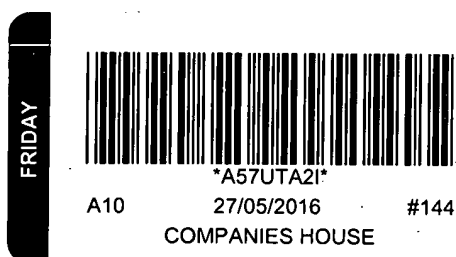


Registration number: 06056349

ARM Finance UK Two Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015



ARM Finance UK Two Limited

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ARM Finance UK Two Limited

Strategic Report for the Year Ended 31 December 2015

The strategic report for the year ended 31 December 2015.

Fair review of the business

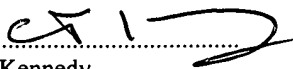
Principal risks and uncertainties

The directors of ARM Holdings plc and its subsidiaries (the "Group") manage the risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of ARM Finance UK Two Limited's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Strategic Report section of the Group's annual report which does not form part of this report. The Group's financial risk management policies are detailed in note 1c of the Financial Report section in the Group's annual report, which does not form part of this report.

Key performance indicators ("KPIs")

The Company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Approved by the Board on 27 May 2016 and signed on its behalf by:


.....
C Kennedy
Director

ARM Finance UK Two Limited

Directors' Report for the Year Ended 31 December 2015

The report and the audited financial statements for the year ended 31 December 2015.

Directors of the Company

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

T Score (retired 30 June 2015)

C Kennedy (appointed 4 November 2015)

P Davis (appointed 15 July 2015)

G Budd

Principal activity

The principal activity of the Company is to act as an intermediate holding Company within the ARM Holdings plc group. No changes to the Company's principal activity are currently envisaged.

Financial instruments

Objectives and policies

The Group's financial risk management objectives and policies are detailed in note 1c of the Financial Report section in the Group's annual report, which does not form part of this report.

The Group's guidelines on managing currency risk, interest rate risk, securities price risk, credit risk and liquidity risk are detailed in note 1c of the Financial Report section of the Group's annual report, which does not form part of this report.

Dividends

An interim dividend was paid on 31 December 2015 at £0.49 per share, amounting to a total of £49.2 million. The directors do not recommend the payment of a final dividend in respect of 2015 (2014: £nil).

Political donations

The Company made no donations for political purposes in either 2015 or 2014.

Directors liabilities

The Company maintains liability insurance for its directors and officers. Following shareholder approval the Company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The third party indemnity provision was in force throughout the financial year and also up to the date of approval of the financial statements.

ARM Finance UK Two Limited

Directors' Report for the Year Ended 31 December 2015 (continued)

Statement of Directors' Responsibilities

The Director is responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102'). Under company law the Director must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS102 has 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 Director is 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 to ensure that the financial statements comply with the Companies Act 2006. 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.

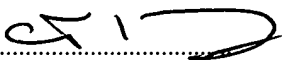
Disclosure of information to the auditors

The Director has taken steps that ought to have taken as a Director in order to make aware of any relevant audit information and to establish that the Company's auditors are aware of that information. As far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware.

Reappointment of auditors

Under section 487(2) of the Companies Act 2006, Pricewaterhouse Coopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approved by the Board on 27 May 2016 and signed on its behalf by:


.....
C Kennedy
Director

ARM Finance UK Two Limited

Independent Auditors' Report to the Members of ARM Finance UK Two Limited

Report on the financial statements

Our opinion

In our opinion, ARM Finance UK Two Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

ARM Finance UK Two Limited

Independent Auditors' Report to the Members of ARM Finance UK Two Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Martha Cannon (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers, Statutory Auditor
Cambridge

27 May 2016

ARM Finance UK Two Limited

Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Other operating income		<u>1</u>	<u>2</u>
Operating profit	3	1	2
Income from shares in group undertakings		<u>49,249</u>	<u>-</u>
Profit on ordinary activities before tax		<u>49,250</u>	<u>2</u>
Profit for the financial year		<u><u>49,250</u></u>	<u><u>2</u></u>

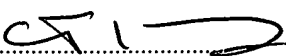
The above results were derived from continuing operations.

The notes on pages 9 to 13 form an integral part of these financial statements.

ARM Finance UK Two Limited
(Registration number: 06056349)
Balance Sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Fixed assets			
Investments	6	224,439	224,439
Current assets			
Trade and other receivables	7	705	705
Cash at bank and in hand		33	32
		<u>738</u>	<u>737</u>
Net current assets		<u>738</u>	<u>737</u>
Total assets less current liabilities		<u>225,177</u>	<u>225,176</u>
Net assets		<u>225,177</u>	<u>225,176</u>
Capital and reserves			
Called up share capital	8	51,175	51,175
Profit and loss account		<u>174,002</u>	<u>174,001</u>
Total shareholders' funds		<u>225,177</u>	<u>225,176</u>

The financial statements on pages 6 to 13 were approved by the director of Directors on 27 May 2016.



C Kennedy
Director

ARM Finance UK Two Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2014	51,175	173,999	225,174
Profit for the financial year	-	2	2
Total comprehensive income	-	2	2
At 31 December 2014	51,175	174,001	225,176
At 1 January 2015	51,175	174,001	225,176
Profit for the financial year	-	49,250	49,250
Total comprehensive income	-	49,250	49,250
Dividends	-	(49,249)	(49,249)
At 31 December 2015	51,175	174,002	225,177

The notes on pages 9 to 13 form an integral part of these financial statements.
Page 8

ARM Finance UK Two Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The Company is a private company limited by share capital incorporated and domiciled in England and Wales. The registered office of the Company is 110 Fulbourn Road, Cambridge, CB1 9NJ.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

The Company has adopted FRS 102 in these financial statements. This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014, however, there are no transitional adjustments as at this date or at 31 December 2014.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has utilised the following exemptions:

(i) the requirement to prepare a statement of cash flows under section 7 of FRS 102 and para 3.17(d);

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, ARM Holdings plc., includes the company's cash flows in its own consolidated financial statements.

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

Statement of compliance

The individual financial statements of ARM Finance UK Two Limited have been prepared in compliance with United Kingdom accounting Standards, including FRS 102, and the Companies Act 2006.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention and have been prepared on the going concern basis.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It 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 or critical estimates that are significant to these financial statements.

ARM Finance UK Two Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions denominated in foreign currencies have been translated into sterling at actual rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at rates ruling at the balance sheet date. Exchange differences have been included in operating loss.

The Company's functional and presentation currency is the pound sterling.

Investments

Investments are initially recorded at cost. There is a regular review of the carrying value of investments, with reference to quoted market values (for listed investments only), relevant financial information and industry conditions; impairment charges are recorded if there is evidence of impairment in value to reduce the carrying value of the investments to the market value of the shares held.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

3 Operating profit

Fees amounting to £2,000 (2014: £2,000) have been attributed to the audit of the Company from the Group audit fee. All fees payable to the auditors are accounted for within, and paid by, ARM Limited, a fellow Group company. No fee is recharged to the Company, and therefore this amount is not reflected in the Company's profit and loss account.

4 Staff costs

The Company had no employees (other than directors) throughout the year (2014: no employees).

5 Directors' remuneration

The directors did not receive any remuneration in respect of their duties as directors of the Company. All remuneration was paid by ARM Limited, a fellow Group company, and all remuneration of the directors is disclosed in the financial statements of ARM Holdings plc.

6 Investments

	2015 £ 000	2014 £ 000
Shares in group undertakings	<u>224,439</u>	<u>224,439</u>

ARM Finance UK Two Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

6 Investments (continued)

Shares in group undertakings	£ 000
Cost	
At 1 January 2015 and at 31 December 2015	317,764
Provision for impairment	
At 1 January 2015 and at 31 December 2015	<u>(93,325)</u>
Net book value	
At 1 January 2015 and at 31 December 2015	<u>224,439</u>

Details of the subsidiaries as at 31 December 2015 are shown below. All investments are indirectly held unless otherwise shown.

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ordinary shares held
ARM Limited	Marketing, research and development of RISC-based microprocessors and graphics IP	England and Wales	-
ARM Belgium Services BVBA	Administration	Belgium	-
ARM Electronic Technology (Shanghai) Co, Limited	Marketing, research and development of RISC-based microprocessors and graphics IP	PR China	-
ARM Embedded Technologies Pvt. Limited	Marketing, research and development of RISC-based microprocessors and physical IP	India	-
ARM Finance UK Three Limited	Holding company	England and Wales	100%
ARM Finland Oy	Development of IoT technology	Finland	-
ARM France SAS	Marketing, research and development of RISC-based microprocessors and physical IP	France	-
ARM Germany GmbH	Marketing of RISC-based microprocessor IP. Marketing, and research and development of microcontroller tools	Germany	-
ARM Germany d.o.o.	Marketing of RISC-based microprocessor IP. Marketing, and research and development of microcontroller tools	Slovenia	-
ARM Holdings US, Inc	Holding company	US	-
ARM Hungary KFT	Development of system IP	Hungary	-
ARM Inc.	Marketing, research and development of RISC-based microprocessors and physical IP	US	-
ARM Ireland Holdings Limited	Holding company	Ireland	-

ARM Finance UK Two Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

6 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ordinary shares held
ARM Ireland Limited	Development of system IP	Ireland	-
ARM Ireland Research Limited	Development of system IP	Ireland	-
ARM Korea Limited	Marketing of RISC-based microprocessor IP	South Korea	-
ARM KK	Marketing of RISC-based microprocessor IP	Japan	-
ARM Norway AS	Research and development of graphics IP	Norway	-
ARM PIPD Holdings One, LLC	Holding company	US	-
ARM PIPD Holdings Two, LLC	Holding company	US	-
ARM Sweden AB	Research and development of graphics IP	Sweden	-
ARM Sansa Holdings, Inc	Dormant	US	-
ARM Taiwan Limited	Marketing, research and development of RISC-based microprocessors and physical IP	Taiwan	-
ARM Technologies Israel Limited	Development of IoT technology and system IP	Israel	-
ARM UK Holdings Limited	Holding company	England and Wales	-
Advanced RISC Machines Limited	Dormant	England and Wales	-
Discretix KK	Dormant	Japan	-
Duolog Technologies Corp	Dormant	Ireland	-
Geomerics Limited	Research and development of graphics IP	England and Wales	-
Keil Software, Inc	Dormant	US	-
Obsidian Software, Inc	Dormant	US	-
Offspark BV	Dormant	Netherlands	-
Sunrise Micro Devices, Inc	Dormant	US	-

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company has taken advantage of the provisions of Section 400 of the Companies Act 2006 not to prepare consolidated financial statements since it is a wholly-owned subsidiary of an undertaking registered in England and Wales. The results, assets and liabilities of the Company's subsidiary undertakings are included in the consolidated financial statements of the Company's parent undertaking, ARM Holdings plc.

ARM Finance UK Two Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

7 Trade and other receivables

	2015 £ 000	2014 £ 000
Amounts owed by group undertakings	<u>705</u>	<u>705</u>

Amounts owed by group undertakings are interest-free and repayable on demand.

8 Called up share capital

Allotted, called up and fully paid shares

	2015		2014	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of \$1 each	<u>100,000</u>	<u>51,175</u>	<u>100,000</u>	<u>51,175</u>

9 Dividends

	2015 £ 000	2014 £ 000
Interim dividend of £0.49 (2014: £nil) per ordinary share	<u>49,249</u>	<u>-</u>

10 Commitments

Capital commitments

The Company had no capital or lease commitments at 31 December 2015 or 31 December 2014.

11 Parent and ultimate parent undertaking

The Company's immediate parent is ARM Holdings plc, a company registered in England and Wales. The directors regard ARM Holdings plc, a company registered in England and Wales, as the ultimate parent company and controlling party. This company heads the largest and smallest group of undertakings, including ARM Finance UK Two Limited, for which consolidated financial statements are prepared.

Copies of the parent's consolidated financial statements are available from The Company Secretary, ARM Holdings plc, 110 Fulbourn Road, Cambridge, CB1 9NJ.