

(Registered Number: 02557590)

Arm Limited
Annual Report and Financial Statements
For the year ended 31 March 2024

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Arm Limited

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Arm Limited

Strategic Report

The directors present their strategic report for Arm Limited ('the Company', 'Arm') for the year ended 31 March 2024. Following a corporate reorganisation completed during the year, the Company became a wholly owned subsidiary of Arm Holdings plc which is now the ultimate parent company of the Arm Group.

Financial and non-financial highlights

The key financial and non-financial metrics, as presented in the sections of this report entitled Review of the business and Key performance indicators, are summarised alongside their comparatives below.

	2024	2023
	\$m	\$m
Revenue	3,227	2,670
Total operating costs	2,857	2,131
Profit before tax	330	454
Net assets	2,478	2,030

	2024	2023
Number of extant Arm Total Access licences	31	18
Number of extant Arm Flexible Access licences	222	203
Average employees for the Company	2,984	2,844

Review of the business

The principal operations and activities of the Company are the licensing, marketing, research and development of CPU design intellectual property ('IP'), graphics processors, system IP, physical IP, market optimised platform IP, and associated software and tools.

The Company's revenues for the year ended 31 March 2024 were \$3,227 million (2023: \$2,670 million) comprising income from licensing our technology designs, royalty fees on chips containing our designs, and the sale of development tools and services. The increase in revenue is primarily due to an increase in licence revenue as more large semiconductor companies and system companies made long-term commitments to access Arm's technology. In addition, Arm's royalty revenue grew due to a number of factors, including the overall recovery of the semiconductor industry following an inventory correction in the prior year, and chips based on our latest Armv9 technology, which typically have a higher royalty revenue, being deployed in smartphones and cloud data centre servers.

Total operating costs for the year ended 31 March 2024 were \$2,857 million (2023: \$2,131 million). The following are key impacts for the year ended 31 March 2024 that, in combination, have resulted in a net increase in operating costs, in order of impact, highest first:

- The net cost increase to employee remuneration from share based compensation due to the IPO in September 2023 and the introduction of a new award scheme;
- The increase in the number of employees for the Company; and
- Increased IT expenses, primarily driven by higher engineering demand for cloud based services.

Profit before tax for the year ended 31 March 2024 was \$330 million (2023: \$454 million).

At 31 March 2024, the Company had total cash, short-term deposits and long-term deposits of \$2,746 million (2023: \$2,107 million) and total net assets of \$2,478 million (2023: \$2,030 million). The increase in total cash and deposits is primarily driven by cash generated from operating activities in the year.

Arm Limited

Strategic Report (continued)

Future developments

The Company's stated objective is to establish a global standard for its technology in the semiconductor industry. The directors believe that to achieve this goal it is important to expand the number and range of potential customers for its CPU and related products. The Company intends to enter into licence agreements with new customers and to increase the range of new products supplied to existing customers. Relationships will continue to be established with vendors of third-party tools, and software providers, to ensure that their products will operate with Arm's products.

Key performance indicators

For the purposes of this annual report, the key metrics disclosed under the Financial and non-financial highlights section above reflect the key performance indicators of the Company. Performance of these metrics is considered both in the Review of the business above and this section. The Company's strategy enables key growth drivers that are measured on a regular basis.

Building the base of licences that will drive future royalties: The Company mainly licences its products to semiconductor companies, original equipment manufacturers and other technology companies. Licence arrangements are typically multi-year and include obligations for the customer to pay Arm a royalty fee for every chip that contains Arm's products. During the year ended 31 March 2024, the Company saw strong demand for its technology. This demand was primarily due to new products introduced by Arm over recent years, the continued success of Arm's licensing model enabling more customers to access Arm technology, increased intensity of research and development ('R&D') investments from our customers as they develop AI-enabled chips, and new customers licensing Arm technology for the first time. We consider the number of extant Arm Total Access and Arm Flexible Access licences as a key performance indicator as it represents the increasing collaboration between us and our customers, which could be a leading indicator to more chips being designed with our products and, accordingly, more recurring royalty revenue in the future, improving our long-term market share. As at 31 March 2024 the number of extant Arm Total Access licences were 31 (2023: 18) and extant Arm Flexible Access licences were 222 (2023: 203).

Investing in the Company's people and systems: Our people design and deliver our products to our customers, and support the ecosystem of companies which brings that technology to market. Our goal is to attract talent from graduates to seasoned industry experts. We invest in our people, developing them and providing a supportive culture to maximise their capability and potential. During the year ended 31 March 2024, the Company had an average of 2,984 employees (2023: 2,844). The increment in employees from the prior year was largely driven by increased investments in developing AI-capable CPUs and related products.

Impact of geopolitical events on Arm's business performance

The ongoing conflict between Russia and Ukraine and conflicts in the Middle East have had little direct impact on the business performance of the Company in the fiscal year ended 31 March 2024. The indirect effect to the semiconductor industry could be more impactful through the disruption of global supply chains, increased cost of energy and raw materials, and the potential impact to consumer confidence around the world. Arm monitors the long-term demand for its products and will adjust its strategy accordingly.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties

The Company's robust risk management and internal control processes are in place to identify risks; assign ownership for each risk at a senior management level; identify both existing and planned management activities to mitigate each risk; assess the residual likelihood and impact of each risk; and ensure ongoing monitoring and reporting of each risk. These risk management and internal control processes have remained in place for the period under review including up until the approval of this report. The principal risks and uncertainties of the Company are:

A change in the industry business dynamic may lead to loss of market share and/or reduction in value of Intellectual Property, or a competitor's product or technology may lead to loss of market share

The Company's technologies and services face significant competition. It is expected that competition will increase as current competitors expand their product offerings, improve their products or reduce the price of their products as part of a strategy to maintain existing business and customers or attract new business and customers, as new opportunities develop, and as new competitors enter the industry. Competition in the industry is affected by various factors that include, among others: original equipment manufacturer concentrations; vertical integration; changes in customer demand, consumption and competition in certain geographic regions; government intervention or support of national industries or competitors; evolving industry standards and business models; evolving nature of computing; the speed of technological change (including the transition to smaller geometry process technologies); value-added features that drive selling prices and consumer demand for end-products.

To remain competitive, Arm must continue to innovate and develop new products and services, as well as enhancements to existing products and services, in response to expressed or anticipated customer demand and market opportunities. To the extent that Arm pursues entry into new markets or offerings of different solutions, such enterprise may be unsuccessful for any number of reasons.

Significant concentration in customer base, such that the loss of a small number of key customers could significantly impact the Company's growth

In the year ended 31 March 2024, Arm derived approximately 54% of total net revenue from its top five customers (including Arm China) (2023: 57%). Arm expects customer concentration of revenue to continue for the foreseeable future.

Arm continually assesses opportunities to broaden its customer base and to retain and increase penetration with existing customers through its innovative products, business model and customer support.

Arm could become a victim of a cyber-attack or an online attempt to defraud the Company

Security breaches, computer malware, phishing and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. Experienced computer programmers, hackers and employees may penetrate security controls and misappropriate or compromise confidential information, including that of employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in the Company's products. For portions of Arm's IT infrastructure, including business management and communication software products, the Company relies on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may in turn impact Arm's systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to the Company's systems. Actual or perceived breaches of security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about Arm, its partners, customers or third parties could expose the Company and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to brand and reputation or other harm to the business.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

In such scenarios, an inaccessibility to systems, disrupted access to key infrastructure and Arm's ability to recover critical data in a timely manner may have a significant and detrimental impact on Arm's operations. A risk to business continuity may therefore arise without mitigating measures in place.

Arm has invested significantly in its cyber security capability across prevention, detection and response capability in recent years to ensure Arm has appropriate cyber resilience. This commitment remains as Arm continuously review the threat and risk environment and make decisions and investments to minimise the risk of a cyber-attack materialising. This includes, but is not limited to, ensuring Arm has a security aware colleague population, reviewing and improving security controls both from a governance and technology perspective as well as partnering with industry leading partners for expert skills and capabilities. In addition, Arm has 24/7 detect and response capability should a cyber-attack materialise to ensure its able to rapidly respond and minimise impact and disruption to the organisation. Furthermore, Arm simulates and stress-test major cyber incidents to contribute towards its cyber readiness capability, the learnings of which are implemented as part of a continuous improvement programme.

Arm may have to assert IP rights against infringers or defend itself against third parties who claim that Arm has infringed their proprietary rights

Arm's success and ability to compete depend significantly on protecting its intellectual property. Litigation brought to protect and enforce Arm's intellectual property rights could be costly, time-consuming, and distracting to the Company's business operations and could result in the impairment or loss of portions of Arm's intellectual property. Any allegations made in the course of regulatory or legal proceedings may also harm Arm's reputation, regardless of whether there is merit to such claims.

The Company maintains and supports an active programme to protect its intellectual property, primarily through the filing of patent applications. The Company further may have to defend its products in litigations brought by third parties who claim that such products infringe third-party IP rights.

From time to time, Arm are involved in various legal, administrative and regulatory proceedings, claims, demands and investigations relating to the business, which may include claims with respect to commercial, product liability, IP, cybersecurity, privacy, data protection, antitrust, breach of contract, labour and employment, whistleblower, mergers and acquisitions and other matters. Arm are involved in pending litigation, including, but not limited to, a lawsuit with Qualcomm Inc. and Qualcomm Technologies, Inc. (together 'Qualcomm') and Nuvia, Inc. ('Nuvia'). In addition, Arm's products are involved in pending litigation to which the Company are not a party. Arm cannot provide any assurances regarding how any such litigation will be resolved, what benefits Arm will obtain or what losses might be incurred.

On 31 August 2022, Arm sued Qualcomm and Nuvia in the US District Court for the District of Delaware for breaching the Nuvia Architecture Licensing agreement which Arm terminated in March 2022. Qualcomm originally responded and brought a counterclaim against Arm. On 6 March 2024, the Court denied-in-part Qualcomm's motion to amend its counterclaims, but allowed Qualcomm to raise a new claim alleging that Arm breached the termination provisions of the Nuvia ALA by continuing to use Nuvia confidential information following termination. The original claims are currently in the expert discovery phase, while the newly-added claims are currently in the fact discovery phase, with trial set for December 2024.

On 18 April 2024, Qualcomm brought a new action in Delaware against Arm, asserting claims that were rejected in the Court's decision on 6 March 2024. In this new action, Qualcomm asserts that Arm failed to satisfy certain delivery actions.

Qualcomm seeks to have Arm comply with contractual obligations that the Company allegedly breached, damages and additional relief. Arm disagrees with each of the assertions made by Qualcomm and intends to vigorously defend against them. Arm can provide no assurances regarding the outcome of either litigation or how the litigation will affect its relationship with Qualcomm, which is currently a major customer of Arm and accounted for 10% of total revenue for the fiscal year ended 31 March 2024.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

These cases will likely require significant legal expenditures going forward and may also require substantial time and attention from the Company's executives or employees, which could distract them from operating the business. In addition, Arm's involvement in such litigation could cause the Company to incur significant reputational damage in the industry, in its relationship with Qualcomm or in its relationship with other third-party partners.

Arm may have difficulty in attracting and retaining quality engineering personnel, which could limit Arm's research and development capability

Arm's future success depends largely upon the continued service of key management and technical personnel, and on the ability to continue to identify, attract, retain and motivate them. Implementing the Company's business strategy requires specialised engineering and other talent, as Arm's revenues are highly dependent on technological and product innovations. The market for employees in the industry is very competitive. A number of competitors for talent are significantly larger than the Company and may be able to offer compensation in excess of what Arm is able to offer. Further, existing immigration laws in certain countries can make it more difficult for the Company to recruit and retain highly skilled foreign nationals.

Arm's recruitment, compensation, talent development and performance assessment programmes are designed to help attract and retain quality engineering and management personnel.

Arm could suffer a loss of revenue, or an increase in costs, as a result of the impact of geopolitical factors, such as international trade disputes, which limit the Company's ability to transact with customers in certain jurisdictions

Arm's revenue is generated from customers located in several jurisdictions and a substantial portion of assets and employees are located in the UK and the US. Risks associated with international operations, any of which could have a material adverse effect on business, liquidity, financial condition and/or results of operations, include:

- political instability and the possibility of a deteriorating relationship between the nations in which Arm does business;
- the imposition of new or modified international trade restrictions, tariffs, import and excise duties or other taxes which may impact end customer demand or disrupt supply chains;
- import and export requirements, including restrictions on sales to certain end customers;
- restrictions on foreign ownership and investments;
- restrictions on repatriation of cash;
- changes in local political, economic, social and labour conditions;
- a less developed and less certain legal and regulatory environment in some countries, which, among other things, can create uncertainty regarding contract enforcement, IP rights and liability issues; and
- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act and the UK Bribery Act of 2010.

Any changes to the international trading system, or the emergence of an international trade dispute, could significantly impact the Company's business and have a negative impact on revenues. For example, the current US tariffs on China-origin goods and the related geopolitical uncertainty between the US and China have caused, and may continue to cause, decreased demand for products that include Arm's technologies, which could have a material adverse effect on business, liquidity, financial condition and/or results of operations.

Arm has installed a compliance program to ensure adherence to various trade laws.

Arm Limited

Strategic Report (continued)

Section 172 statement

In this section, the directors' report on the way in which they have discharged their duties under Section 172(1) of the Companies Act 2006 ('CA 2006'). In particular, this section describes how, in having acted to promote the long-term success of the Company for the benefit of its members, they have had due regard to the factors (a) to (f) listed under Section 172(1) of the CA 2006 in their decision making during the financial year ended 31 March 2024 ('FYE24').

For the first half of FYE24, the Company was the parent company of the Arm Group of companies. During FYE24, and in anticipation of the listing of Arm Holdings plc ('PLC') on the Nasdaq Global Select Market (the 'IPO'), the Company implemented a corporate reorganisation of the Arm Group to facilitate the transition of PLC, being originally a private limited company by the name of Arm Holdings Limited, to become the sole shareholder of the Company. PLC successfully listed on the Nasdaq Global Select Market on 14 September 2023.

Consequently, for the second half of FYE24, the Company has been a wholly owned subsidiary of PLC. The Company is now the principal subsidiary within the Arm Group and plays a key role within the Arm governance framework and in the management of Arm's stakeholders, as further detailed in the Corporate Governance Statement.

Throughout FYE24, the Board has continually monitored and assessed the effectiveness of stakeholder engagement activities, as described in this Section 172(1) statement. The Board regularly receives reports from and addresses the topic of stakeholder engagement, including at Board meetings. This consistent consideration of stakeholders in the context of current developments facilitates the directors' performance of their duties, in particular ensuring that the impact on stakeholders is duly weighed as part of decision making by the Board whilst maintaining appropriate governance and risk oversight. Examples of the manner in which the Board had regard to the factors set out in Section 172(1) of the CA 2006 are given below:

s.172(1)(a) The likely consequences of any decision in the long term and (e) The desirability of the Company maintaining a reputation for high standards of business conduct

Principal decisions

Business Plan

Prior to the Reorganisation, the Company was the parent company of the group and therefore had approved and adopted the Arm Group's forward-looking annual strategy, business plan and budget (the 'Business Plan') on 22 March 2023. During FYE24, the Board oversaw implementation of the Business Plan to the date of the Reorganisation. Following the Reorganisation, primary responsibility for oversight and implementation of the Business Plan transitioned to PLC.

IPO Readiness

In anticipation of the IPO, the Board was involved in the corporate reorganisation of the Arm Group of companies to facilitate the transition of PLC, being originally a private limited company by the name of Arm Holdings Limited, and wholly owned by the Company, to become the sole shareholder of the Company (the 'Reorganisation').

Among other corporate actions, as part of the Reorganisation: (i) the ordinary shares in PLC were transferred by way of a dividend in specie by the Company to the shareholders of the Company (being at the time Kronos II LLC and SVF HoldCo (UK) Limited); (ii) all but one of the ordinary shares in the Company held by SVF HoldCo (UK) Limited were transferred by way of a series of consequential transactions to Kronos II LLC (itself being an indirect wholly owned subsidiary of SoftBank Group Corp; and (iii) the shareholders of the Company exchanged the ordinary shares they held in the Company for newly issued ordinary shares of PLC. As a result, PLC became the sole shareholder of the Company.

As part of its oversight of the Reorganisation, the Board made several principal decisions relating to its implementation of the Reorganisation, most notably the decision to proceed with the Reorganisation in anticipation of the IPO, and to pay a dividend in specie of the PLC shares to the Company's then shareholders.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

As the parent company of the Arm Group for the period leading up to the Reorganisation, which was itself implemented shortly prior to the IPO, the Board took several principal decisions in relation to the IPO process, including:

- Progressing the F-1, being the listing document submitted to the SEC in connection with the IPO; and
- the refresh of the composition of the Board, to ensure the Board had the requisite skills, experience and diversity that are appropriate for the Company's operations once it became a wholly owned subsidiary of PLC.

Adoption of Post-IPO governance framework

Following the IPO, the Board met to approve the governance framework applicable to the Company as a wholly owned subsidiary, including the adoption of the refreshed Arm governance framework, committees and policies insofar as these apply to the Company as a subsidiary of PLC, including but not limited to: the Subsidiary Governance Policy, Delegation of Authority Policy, and Authorised Signatory Policy to ensure that the appropriate level of control and oversight is balanced between the Company, PLC and the Company's subsidiary entities.

Further details of the Company's refreshed Board composition and corporate governance framework are provided within the Corporate Governance Statement.

Approach to Stakeholder Engagement

The Company's approach to stakeholder engagement is consistent with the overall approach for the Arm Group (which, since the Reorganisation, has been led by PLC):

- The Board monitors the stakeholder engagement activities carried out by dedicated teams that manage relationships with customers, partners, investors, governments, communities, and employees to ensure that those stakeholders' needs are consistently sought and addressed. Other stakeholder groups, such as local community leaders, are engaged on an issue-by-issue basis. Whilst the Boards of PLC and the Company maintain oversight of Arm's wide-ranging stakeholder engagement activities, they have delegated day-to-day responsibility for this engagement to the Arm Executive Committee. Arm's Executive Committee comprises of Arm's Chief Executive Officer (the 'CEO') and members of senior management, each of whom are appointed to the Executive Committee by the CEO. To allow the Board to monitor stakeholder activities, it receives regular updates from the Executive Committee (which includes members of the Board), including in the form of Board "pre-reads" ahead of Board meetings.
- Arm's key stakeholders include its shareholders, employees, suppliers, customers, investors, partners, governments, and the local communities in which it operates. Active and meaningful engagement with its stakeholders and caring about their interests and successes are central to Arm's culture and Core Beliefs. Arm's Core Beliefs are anchored in the Arm Code of Conduct. Arm's business is strengthened because its boards and management understand how Arm's strategy impacts stakeholders, and because these values are embedded across its global organisation. Key employee engagements in FYE24 included Arm's quarterly business updates ('QBUs'), regular Q&A and breakfast sessions led by members of the Executive Committee (acting under their delegation from the PLC board and the Board) as well as Arm's listing day celebration on 14 September 2023, with over 5,000 employees joining office festivities that were also attended by the PLC board and Executive Committee members (which includes members of the Board). Supplier and partner engagement, guided by Arm's Supplier Code of Conduct, included regular review meetings with its partners, Arm's "Tech Talks" series, continuous focus on Arm's "Responsible Procurement strategy", and conversations with suppliers about their carbon footprint, as further detailed under s.172(1)(c) below.

As a result of the Board's monitoring and oversight of these engagement activities, stakeholder interests and views are factored into the Board's decision-making when resolving strategic decisions and entering into material transactions. This enables Arm to develop and deliver objectives, strategies, and initiatives that respond to those stakeholder needs.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

Standards of Business Conduct

To maintain high standards of business conduct, the Company supports PLC in maintaining, reviewing, and monitoring engagement with a number of compliance policies to ensure they remain relevant to Arm, its people, partners, and compliant with applicable legislation. These policies include those which Arm had in place at the outset of FYE24 and those which were adopted in anticipation of the IPO, such as the Code of Conduct, which underpins Arm's operation as an employer, partner, and as a business. PLC's board has established the standards set forth in the Code of Conduct and, directly or through the Chief Compliance Officer, oversees and monitors its compliance. The Company forms part of that reporting framework and thereby supports PLC with maintaining these standards.

s.172(1)(b) The interests of the Company's employees

Culture, Core Beliefs and Feedback

The Board recognises the crucial importance of the Company's workforce and their perspective, which the Company demonstrates through its Commitments to its people, particularly in relation to the Company strategy and living its Core Beliefs, guided by its "North Star" of Building the future of computing, on Arm. Together. For everyone. The tone from the top for recognising the value of the workforce was set by the Company itself during the first part of FYE24 and, following the Reorganisation, by PLC. Further detail on the Core Beliefs and "North Star" are set out within the Corporate Governance Statement.

Arm's Commitments are a set of key principles relating to the experience of working at Arm. These include commitments to ensure employees have challenging work, ensuring a welcoming and inclusive culture that allows individuals to be themselves, rewarding individuals competitively and equitably, and fostering an environment which encourages career progression and development.

Employees are encouraged to report concerns and raise questions through multiple channels including via ongoing Q&A sessions with members of the Executive Committee, including with the CEO and senior leadership as well as smaller "breakfast with the Executive Committee" sessions. Arm holds QBUs which are typically attended by over 3,500 employees online (with around 1,000 employees subsequently watching the recording) from across the Arm Group. During these sessions, Arm's Executive Committee provides updates to employees on business performance, strategy and important aspects of Life at Arm such as employee rewards, sustainability or Arm's Core Beliefs. QBUs also include Q&As allowing employees to hear directly from the Executive Committee and ask questions. The Executive Committee was keen to visit as many Arm offices as possible throughout the financial year. Offices visited by the Executive Committee included Austin, Bangalore, Cambridge, Ra'anana, Lund, Oslo, San Jose, and Sophia Antipolis. Other communication channels for employees include reporting directly to their manager, the People Team via the People Hub, Arm's Office of Ethics and Compliance and through an anonymous, global Raise a Concern Helpline available for all Arm employees. Arm runs annual employee engagement surveys to identify areas to improve employee experience. This year, Arm's overall Sustainable Engagement score, which indicates the degree to which Arm's people are motivated, enabled, and energised to deliver their best work, was 85%. This is above the High Technology norm of 83%. 96% of Arm's people reported they were proud to work for Arm, representing the Company's highest ever rating for this question.

These continuous engagements and interactions with its employees place Arm's people at the heart of its decision and policy-making. The Board acknowledges that meaningful and effective engagement is a key element of Arm's ability to create value, recognising that Arm relies on an innovative workforce of passionate employees. The Board monitors and considers employee views gathered through the workforce interactions described above, reporting to PLC as required.

Worker Health and Well-being

Arm is continuously looking to improve the health and wellbeing of its people. The safety and welfare of its employees, contractors, and visitors remain key priorities and shared responsibilities across its global workspaces. Arm seeks to promote workers' physical, mental and financial wellbeing by offering a wide range of in person and virtual services.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

These include the Global Employee Assistance Program and Arm's Wellbeing Hub, which provides additional resources and access to the mental health platform Unmind, a partnership with Walking on Earth to support mental wellbeing and a range of other benefits tailored to the context of each region, designed to promote wellbeing. Arm also organises specialist trainings, quarterly "Days of Care", which are offered to all employees as additional days off work, and mental and physical health awareness campaigns such as "Movember", which was spearheaded by Arm's CFO as executive sponsor. Details of the Company's wellbeing initiatives and campaigns were regularly provided to the Board, which then reported to PLC post-IPO, thus ensuring its continuous oversight of Arm's employee engagement and allowing it to monitor progress made in improving workers' health across Arm's global organisation.

Hybrid working

Arm introduced new employee in-office attendance targets from 1 January 2023 onwards. In May 2023, the CEO announced the introduction of the Company's first formal Hybrid Working Policy and changes to Arm's Internal Privacy Policy, allowing for individual attendance monitoring. This was then discussed with the Board as part of a CEO briefing and included in one of the corporate governance pre-reads. The Board evaluated these changes and considered the views of Arm's employees which had been gathered through the Company's Life at Arm survey. In Q2 FYE24, responding to the insights gained on what Arm's people found most valuable about working from the office, the Executive Committee, overseen and guided by the Board, set a minimum attendance level of 20% of the time in the office per month, to balance the needs of work and the creation of connection between people and Arm. Individual teams were then empowered to manage their own in-office attendance expectations to foster productive and effective ways of working, in a way which accounted for their own specific needs and circumstances. The Company also launched the introduction of Community Events, shifting its focus to building local communities, which are led by local leadership teams.

Diversity, equality and inclusion ('DEI') Strategy

Arm knows that diverse teams drive innovation and creativity, excel at solving complex problems and make better decisions. The Company and PLC, along with the Executive Committee who discuss the DEI Strategy at every Executive Committee in person meeting, are committed to fostering a culture of inclusion at Arm in which representation matters, its people are valued, diverse perspectives are heard, and everyone's skills are fully utilised.

The foundation of Arm's DEI strategy is to integrate DEI practices into everything the Company does in service of Arm's business strategy. The DEI strategy is comprised of four key pillars: people, culture, leadership, and partnerships. Arm's overarching aim is to hire, support, and empower talent from all backgrounds throughout the employee life cycle, embodying Core Beliefs and inclusive actions on a daily basis, leading internally and externally with DEI as a business, people, and culture imperative, and utilising DEI as a strategic enabler across the Arm ecosystem and beyond.

The integration of Diversity, Equity and Inclusion ('DEI') considerations across the Company's formal and informal efforts, and progress thereon, is actively discussed at Board meetings.

As in the previous year, every Arm employee was rated on their commitment to DEI as part of the annual review process. Employees must perform based on Arm's Core Beliefs and must have an "active" rating in contribution to Arm's DEI programs to be eligible for a promotion. Due to the continued progress made, an "advanced" rating has been added to recognise and acknowledge individuals that exceed expectations. Arm's expectation is for all employees to have at least an "active" rating. In addition to the "advanced" rating, Arm's employees and People Managers were asked to document accountabilities and objectives relating to activating DEI behaviours and practices across the Company.

To maintain oversight of the Company's DEI agenda and progress, the Board received regular updates on Arm's DEI initiatives and activities as led by the Executive Committee. Further details of Arm's DEI initiatives are provided in section (d) impact of the Company's operations on the community and environment of this Section 172 statement.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

s.172(1)(c) The need to foster the Company's business relationships with suppliers, customers, and others

Arm has established or updated various group policies, including its Code of Conduct for Suppliers, addressing Arm's practices and requirements with respect to environmental protection, responsible sourcing, human rights, labour standards and ethics, diversity, and compliance, as further detailed in its Modern Slavery Statement, which is available on Arm's website: Sustainability | Modern Slavery Statement – Arm. Further details of the various policies formally considered and approved by the Board in anticipation of the IPO are provided within the Corporate Governance Statement.

Supplier Code of Conduct & Group Procurement

As a technology leader, Arm's business practices reflect its core values of fairness, openness, and integrity. This is how Arm is governed, how its people are treated, how Arm engages with local communities, and how Arm transacts business across its value chain. Arm expects all of its suppliers to act with the same fairness, honesty and integrity in all aspects of their business. Therefore, the Arm Supplier Code of Conduct articulates the ethical, social, and environmental standard which Arm applies to itself and to all of Arm's suppliers globally.

Arm applies mandatory third-party verified self-assessments against the Arm Supplier Code of Conduct for suppliers providing certain types of products, goods and or services, or for specific spend thresholds, and reserves the right to undertake audits against the requirements of the Supplier Code of Conduct, including on-site visits. Where checks do not meet Arm's requirements, the Company is committed to working with its suppliers to achieve sustainable improvements. Arm's Anti-Bribery & Anti-Corruption Policy details its approach and commitment to Anti-Bribery & Anti-Corruption standards and how the expectation of Arm's suppliers to act and ensure that its standards are continually achieved. Arm requires its suppliers to comply with all applicable legal and ethical standards and that they are equally committed to preventing bribery and corruption in any form, including, but not limited to facilitation of payments, extortion, money laundering and other illegal or unethical gratuities or payments.

Engagement

In FYE24, Arm continued to engage with its suppliers, customers, and partners to ensure these values were embedded across its global organisation and the Arm ecosystem. Arm's active engagement with and feedback received from these critical stakeholders foster a continual process of improving Arm's product offerings and licensing model. This supports Arm's aim to realise its vision of building the future of computing, on Arm. Together. For everyone.

Partners and customers

Arm offered regular, structured review meetings with its partners, including key customers, in the form of strategic management reviews and technical reviews, and regular calls with customer account teams. Arm's Technical Support for its customers is industry-leading, with a 95% Typical Customer Satisfaction Score for Arm Technical Support. In August 2023, Arm hosted its Arm Partner Meeting as an opportunity to build face-to-face connections with customers. Details of the Executive Committee's engagements were provided to the Board to allow the Board to monitor continuous stakeholder engagement by the Arm Group. Further customer and stakeholder engagement is regularly enabled through Arm's "Tech Talks" series, whereby leading Arm experts together with strategic customers of Arm jointly deliver panels, workshops, and online sessions to share technological insights and best practice across Arm's ecosystem.

Suppliers

To foster DEI and transparency within Arm's ecosystem, Arm has developed a "Responsible Procurement strategy" to support the UN Sustainable Development Goals by working with Arm's suppliers. This strategy is designed to enable Arm to purchase products, goods and/or services that are legal and in compliance with applicable regulations, and to be transparent, fair, environmentally and socially responsible, and ethical. During FYE23, a third party conducted a maturity assessment of this strategy and subsequently trained the Procurement team to have meaningful conversations with suppliers on carbon emission reductions, other environmental considerations, social impact, and DEI.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

The emphasis on meaningful conversations with suppliers continued throughout FYE24. Arm's US suppliers are required to define their federally prescribed diversity category. This feeds into Arm's supplier review and determination of the level of Arm's supplier diversity spend. To minimise its environmental impact, Arm has committed to a 42% reduction in supply-chain carbon, which is supported by its work with CDP (formerly the Carbon Disclosure Project) Supply Chain.

Through the CDP Supply Chain questionnaire, which Arm issued to its top 500 Suppliers, the Company has gathered carbon emissions data covering 59% of its annual spend. This allows Arm to engage in discussions with suppliers who contribute most to Arm's Scope 3 category 1 and 2 carbon emissions to understand what they are doing themselves to reduce their own carbon footprint and to identify opportunities to work together to reduce those emissions.

Whilst PLC oversees sustainability-related matters such as these post-IPO and has delegated authority to Arm's Sustainability Committee to set sustainability targets and review Arm's performance against these, to maintain oversight of the Company's sustainability-related matters, the Board receives regular updates on these activities as part of its Board pre-reads mentioned above.

s.172(1)(d) The impact of the Company's operations on the community and environment

Community

'Team Arm' is the Company's employee community engagement program, designed for Arm's people to take action on the UN Global Goals for Sustainable Development, in partnership with charitable organisations. Everyone at Arm can use half a day each month of company time to volunteer. In FYE24 to date, 1,079 colleagues (14.2% of eligible Arm Group employees and contractors) have recorded over 10,000 volunteering hours. Team Arm's ongoing volunteering survey reported that 64.1% of colleagues who have volunteered "feel that Arm's senior leadership encourages colleagues to volunteer." Team Arm volunteering activities across Arm's global offices included setting up housing for refugees in Chandler, Arizona with Gathering Humanity, teaching children about coding through Arm's Primary School Outreach Program in Cambridge and Manchester, UK, and a robotics workshop with FIRST Tech Challenge in Sophia Antipolis, France. Arm has re-launched its mentoring partnership through FYE24 with Na'amal, a non-profit that helps refugees based in locations including Kenya and Ethiopia secure remote work.

Arm collaborates with organisations that encourage underrepresented people to pursue careers in science, technology, engineering, and mathematics ('STEM'). Through Arm's partnership with INROADS, a non-profit organisation creating pathways to careers for ethnically diverse high school and college students in the US, Arm recruit's interns and graduates to join its teams to build a more diverse and inclusive workplace.

Arm is also invested in the empowerment of young people to enable them to develop their capabilities and confidence in order to become the innovators and leaders of tomorrow. In FYE24, Arm supported the Micro:bit Educational Foundation through sponsorship of an outreach project for UK primary schools. "Project Next Gen" will upskill teachers and encourage young people to hone their STEM and coding skills. Arm's Developer Ecosystems and ML teams are providing pro-bono technical support to the project.

To maintain oversight of the Company's community engagement, the Board received regular updates on these activities as part of its board packs mentioned above.

Arm Education

The mission of Arm Education is to help close the education, skills and research gaps in Computer Engineering and STEM. To assist with this, Arm co-announced a new global initiative known as the Semiconductor Education Alliance in July 2023, with support from partners including Arduino, Cadence, Cornell University, the Semiconductor Research Corporation, STMicroelectronics, Synopsys, Taiwan Semiconductor Research Institute, the All-India Council for Technical Education, and the University of Southampton. By bringing together stakeholders across industry, academia and government, the Semiconductor Education Alliance addresses the challenges of finding talent and upskilling the existing workforce by offering education programs and initiatives, preparing competency frameworks, accelerated educational, training pathways, resources, and services to build and support future talent pools.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

Environment

Arm recognises that its day-to-day activities have an impact on the environment and considers environmental management to be an integral part of good business practice.

In response to the climate crisis, Arm has committed to cutting its absolute GHG (Greenhouse Gas) emissions by 50% from a FYE20 baseline across all emissions sources (Scopes 1, 2, and the six categories of Scope 3 relevant to Arm) by FYE30 in line with a 1.5°C climate pathway and the Paris Agreement. This is our net zero commitment. At the point of net zero, after achieving our absolute reduction commitment, we will use carbon removal offsets to balance remaining GHG emissions.

We have set individual targets to deliver our net zero GHG reduction commitment by 2030, including:

- To source 100% of electricity consumption from renewable sources by end FYE23 and become RE100. And to maintain this position post FYE23 to FYE30.
- To reduce absolute emissions from supply chain by 42% by FYE30
- To reduce absolute emissions from business travel by 7% by FYE30

We publicly report progress towards our net zero target each year in our Sustainable Business Report.

Arm's Sustainability Committee, with delegated authority from the Board, reviews Arm's carbon and energy performance against its targets and considers future targets. The Committee meets quarterly and is chaired by the Head of Sustainability, and reports into the Executive Committee via the Chief People Officer. As reported in Arm's Sustainable Business Report for FYE23, the Company achieved an 87% reduction in GHG emissions versus its FYE20 baseline as well as 100% renewable electricity consumption. FYE24 progress towards our carbon reduction targets will be reported in the next Arm Sustainable Business Report.

Arm has set individual absolute carbon reduction targets across key impact areas of all scopes to deliver this net zero commitment. To support the achievement of these targets, Arm also delivers initiatives to empower its employees and support its supply chain partners to make low-carbon, sustainable choices, and promotes innovation in tech-based carbon-removal solutions. For example, in March 2023, Arm entered into a new partnership with Carbon13, an organisation designed to support new ventures that aim to deliver carbon emissions reductions.

The Company aims to engage with its stakeholders to help meet its targets by increasing awareness of its environmental policy with employees, contractors, external suppliers and customers to encourage their adoption of environmental best practices and offering training to employees. These efforts are directed by the Company's Sustainability Committee, as further detailed within the Corporate Governance Statement.

Further details of some of Arm's sustainability initiatives including some environmental initiatives are provided in section (c) Company's business relationships with suppliers, customers and others of this Section 172 statement.

s.172(1)(f) the need to act fairly as between members of the Company

Shareholder Engagement

Prior to the Reorganisation, the Company had two shareholders who were represented at the Board by non-executive directors nominated by them. The shareholders were treated with transparency and integrity in terms of information and reporting, and benefited from direct interaction and engagement with the Board, the CEO, and the Executive Committee, to ensure that their views and interests were considered during Board meetings.

Following the Reorganisation, the Company is now a wholly owned subsidiary of PLC, with PLC being listed on Nasdaq Global Select Market. Given the various corporate governance arrangements put in place to support PLC as the principal governance body for the global Arm Group, the Company, as a wholly owned subsidiary of PLC, benefits from: (i) the flow of information, updates and reporting between the PLC board and the Board, and (ii) the direct interaction and engagement from PLC regarding the wider stakeholders, and including the Company's subsidiary entities, to ensure that their views, concerns and interests are considered by the Board during decision making processes.

Arm Limited

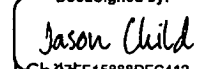
Strategic Report (continued)

Going concern

The company reported an operating profit of \$181 million and profit before tax of \$330 million for the year ended 31 March 2024 and at 31 March 2024 had no external debt finance, net current assets of \$2,116 million and a cash and cash equivalents balance of \$1,746 million.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

Child E15888DFC412...

Chief Financial Officer

Date 29 May 2024

Arm Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2024.

Future developments

Details of future developments can be found in the Strategic Report.

Events after the balance sheet date

Details of significant events after the balance sheet date are disclosed in note 31.

Research and development

Development of IP is at the heart of the Company's activities and the majority of the Company's workforce is employed in engineering activities. Within this, R&D is of major importance and, as part of its research activities, the Company collaborates closely with universities worldwide.

Key areas of product development include the development of further energy-efficient, high-performance processors, with particular focus on accelerating nascent AI algorithms. In addition, the Company will continue to develop and deliver tools, graphics processors, system IP and subsystems to enable its customers to design and program SoCs (Systems on Chip).

The income statement charge for the year ended 31 March 2024 for R&D was \$1,825 million (2023: \$1,248 million).

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge foreign currency exchange rate risk.

The majority of interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Other than certain balances with Arm China (note 32), the Company has no other significant individual concentrations of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company's policy is to maintain balances of cash and cash equivalents, and short- and long-term deposits and similar instruments, such that the highly liquid resources exceed the Company's projected cash outflows at all times.

Arm Limited

Directors' Report (continued)

Dividends

During the year ended 31 March 2024 there was a distribution in specie of \$12 million (note 12) made to the majority shareholder at that time and a dividend of \$22 million declared and paid to the parent company, Arm Holdings plc. No dividends were declared or paid in the year ended 31 March 2023.

Directors

The directors, who served during the year and up to the date of approval of the financial statements, unless stated otherwise, were as follows:

J Child	(appointed 22 August 2023)
K Gill	(appointed 22 August 2023)
R Grisenthwaite	(appointed 22 August 2023)
S Collins	(appointed 22 August 2023)
A Fadell	(resigned 22 August 2023)
J Sine	(resigned 22 August 2023)
K Dykstra	(resigned 22 August 2023)
M Son	(resigned 22 August 2023)
P Jacobs	(resigned 22 August 2023)
R Fisher	(resigned 22 August 2023)
R Haas	(resigned 22 August 2023)
R Schooler	(resigned 22 August 2023)

The Company implemented a corporate reorganisation of the Arm Group in September 2023 as detailed within the Section 172 Statement. The changes in directorship during the year reflect this reorganisation.

Directors' indemnities

The Company made qualifying third-party indemnity provisions for the benefit of its directors (which extends to the performance of any duties as a director of an associated company) subject to the conditions set out in the Companies Act 2006 and these remain in force at the date of this report.

Employees

Employee involvement in the Company is encouraged to achieve a common awareness on the part of all employees of the financial and economic factors that affect the performance of the Company. Further details of the Company's employee engagement activities have been provided in the Section 172(1) statement.

The Company is committed to employment policies regarding applications for employment, continuing employment, training, career development and promotion, which follow best practice, appropriately consider aptitudes and abilities and are based on equal opportunities for all employees, irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age.

Engagement with suppliers, customers and others

Information in respect of how the Company engages with suppliers, customers and others is contained within the Corporate Governance Report.

Arm Limited

Directors' Report (continued)

Streamlined Energy and Carbon Report (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require large companies to provide streamlined energy and carbon reporting ('SECR') in their annual report.

The Company is a qualifying subsidiary of Arm Holdings plc and has taken the exemption, under Paragraph 20A, part 7A of Schedule 7 of the legislation, to not disclose this information in the Company annual report. The relevant disclosures are presented within Arm Holdings plc's Directors' Report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

97FE15888DFC412...
J Child

Chief Financial Officer

Date: 29 May 2024

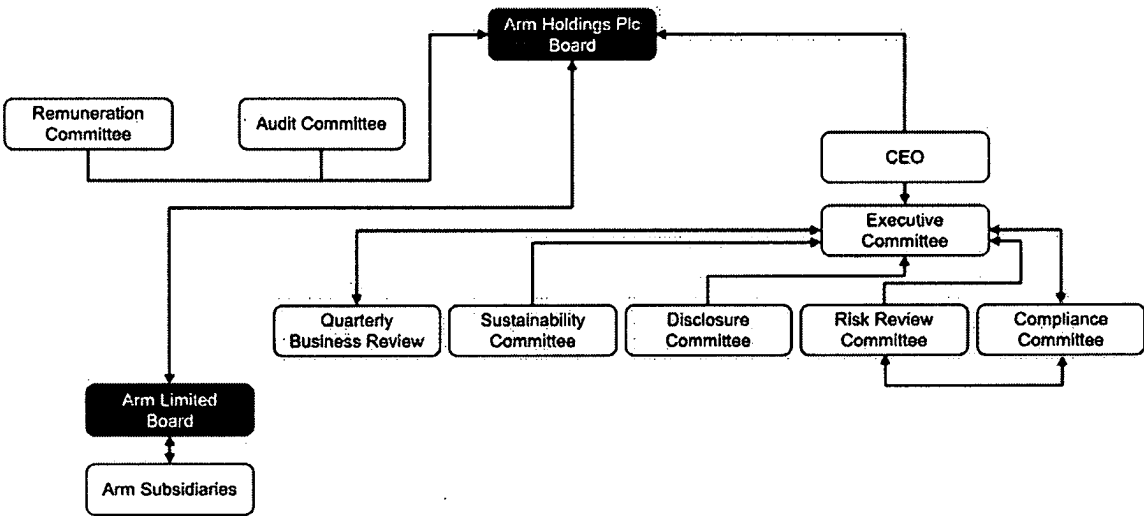
Arm Limited

Corporate Governance Report

For the first half of FYE24, the Company was the parent company of the Arm Group of companies. During FYE24, and in anticipation of the listing of Arm Holdings Plc ('PLC') on the Nasdaq Global Select Market (the 'IPO') the Company implemented a corporate reorganisation of the Arm Group of companies to facilitate the transition of PLC, being originally a private limited company by the name of Arm Holdings Limited, to become the sole shareholder of the Company (the 'Reorganisation'). PLC successfully listed on the Nasdaq Global Select Market on 14 September 2023.

Consequently, for the second half of FYE24, the Company has been a wholly owned subsidiary of PLC. The Company is now the principal subsidiary within the Arm Group and plays a key role within the Arm governance framework.

Post IPO Overview



The Board

The Company is managed under the direction of the Board, whose primary responsibility is to protect and promote the best interests of the Company by providing oversight and management of the activities of the Company and its subsidiary entities. The approval of the composition of the Board, and the nomination of the directors on the Board, is a matter reserved to PLC.

The Board ensures alignment of decision making with PLC, including by reference to the Arm Group operational procedures, policies and reporting requirements, whilst preserving the validity of the Board itself and the Company's subsidiary entities' boards. Furthermore, the Board maintains its goal of building and sustaining a successful business over the long-term, including optimising long-term financial returns for the benefit of the Company's sole shareholder.

During FYE24, the Company undertook a refresh of the composition of the Board to ensure the Board had the requisite skills, experience and diversity appropriate for a wholly owned subsidiary engaged in the Company's activities.

Corporate Governance Framework

Following the IPO, the Board provides oversight and management of the activities of the Company and its subsidiary entities. To set out its refreshed corporate governance structure in the context of the IPO, during FYE24, PLC, the Company and other members of the Arm Group adopted the Arm Group Governance Framework (the 'Framework') comprised of the Corporate Governance Principles, Articles of Association and, where appropriate, Committee Charters.

Arm Limited

Corporate Governance Report (continued)

Corporate Governance Framework (continued)

The structure is also reflected in the various Arm Group governance policy documents including the Code of Conduct (as required by the Nasdaq Rules) and the Subsidiary Governance Policy. The Code of Conduct supports PLC, and in turn the Board, in managing the business in a way that is consistent with responsible business practices and Arm's Core Beliefs. The Subsidiary Governance Policy sets out the overarching corporate governance principles and framework for the wider Arm Group to enable the effective management of Arm Group subsidiaries on a global basis.

Prior to the IPO and since FYE19, the Company (now a wholly owned subsidiary of PLC but, until the Reorganisation, the parent company of the Arm Group) applied and reported against the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles'). However, now that PLC is the parent company for the Arm Group, and given its public status, Arm does not consider the Wates Principles to be an appropriate basis for its current governance framework. This is because PLC and the Company consider that the Framework, together with the requirements of the UK Companies Act 2006 ('CA 2006'), US securities laws and the Nasdaq Rules, constitute a sufficiently robust set of governance guardrails within which PLC and the Company have established prudent governance processes and procedures. Furthermore, Arm has not formally adopted a corporate governance code because it considers the applicable requirements of the Nasdaq Rules to be akin to a formal code. For that reason, the Company is not reporting against the Wates Principles for FYE24, but rather is describing in this report the way in which the Framework applies to it in its new capacity as a wholly owned subsidiary of PLC and provides an appropriate governance framework.

As part of the Framework and where appropriate, the Board delegates certain reserved matters relating to overarching strategic and operational decisions to PLC and the Executive Committee. In addition, the Board delegates to nominated groups or individuals certain specific powers or decisions and/or day-to-day operations, whilst continuing to maintain oversight of delegated matters. The list of PLC-reserved matters was reviewed and revised during FYE24 to facilitate the reporting and escalation of matters to the Board and PLC and supports the governance arrangements established in the context of the IPO and its impact on the future of the business.

In respect of each such delegation, however, the Board is cognisant that ultimate responsibility for these matters remains with the Board as a whole.

Board Composition

As at the end of FYE24, the Board is composed of four directors, all of which were appointed in 2023. The Board consists of employees from the Executive Committee.

Board Diversity and Independence

Board Diversity

Diversity plays a key role in how the Company operates and upholds a thriving Arm community. The Arm Group has made significant progress since the beginning of its Diversity, Equity and Inclusion ('DEI') journey and acknowledges there is still a long road ahead. As noted in the Section 172 statement, this year, Arm updated its organisational objectives and introduced DEI targets for FYE24 including an increase in gender and racial/ethnic diversity by the end of FYE24 when compared to the start of FYE24. The foundation of Arm's DEI Strategy is to integrate diversity practices into everything it does to effectively collaborate across teams and regions, innovate with ecosystem partners, and be impactful leaders, managers, and individuals, as further detailed in the Section 172 statement.

Prior to the appointment of the new Board members, the Company undertook a fulsome review of the composition of the Board and the skills and qualifications necessary to lead the Company going forward. The Board considered diversity of experience and expertise as well as gender, racial and ethnic diversity. The Company believes that the diversity of viewpoints and collective experience of its directors makes the Board well positioned to manage the activities of the Company and its subsidiary entities. There is increasing gender diversity in the Company's leadership through these new appointments, with a quarter of the current Board identifying as female. This reflects the Company's focus on improving gender diversity in leadership positions and throughout the organisation. Furthermore, the Directors are from a variety of nationalities and backgrounds, including members of British and American nationality/origin.

Arm Limited

Corporate Governance Report (continued)

Board Diversity and Independence (continued)

New director surveys were introduced in FYE22 consisting of a skills self-assessment to align each director's qualifications, skills and experiences with those identified by the Company as being important for an effective board, an "Open Dialogue" survey to enable effective corporate governance and meaningful board interactions, and a logistics and scheduling survey to assist with the scheduling of upcoming board of directors meetings. These surveys continue to be of benefit to reviewing Board composition and successful Board management.

Purpose, values and culture

In September 2023, Arm updated its Code of Conduct highlighting its commitment to its Core Beliefs, outlined below, to operating transparently with the highest ethical standards, and to creating an inclusive environment in which representation matters, people are valued, diverse perspectives are heard, and everyone's skills are fully utilised:

- "Do great things – Working at pace, embracing challenges, finding a way";
- "We, not I – Win together, not alone"; and
- "Be your brilliant self – Skillful individuality, performance and inclusion".

The management and business of Arm is guided and based on the Code of Conduct, which is foundational to Arm's "North Star". The Code of Conduct promotes, among other things, honest and ethical conduct, fair, accurate and timely disclosure and compliance with applicable laws and regulations. The Code of Conduct contains mechanisms for enforcement, protection of individuals reporting questionable behaviour, clear and objective standards for compliance and a fair process for determining violations. All employees, directors, contractors and agents of the Company and the Arm Group are required to comply with the Code of Conduct. There were no amendments to, or waivers of, the Code of Conduct during FYE24. Regular training is also provided on the Code of Conduct to ensure all directors, officers and employees understand expectations.

In FYE24, Arm set out a "North Star" to clarify its strategic direction and create a single expression that portrays what it is working towards:

Building the future of computing, on Arm. Together. For everyone.

As the Code of Conduct encapsulates Arm's values as well as being an embodiment of how it operates, the Framework was designed with these values in mind and to ensure that these flow through every step of, and decision in relation to, the corporate governance structure. To reinforce this approach, all employees, directors, and officers when planning to take action are strongly encouraged to ask themselves the following:

- Does my action follow our Code, our policies, any applicable rules, regulations or laws?
- Does my action follow our Core Beliefs?
- Could I defend my action if it were reported on the front page of the newspaper?

Arm believes that these core concepts are translated into the expected behaviours for all employees, directors, contractors, and agents to the benefit of all of Arm's stakeholders.

In advance of each Board meeting, a board pack is prepared that includes a briefing paper setting out key information such as, to the extent applicable, the application of director duties, relevant business update documentation including stakeholder engagement materials and other pre-read materials supplied by relevant management teams. The stakeholder engagement materials detail key updates, communications and initiatives with strategic suppliers, employees and public organisations, in particular governmental and intergovernmental bodies, trade associations and NGOs – please see the Section 172 statement for further detail on stakeholder engagement. In addition to highlighting Arm's commitment to stakeholder engagement, the preparation of these board packs allows the Company to ensure effective and robust decision-making by the Board and to provide clarity over its responsibilities and relevant considerations when making decisions.

The Code of Conduct is available on Arm's website, together with various other key governance documents.

Arm Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

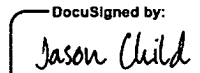
In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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J Child

Chief Financial Officer

Date: 29 May 2024

Arm Limited

Independent Auditor's Report to the Members of Arm Limited **Report on the audit of the financial statements**

1. Opinion

In our opinion the financial statements of Arm Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the relevance and reliability of the underlying data used in the going concern assessment including the significance of the Company within the Arm Holdings plc Group ('Group') as the main trading company;
- evaluating the Company's current year performance;
- assessing managements assumptions used in the forecast, including linkage to the Group's business model and operations, and evaluating other external information such as industry data for corroborative or contradictory evidence;
- assessing the historical accuracy of forecasts prepared by management for the Group; and
- evaluating of the Company's disclosures on going concern against the requirements of IAS 1.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

3. Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

5. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

6. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

7. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in significant assumptions applied for large and complex licensing contracts. This includes the evaluation of contract terms, identification of performance obligations, and the allocation of the transaction price where the assumptions are more susceptible to management bias either due to limited support available or non-standard terms. We have performed detailed testing procedures for all material contracts entered into during the audit period to gain an understanding of the specific contract terms, including significant assumptions and judgments used by management in determining the appropriate accounting treatment. We have also sent customer confirmations to confirm the completeness of contracts and ensure no side agreements exist. We have made inquiries of management inside and outside of the finance function and tested the design of the controls over management's process for reviewing contracts and the Company's sales certification process in identifying side agreements. If a response was not received, we performed alternative procedures including obtaining internal sales certifications to ensure no additional agreements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

Report on other legal and regulatory requirements

8. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

9. Matters on which we are required to report by exception

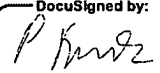
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

10. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Paul Franek FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

London, United Kingdom

Date: 29 May 2024

Arm Limited
Income Statement
For the year ended 31 March 2024

		2024	2023
	Note	\$m	\$m
Revenue	5	3,227	2,670
Cost of sales		(189)	(149)
Gross profit		3,038	2,521
Research and development costs		(1,825)	(1,248)
Selling, general and administrative expenses		(1,032)	(880)
Impairment of investments and other assets		—	(3)
Operating profit		181	390
Finance income	9	158	71
Finance costs	10	(9)	(7)
Profit before tax		330	454
Tax	11	(134)	(138)
Profit for the year		196	316

All the profit for the year is attributable to the owners of the Company and all activities relate to continuing operations.

Arm Limited**Statement of Comprehensive Income****For the year ended 31 March 2024**

	Note	2024 \$m	2023 \$m
Profit for the year		196	316
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges - fair value gains in the year	30	8	6
Cash flow hedges - losses transferred to the income statement		(18)	5
Deferred tax on cash flow hedges		2	(3)
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods		(8)	8
Items that will not be reclassified subsequently to profit or loss:			
Investment revaluation	30	(1)	(16)
Deferred tax on investment revaluation	22	1	3
Other comprehensive (expense)/income that may not be reclassified to profit or loss in subsequent periods		—	(13)
Other comprehensive (expense)/income for the year net of tax		(8)	(5)
Total comprehensive income for the year		188	311

Total comprehensive income for the year is attributable to the owners of the Company and all activities relate to continuing operations.

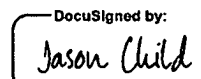
Arm Limited**Balance Sheet (Registered Number: 02557590)****As at 31 March 2024**

		2024	2023
	Note	\$m	\$m
Non-current assets			
Intangible assets	13	205	187
Property, plant and equipment	14	130	114
Right-of-use assets	15	145	156
Investments in subsidiaries	16	280	216
Investments in associates	17	35	29
Other investments	18	57	53
Contract assets	19	240	116
Trade and other receivables	20	164	111
Tax assets		5	5
Deferred tax assets	22	39	—
		<u>1,300</u>	<u>987</u>
Current assets			
Inventories		2	2
Contract assets	19	336	154
Trade and other receivables	20	1,345	1,324
Deposits		1,000	660
Cash and cash equivalents	21	1,746	1,447
Derivative financial instruments	30	4	10
		<u>4,433</u>	<u>3,597</u>
Total assets		<u>5,733</u>	<u>4,584</u>
Current liabilities			
Trade and other payables	23	1,995	928
Current tax liabilities		107	113
Lease liabilities	15	10	10
Contract liabilities	25	198	293
Provisions	26	3	48
Derivative financial instruments	30	4	1
		<u>2,317</u>	<u>1,393</u>
Net current assets		<u>2,116</u>	<u>2,204</u>
Non-current liabilities			
Trade and other payables	23	64	47
Deferred tax liabilities	22	—	144
Lease liabilities	15	147	153
Provisions	26	10	10
Contract liabilities	25	717	807
		<u>938</u>	<u>1,161</u>
Total liabilities		<u>3,255</u>	<u>2,554</u>
Net assets		<u>2,478</u>	<u>2,030</u>

Arm Limited**Balance Sheet (Registered Number: 02557590) (continued)****As at 31 March 2024**

		2024	2023
	Note	\$m	\$m
Equity			
Share capital	24, 27	1	1
Share premium account	27	583	583
Share-based payments	27, 28	165	273
Other reserves	27	47	47
Cash Flow Hedge Reserve	27	—	8
Investment revaluation reserve	27	21	21
Retained earnings	27	1,661	1,097
Total equity		2,478	2,030

The financial statements were authorised for issue by the Board of Directors on 29 May 2024 and were signed on its behalf by:

DocuSigned by:

 97FE15888DFC412...
 J Child

Chief Financial Officer

Arm Limited
Statement of Changes in Equity
For the year ended 31 March 2024

		Share capital	Share premium account	Share- based payments	Other reserves	Cash flow hedge reserve	Investment revaluation reserve	Retained earnings	Total equity
	Note	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 April 2022		1	583	99	47	—	34	781	1,545
Profit for the year		—	—	—	—	—	—	316	316
Other comprehensive income/(expense) for the year:									
Investment revaluation	30	—	—	—	—	—	(16)	—	(16)
Deferred tax on investment revaluation	22	—	—	—	—	—	3	—	3
Cash flow hedge - fair value gains in the year		—	—	—	—	6	—	—	6
Cash flow hedge - gains transferred to the income statement		—	—	—	—	5	—	—	5
Deferred tax on cash flow hedge	22	—	—	—	—	(3)	—	—	(3)
Total comprehensive income/(expense) for the year		—	—	—	—	8	(13)	316	311
Distributions in specie	12	—	—	—	—	—	—	—	—
Share-based compensation expense	28	—	—	169	—	—	—	—	169
Deferred tax on share-based compensation	22	—	—	5	—	—	—	—	5
Balance at 31 March 2023		1	583	273	47	8	21	1,097	2,030

Arm Limited**Statement of Changes in Equity (continued)**
For the year ended 31 March 2024

	Note	Share capital	Share premium account	Share-based payments	Other reserves	Cash flow hedge reserve	Investment revaluation reserve	Retained earnings	Total equity
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 April 2023		1	583	273	47	8	21	1,097	2,030
Profit for the year		—	—	—	—	—	—	196	196
Other comprehensive income/(expense) for the year:									
Investment revaluation	30	—	—	—	—	—	(1)	—	(1)
Deferred tax on investment revaluation	22	—	—	—	—	—	1	—	1
Cash flow hedge - fair value gains in the year		—	—	—	—	8	—	—	8
Cash flow hedge - gains transferred to the income statement		—	—	—	—	(18)	—	—	(18)
Deferred tax on cash flow hedge	22	—	—	—	—	2	—	—	2
Total comprehensive income/(expense) for the year		—	—	—	—	(8)	—	196	188
Distribution in specie	12	—	—	—	—	—	—	(12)	(12)
Dividend	12	—	—	—	—	—	—	(22)	(22)
Share-based compensation expense	28	—	—	269	—	—	—	—	269
Transfer of the obligation to settle share-based payment awards ¹		—	—	(503)	—	—	—	503	—
Tax withholding on vested shares from share-based payment arrangements		—	—	—	—	—	—	(101)	(101)
Tax on share-based compensation	22	—	—	126	—	—	—	—	126
Balance at 31 March 2024		1	583	165	47	—	21	1,661	2,478

¹ During the fiscal year ended 31 March 2024 the obligation to settle the share-based payment awards was transferred from the Company to Arm Holdings plc. The remaining balance of the share-based payments reserve relates to deferred tax assets recognised on unexercised restricted stock units and share based compensation provided by the Company on behalf of certain subsidiaries recognised as a capital contribution.

Arm Limited

Notes to the Financial Statements

For the year ended 31 March 2024

1 General information

Arm Limited (the 'Company') is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 110 Fulbourn Road, Cambridge, CB1 9NJ.

The principal activities of the Company and the nature of the Company's operations are disclosed in the Directors' Report and the Strategic Report on pages 14 and 1 respectively.

The Company is ultimately controlled by SoftBank Group Corp., a company registered in Japan.

2 Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

The Company has adopted the following new and amended standards during the year, which have had no material impact on the financial statements:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

IFRS 17 (including the June 2020 amendments to IFRS 17)

IFRS 17 replaces IFRS 4 (Insurance Contracts). IFRS 17 applies to all types of insurance contract, regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

IFRS 17 became effective for annual periods beginning on or after 1 January 2023, which corresponds to these financial statements for fiscal year ending 31 March 2024. Comparative figures are required and therefore certain historical transactions may have been within the scope of IFRS 17 which required careful consideration by management.

As a result of management's assessment, there has been no material impact on the Company's financial statements for either the fiscal year ended 31 March 2024 nor 31 March 2023.

Amendments to IAS 1

In February 2021, the IASB issued amendments to IAS 1 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.

The Company has revisited its accounting policy information disclosures to ensure consistency with the amended requirements

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

2 Adoption of new and revised standards

Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The amendments to IAS 8 for definition of accounting estimates do not have a material impact on the Company's financial statements

Amendments to IAS 12

Initial recognition exemption

In May 2021, the Board issued amendments to IAS 12 Income Taxes, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The impact of these amendments on the Company's financial statements for the fiscal year ended 31 March 2024 was \$nil.

Pillar Two

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. As of 31 March 2024 the Company has applied the exemption to not recognise any deferred tax relating to top-up tax arising from the Pillar Two legislation. Further detail on the impact of the Pillar Two legislation on the Company is disclosed in note 11.

New and revised IFRS standards in issue but not yet effective

The Company has taken exemption from disclosure under FRS 101 of new and revised IFRS standards that have been issued but are not yet effective in accordance with paragraphs 30 - 31 of IAS 8.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements have been prepared on the historical cost basis, in accordance with those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRS, except for the revaluation of certain financial instruments that are measured at fair value.

The Company financial statements are presented in US dollars, which is the Company's functional currency, and rounded to the nearest million.

The preparation of the Company financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates made and judgements applied and their effect are disclosed in note 4.

In accordance with FRS 101 the following exemptions from the disclosure requirements of IFRS have been applied in the preparation of the Company financial statement:

- details required by paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (being the number and weighted average exercise prices of Restricted Stock Units (RSUs), and how the fair value of goods or services received was determined);
- the requirement to publish a cash flow statement and related cash flow information, in accordance with IAS 7 Statement of Cash Flows and IAS 1 'Presentation of Financial Statements';
- disclosure of the objectives, policies and processes for managing capital, in accordance with IAS 1 'Presentation of Financial Statements';
- inclusion of an explicit and unreserved statement of compliance with IFRS, in accordance with IAS 1 'Presentation of Financial Statements';
- disclosure of key management compensation, in accordance with IAS 24 'Related Party Disclosures';
- the requirements to disclose related party transactions entered into between two or more members of a group as required in IAS 24 'Related Party Disclosures';
- disclosure of the nature and extent of risks arising on financial instruments and the effect on the income statement, in accordance with IFRS 7 'Financial Instruments';
- disclosure of the future impact of new IFRSs in issue but not yet effective at the balance sheet date, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- comparative period reconciliations for share capital, investments, intangible fixed assets and property, plant and equipment;
- disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities, in accordance with IFRS 13 'Fair Value Measurement';
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets on the basis equivalent disclosures are included in the consolidated financial statements of Arm Holdings plc;
- the requirements of paragraphs 118 and 120 to 122 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraphs 88C and 88D of IAS 12 Income Taxes, on the basis equivalent disclosures in respect of Pillar Two are included in the consolidated financial statements of Arm Holdings plc.

The financial statements of the Company are consolidated in the financial statements of Arm Holdings plc which are publicly available from Companies House, Crown Way, Cardiff, CF12 3UZ. The Company therefore takes advantage of the exemption available under paragraph 4 of IFRS 10 from the presentation of consolidated financial statements.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Going concern

The company reported an operating profit of \$181 million and profit before tax of \$330 million for the year ended 31 March 2024 and at 31 March 2024 had no external debt finance, net current assets of \$2,116 million and a cash and cash equivalents balance of \$1,746 million.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Impact of climate change upon the financial statements

The Company's financial statements are prepared with consideration of both physical and transition risks resulting from climate change. In conjunction with the report on climate-related financial disclosure contained within the Strategic Report of Company's immediate parent undertaking, Arm Holdings plc, and the Company's ambition to achieve net zero by 2030, a review has been performed in the areas that are deemed most at-risk of being impacted by climate change.

Management considered the useful economic life of non-current assets with respect to Arm's transition to net zero and concluded that the estimates and judgements applied, as set out in the Company's accounting policies, remain appropriate. The impact of materialising physical risks upon the Company's tangible and intangible assets are considered at each balance sheet date during the review for impairment indicators as set out in the Company's accounting policies.

Having assessed the material climate risks and opportunities relevant to the Company, management do not currently consider there to be a material climate-related impact on the financial statements.

In the case of going concern, the directors believe the Company to be resilient to the physical and transition risks under different climate scenarios and that these scenarios do not present any identifiable risk to the assumption of going concern.

Goodwill

Purchased goodwill, being the difference between the fair value of consideration and the fair value of net assets acquired, is capitalised and recorded within intangible assets.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit (CGU), or groups of cash-generating units, that the Company expects to benefit from the business combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. CGUs or group of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGUs may be impaired. If the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a CGU or group of CGUs, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Investments

Investments in subsidiaries are stated at cost less accumulated impairment losses.

Equity investments that are not publicly traded are also classified as available-for-sale financial assets and are initially recorded at fair value plus transaction costs. Given that the market for these assets is not active, the Company establishes fair value by using valuation techniques. The estimated fair value of these investments approximates to cost less any accumulated impairment losses (based on estimates determined by management), except where independent valuation information is available. The Company makes an irrevocable election at recognition to recognise holding gains or losses on such securities, net of related taxes, through other comprehensive income via a revaluation reserve, except where there is evidence of permanent impairment (in which case the loss is recognised in the profit and loss account). On sale, the accumulated fair value adjustments recognised through other comprehensive income are recycled through the profit and loss account.

Investments in associates

Interests in joint ventures and associates are stated at historical cost less accumulated impairment losses. Where investments are held via instruments other than ordinary shares, these are stated at fair value.

Revenue

The Company recognises revenues for the transfer of products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. The principle is achieved through the following five-step approach:

- Identification of the contract with the customer;
- Identification of the performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue for the Company's major product offerings consists of the following:

Licence and Other Revenue

- Intellectual property licence — The Company generally licences IP under non-exclusive licence agreements that provide usage rights for specific applications for a finite or perpetual term. These licences are made available electronically to address the customer-specific business requirements. These arrangements generally have distinct performance obligations that consist of transferring the licensed IPs, version extensions of architecture IP or releases of IPs, and support services. Support services consist of a stand-ready obligation to provide technical support, patches, and bug fixes over the support term. Revenue allocated to the IP licence is recognised at a point in time upon the delivery or beginning of licence term, whichever is later. Revenue allocated to distinct version extensions of architecture IP or releases of IP, excluding when-and-if-available minor updates over support term, are recognised at a point in time upon the delivery or beginning of licence term, whichever is later.

Certain licence agreements provide customers with the right to access a library of current and future IPs on an unlimited basis over the contractual period depending on the terms of the applicable contract. These licencing arrangements represent stand-ready obligations in that the delivery of the underlying IPs is within the control of the customer and the extent of use in any given period does not diminish the remaining performance obligations. The contract consideration related to these arrangements is recognised ratably over the term of the contract in line with when the control of the performance obligations is transferred.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Revenue (continued)

- Software sales, including development systems — 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 control has been transferred and the customer can begin to use and benefit from the licence.
- Professional services — Services (such as training and professional and design services) that the Company provides, which are not essential to the functionality of the IP, are separately stated and priced in the contract and accounted for separately. Training revenue is recognised as services are performed. Revenue from professional and design services are recognised over time using the input method based on engineering labour hours expended to date relative to the estimated total effort required. For such professional and design services, the Company has an enforceable right to payment for performance completed to date, which includes a reasonable profit margin and the performance of such services does not create an asset with an alternative use.
- Support and maintenance — Support and maintenance is a stand-ready obligation to the customer that is both provided and consumed simultaneously. Revenue is recognised on a straight-line basis over the period for which support and maintenance is contractually agreed pursuant to the licence.

Royalty Revenue

For certain IP licence agreements, royalties are collected on products that incorporate the Company's IP. Royalties are recognised on an accrual basis in the quarter in which the customer ships their products, based on the Company's technology that it contains. This estimation process for the royalty revenue accrual is based on a combination of methodologies, including the use of historical sales trend and macroeconomics factors for predictive analysis, the analysis of customer royalty reports and their sales trend and forecasts, as well as data and forecasts from third-party industry research providers. Data considered includes revenue, unit shipments, average selling price, product mix, market share and market penetration. Adjustments to revenues are required in subsequent periods to reflect changes in estimates as new information becomes available, primarily resulting from actual amounts subsequently reported by the licensees in the period following the accrual.

Significant Judgments

– Identification of the Contract with the Customer

The Company accounts for a contract as a revenue contract when all of the following criteria are met:

- The contract has been approved (either in writing, orally or in accordance with other customary business practices) by the parties to the contract, and the parties are committed to perform their respective obligations;
- The Company can identify each party's rights regarding goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- Contracts have commercial substance; and
- It is probable that the Company will collect substantially all the consideration to which it will be entitled, in exchange for the goods or services to be transferred to the customer.

The Company sometimes enters into multiple contracts with the same customer that are treated, for accounting purposes, as one contract if the contracts are entered into at, or near, the same time and are interrelated. Judgment is required in evaluating whether various contracts are interrelated, which includes considerations as to whether they were negotiated as a package with a single commercial objective, whether the amount of consideration on one contract is dependent on the performance of the other contract, or if some, or all, obligations in the contracts constitute a single performance obligation.

Arm Limited**Notes to the Financial Statements (continued)
For the year ended 31 March 2024****Material accounting policies (continued)****Revenue (continued)**

New arrangements with existing customers can be based on either a new contract or the modification of prior contracts. The Company's judgment in making this determination considers whether there is a connection between the new arrangement and the pre-existing contracts, whether the services under the new arrangement are highly interrelated with the products and services provided under prior contracts, and how the products and services under the new arrangement are priced.

The Company sometimes enters into non-cancellable and non-refundable committed funds arrangement from customers, where the parties have ongoing negotiations. Judgment is required in evaluating whether all rights and obligations of the arrangement are determined and enforceable.

Judgment is also required in determining whether collectability of substantially all of the consideration is probable. The Company assesses this through credit checks, past payment history or based on outstanding payments.

– *Identification of the Performance Obligations*

Customer contracts often include various products and services as outlined in the summary of major product groups above. Typically, these products and services qualify as separate performance obligations, and a portion of the contractual value is allocated to them. Judgment is required, however, in determining whether a good or service is considered a separate performance obligation.

When selling licences or services, the Company frequently grants customers the choice to acquire additional rights, goods or services (for example, renewals of offerings, version extensions through term renewals, additional future products, or additional volumes of purchased licence). The Company also utilises forward looking information such as product roadmaps and other marketing materials in identifying performance obligations for IPs or version extensions of architecture IP under development or future products, and in determining if implicit promises or material rights exist in certain long-term contracts.

In a typical licencing arrangement, the Company either licences implementation IP or architecture IP. When implementation IP is licenced, the Company promises to provide all developed and undeveloped IP over the licence term based on the subscription package selected by the customer. Products are delivered to the customer based on the Company's product roadmap and each IP is generally identified as a separate performance obligation. The undeveloped IP in the contract also includes an implied promise to deliver implementation IP that will be developed and become available during the contract term but is not on the product roadmap at contract inception.

When architecture IP is licensed, the Company promises to provide the available architecture IPs as well as all future version extensions of the architecture IP over the contract term which could range from 3 to 20 years. These version extensions may take one of two forms:

- Specified version extensions that are expected to be released over the next 2-3 years and are identified in the Company's product roadmap, or;
- Implicit version extensions that the Company believes, based on historical data, will be developed in the period beyond the years covered by the product roadmap and will be delivered to the customer as and when released.

These version extensions represent promises to deliver distinct products and have a discernable release pattern, based on the Company's established practice every year over the licence term. When version extensions of architecture IP are promised along with a licence to available architecture IP, a portion of the overall transaction price is allocated to the available architecture licence while the remaining portion relating to future extensions is deferred until those extensions are delivered and become available for use.

Amounts allocated to the IP licence including version extensions of an architecture licence or releases of an implementation licence are each recognised at a point in time upon the delivery or beginning of licence term, whichever is later.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Revenue (continued)

– *Determination of Transaction Price*

The Company applies judgment when determining the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer. This includes estimates as to whether, and to what extent, subsequent concessions or payments may be granted to customers, which release customers from their obligations to pay contractual fees. In this judgment, historical trends are considered with respect to both the specific customer and broader Company trends. The Company estimates the transaction price based on the amount expected to be received for transferring the promised goods or services in the contract. Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. The transaction price also excludes amounts collected on behalf of third parties such as sales taxes. The Company's revenue arrangements generally do not include variable consideration other than royalties. Where minimum royalties are agreed with customers and there is no uncertainty of their receipt, the amount is allocated to performance obligations as a part of the transaction price.

The Company considers relevant facts and circumstances in assessing whether a contract contains a significant financing component. The Company has not identified significant financing components in its material revenue arrangements executed during the financial year.

– *Allocation of Transaction Price*

Judgment is required when estimating standalone selling prices ('SSPs'). There is also judgment involved in determining whether the pricing of certain performance obligations is highly variable or uncertain.

Other than support and maintenance, SSPs are usually not directly observable for the Company's products and services because the Company generally does not sell its products or services on a standalone basis. The Company estimates the SSPs so that the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer. The Company allocates royalties entirely to the licences that give rise to them. When estimating a SSP, the Company considers available information and maximises the use of observable inputs such as renewal pricing history for the Company's standardised support and professional service offerings.

For offerings that have highly variable or uncertain pricing and lack substantial direct costs to estimate based on a cost-plus margin approach, the transaction price is allocated by applying a residual approach. This is on the basis that the Company has identified SSP for other performance obligations in the same arrangement. If two or more goods or services in a contract have highly variable or uncertain pricing, then the Company applies a combination of methods to allocate transaction price, including utilising list prices, contract prices, and engineering effort estimates to develop future IPs, for initial allocation of residual amount of transaction price within such products.

For Arm Total Access arrangements, the Company establishes a separate performance obligation for implicit rights of future products upon contract execution and allocates the total transaction price to each performance obligation based on the price roadmap.

For customer agreements related to long-term licensing of architecture IP, the Company allocates the contract value to each of the performance obligations based on an estimate of the engineering efforts required to deliver the initial version of the IP as well as related future versions, including enhancements and upgrades.

The SSPs of material rights depend on the probability of option exercise. In estimating these probabilities, judgement is utilised when considering historical exercise patterns. The SSPs are reviewed annually or whenever facts and circumstances significantly change. These changes are applied prospectively.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****Material accounting policies (continued)****Revenue (continued)****Revenue from Arm China**

Arm Technology Co. Limited ('Arm China') acts as the Company's exclusive IP distributor in the People's Republic of China, which, for the purposes of these financial statements, includes the Hong Kong Special Administrative Region and the Macau Special Administrative Region, but excludes Taiwan (collectively referred to as the 'PRC'), under the intellectual property licensing arrangement ('IPLA') and subsequent amendments. Arm China directly contracts with end customers with discretion in establishing pricing to sublicense specified IP and Arm Total Access Packages. The Company's responsibility under the IPLA is to facilitate delivery of a good or service to the end customer in accordance with detailed instructions and other specifications from Arm China. In these cases, Arm China is the customer for the Company. As such, revenue presented by the Company is the net amount calculated as a percentage of licence and royalty fees earned by Arm China from sub-licence arrangements entered into with end customers. The Company applies the royalty exception, under which revenue is recognised when the subsequent sale or usage occurs, assuming control of the licence to which the royalty relates has transferred to the customer. Where the revenue is derived as a percentage of the licence fee of Arm China, the Company categorises that portion as licence revenue while the other portion, which represents the Company's share of Arm China's royalties, is categorised as royalties.

Contract Balances and Receivables

The Company recognises accounts receivable in full when it has the contractual right to invoice the customer and begins satisfying the performance obligations over the term of the contract. Judgment is required to determine whether a right to consideration is unconditional and thus qualifies as a receivable.

Contract assets are recognised as the performance obligations are satisfied, and the Company does not have the contractual right to invoice. Typically, the Company invoices a portion of the fees for IP licences up front on the effective date of the contract and satisfies a considerable portion of performance obligations. Accrued royalties are included in accounts receivable, net on the Balance Sheet. Contract liabilities primarily reflect invoices due, or payments received in advance of revenue recognition. Periodic fixed fees for software support services, and other multi-period agreements, are typically invoiced in advance.

Customer deposits primarily relate to payments received from customers which could be refundable pursuant to the terms of the contract and are in other current liabilities on the Balance Sheet.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, such as invoicing at the beginning of a licence term with revenue recognised over the contract period, and not to receive financing from customers. All potential financing fees were considered insignificant in the context of the Company's contracts.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Share-based payments

By analogy to the criteria for recognition of a liability under IAS 37, share-based payments are classified as either cash-settled or equity-settled in their entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense 'true-up' to reflect the appropriate charge for the method of settlement now considered probable.

(a) Equity-settled share based payments

The Company's immediate parent undertaking, Arm Holdings plc, operates an equity settled share-based compensation plan (the 'RSU' scheme) for the employees of its subsidiary undertakings, which includes the Company, using its own equity instruments. The Company receives services from employees as consideration for equity instruments of Arm Holdings plc. The fair value of the compensation given in respect of this share-based compensation plan is recognised as a capital contribution from Arm Holdings plc to the Company over the vesting period. The capital contribution is reduced by any payments paid by, or outstanding from, the Company to Arm Holdings plc in respect of these share-based payments.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments, including restricted stock units ('RSUs'), at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

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 Company's estimate of the number of equity instruments in Arm Holdings plc that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Where the Company has share-based payments schemes where the settlement under different scenarios may be settled in either equity or cash, the Company evaluates the most likely vesting scenario at the end of each reporting period and applies the relevant accounting policy.

(b) Cash-settled share based payments

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Under the arrangement certain non-market based vesting conditions linked to the Arm Group's strategic objectives also affect the value of the award; measurement of the liability reflects the best estimate of the amount to settle the liability taking account of these non-market based vesting conditions.

(c) Social security on share-based payments

The Company is required to pay social security contributions (or similar taxes) on the share-based payments when the employees receive the RSUs. The amount of the contributions depends on the market value of the shares at that time and the applicable tax rate.

The Company accrues for these social security contributions as a liability, based on the best estimate of the future payments. The liability is remeasured at each reporting date and at settlement date, with any changes recognised in profit or loss.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Leases

(a) The Company as a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as coffee machines). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In determining the lease term the Company assesses whether it is reasonably certain to exercise, or not to exercise options to extend or terminate a lease. This assessment is made at the start of the lease and is reassessed if significant events or changes in circumstances occur that are within the Company's control.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

When the interest rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate based on a risk-free rate adjusted for the effect of Arm's credit risk. The Company made use of certain estimates when determining the incremental borrowing rate to discount lease liabilities. This involved using certain statistical models to calculate the finance spread and default risk the Company is subject to. The entire balance of the right-of-use assets and lease liabilities are exposed to this area of estimation.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Leases (continued)

(a) The Company as a lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative SSP of the lease component and the aggregate SSP of the non-lease components.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Foreign currencies

- (a) Functional and presentation currency. The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The financial statements are presented in United States dollars, which is the presentation currency of the Company.
- (b) Transactions and balances. Transactions denominated in foreign currencies have been translated into the functional currency of the Company at actual rates of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at closing rates of exchange at the balance sheet date. Exchange differences have been included in sales, general and administrative expenses.

Government grants

Grants in respect of specific research and development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. Grants are credited to the income statement in the same period as the related research and development costs for which the grant is compensating.

Operating profit

The Company's operating profit is stated before recognising the share of results of associates, finance income, finance costs and any loss or gain on the disposal of a subsidiary or associate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Taxation

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates individual 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.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses as the RDEC is of the nature of a government grant.

Deferred 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 tax 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 tax 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 Company 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, where the taxation authority permits a single net payment.

In 2013, a decision to elect into the UK patent box regime was made. The UK patent box regime seeks to tax all profits attributable to patented technology at a reduced rate of 10%. As patent box profits are taxed at 10% and other profits are taxed at UK statutory rates, deferred tax assets and liabilities are measured using the average rates expected to apply on realisation or settlement.

The Company recognises liabilities for anticipated tax audit issues based on best estimates of potential additional taxes payable. Provisions are calculated individually based upon advice received from tax advisers and relevant correspondence received from tax authorities. Provisions are reassessed by management at each period end date based upon any relevant new information received. Where the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****Material accounting policies (continued)****Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment is their purchase cost, together with any costs directly attributable to bringing the asset to its working condition for its intended use. External costs and internal costs are capitalised to the extent they enhance the future economic benefit of the asset.

Assets in the course of construction are carried at cost less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 - 10 years or over the remaining term of the lease, whichever is shorter
Machinery and equipment	3 - 6 years
Fixtures, fittings and motor vehicles	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets under the course of construction or are yet to be brought into their intended use or condition are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, such as computer software and purchased patents and licences to use technology, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Patents and licences	3 – 11 years
Computer software	3 – 5 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Intangible assets acquired in a business combination (continued)

Amortisation is recognised so as to write off the value of assets over their useful lives, using the straight-line method, on the following bases:

Developed technology	1– 8 years
Customer relationships	1 – 6 years

In accordance with IFRS, intangible assets under construction are not amortised until deemed available for use.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

Material accounting policies (continued)

Research and development expenditure

All ongoing research expenditure is expensed in the period in which it is incurred. Where a product is technically feasible, future economic benefits are probable, 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 Company 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 Company's research and development is recognised over the period of the agreement as a credit within research and development expenses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash, cash equivalents and deposits

Cash and cash equivalents include cash on hand, short-term deposits and money market funds with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents, excluding money market funds, are stated at cost, which approximates fair value because of the short-term maturity of those instruments. Money market funds are measured at fair value through profit and loss in accordance with the policy on financial instruments below.

Deposits relate to deposits with a maturity of between three and 12 months.

Financial instruments

(a) Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Financial assets are also derecognised when they are written off. Financial assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Financial instruments (continued)

(b) Classification and measurement

Financial assets and liabilities are initially measured at fair value, inclusive of transaction costs directly attributable to the acquisition or issue of the financial instrument, with the exception of trade receivables which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue.

Subsequently, measurement depends on the financial assets/liabilities classification as follows:

- Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified as FVTPL if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale.

Gains or losses arising from changes in the fair value of financial assets at FVTPL are presented in the income statement within selling, general and administrative expenses in the period in which they arise.

- Financial assets measured at fair value through other comprehensive income (FVTOCI)

Non-equity financial assets are classified as FVTOCI where they arise from contracts that give rise to contractual cash flows which are solely principal and interest and which are held in a business model that realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs.

At the end of each reporting period they are remeasured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the revaluation reserve, except for the recognition in the income statement of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.

When these assets are derecognised, the cumulative gain or loss is reclassified from equity to the income statement.

Equity investments not held for trading purposes are designated as at FVTOCI where they are considered strategic to the Company. Such designation is made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the revaluation reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

- Financial assets measured at amortised cost

Financial assets are held at amortised cost when they arise from contracts that give rise to contractual cash flows which are solely principal and interest and are held in a business model that mainly holds the assets to collect contractual cash flows.

Financial assets measured at amortised cost that are not purchased or originated credit impaired are measured at amortised cost using the effective interest method. For those purchased or originated credit impaired, the Company applies the credit-adjusted effective interest rate since initial recognition. These assets are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (that is gross carrying amount less loss allowance). Interest income is included in finance income in the income statement.

- Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVTPL, are stated at amortised cost using the effective interest method. Interest is included in finance costs in the income statement.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

Material accounting policies (continued)

Financial instruments (continued)

(b) Classification and measurement (continued)

- Financial liabilities designated as at FVTPL

The Company has irrevocably designated certain financial liabilities as at FVTPL on initial recognition because they are managed and their performance is evaluated on a fair value basis and information is provided internally on that basis to the Company's key management personnel.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Arm management regarded financial guarantees as insurance contracts and elected to apply IFRS 4 on a contract-by-contract basis prior to adoption of IFRS 17. On adoption of IFRS 17 financial guarantees previously regarded as insurance contracts are considered within the scope of IFRS 17 and fair valued in accordance with IFRS 9.

Cash flow hedges

The Company designates foreign exchange forward contracts as cash flow hedges, where these hedge the Company's exposure to variability in cash flows arising from highly probable forecast transactions.

Gains and losses arising from changes in the fair value of foreign exchange forwards designated as cash flow hedges are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. The Company designates the full change in the fair value of the forward contract as the hedging instrument.

Where the hedged forecast transaction relates to a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedge reserve are transferred from the hedging reserve and included in the initial carrying amount of that item. Otherwise they are reclassified to profit or loss in the same period when the hedged transaction item affects profit or loss.

Dividends

Distributions to owners of the Company are not recognised in the income statement under IFRS but are disclosed as a component of the movement in 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.

Share capital

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

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and 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.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation uncertainty for the Company are discussed below.

Critical judgements in applying the Company's accounting policies

The preparation of financial statements also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a significant degree of judgement that are significant to these financial statements.

Key sources of estimation uncertainty**Valuation of investments in early-stage unquoted companies**

The Company classifies all of its equity investments which are not subsidiaries or associates as financial assets at fair value through OCI. These investments are initially recognised at fair value and subsequently carried at fair value. On 31 March 2024 the carrying amount of such investments was \$50 million (2023: \$50 million) as presented in note 18. For investments in early-stage unquoted companies, where there is often less financial and forecast information available and no positive cashflows, Arm considers that fair value based on observable market inputs in the form of the most recent investment event by Arm or a third party is the best estimate of fair value. Judgement is applied to determine the continued relevance of historic investment events by considering the specific circumstances of each investment, the time period that has passed since the last investment event, sale and liquidity rights of shares held and external environmental factors such as market movements that could indicate it is no longer materially accurate to rely on the last observable transaction for current fair value measurement.

Measurement of deferred tax and Patent Box

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The appropriate rates applied in measurement are as a result of estimation factors based on the information available at the time. As new information arises or changes in other factors arise, this will impact the future measurement basis.

Deferred tax liabilities of \$212 million (2023: \$218 million) (note 22) have been measured using a best estimate of the anticipated qualifying apportionment of what will qualify for UK Patent Box tax rates at the point of settlement. This estimate is based on the information available at this financial year end and the measurement will remain subject to change as a result of future commercial decisions that could impact the estimate of qualifying revenues that fall under the UK Patent Box regime.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****5 Revenue**

An analysis of the Company's revenue is as follows:

	Note	2024	2023
		\$m	\$m
Licence and other revenue		1,426	1,000
Royalty revenue		1,801	1,670
Total revenue		3,227	2,670
Finance income	9	159	71
		3,386	2,741

Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	2024	2023
	\$m	\$m
United States of America	1,405	1,078
PRC	700	660
Taiwan	521	360
Republic of Korea	307	240
Other countries	294	332
Total Revenue	3,227	2,670

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

6 Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Note	2024	2023
		\$m	\$m
Net foreign exchange (gains)/losses		(4)	11
Depreciation of property, plant and equipment	14	40	39
Depreciation of right-of-use assets	15	13	13
Amortisation of intangible assets	13	80	87
Cost of inventories recognised as expense		1	—
Government grants – research and development expenditure credit		(122)	(66)
Gain on disposal of trade and net assets		—	(4)
Share based payment charge	8	321	196
Impairment credit recognised on other receivables		(4)	(5)

During the year ended 31 March 2022, the Company received a grant from Innovate UK for works connected to the creation of a new centrally secured technology platform prototype. The credit to the income statement in the year in respect of this grant amounted to \$nil (2023: \$3 million). The maximum total value of this contract was \$41 million. The grant term expired during the year ended 31 March 2024 and is no longer available.

7 Auditor's remuneration

Management consider the fees attributable to the Company to be \$1 million. As a result of the corporate reorganisation concluded in the fiscal year ended 31 March 2024, the comparative figures in the table below reflect Arm Limited as the former parent undertaking of the Arm Group.

Total auditor's fees relating to the audit of the Arm Group, being the consolidated financial statements of the Company's immediate parent undertaking Arm Holdings plc, are as follows:

	2024	2023
	\$m	\$m
Fees payable to Arm Group's auditor and their associates for the audit of the parent company and the Arm Group's annual accounts	8	3
Other audit related	1	7
Total audit fees	9	10
 Audited related assurance	 —	 1
	9	11

Fees payable to Arm Group's auditor and their associates for the audit of the parent company and the Arm Group's annual accounts includes the audit conducted under The Public Company Accounting Oversight Board ('PCAOB') standards.

Other audit related includes fees payable to Arm Group's auditor and their associates for the audit of Arm Group's reporting to its ultimate parent undertaking, other reviews conducted under PCAOB and fees in respect of the audit of the Company and fellow subsidiaries.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

8 Staff costs

The average monthly number of employees (including executive directors) was:

	2024	2023 (Restated)
	No.	No.
Engineering	2,289	2,126
Non-engineering	695	718
Total	<u>2,984</u>	<u>2,844</u>

The comparative average number of employees has been restated to reflect an amendment to the calculation methodology applied and to ensure consistency in disclosure to the current year.

Their aggregate remuneration comprised:

	Note	2024 \$m	2023 \$m
Wages and salaries		397	340
Social security costs		285	73
Other pension costs	29	<u>59</u>	<u>50</u>
		741	463
Equity-settled share-based payments	28	317	82
Cash-settled share-based payments	28	<u>4</u>	<u>114</u>
Total employee benefit expense		<u>1,062</u>	<u>659</u>

Share-based payment expense has increased during the current year, principally due to the introduction of new share-based payment schemes. See note 28 for further details.

9 Finance income

	Note	2024 \$m	2023 \$m
Interest income from deposits and cash and cash equivalents		112	43
Intercompany dividend income		46	27
Dividends received from equity investments designated as at FVTOCI	18	<u>—</u>	<u>1</u>
Total finance income		<u>158</u>	<u>71</u>

Interest income has increased in the year ended 31 March 2024 due to increased cash and deposits held and higher rates of interest.

10 Finance costs

	Note	2024 \$m	2023 \$m
Interest on lease liabilities	15	4	4
Other finance costs		<u>5</u>	<u>3</u>
Total finance costs		<u>9</u>	<u>7</u>

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****11 Tax**

	2024	2023
	\$m	\$m
Analysis of charge to profit or loss in the year:		
Current tax:		
Current tax on profits for the year	158	151
Adjustments in respect of prior years	(3)	—
Total current tax	<u>155</u>	<u>151</u>
Deferred tax:		
Origination and reversal of temporary differences	(23)	(17)
Adjustment in respect of prior years	2	4
Total deferred tax	<u>(21)</u>	<u>(13)</u>
Income tax expense	<u>134</u>	<u>138</u>
Tax credited directly to equity		
Deferred tax credit on outstanding share options and awards	(46)	(5)
Deferred tax benefit on vested share awards	(80)	—
Total tax credited directly to equity	<u>(126)</u>	<u>(5)</u>
Tax charged/(credited) directly to other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges	(2)	3
Fair value gain on investments in equity instruments designated as at FVTOCI	(1)	(3)
Total tax (credited)/charged directly to other comprehensive income	<u>(3)</u>	<u>—</u>

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****11 Tax (continued)**

The tax charge for the year was different from the standard rate of corporation tax in the UK, as explained below:

	2024	2023
	\$m	\$m
Profit before tax	330	454
Profit before tax at the corporation tax rate of 25% (2023: 19%)	83	86
Effects of:		
Adjustments in respect of prior years	(1)	4
Research and development tax credits	(1)	(1)
Current impact of UK patent box regime	(61)	(23)
Foreign withholding tax	119	67
Other ¹	(5)	5
Total taxation	134	138

In 2021, the UK Government enacted legislation to increase the main rate of UK statutory Corporation Tax to 25% from 1 April 2023. The actual effective UK tax rate of the Company is reduced from the main rate due to the application of the UK patent box regime.

The Organisation for Economic Co-Operation and Development ('OECD') reached agreement among various countries to implement a minimum 15% rate on certain multinational enterprises, commonly referred to as Pillar Two. In July 2023, the UK enacted legislation to implement the OECD framework for Pillar Two, part of which went into effect January 1, 2024. The Company has taken exemption from the requirements of paragraphs 88C and 88D of IAS 12 Income Taxes for further disclosure, on the basis equivalent disclosures in respect of Pillar Two are included in the consolidated financial statements of Arm Holdings plc.

12 Dividends

Dividends of \$22 million were declared and paid in the fiscal year ended 31 March 2024 by the Company to its parent company, Arm Holdings plc (2023: \$nil).

In August 2023, the Company distributed its receivable related to a sale of the IoT business (Pelion IoT platform) to the majority shareholder of the Company at that time, which represented a distribution of \$12 million.

¹ Includes non-taxable income, expenditure permanently disallowable for tax purposes and additional tax payable on income

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****13 Intangible assets**

	Goodwill	Patents and licences	Acquired intangibles	Computer software	Intangible assets under construc- tion	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost						
At 1 April 2023	58	178	70	295	—	601
Additions	—	34	—	67	1	102
Disposals	—	(32)	—	(36)	—	(68)
Transfers	—	—	—	(4)	—	(4)
At 31 March 2024	58	180	70	322	1	631
Amortisation and impairment						
At 1 April 2023	—	169	70	175	—	414
Charge for the year	—	8	—	72	—	80
Disposals	—	(32)	—	(36)	—	(68)
Transfers	—	—	—	—	—	—
At 31 March 2024	—	145	70	211	—	426
Carrying amount						
At 31 March 2024	58	35	—	111	1	205
At 31 March 2023	58	9	—	120	—	187

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. This assessment was completed effective as at 31 March 2024 and the directors are confident that the underlying trade and assets remain in use and that the amount of goodwill is not impaired.

All amortisation on intangible assets is charged to the income statement in either cost of sales, research and development costs or selling, general and administrative costs as dependent upon the nature of the asset.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****14 Property, plant and equipment**

	Leasehold improve- ments \$m	Machinery and equipment \$m	Fixtures, fittings and vehicles \$m	Assets under construction \$m	Total \$m
Cost					
At 1 April 2023	89	146	12	—	247
Additions	—	40	1	12	53
Disposals	(1)	(5)	(1)	—	(7)
Transfers	—	4	—	—	4
At 31 March 2024	88	185	12	12	297
Depreciation					
At 1 April 2023	42	82	9	—	133
Charge for the year	10	28	2	—	40
Disposals	(1)	(5)	(1)	—	(7)
Transfers	—	1	—	—	1
At 31 March 2024	51	106	10	—	167
Carrying amount					
At 31 March 2024	37	79	2	12	130
At 31 March 2023	47	64	3	—	114

15 Leases**(a) Right-of-use assets**

The carrying amount of the Company's right-of-use assets are set out below:

	Property \$m	IT equipment \$m	Total \$m
At 1 April 2023	147	9	156
Additions ¹	1	1	2
Depreciation charge for the year	(9)	(4)	(13)
At 31 March 2024	139	6	145

¹Additions comprise increases to right-of-use assets as a result of entering into new leases and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.

These right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease agreement. As at the date of these financial statements, the remaining terms range from 6 months to 20 years.

In respect of the UK property portfolio there is commonly a right to negotiate replacement leases on expiry, by virtue of the Landlord and Tenant Act 1954. Subsequent to 31 March 2024, the Company renewed two of the leases for its global headquarters with an approximate value of \$19 million.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****15 Leases (continued)****(b) Lease liabilities**

The carrying amount of lease liabilities at 31 March 2024 are set out below:

	Property	IT equipment	Total
	\$m	\$m	\$m
Current	7	3	10
Non-current	144	3	147
	<u>151</u>	<u>6</u>	<u>157</u>

It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms.

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 March 2024 and the contractual maturity date.

	Within 1 year	Between 1 and 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m
Property	11	41	140	192
IT equipment	3	3	—	6
	<u>14</u>	<u>44</u>	<u>140</u>	<u>198</u>

Certain lease payments are not recognised as a liability. This arises when the company continues to pay rents and occupy properties after the lease has expired. Payments made under such leases are expensed on a straight-line basis.

Amounts paid for short-term and low value leases not included within the lease liability are immaterial.

The table below details changes in the company's lease liabilities, including both cash and non-cash changes for the year ended 31 March 2024 and year ended 31 March 2023.

	Total \$m
At 1 April 2022	185
New leases and lease amendments	2
Principal payments on lease liabilities	(16)
Interest	4
Foreign exchange differences	(12)
At 31 March 2023	<u>163</u>
New leases and lease amendments	1
Principal payments on lease liabilities	(15)
Interest	4
Foreign exchange differences	4
At 31 March 2024	<u>157</u>

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****15 Leases (continued)****(c) Impact on the income statement**

	2024	2023
	\$m	\$m
Depreciation charge of right-of-use assets		
Property	9	9
IT equipment	4	4
	<u>13</u>	<u>13</u>
 Interest expense	 4	 4

16 Investment in subsidiaries

	\$m
Cost	
At 1 April 2023	1,469
Capital contributions	32
Share-based payment transactions	32
At 31 March 2024	<u>1,533</u>
 Provision for impairment	
At 1 April 2023	1,253
At 31 March 2024	<u>1,253</u>
 Net book value	
At 31 March 2024	<u>280</u>
At 31 March 2023	<u>216</u>

Additions via share-based payment transactions relate to equity-settled share-based payments granted to the employees of subsidiary companies during the year. Refer to note 28 for further detail.

Details of the Company's subsidiaries at 31 March 2024 are shown below. All investments are indirectly held, with 100% ownership of a single class of ordinary shares, unless otherwise shown.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Advanced RISC Machines Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Allinea Software Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Allinea Software, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Software sales	100 %
Apical Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Engineering and sales support	100 %
Arm Asia Investment G.P. Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Arm Belgium Services BV	Mechelsesteenweg 277, 1800 Vilvoorde, Belgium	Administration	100 %
Arm Canada, Inc. ¹	c/o Baker McKenzie LLP, 181 Bay Street, Toronto, ON M5J 2T3, Canada	Administration	100 %
Arm Denmark Aps	Ragnagade 7, 2100 Copenhagen, Denmark	Development of IoT	100 %
Arm Embedded Technologies Private Limited	Bagmane WTC-SEZ, Citrine Block, 4th Floor, Marathahalli Outer Ring Road, Mahadevapura, Bangalore, 560048, India	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Finance Overseas Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm France SAS	732 avenue de Roumanille, Bâtiment B, 06410 Biot, France	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Germany GmbH	Bretonischer Ring 16, D-85630 Grasbrunn, Germany	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100 %
Arm Germany d.o.o.	Obrtna Cesta 18, SI-8310, Sentjernej, Slovenia	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100 %
Arm Holdings US, Inc. ¹	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm Hungary KFT	H-1082 Budapest, Futo u.45, Hungary	Development of system IP	100 %
Arm IP Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Ireland Limited	2nd Floor Lyrr Building, Mervue Industrial Estate, Galway, H91 THP4, Ireland	Development of system IP	100 %

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm KK	Shinyokohama Square Bldg. 17F, 2-3-12 Shin-Yokohama, Kohoku-Ku, Yokohama-Shi, Kanagawa 222-0033, Japan	Marketing of RISC-based microprocessor IP	100 %
Arm Korea Limited	7th Floor Kyungdong Building, 4-4 Sunae-dong, Bundang-gu, Seongnam-si, Gyeonggi-do 463-020, South Korea	Marketing of RISC-based microprocessor IP	100 %
Arm Norway AS	Olav Tryggvassons gt. 39-41, 7011 Trondheim, Norway	Research and development of graphics IP	100 %
Arm PIPD Holdings One, LLC	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm PIPD Holdings Two, LLC	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm Poland Sp. z o.o	ul. Żelazna 2, 40-851 Katowice, Poland	Research and development of RISC-based microprocessors IP	100 %
Arm Sweden AB	Emdalavägen 6, SE-223 69 Lund, Sweden	Research and development of graphics IP	100 %
Arm Sansa Holdings, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %
Arm Taiwan Limited	9F., NO.55,57, Zhouzi St., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Technologies Israel Limited	24 Zarhin Street, POB 4334, Ra'anana, 4366249, Israel	Development of system IP	100 %
Arm Technology Investments Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm Technology Investments 2 Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm Technology Investments, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Investment company	100 %
Arm UK Holdings Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Holding company	100 %
ChaoLogix, Inc.	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100 %
ChaoLogix USA, LLC	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100 %

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Keil Software, Inc.	CT Corporation System, 1999 Bryan St., STE 900, Dallas, TX 75201	Dormant	100 %
Mistbase AB	c/o Arm Sweden AB, Emdalavägen 6, 223 69 Lund Sweden	Dormant	100 %
Arm Chuangxin (Shanghai) Technology Co., Ltd	10-11 F, Two IFC, 8 Century Avenue China (Shanghai) Pilot Free Trade Zone Shanghai, 200120, China	Provision of IT Equipment to Arm China	100 %
Simulity Labs Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Sunrise Micro Devices, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %
WigWag, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %

1. Investment owned directly by the Company.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****17 Investment in associates**

	\$m
Cost	
At 1 April 2023	29
Investments:	
– conversion of loan receivable to preferred shares	3
Fair valuation gain on associates held at fair value	3
At 31 March 2024	<u>35</u>

Details of the Company's associates at 31 March 2024 are as follows:

Name	Place of incorporation and principal place of business	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Acetone Limited	PO Box 500, Grand Cayman, KY1-1106, Cayman Islands	Holding Company of Arm China	Ordinary shares ¹	10.0	-
Arduino SA	Corso San Gottardo 6A, 6830 Chiasso, Switzerland	Computer programming activities	Preferred shares ²	15.7	15.7
Cerfe Labs, Inc.	9401 Honeycomb Drive, Austin, Texas, 78737-1132, United States	Development of CeRAM memory technology	Preferred shares	30.0	30.0
Linaro Limited	Harston Mill, Harston, Cambridge, CB22 7GG, United Kingdom	Software engineering collaboration	None ³	25.0	25.0

¹ The Company is considered to have significant influence over Acetone Limited.

² The Company is considered to have significant influence over Arduino SA by way of a material loan to the company and by influence over the entity's board of directors. The investment in Arduino SA is held at fair value.

³ The Company is one of four Core Members of Linaro Limited; the Core Members jointly control the business.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****18 Other investments**

	2024	2023
	\$m	\$m
Investments in equity instruments designated as FVTOCI		
Unlisted shares	50	50
Loans receivable carried at amortised cost		
Loans to other entities	7	3
Total investments	<u>57</u>	<u>53</u>

Unlisted shares represent either direct or indirect, through a capital fund, investments in unlisted early-stage development enterprises that are generating value for shareholders through research and development activities.

The fair value of these investments varies with the type of investment held. Direct investments are measured approximate to cost, except where external factors provide better evidence for valuation. Indirect investments are valued as a proportion of the fund's net asset value (NAV). All investments held by the Company are considered to be long-term to enable ecosystem growth, and are non-current assets. The Company has designated all investments in shares to be measured at FVTOCI.

19 Contract assets

	2024	2023
	\$m	\$m
Contract assets	576	271
Less: Loss allowance	—	(1)
Net contract assets	<u>576</u>	<u>270</u>
Current	336	154
Non-current	<u>240</u>	<u>116</u>
	<u>576</u>	<u>270</u>

A reconciliation of the movement in contract assets is set out below:

	\$m
Balance at 1 April 2023	270
Performance obligations satisfied during the period	663
Transfers in the period from contract assets to trade receivables	(358)
Movement in loss allowance	1
Balance at 31 March 2024	<u>576</u>

Revenue recognised from prior performance obligations

Revenue recognised for the fiscal year ended 31 March 2024 from performance obligations satisfied (or partially satisfied) in previous periods was \$1,866 million (2023: \$1,700 million). These amounts primarily represent usage-based royalties related to licences for which control transferred in a prior period.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****20 Trade and other receivables**

	2024	2023
	\$m	\$m
Current assets		
Trade receivables	399	618
Loss allowance	(3)	(3)
Net trade receivables	396	615
Prepayments	36	44
Accrued income	379	377
Amounts due from Group undertakings	456	195
Other receivables	78	93
	<u>1,345</u>	<u>1,324</u>
Non-current assets		
Prepayments	15	8
Other receivables	149	103
	<u>164</u>	<u>111</u>
Current	1,345	1,324
Non-current	164	111
	<u>1,509</u>	<u>1,435</u>

Accrued income relates to accrued royalties receivable in respect of sales made by third parties of products that incorporate Arm IP.

\$60 million (2023: \$56 million) of non-current other receivables and \$nil (2023: \$9 million) of current other receivables relate to payments made to a single customer, which are intended to be unwound as a consideration payable against future royalty revenue payments from the customer to Arm. Recovery of the payments is estimated to be highly probable but the assessment remains subject to future events.

21 Cash and cash equivalents

	2024	2023
	\$m	\$m
Cash and cash equivalents		
Cash at bank	2	24
Short term deposit	—	40
Money market funds	1,744	1,383
	<u>1,746</u>	<u>1,447</u>
Deposits	1,000	660

Deposits relate to deposits with a maturity of between three and 12 months.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****22 Deferred tax**

The movement of the deferred tax account is shown below:

	2024	2023
	\$m	\$m
At 1 April	(144)	(166)
Income statement credit	21	13
Reclassification from current tax	33	4
Credit to other comprehensive income	4	—
Credit to reserves	125	5
At 31 March	<u>39</u>	<u>(144)</u>

The amount of deferred tax assets unrecognised at 31 March 2024 was \$2 million (2023: \$1 million). This is made up of \$6 million of UK capital losses with no expiry date.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction as permitted by IAS 12) 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.

The analysis, by column, of deferred taxation presented within this note has been restated from that previously presented in the financial statements of the Company to provide additional detail to users. There is no change to the totals presented.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****22 Deferred tax (continued)**

The movements in deferred tax assets and liabilities are shown below:

	Fixed assets	Tax losses and R&D tax credits carried forward	Share-based payments	Temporary differences relating to liabilities	Total
	\$m		\$m		\$m
Deferred tax assets					
At 1 April 2022	16	36	6	6	64
Income statement credit/(charge)	3	(2)	8	(1)	8
Movement from current tax assets	—	3	—	—	3
Movement through reserves	—	—	5	—	5
At 31 March 2023	19	37	19	5	80
Offsetting of deferred tax liabilities					(80)
At 31 March 2023 (after offsetting)					—
At 1 April 2023	19	37	19	5	80
Income statement credit/(charge)	4	4	13	(2)	19
Movement from current tax assets	—	34	—	—	34
Movement through reserves	—	79	46	—	125
At 31 March 2024	23	154	78	3	258
Offsetting of deferred tax liabilities					(219)
At 31 March 2024 (after offsetting)					39

The deferred tax asset to be recovered after more than one year is \$190 million (2023: \$25 million).

	Investments	Other	Contract liabilities	Total
	\$m	\$m	\$m	\$m
Deferred tax liabilities				
At 1 April 2022	6	—	223	229
Income statement credit	—	—	(5)	(5)
Movement through reserves	(2)	2	—	—
At 31 March 2023	4	2	218	224
Offsetting of deferred tax assets				(80)
At 31 March 2023 (after offsetting)				144
At 1 April 2023	4	2	218	224
Income statement charge/(credit)	—	4	(6)	(2)
Movement through reserves	(1)	(2)	—	(3)
At 31 March 2024	3	4	212	219
Offsetting of deferred tax assets				(219)
At 31 March 2024 (after offsetting)				—

The deferred tax liability to be recovered after more than one year is \$212 million (2023: \$216 million).

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

23 Trade and other payables

	2024	2023
	\$m	\$m
Current liabilities		
Trade payables	18	75
Amounts owed to Group undertakings	1,134	350
Other taxation and social security	617	10
Employee related accruals	113	375
Accruals and other payables	113	118
	<u>1,995</u>	<u>928</u>
Non-current liabilities		
Employee related accruals	9	25
Other taxation and social security	20	—
Accruals and other payables	35	22
	<u>64</u>	<u>47</u>
Current	1,995	928
Non-current	64	47
	<u>2,059</u>	<u>975</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is within 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, insignificant interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The increase in amounts payable for other taxation and social security against the comparative period corresponds to taxes payable in respect of equity-settled share-based payment arrangements following the successful IPO of Arm Holdings plc, the ultimate parent undertaking. These taxes are due to be settled in the subsequent quarter and arise from vested RSUs.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****24 Share capital****Number of shares authorised, issued and fully paid**

	2024		2023	
	No. '000	\$m	No. '000	\$m
Ordinary shares of £0.001 each	1,025,234	1	1,025,234	1

Rights, preferences and restrictions

There is a single class of ordinary shares which carry no right to fixed income. There are no restrictions on the distribution of dividends and the repayment of capital.

25 Contract liabilities

	2024	2023
	\$m	\$m
Amounts related to contracts	915	1,100
Current	198	293
Non-current	717	807
	915	1,100

A reconciliation of the movement in contract liabilities is set out below:

	\$m
Balance at 1 April 2023	1,100
Cash received in advance of performance	198
Amounts included in contract liabilities that was recognised as revenue during the period:	
of which included in the opening balance	(226)
of which not included in the opening balance	(157)
Balance at 31 March 2024	915

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****26 Provisions**

	2024	2023
	\$m	\$m
Dilapidations provision	10	10
Legal provision	—	45
Other provision	3	3
	<u>13</u>	<u>58</u>
Current	3	48
Non-current	10	10
	<u>13</u>	<u>58</u>

	Dilapidations provision	Legal provision	Other provision	Total
	\$m	\$m	\$m	\$m
At 1 April 2023	10	45	3	58
Utilisation of provision	—	(5)	—	(5)
Reversal of provision	—	(40)	—	(40)
At 31 March 2024	<u>10</u>	<u>—</u>	<u>3</u>	<u>13</u>

The dilapidations provision relates to costs to be incurred in returning leased assets to their original state at the end of the lease. The expected cash outflows of the dilapidations provision ranges between 1 to 20 years, which aligns with the individual maturities of the Group's lease liabilities.

The legal provisions in the prior year related to litigation settlements and expected litigations were fully reversed in the year ended 31 March 2024.

27 Capital and reserves**Share capital**

Called up share capital represents the nominal value of shares that have been issued.

Share premium account

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Share-based payments

The share-based payments reserve previously included the cumulative equity-settled share-based payment expense in respect of the RSU scheme net of any associated deferred taxes. See note 28.

During the fiscal year ended 31 March 2024 the obligation to settle the share-based payment awards was transferred from the Company to Arm Holdings plc. The remaining balance of the share-based payments reserve now relates to deferred tax assets recognised on unvested restricted stock units and share based compensation provided by the Company on behalf of certain subsidiaries recognised as a capital contribution.

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

27 Capital and reserves (continued)

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amounts of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, net of dividends paid.

Other reserves

Other reserves relate to the unrealised profit arising in 2005 on the Company's sale of its investment in Arm, Inc.

28 Share-based payments

The Company's immediate parent undertaking, Arm Holdings plc, operates an equity settled share-based compensation plan for the employees of its subsidiary undertakings, which includes the Company, using its own equity instruments. The fair value of the compensation given in respect of this share-based compensation plan is recognised as a capital contribution from Arm Holdings plc to the Company over the vesting period. The capital contribution is reduced by any payments paid by, or outstanding from, the Company to Arm Holdings plc in respect of these share-based payments.

This plan was previously operated by the Company as the former parent of the Arm Group. On 25 August 2023, as part of the pre-listing reorganisation of the Arm Group, the obligation to settle the share-based payment awards was transferred from the Company to Arm Holdings plc.

A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the methods of settlement is provided below.

Arm Holdings plc includes the Company in its consolidated financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the UK, and as they include equivalent disclosures, the Company has taken exemptions available under FRS 101 in respect of details required by paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of Restricted Stock Units (RSUs), and how the fair value of goods or services received was determined).

During the year ended 31 March 2024, the Company had, or was party to, the following group share-based payment arrangements:

(a) Restricted stock unit plan – All Employee Plan ('2019 AEP')

In December 2019, a share-based payment arrangement was put in place for all employees of the Company. Employees may elect not to participate in the scheme. The 2019 AEP could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of Arm Holdings plc, (2) an IPO, and (3) the passage of time. No amounts are paid or payable by the recipient on receipt of the RSUs. The RSUs carry neither rights to dividends nor voting rights.

Awards are forfeited if the employee leaves the Company before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

As a result of the IPO, all RSUs previously issued under the 2019 AEP held by employees of the Company were settled in ordinary shares of Arm Holdings plc.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2024

28 Share-based payments (continued)

(a) Restricted stock unit plan – All Employee Plan ('2019 AEP')

These awards are measured in accordance with IFRS 2. RSUs were priced using a Monte Carlo simulation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the RSU).

During the previous year ended 31 March 2023, Arm Group's remuneration committee modified the terms of the 2019 AEP to accelerate the vesting for certain employees affected by restructuring activities. The affected participants of the plan were provided the option to i) settle all unvested RSUs for a cash payment equivalent to the product of (a) a fixed amount as determined by Arm Group's Remuneration Committee (b) 50% of the number of RSUs held by the participant, or ii) retain the RSUs until they vest pursuant to the original vesting terms. The Company accounted for this acceleration as a modification of vesting in connection with settlement which resulted in the recognition of incremental share-based compensation expense. This resulted in total cash payment of \$16 million to employees subject to restructuring upon exiting the business.

(b) Executive IPO Plan ('2019 EIP')

In April 2020, a share-based payment arrangement was put in place for the now Executive Committee of Arm Holdings plc, some of whom are employees of the Company. The 2019 EIP could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of the Company, (2) an IPO, and (3) the passage of time. No amounts are paid or payable by the recipient on receipt of the RSUs. The RSUs carry neither rights to dividends nor voting rights.

Awards are forfeited if the participant leaves the Company before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards does not assume forfeitures.

As a result of the IPO, all RSUs previously issued under the 2019 EIP were settled in ordinary shares of Arm Holdings plc.

These awards are measured in accordance with IFRS 2. RSUs were priced using a Monte Carlo simulation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the RSU).

In September 2022, the Company modified the 2019 EIP plan to remove all market conditions associated with the awards. All other material terms of the 2019 EIP plan, including required service remained unchanged as a result of this modification.

In December 2022, the Company's board of directors approved the replacement of 2019 EIP RSUs originally issued to a member of the Executive Committee in exchange for customised Executive Awards under the 2022 RSU plan disclosed below in 'Executive Awards Granted under the 2022 RSU Plan'. Modification accounting is applied for this replacement, the incremental fair value in addition to the grant-date fair value of the original award is recognised over the remaining modified vesting period. The incremental fair value is the difference between the fair value of the replacement award and the net fair value of the cancelled award, both measured at the date on which the replacement award is issued.

(c) Arm Limited RSU Award Plan ('2022 RSU Plan')

In June 2022, the Company adopted the 2022 RSU Plan for all employees. Employees may elect not to participate in the scheme. The RSUs require continuous service through the vesting date and vest upon the passage of time (annual graded vesting) over 3 years. The Group may choose to settle such RSUs in cash or in shares by tranche.

Awards are forfeited if the employee leaves the Company before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****28 Share-based payments (continued)****(c) Arm Limited RSU Award Plan ('2022 RSU Plan') (continued)**

As of 31 March 2023, the Company accounted for the compensation plan, except for certain units expected to be settled by cash, as an equity-settled share-based payment transaction. For the units expected to be settled by cash, the Company accounted for them as a cash-settled share-based payment transaction.

The fair value of the RSUs accounted as an equity-settled share-based payment transaction is measured by taking into account the lack of marketability to a calculated entity valuation at the time of grant while the fair value of the RSUs accounted as a cash-settled share-based payment transaction is measured quarterly.

In November 2022, the Company issued two types of Executive Awards under the 2022 RSU Plan to certain members of the Executive Committee, referred to as Annual Awards and One-time Launch Awards. The Executive Awards entitle executive officers to a fixed amount of cash or, after initial public offering, ordinary shares. Annual awards consist of a portion only subject to time-based vesting and a portion subject to performance-based and time-based vesting conditions over 3 years.

The Company also granted Executive Awards with customised vesting schedules to certain executive officers. The customised executive awards could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of the Company, (2) an IPO, and (3) the passage of time. These awards are settled at the fixed collective cash amount of \$55 million prior to the occurrence of a liquidity event.

In connection with the IPO, all Executive Awards previously issued under the 2022 RSU Plan were converted into a variable number of shares based on the IPO price of \$51.00 per ADS.

(d) The Arm Non-Executive Directors RSU Award Plan ('NED Plan')

In September 2022, the Company established the NED Plan for non-executive directors. The RSU awards issued under the NED Plan (the 'NED Awards') are subject to time-based vesting and continued service of the non-executive directors. The NED Plan allows for either cash or share settlement of the awards at the discretion of Arm Holding plc's Remuneration Committee. In connection with the corporate reorganisation completed in September 2023, all non-executive directors resigned from the Company during the year and were appointed to Arm Holdings plc. Therefore this scheme ceased to be applicable to the Company at that time.

(e) Omnibus Incentive Plan

In August 2023, Arm Holdings plc's board of directors adopted the Omnibus Incentive Plan (the 'Omnibus Incentive Plan') which became effective in September 2023. The Omnibus Incentive Plan allows for the grant of incentive awards to employees, executive directors, and non-employees, including non-employee directors and consultants of Arm Holdings plc and its subsidiaries. Participants may elect not to participate in the plan. Vesting conditions applicable to awards may be based on continued service (annual graded vesting), achievement of company, business unit or other performance objectives, or such other criteria as the Remuneration Committee may establish.

In October 2023, the Arm Holdings plc started to grant RSUs and PSUs under the Omnibus Incentive Plan to employees of Arm Limited, including executives of the Arm Group. The RSUs and PSUs granted neither carry rights to dividends nor voting rights until the shares are issued or transferred to the recipient. The Omnibus Incentive Plan allows for either cash or share settlement of the awards by tranche, if applicable, at the discretion of the Remuneration Committee. At the time of issuance, Arm Holdings plc intended to settle the RSUs and PSUs in shares at the vesting date and such awards are accounted for as equity-classified awards.

Awards are forfeited if the employee leaves the Company before the awards vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

The fair value of the RSUs accounted as an equity-settled share-based payment transaction is measured using the closing ADS price of Arm Holdings plc on the date of grant.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****28 Share-based payments (continued)****(f) Phantom Share Scheme (cash-settled)**

In April 2017, a cash-settled share-based payment arrangement was put in place for certain of the Company's employees who are members of the Executive Committee. Under this arrangement the employees were granted a cash award annually on 1 April which vests over a three-year service period. The cash amount, which the employee is entitled to receive if employed at the end of the three-year period, is directly linked to the percentage change in share price of the Company's ultimate parent undertaking, SoftBank Group Corp., and is also linked to certain other strategic performance conditions of the Arm Group ('The Group'). The Group strategic performance conditions are non-market-based vesting conditions by nature, as a result they do not affect the calculation of the fair value of the award at each reporting date.

The Group strategic performance conditions are operational in nature; they measure performance in areas such as product development, customer wins and market share across different technologies and markets. The measures are linked directly to the Group's strategic objectives, rather than any financial measures, and they are not linked to any change in the share price of the ultimate parent undertaking.

The weighted average fair value of the awards was previously measured at each reporting date using the Black-Scholes model. Expected volatility and dividend yield was based on the historical share price volatility and dividend yield of SoftBank Group Corp. over the past five years.

For details of the related expense recognised in the income statement, see note 8.

29 Retirement benefit schemes

The Company contributes to defined contribution plans substantially covering all employees. The Company has an obligation to contribute to these plans based upon various fixed percentages of employee compensation, and such contributions are expensed as incurred. The assets of these plans are held separately from those of the Company in funds.

The total cost charged to the income statement for the year of \$59 million (2023: \$50 million) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at 31 March 2024, contributions of \$5 million (2023: \$4 million) due in respect of the current reporting period had not been paid over to the schemes.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****30 Financial instruments****Exemptions taken in applying FRS 101**

With exception to the application of FRS 101 [para. A2.7] for the disclosure of those financial instruments measured at fair value in accordance the requirements arising from The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), the Company has taken the following exemptions under FRS 101 from these financial statements:

- disclosure of the objectives, policies and processes for managing capital, in accordance with IAS 1 'Presentation of Financial Statements';
- disclosure of the nature and extent of risks arising on financial instruments and the effect on the income statement, in accordance with IFRS 7 'Financial Instruments';
- disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities, in accordance with IFRS 13 'Fair Value Measurement';

(a) Classification of financial instruments

	Note	2024			
		Amortised Cost	FVTPL	FVTOCI	Total
		\$m	\$m	\$m	\$m
Current assets					
Cash, cash equivalents and deposits	21	1,002	1,744	—	2,746
Accounts receivable (net of loss allowance)	20	396	—	—	396
Contract assets	19	336	—	—	336
Other receivables	20	78	—	—	78
Derivative financial instruments	30	—	—	4	4
Current financial assets		1,812	1,744	4	3,560
Non-current assets					
Loans and receivables	18	7	—	—	7
Other receivables	20	149	—	—	149
Contract assets	19	240	—	—	240
Unlisted equity securities	18	—	—	50	50
Investments in associates	30	—	—	33	33
Non-current financial assets		396	—	83	479
Total financial assets		2,208	1,744	87	4,039
Current liabilities					
Accounts payable	23	18	—	—	18
Accrued and other liabilities	23	113	—	—	113
Lease liabilities	15	10	—	—	10
Derivative financial instruments	30	—	—	4	4
Current financial liabilities		141	—	4	145
Non-current liabilities					
Accrued and other liabilities	23	35	—	—	35
Lease liabilities	15	147	—	—	147
Non-current financial liabilities		182	—	—	182
Total financial liabilities		323	—	4	327

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****30 Financial instruments (continued)****(a) Classification of financial instruments (continued)**

	Note	Amortised Cost	2023		Total
		\$m	FVTPL \$m	FVTOCI \$m	\$m
Current assets					
Cash, cash equivalents and deposits	21	724	1,383	—	2,107
Accounts receivable (net of loss allowance)	20	615	—	—	615
Contract assets	19	154	—	—	154
Other receivables	20	93	—	—	93
Derivative financial instruments	30	—	—	10	10
Current financial assets		1,586	1,383	10	2,979
Non-current assets					
Loans and receivables	18	3	—	—	3
Other receivables	20	103	—	—	103
Contract assets	19	116	—	—	116
Unlisted equity securities	18	—	—	50	50
Investments in associates	30	—	—	26	26
Non-current financial assets		222	—	76	298
Total financial assets		1,808	1,383	86	3,277
Current liabilities					
Accounts payable	23	75	—	—	75
Accrued and other liabilities	23	118	—	—	118
Lease liabilities	15	10	—	—	10
Derivative financial instruments	30	—	—	1	1
Current financial liabilities		203	—	1	204
Non-current liabilities					
Accrued and other liabilities	23	22	—	—	22
Lease liabilities	15	153	—	—	153
Non-current financial liabilities		175	—	—	175
Total financial liabilities		378	—	1	379

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****30 Financial instruments (continued)****(b) Valuation of financial instruments measured at fair value in accordance with FRS 101 [para. A2.7]****Unlisted equity securities**

The estimated fair value of the unlisted equity investments approximates to cost less any permanent diminution in value (based on management's estimate of forecast profitability and achievement of set objectives by the relevant entity), except where independent valuation information is obtained, for example through the occurrence of funding or other transactions in the relevant entity's equity instruments. Any change to the fair value is recognised as part of other comprehensive income.

Investments in associates

Interests in joint ventures and associates are typically stated at historic cost less accumulated impairment losses and are not represented as financial instruments under IFRS 9. Where investments are held via instruments other than ordinary shares, these are stated at fair value and are disclosed in this note.

Financial guarantee contracts

In March 2022, a wholly owned United Kingdom subsidiary of SoftBank, Kronos I (UK) Limited ('Kronos'), was created for the purpose of SoftBank arranging a non-recourse facility agreement (the 'Facility Agreement') with J.P. Morgan SE as Facility Agent to be secured by its equity interest in the Company. SoftBank pledged its ownership interest in the Company by transferring such interest to an entity that sits between Kronos and the Company, and SoftBank has no further obligation under the Facility Agreement. In September 2023, prior to the closing of the Company's IPO, SoftBank paid the Facility Agreement and the Company's Undertaking and Guarantee were terminated.

Fair value measurements using significant unobservable inputs (level 3)

All financial instruments relevant to FRS 101 [para. A2.7] and measured at fair value are classified as level 3 in applying IFRS 13's fair value hierarchy.

	Investments in associates	Unlisted equity securities	Total
	\$m	\$m	\$m
At 1 April 2023	26	50	76
Additions - conversion of trade receivable	—	5	5
Distributions	—	(1)	(1)
Revaluation gains/(losses) recognised in other comprehensive income	3	(4)	(1)
Converted into preferred shares	4	—	4
At 31 March 2024	33	50	83

For the above level 3 assets:

- The fair value of investment funds is measured using the latest net asset value of the fund available as at the balance sheet date, and
- For the Company's investments in unquoted entities, where there are often no current earnings, no short-term future earnings or positive cash flows, it is often difficult to make reliable cash flow forecasts. The Company also consider the fair value estimates based entirely on observable market data are of greater reliability than those based on assumptions. Given these circumstances, the price of recent investment is typically considered to be the best input to derive fair value at the date of investment. As a result, the price of recent investment, by the Company or a third party, is typically used as the de facto starting position for any fair value assessment made by the Company, albeit taking into account the following factors:
 - the period of time for which it remains appropriate to use the price of the most recent investment; and
 - A company's equity structure, especially where it involves different class rights in a sale or liquidity event.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****31 Events after the balance sheet date**

The Directors are not aware of any events after the balance sheet date requiring disclosure in these financial statements.

32 Related party transactions

The Company has taken advantage of the available exemption from disclosing transactions with other companies within the Arm Group, as defined by note 16, that are wholly owned. Transactions with Arm Holdings plc are also exempted by virtue of the Company being a wholly owned subsidiary. Related party transactions and balances with companies related by virtue of common control in the group headed by the ultimate parent company, SoftBank Group Corp. or by virtue of the Company's significant influence over that company, are as follows:

Transactions with associates and SoftBank Group companies**Arm Technology (China) Co. Limited**

The Company disposed of its 48.2% shareholding in Arm Technology (China) Co. Limited ('Arm China') to Acetone Limited, another subsidiary of SoftBank Group Corp., on 28 March 2022. Since 28 March 2022 the Company's 10% equity investment in Acetone has been reflected as an associate in the Company's financial statements. See note 17 for further detail.

Subsequent to the disposal of the Company's controlling interest in Arm China in 2018, a substantial proportion of customer contracts previously held by the former China subsidiary were novated to Arm China; under such contracts the Company is entitled to a share of revenue earned by Arm China. Where contracts were not novated from the former China subsidiary to Arm China, the Company had an obligation to share a proportion of the revenue with Arm China.

Under the terms of the joint venture agreement the Company recognised share of revenues amounting to \$669 million during the year ended 31 March 2024 (2023: \$647 million). During the year ended 31 March 2024, the Company incurred costs of \$74 million from Arm China under the terms of the joint venture agreement, of which a majority of costs relate to direct and indirect staff costs (2023: \$64 million).

At 31 March 2024, the Company was owed a net receivable of \$176 million (\$181 million receivable less \$5 million payable) by Arm China (2023: net receivable of \$387 million comprising of \$401 million receivable less \$14 million payable), and had a \$106 million contract liability balance (2023: \$103 million).

Of the balance due from Arm China at 31 March 2024, \$nil (2023: \$nil) had been provided for. During the year ended 31 March 2024 there was a net charge to the income statement of \$nil (2023: \$14 million credit).

Companies related by virtue of common control in the SoftBank Group

During the year ended 31 March 2024, the Company had transactions with other companies within the SoftBank Group that generated revenues of \$4 million (2023: \$1 million). As at 31 March 2024, \$1 million (2023: \$1 million) was owed to the Company by members of the SoftBank Group. At 31 March 2024 contract assets with members of the SoftBank Group totalled \$3 million (2023: \$nil). At 31 March 2024 contract liabilities with members of the SoftBank Group totalled \$2 million (2023: \$2 million). These transactions were in the ordinary course of business on an arm's length basis.

During the year ended 31 March 2024, the Company invested \$10 million to acquire a minority stake in Kigen (UK) Limited, a company under common control of the SoftBank Group.

During the year ended 31 March 2022, the Company entered into a financial guarantee contract with another company within the SoftBank Group. This financial guarantee arrangement ceased during the year ended 31 March 2024. Refer to note 30 for further details.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****32 Related party transactions (continued)****Linaro Limited**

During the year ended 31 March 2024, the Company incurred subscription and other costs of \$10 million from Linaro Limited ('Linaro'), an associate entity (2023: \$9 million). As at 31 March 2024, \$1 million (2023: \$nil) was owed to Linaro.

During the year ended 31 March 2023 the Company sold the trade and net assets relating to the Arm Forge Software business to Linaro for consideration of \$4 million, resulting in a realised gain on disposal of \$4 million recognised in selling, general and administrative expenses in the year ended 31 March 2023. As at 31 March 2024 consideration of \$3 million (2023: \$4 million) was held as a receivable balance, with \$1 million recognised in current assets (2023: \$1 million) and \$2 million (2023: \$3 million) (after discounting to present value) recognised in non-current assets.

In conjunction with the sale, the parties also entered into an IP licensing agreement whereby Linaro received a licence to use certain of Arm's IP, and Linaro agreed to provide certain support and maintenance services for certain customer contracts not transferred as part of the sale.

Loans to related parties

During the year ended 31 March 2022, the Company provided a 4-year loan of \$3 million to Cerfe Labs, Inc., an associate entity, at a rate comparable to the average commercial rate of interest. This loan was credit impaired in full as at 31 March 2024 and as at 31 March 2023.

At 31 March 2024 the Company had a loan receivable with Arduino SA, an associate entity, of \$16 million (2023: \$19 million) which was credit impaired in full as at 31 March 2024 and as at 31 March 2023. During the year ended 31 March 2024 the Company converted \$4 million (2023: \$5 million) into equity and recognised \$4 million (2023: \$5 million) reversal of impairment loss and \$4 million (2023: \$5 million) increase to investments in associates.

The Company is guarantor for a \$5 million credit facility available to Arduino SA. The guarantee expiry date is 26 January 2025. At 31 March 2024 no claims have been made against the guarantee (2023: none).

Companies related due to significant influence of key management personnel

The Company engaged Raine Securities LLC ('Raine'), an entity under the significant influence of a director of the immediate parent company (Arm Holdings plc), for certain advisory services in connection with the IPO of the Arm Group. During the year ended 31 March 2024, the Company incurred costs of \$11 million, of which \$5 million was reimbursed by the underwriters for the IPO. During the year ended 31 March 2023, under a separate agreement with Raine, the Company incurred costs of \$3 million. At 31 March 2024 \$nil was included in accruals and other payables (2023: \$3 million).

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2024****32 Related party transactions (continued)****Directors' remuneration**

The serving directors of the Company at 31 March 2024 are executives of Arm Holdings plc, which is the Company's immediate parent undertaking. The allocation of total remuneration for these directors, in determining their qualifying services as statutory directors of Arm Limited, was considered to materially relate to their services as executives of the Arm Group. On this basis, their remuneration is not included in the disclosure of directors below.

Key management remuneration for the group is disclosed within the consolidated financial statements of Arm Holdings plc which are publicly available per note 33.

All directors who resigned during the year ended 31 March 2024 were subsequently appointed directors of Arm Holdings plc as a result of the board approved corporate reorganisation completed in September 2023. This corporate reorganisation was solely for the purpose of reorganising the Company's corporate structure, in which Arm Limited became a wholly owned subsidiary of the holding company, Arm Holdings plc. There was no substantive change in the duties of these directors throughout the period and therefore disclosure of pro-rata remuneration was not considered appropriate.

The amount of remuneration paid by the Arm Group in respect of these individuals is disclosed below. The comparative reflects directors' remuneration in respect of Arm Limited, prior to the reorganisation, when it was the immediate parent of the Arm Group for the year ended 31 March 2023.

	2024	2023
	\$m	\$m
Salaries, fees, bonuses and benefits in kind	25	17
Amounts receivable under long-term incentive schemes	48	9
	<u>73</u>	<u>26</u>

In respect of the highest paid director:

	2024	2023
	\$m	\$m
Salaries, fees, bonuses and benefits in kind	24	16
Amounts receivable under long-term incentive schemes	46	9
	<u>70</u>	<u>25</u>

One director of Arm Holdings plc (2023: one) had accrued benefits during the year ended 31 March 2024 under a money purchase pension scheme as a result of their services to the Group.

Included above in the amounts receivable under long-term incentive schemes are amounts recognised in the year attributable to directors of Arm Holdings plc under cash-settled and equity-settled share-based payments arrangements (refer to note 28 for further details).

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2024

33 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Arm Holdings plc, a company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is considered to be SoftBank Group Corp., a company registered in Japan.

SoftBank Group Corp. heads the largest group of undertakings, including Arm Limited, for which consolidated financial statements are prepared. The registered office of SoftBank Group Corp. is 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7303, Japan. Copies of the ultimate parent's consolidated financial statements are available from this address.

Arm Holdings plc heads the smallest group of undertakings, including Arm Limited, for which consolidated financial statements are prepared. Copies of Arm Holdings plc's consolidated financial statements are publicly available from Companies House, Crown Way, Cardiff, CF12 3UZ.