fair value in relation to share-based payments.

Investments in subsidiaries Investments in subsidiaries are initially recorded at cost. Where an acquisition satisfies the provisions of sections 131 to 134 of the Companies Act 1985 for merger relief, the investment is stated at the nominal value of shares issued plus the fair value of any other consideration.

Cash flow statement The Company has taken advantage of the exemption in FRS 1 Revised 1996 "Cash flow statements" which provides that where a company is a member of a group and a consolidated cash flow statement is published, the company does not have to prepare a cash flow statement.

Foreign currency Transactions denominated in foreign currencies have been translated into sterling at actual rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at rates ruling at the balance sheet date. Exchange differences have been included in operating profit.

Taxation Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial instruments The Company does not have any financial instruments, other than intercompany payables and receivables and cash. Due to the short-term nature of these balances, the Company considers the fair value of these items to equal the carrying value. Because the Company is included in the consolidated financial statements of the ARM Holdings plc group which are publicly available, and the financial disclosures required by FRS 29 are in those financial statements, no disclosure has been presented in these financial statements.

Share schemes The Group's Employee Share Ownership Plan (ESOP) is a separately administered trust which is funded by loans from the group, and the assets of which comprise shares in the Company. In accordance with UITF 38, "Accounting for ESOP Trusts", the Company recognises the assets and liabilities of the ESOP in its own accounts and shares held by the trust are recorded at cost as a deduction in arriving at shareholders' funds until such time as the shares vest unconditionally to employees. All shares within the ESOP have now been awarded and the ESOP is in the process of being wound-up.

The Company issues equity-settled share-based payments, including an LTIP, to certain employees of subsidiary undertakings. In accordance with FRS 20, equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed in the accounts of the subsidiary companies on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

The Company operates Save As You Earn (SAYE) schemes in the UK and an Employee Share Purchase Plan (ESPP) in the US. Options under the SAYE scheme granted in 2007 and 2008 were at a 20% discount to market price of the underlying shares on the date of grant, whereas for all prior years was at a 15% discount. The UK SAYE schemes are approved by the Inland Revenue, which stipulates that the saving period must be at least 36 months.

The Company has taken advantage of the exemption available, and has applied the provisions of FRS 20 only to those options granted after 7 November 2002 and which were outstanding at 31 December 2004. The Company does not have any employees and as such, in accordance with UITF 44, all share-based compensation has been recorded as capital contributions to subsidiaries.

Treasury shares The Company has a share buyback programme under which the Company purchases its own shares and holds them as treasury shares. These shares will be used to satisfy employee share option exercises and other share awards. In accordance with UITF 38, the Company recognises these shares at cost as a deduction in arriving at shareholders' funds.

2 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss after taxation, including dividends receivable and before dividends payable was £1,424,000 (2007: profit of £148,324,000). The Company has no employees; all six directors have contracts of service with ARM Limited, a subsidiary of the Company. All emoluments of these directors are paid by ARM Limited and are disclosed in the remuneration report within these financial statements. Audit fees are disclosed in note 6 to the consolidated financial statements on page 67.

3 Dividends paid and proposed

	2008 £000	2007 £000
Final dividend paid of 1.2 pence per ordinary share in respect of 2007 (2007: 0.6 pence in respect of 2006)	15,267	8,013
Interim dividend paid of 0.88 pence (2007: 0.8 pence) per ordinary share	11,116	10,534
	26,383	**18,547**

The ESOP trust has waived its right to receive dividends of over 0.01 pence per share. Also, 91,160,488 shares were held as treasury stock by ARM Holdings plc at 31 December 2008 and the Company will waive its right to dividends on these shares.

The directors have recommended the payment of a final dividend of 1.32 pence per share in respect of 2008 (estimated total cost of £16.6 million), bringing the total dividend payable in respect of 2008 (including the interim of 0.88 pence per share) to 2.2 pence per share. This will be paid to shareholders after approval by the shareholders at the 2009 AGM.

4 Fixed asset investments

The cost and net book value of interests in Group undertakings held by the Company was £544,685,000 at 31 December 2008 and £529,276,000 at 31 December 2007. The Company took advantage of merger relief in 2004 and did not record the premium on the issue of shares for the acquisition of Artisan Components Inc. (now ARM Inc.) and thus did not record the premium within the value of the investment in the company balance sheet at that time.

	Investments in subsidiary undertakings £000
Cost and net book value	
At 1 January 2008	529,276
Capital contributions arising from FRS 20 charges	15,409
At 31 December 2008	**544,685**

Where options over the Company's shares have been issued to the employees of subsidiary undertakings, the fair value of employee services performed (equal to the FRS 20 charge) has been recorded as a capital contribution.

Interests in Group undertakings Details of subsidiary undertakings are as follows:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held
ARM Limited	England and Wales	Ordinary £1 shares	less than 0.01%
ARM Finance UK Limited	England and Wales	Ordinary $1 shares	100%

The principal activity of ARM Limited is the marketing, research and development of RISC-based microprocessors. The remaining shares in ARM Limited were held at the balance sheet date by ARM Finance UK Limited (AFL) and ARM Finance UK Three Limited (AFL3) (with AFL3 itself being an indirect wholly owned subsidiary of AFL). The principal activities of both AFL and AFL3 are as intermediate holding companies.

Nominees of the Company hold 100% of the ordinary share capital of ARM Employee Benefit Trustee Ltd, a company which acts as trustee to the Group's ESOP.

5 Debtors

	2008 £000	2007 £000
Prepayments and accrued income	118	61

6 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to Group undertakings	128,505	65,864
Accruals and deferred income	370	484
	128,875	**66,348**

7 Called-up share capital

	2008 £000	2007 £000
Authorised		
2,200,000,000 ordinary shares of 0.05 pence each (2007: 2,200,000,000)	**1,100**	**1,100**
Allotted, called-up and fully paid		
1,344,055,696 ordinary shares of 0.05 pence each (2007: 1,344,055,696)	**672**	**672**

Share options and awards The Company had the following options and awards outstanding over ordinary shares of 0.05 pence at 31 December 2008:

	Year of grant	Number of options	Range of exercise prices £	Weighted average exercise price £	Latest date of exercise
Executive Scheme	1999	1,194,997	1.224–4.26	1.3903	15 November 2009
	2000	325,061	6.136–7.738	6.5782	21 May 2010
	2001	483,992	2.84–3.75	3.3917	5 November 2011
	2002	728,861	2.465	2.465	18 April 2012
	2003	495,812	0.4375	0.4375	29 January 2013
	2004	493,490	1.25	1.25	29 January 2014
	2005	517,593	1.055	1.055	3 February 2015
		4,239,806		2.0326	
Unapproved Scheme	2002	2,940,314	0.425–3.145	2.4146	15 October 2009
	2003	2,864,145	0.4375–1.1475	0.4595	4 November 2010
	2004	6,087,508	0.9475–1.25	1.2356	21 October 2011
	2005	7,728,457	1.005–1.185	1.0611	30 October 2012
	2006	2,321,848	1.16–1.36	1.3221	19 November 2013
		21,942,272		1.2400	
Unapproved Performance Scheme	2002	630,411	2.1475–2.465	2.3524	27 May 2009
	2003	731,428	0.4375	0.4375	30 January 2010
	2004	1,616,000	1.25	1.25	30 January 2011
	2005	2,620,853	1.055	1.055	4 February 2012
	2006	2,445,284	1.325	1.325	1 February 2013
		8,043,976		1.2218	
US ISO Scheme	2004	1,439,239	0.9475–1.25	1.2244	21 October 2009
	2005	3,693,816	1.005–1.185	1.0601	30 October 2010
	2006	744,307	1.1875–1.36	1.3269	31 August 2011
		5,877,362		1.1341	

7 Called-up share capital continued

	Year of grant	Number of options	Range of exercise prices £	Weighted average exercise price £	Latest date of exercise
French Scheme	2002	134,250	1.505–3.145	2.4799	14 August 2009
	2003	31,250	0.4375–1.1475	0.5113	4 November 2010
	2004	344,504	0.9475–1.25	1.2407	21 October 2011
	2005	424,386	1.0425–1.185	1.0603	30 October 2012
	2006	98,250	1.325–1.36	1.3297	3 May 2013
		1,032,640		1.3141	
Belgian Scheme	2003	85,600	1.1475	1.1475	4 November 2010
	2004	353,700	1.25	1.25	29 January 2011
	2005	328,700	1.055	1.055	3 February 2012
	2006	22,500	1.1875–1.325	1.2944	31 August 2013
		790,500		1.1591	
1993 Plan	1999	285,425	0.16–0.28	0.2031	15 November 2009
	2000	642,994	0.25–0.58	0.3697	14 September 2010
	2001	1,690,428	0.24–0.46	0.2533	30 December 2011
	2002	1,879,653	0.27–0.60	0.4165	30 December 2012
	2003	893,433	0.48–0.50	0.4980	27 February 2013
		5,391,933		0.3620	
2000 Plan	2001	2,728,453	0.22–0.28	0.2242	27 September 2011
	2002	246,435	0.24–0.27	0.2542	29 August 2012
		2,974,888		0.2267	
2003 Plan	2003	2,535,501	0.47–0.66	0.5020	22 October 2013
	2004	4,319,330	0.55–1.01	0.7005	29 November 2014
		6,854,831		0.6271	
Director Plan	2000	89,912	0.57	0.57	16 February 2010
	2001	7,498	0.22	0.22	15 April 2011
	2002	26,236	0.44	0.44	6 February 2012
		123,646		0.5212	
ND00 Plan	2000	98,313	0.19	0.19	7 August 2010
	2001	37,528	0.37	0.37	13 August 2011
	2002	43,282	0.37	0.37	2 July 2012
	2003	276,192	0.51	0.51	18 February 2013
		455,315		0.4161	
SAYE	2003	64,078	0.5865	0.5865	31 January 2009
	2004	81,096	0.9435	0.9435	31 January 2010
	2005	208,273	0.9095	0.9095	31 January 2011
	2006	811,760	1.0264	1.0264	31 January 2012
	2007	397,780	1.104	1.104	31 January 2013
	2008	2,763,496	0.81	0.81	31 January 2014
		4,326,483		0.8816	
Total options		**62,053,652**	**0.16–7.738**	**1.0569**	

7 Called-up share capital continued

	Year of grant	Number of share awards	Latest date of exercise
RSU	2006	3,025,615	20 November 2010
	2007	5,455,961	12 November 2011
	2008	8,767,264	1 December 2012
		17,248,840	
French RSU	2006	175,379	20 November 2010
	2007	259,065	12 November 2011
	2008	386,934	1 December 2012
		821,378	
LTIP	2006	2,170,753	February 2009
	2007	2,639,408	February 2010
	2008	4,305,675	February 2011
		9,115,836	
DAB	2007	847,341	February 2010
	2008	838,236	February 2011
		1,685,577	
Total awards		**28,871,631**	
Total options and awards		**90,925,283**	

Under the UK Inland Revenue Executive Approved Share Option Plan (the "Executive Scheme"), the Company may grant options to directors and employees meeting certain eligibility requirements. Options under the Executive Scheme are exercisable between three and ten years after their issue, after which time the options expire.

Under the Company's Unapproved Scheme (the "Unapproved Scheme"), for which it has not sought approval from the UK tax authorities, options are exercisable one to seven years after their issue, after which time the options expire. The Company also operates the US ISO Scheme, which is substantially the same as the Unapproved Scheme, the main difference being that the options are exercisable one to five years after their issue. Under both of these schemes options are exercisable as follows: 25% maximum on first anniversary, 50% maximum on second anniversary, 75% maximum on third anniversary, 100% maximum on fourth anniversary. Various options to directors under the Unapproved Scheme have certain performance criteria attached, which if met are exerciseable after three years, otherwise they will become exerciseable after seven years.

There are further schemes for our French and Belgian employees (the "French Scheme" and the "Belgian Scheme"). In the French Scheme, options are exercisable between four and seven years after their issue, whilst in the Belgian Scheme, options are exercisable from 1 January following the third anniversary after their issue, up to seven years from issue.

Upon the acquisition of Artisan in 2004, the Company assumed the share schemes of Artisan existing at acquisition. The schemes remained substantially the same as prior to the acquisition, other than the options became options to purchase shares in ARM Holdings plc instead of Artisan Components Inc. The number and value of options were amended in line with the conversion ratio as detailed in the merger agreement. The schemes assumed were the "1993 Plan", the "2000 Plan", the "2003 Plan", the "Director Plan" and the "ND00 Plan".

Under each plan, there are multiple vesting templates and vesting periods. The majority of the options were already vested upon acquisition, and the most common template was 25% vesting after one year, and then 6.25% vesting each quarter thereafter, until 100% vest after four years. Some options vest on a monthly basis, and some vest over five years. All options lapse ten years from the date of grant.

The Company also operates savings-related share option schemes (SAYE) for all employees and executive directors of the Group, except for ARM Inc. The number of options granted is related to the value of savings made by the employee. The period of savings is either three or five years. The option price for grants made in 2007 and 2008 was set at 80% of the market share price prior to the grant, but in previous years was set at 85%, and the right to exercise normally only arises for a six-month period once the savings have been completed. In 2007, the Company commenced a new savings-related option scheme for employees of ARM Inc., namely the Employee Share Purchase Plan (ESPP). The number of options granted is related to the value of savings made by the employee. The period of savings is six months, with the option price being at 85% of the lower of the market share price at the beginning and end of the scheme.

The Company also issues restricted stock units (RSUs) to employees which are actual share awards on vesting rather than options to buy shares at a fixed exercise price. The main RSU awards (to employees in all jurisdictions other than France) vest similarly to the unapproved scheme above, namely 25% on the each anniversary over four years. RSU awards to our French employees vest 50% after two years, and then a further 25% after three and four years. Whilst the Company reserves the right to award options to employees going forward, the majority of awards to employees will be in RSUs.

7 Called-up share capital continued

Additionally, the Company operates a Deferred Annual Bonus plan (DAB). Under the DAB, which is for directors and selected senior management within the Group, participants are required to defer 50% of any related annual bonus into shares on a compulsory basis. These shares will be deferred for three years, and then a further matching award will be made depending on the achievement of an EPS performance condition over that time. The Company also operates the Long Term Incentive Plan (LTIP), also for directors and selected senior management, whereby share awards are made and vest depending on the Company's TSR performance compared to two comparator groups over the three-year performance period.

For disclosures relating to the grants in the year and fair value assumptions, reconciliations of opening to closing option balances and related items, please refer to note 23 in the IFRS accounts within these financial statements.

8 Reserves

	Option reserve £000	Profit and loss account £000
At 1 January 2008	61,474	400,971
Purchase of treasury shares	–	(40,286)
Proceeds on issue of treasury shares on exercise of share options	–	5,581
Credit in respect of FRS 20 employee share scheme charges	–	15,409
Loss for the financial year	–	(27,807)
At 31 December 2008	**61,474**	**353,868**

The Company has taken advantage of merger relief and not recorded the premium on the issue of shares for the acquisition of Artisan Components Inc. (now ARM Inc.). The option reserve represents the fair value of options granted on the acquisition of Artisan Components Inc. in 2004.

The Company considers the option reserve as non-distributable. Within the profit and loss account is £82,224,000 of credits in respect of FRS 20 employee share scheme charges in respect of services performed by employees of subsidiary undertakings and recorded as a capital contribution. The Company also considers these credits as non-distributable. As such, £271,644,000 of the profit and loss account is deemed distributable.

During 2008, to supplement the payment of dividends to shareholders, the Company continued its share buyback programme. The quantum and frequency of share re-purchases is not predetermined and will take into account prevailing market conditions, the short- to medium-term cash needs of the business and the level of employee share-based remuneration going forward. In 2008, a total of 41.2 million (2007: 94.5 million) shares were re-purchased from the market at a cost of £40,286,000 (2007: £128,561,000). At 31 December 2008, there were 91,160,488 (2007: 65,201,176) shares in the Company still held from these purchases with a market value of £78,854,000 (2007: £80,849,000).

Offset within the profit and loss account is an amount of £107,963,000 (2007: £90,000,000) representing the cost of own shares held within the ESOP and treasury shares. This comprises £nil (2007: £348,000), being the cost of £nil (2007: 1,201,434) shares held within the ESOP and £107,963,000 (2007: £89,652,000) being the cost of 91,160,488 (2007: 65,201,176) shares held as treasury shares. The nominal value of own shares held is £45,580.

9 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
(Loss)/profit attributable to shareholders	(1,424)	148,324
Equity dividends	(26,383)	(18,547)
	(27,807)	129,777
New share capital issued	–	5,509
Purchase of treasury shares	(40,286)	(120,419)
Appropriation for future cancellation of shares	–	(8,142)
Proceeds on issue of treasury shares on exercise of share options	5,581	13,383
Credit in respect of FRS 20 employee share scheme charges recorded as capital contributions	15,409	16,786
Net addition to/(reduction in) shareholders' funds	(47,103)	36,894
Opening shareholders' funds	463,117	426,223
Closing shareholders' funds	**416,014**	**463,117**

10 Capital commitments
The Company had no capital commitments at 31 December 2008 and 2007.

11 Financial commitments and contingencies
At 31 December 2008 and 2007 the Company had no annual commitments under non-cancellable operating leases.

12 Related party transactions
The Company has taken advantage of the exemption from disclosure available to parent companies under FRS 8, "Related party disclosures", where transactions and balances between Group entities have been eliminated on consolidation.

Independent auditors' report to the members of ARM Holdings plc

We have audited the parent company financial statements of ARM Holdings plc for the year ended 31 December 2008 which comprise the company balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of ARM Holdings plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the parent company financial statements. The information given in the directors' report includes that specific information presented in the Chairman's statement, the Chief Executive Officer's review of operations, the financial review and the corporate responsibility report that is cross referred from the review of business section of the directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only ARM in 2008, financial highlights, the Chairman's statement, what ARM does, creating value for investors, the Chief Executive Officer's review of operations, enabling innovation for customers, the analyst's perspective, the financial review, trends, risks and opportunities, the board of directors, shareholder information, corporate governance, corporate responsibility, the directors' report, that part of the remuneration report that is unaudited and the Group directory. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the directors' remuneration report to be audited.

Opinion
In our opinion:

– The parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
– The parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
– The information given in the directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 April 2009

ARM Holdings plc
110 Fulbourn Road
Cambridge CB1 9NJ
United Kingdom
Tel: +44 (0) 1223 400400
Fax: +44 (0) 1223 400410

ARM Limited
Liberty House
Moorbridge Road
Maidenhead
Berkshire SL6 8LT
United Kingdom
Tel: +44 (0) 1628 427700
Fax: +44 (0) 1628 427701

Rockingham Court
Rockingham Street
Sheffield S1 4EB
United Kingdom
Tel: +44 (0) 114 8000
Fax: +44 (0) 114 8001

Blackburn Design Centre
Belthorn House
Walker Road
Blackburn BB1 2QE
United Kingdom
Tel: +44 (0) 1254 893900
Fax: +44 (0) 1254 893901

ARM Belgium NV
Geldenaaksebaan 329
1st fl.
3001 Leuven-Heverlee
Belgium
Tel: +32 16 391 411
Fax: +32 16 406 076

ARM France SAS
12 Avenue des Prés
Montigny le Bretonneux
78059 Saint Quentin en
Yvelines, Cedex
France
Tel: +33 1 30 79 05 10
Fax: +33 1 30 79 05 11

25 Allée Pierre Ziller
Le Paros
BP 70124
06903 Sophia Antipolis
Cedex
France
Tel: +33 4 97 23 51 00
Fax: +33 4 97 23 51 99

Miniparc Polytec
60 Rue des Berges
38000 Grenoble
France
Tel: +33 4 56 38 47 00
Fax: +33 4 56 38 47 01

ARM Germany GmbH
Lehrer-Wirth-Strasse 4
D-81829 Munich
Germany
Tel: +49 89 928 615-0
Fax: +49 89 928 615-19

Kaiser Strasse 100
TPC 111C
D-52134 Herzogenrath
Germany
Tel: +49 24 079 086-0
Fax: +49 24 079 086-11

Bretonischer Ring 15
D-85630 Grasbrunn
Germany
Tel: +49 89 456 040-0
Fax: +49 89 468 162

ARM Israel
3 Hagavish Street
44424 Kfar Saba
Israel
Tel: +972.9.7644867
Fax: +972.9.7644884

ARM Norway AS
Gryta 2B
7410 Trondheim
Norway
Tel: +47 4000 5757
Fax: +47 7351 3181

ARM Sweden AB
Lilla Fiskaregatan 12
SE-222 22 Lund
Sweden
Fax: +46 46 14 48 08

ARM Inc.
150 Rose Orchard Way
San Jose, CA 95134-1358
United States
Tel: +1 408 576 1500
Fax: +1 408 576 1501

1250 Capital of Texas
Highway
Building 3, Suite 560
Austin, TX 78746
United States
Tel: +1 512 327 9249
Fax: +1 512 314 1078

8000 Regency Parkway
Suite 660
Cary, NC 27518
United States
Tel: +1 919 465 3661
Fax: +1 919 465 3667

5 East Street
Franklin, MA 02038
United States
Tel: +1 508 520 1905
Fax: +1 508 520 1907

7545 Irvine Center Drive
Suite 200
Irvine, CA 92618
United States
Tel: +1 949 623 8301
Fax: +1 949 623 8305

Crystal Glen Center
39555 Orchard Hill Place
Suite 600
Novi, MI 48375
United States
Tel: +1 248 374 5055
Fax: +1 248 374 5056

264B North Broadway
Suite 204A
Salem, NH 03079
United States
Tel: +1 603 896 6322
Fax: +1 603 896 6324

1501 10th Street
Suite 110
Plano, TX 75074
United States
Tel: +1 972 312 1107
Fax: +1 972 312 1159

204 Chandler Court SW
Suite 290
Olympia, WA 98502
United States
Tel: +1 972 312 1107
Fax: +1 972 312 1159

ARM KK
Daini-Ueno Building 8F
3-7-18 Shin-Yokohama
Kohoku-Ku, Yokohama-Shi
Kanagawa 222-0033
Japan
Tel: +81 45 477 5260
Fax: +81 45 477 5261

ARM Korea Limited
Room 1115
Hyundai Building
9-4, Soonae-Dong
Boondang-Ku
Sungnam
Kyunggi-do 463-020
Korea
Tel: +82 31 712 8234
Fax: +82 31 713 8225

ARM Taiwan Limited
10F-3, No. 17, Lane 91
Sec. 1, Nei Hu Rd,
Taipei, 114
Taiwan
Tel: +886 2 2627 1681
Fax: +886 2 2627 1682

ARM Consulting (Shanghai) Co. Ltd
Room 160, 1 Metro Plaza
No. 555 Loushanguan
Road, Changning District
Shanghai 200051
PR China
Tel: +86 21 6229 0729
Fax: +86 21 6229 0725

Room 905, Silver
Tech Tower
No. 38 Hai Dian Avenue
Hai Dian District
Beijing 100080
PR China
Tel: +86 10 82603570
Fax: +86 10 82603573

Room 1420, Golden
Central Tower
No. 3037 Jintian Road
Futian District
Shenzhen 518048
PR China
Tel: +86 755 8280 4836
Fax: +86 755 8280 4839

ARM Embedded Technologies Pvt. Limited
Level III, Block B
Salarpuria Hall Mark
Marthahalli-Sarjapur
Outer Ring Road
Bangalore 560 087
India
Tel: +91 80 4138 4000
Fax: +91 80 4112 7403

ARM Physical IP Asia Pacific Pte. Ltd
700 Lorong 1 Toa Payoh
30-07 Trellis Towers
Singapore 319773
Tel: +65 6728 0950
Fax: +65 6728 7901

This report is printed on stocks taken from sustainable forests that are totally chlorine free and EMAS and ISO 9001 accredited.

Designed by luminous.co.uk

ARM Holdings plc
110 Fulbourn Road
Cambridge CB1 9NJ
United Kingdom

Telephone +44 (0)1223 400400
Facsimile +44 (0)1223 400410

www.arm.com