McAfee International Limited

Directors' report and financial statements for the year ended 31 December 2011

MCAFEE INTERNATIONAL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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MCAFEE INTERNATIONAL LIMITED

DIRECTORS AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS	A E Ruiseal	(resigned 15 April 2011)
	K S Krzeminski	(resigned 11 March 2011)
	D C Rice	(resigned 31 January 2012)
	T J Daly	(appointed 14 April 2011)
	K Thompson	(appointed 31 January 2012, resigned 30 April 2012)
	J Park	(appointed 25 May 2012)

SECRETARY AND REGISTERED OFFICE	Abogado Nominees Limited 100 New Bridge Street London EC4V 6JA
AUDITORS	Ernst & Young Chartered Accountants City Quarter Lapps Quay Cork Ireland
BANKERS	Royal Bank of Scotland NV 250 Bishopsgate London EC2M 4AA
SOLICITORS	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA
COMPANY REGISTERED NO	2825890

MCAFEE INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The company provides advertising, marketing, promotion, sales support and facilitation services for a group company in the sale of enterprise security and management software within the UK The company also provides technical consultancy services on behalf of another group company

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The profit and loss account is shown on page 8

Both the level of business and the year-end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future

The company plans to adopt a fiscal financial year in 2012 to align with its parent, Intel Corporation

RESULTS AND DIVIDENDS

The company's profit after tax for the financial year was £3,046,000 (2010 restated £2,566,000)

The directors do not recommend the payment of a dividend (2010 £nil)

DIRECTORS

The directors who held office during the year are listed on page 2

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job Opportunities are available to disabled employees for training, career development and promotion

EMPLOYEE INVOLVEMENT

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004

SUBSEQUENT EVENTS

No significant events have arisen since the year end

(Continued on next page)

(Continued from previous page)

MCAFEE INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

RISKS AND UNCERTAINTIES FACING THE COMPANY

While we believe we compete well against our competitors in the current environment, some of our competitors have longer operating histories, greater brand recognition, stronger relationships with strategic channel partners, more established relationships with hardware vendors and/or greater financial, technical and marketing resources These factors may provide our competitors with an advantage in penetrating markets with their network security and management products

Our success depends significantly on proprietary software technology and a series of patents, trademarks, trade secrets and copyrights are relied upon to establish and protect proprietary rights to our software However, it is possible that these protections may be inadequate or competitors may independently develop technologies or products that are substantially equivalent or superior to our products thereby negatively impacting our market share

AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) 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 auditors are aware of that information

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

ELECTION OF THE AUDITOR

Deloitte & Touche, Chartered Accountants and Registered Auditors, resigned as auditors and Ernst & Young, Chartered Accountants, were appointed in their place In accordance with s 487 of the Companies Act 2006, Ernst & Young, Chartered Accountants will be deemed reappointed as auditors of the company

Approved by the Board and signed on its behalf by

) DIRECTOR

JONATHAN PARK

MCAFEE INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 to 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

Approved by the Board and signed on its behalf by

) JONATHAN PARK
DIRECTOR

Date 10/07/2012

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAFEE INTERNATIONAL LIMITED

We have audited the financial statements of McAfee International Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCAFEE INTERNATIONAL LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ernst & Young

Ian Venner (Senior Statutory Auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Cork, Ireland.

Date 16 July 2012

MCAFEE INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	*Restated* 2010 £'000
TURNOVER – continuing operations	3	41,500	43,904
Staff costs	4	(25,990)	(31,779)
Depreciation	4	(963)	(548)
Other operating charges		(10,291)	(8,834)
Impairment of investments		(4,270)	-
OPERATING (LOSS)/PROFIT – continuing operations	4	(14)	2,743
Income from shares in group undertaking		4,270	-
Interest receivable and similar income	5	142	113
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,398	2,856
Tax on profit on ordinary activities	8	(1,352)	(290)
PROFIT FOR THE FINANCIAL YEAR	15	3,046	2,566

MCAFEE INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 €'000	Restated 2010 €'000
Profit for the financial year	3,046	2,566
Other recognised gains and losses	-	-
Total recognised gains and losses relating to the year	3,046	2,566
Prior year adjustment – share based payment (note 21)	14,564	
Prior year adjustment – balances written off (note 21)	(2,725)	
Total recognised gains and losses since last financial statements	14,885	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2011

	2011 €'000	Restated 2010 €'000
Profit for the financial year	3,046	2,566
Issue of share capital	27	-
Capital contribution	1,185	3,650
Recharge of stock compensation expense	(3,067)	(4,278)
Net addition to shareholders' funds	1,191	1,938
Opening shareholders' funds		
As previously stated	19,864	20,651
Prior year adjustment – share based payment (note 20)	-	-
Prior year adjustment – balances written off (note 20)	-	(2,725)
Shareholders' funds at end of year	21,055	19,864

MCAFEE INTERNATIONAL LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 £'000	*Restated* 2010 £'000
FIXED ASSETS			
Tangible assets	10	3,228	879
Investments	9	27	4,270
		3,255	5,149
CURRENT ASSETS			
Debtors	11	23,049	11,170
Cash at bank and in hand		212	18,462
		23,261	29,632
CREDITORS - amounts falling due within one year	12	(5,461)	(14,917)
NET CURRENT ASSETS		17,800	14,715
NET ASSETS		21,055	19,864
CAPITAL AND RESERVES			
Called up share capital	14	64	64
Share premium account	15	4,283	4,256
Capital contribution	15	-	1,598
Profit and loss account	15	16,708	13,946
SHAREHOLDERS' FUNDS		21,055	19,864

The financial statements were approved by the Board of Directors on 10/07/12.
and signed on its behalf by

) DIRECTOR

JONATHAN PARK

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Furniture and office equipment	20% to 30%
Leasehold improvements	the shorter of 20% or the term of the lease

TURNOVER

Turnover is calculated on the following basis

(a) Revenue generated from consultancy, training and contract research and development is recognised on amounts invoiced net of value added tax at the time of provision of the service

(b) Group receipts represent amounts invoiced to other group companies in respect of services provided under a sales support and facilitation agreement Revenue is recognised when the services are performed

TAXATION

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

Deferred tax is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements

1. PRINCIPAL ACCOUNTING POLICIES - continued

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transactions (or, where appropriate, at the rate of exchange in a related forward exchange contract) Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract) Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

PENSION CONTRIBUTIONS

The company operates a defined contribution pension scheme The charge to the profit and loss account represents contributions falling due for the year

SHARE BASED PAYMENTS

The Intel share schemes allow employees to acquire shares in Intel Corporation They are all equity settled The fair value of share entitlements granted is recognised as an employee expense in the profit and loss account with a corresponding increase in a capital contribution reserve Intel Corporation uses the Black-Scholes-Merton (BSM) option-pricing model to calculate the fair value Share entitlements granted by Intel Corporation are subject to certain non-market based vesting conditions Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date The expense for the share entitlements shown in the profit and loss account is based on the fair value of the total number of entitlements expected to vest and is recognised ratably on a front loaded basis over the vesting period The cumulative charge to the profit and loss account is only reversed where entitlements do not vest because all non-market performance conditions have not been met or where an employee in receipt of share entitlements leaves the company before the end of the vesting period A credit is made to a share option contribution reserve for the share options charge, representing the fact that the share options are over common stock of the ultimate parent company Costs recharged to the company by its ultimate parent company in respect of options exercised are debited to the capital contribution reserve directly

FINANCIAL ASSETS

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value

2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly-owned subsidiary of Intel Corporation and is included in the consolidated financial statements of Intel Corporation, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 "Cash Flow Statements" (revised 1996)

As a wholly owned subsidiary of Intel Corporation the company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures" and has not disclosed related party transactions with other wholly owned group companies

3. TURNOVER

	2011 £'000	2010 £'000
Third party sales	1,269	475
Group services	40,231	43,429
	41,500	43,904

Geographical analysis by destination

	2011 £'000	2010 £'000
United Kingdom	1,269	475
Rest of Europe	40,231	43,429
	41,500	43,904

All turnover and the results for the year were generated in the European market In the directors' opinion, all turnover is derived from the company's single principal activity

4. OPERATING (LOSS)/PROFIT

	2011 £'000	*Restated* 2010 £'000
Operating (loss)/profit is stated after charging:		
Wages and salaries	20,586	23,633
Share based payments (note 19)	1,185	3,650
Social security costs	3,186	3,554
Other pension costs (note 17)	1,033	942
Staff costs	25,990	31,779
Depreciation of owned tangible fixed assets	963	548
Operating lease charges – land and buildings	1,085	1,085
Auditors' remuneration – audit of the financial statements	-	-

Audit fees are borne by another group company

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £'000	2010 £'000
On bank interest and short term investments	142	113

6. DIRECTORS' EMOLUMENTS

	2011 £'000	2010 £'000
Aggregate emoluments	-	-
Company contribution to defined contribution pension schemes	-	-

Directors' remuneration is borne by another group company

7. EMPLOYEE INFORMATION

The average monthly number of persons employed by the company durıng the year was as follows

By activıty	2011 Number	2010 Number
Sales support, marketıng and promotıon	132	133
Admınıstratıon	81	81
Technıcal support	81	83
	294	297

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
Current tax		
UK corporatıon tax at 26 5% (2010 28%)	825	265
Adjustment ın respect of prıor years	407	(410)
Total current tax charge/(credıt)	1,232	(145)
Deferred tax credit		
Orıgınatıon and reversal of tımıng dıfferences	120	435
Tax charge on loss on ordınary actıvıtıes	1,352	290

	2011 £'000	*Restated* 2010 £'000
Profit on ordinary actıvities before taxation	4,398	2,856
Profit on ordınary actıvıtıes multıplıed by standard rate ın the UK 26 5% (2010 28%)	1,165	800
Expenses not deductıble for tax purposes	(417)	1,114
Capıtal allowances ın excess of depreciatıon	(2)	(20)
Share scheme deductıon	-	(1,198)
Other tımıng dıfferences	79	(431)
Adjustment ın respect of prıor years	407	(410)
Current tax	1,232	(145)

8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

On 21 March 2012, the UK Government announced that the main rate of corporation tax will be reduced to 24% in the financial year commencing 1 April 2012, to 23% in 2013 and 22% in 2014

9. INVESTMENTS

	2011 £'000	2010 £'000
Shares in group undertakings		
Secure Computing International Limited	-	4,270
Nitrosecurity (UK) Limited	27	-
	27	4,270

The company received a dividend from its subsidiary Secure Computing International Limited in December 2011 of £4,270,000 An impairment charge of £4,270,000 was recognised to reduce the carrying value in this subsidiary to its recoverable amount

Interests in group undertakings

The subsidiaries listed below are 100% owned by the company at 31 December 2011

Name of undertaking	*Country of incorporation*	*Nature of business*	*Proportion held*
Secure Computing International Ltd	England and Wales	Software security	100%
Nitrosecurity (UK) Limited	England and Wales	Software security	100%

10. TANGIBLE ASSETS

	Furniture and office equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 January 2011	5,046	1,693	6,739
Additions	3,312	-	3,312
Disposals	-	-	-
At 31 December 2011	8,358	1,693	10,051
Accumulated depreciation			
At 1 January 2011	4,412	1,448	5,860
Charge for the year	949	14	963
Disposals	-	-	-
At 31 December 2011	5,361	1,462	6,823
Net book value			
At 31 December 2011	2,997	231	3,228
At 31 December 2010	634	245	879

11. DEBTORS

	2011 £'000	*Restated* 2010 £'000
Amounts falling due within one year:		
Trade debtors	684	298
Loans to group undertakings	18,085	-
Amounts owed by group undertakings	2,815	8,393
Prepayments and accrued income	573	440
VAT receivable	148	-
Corporation tax	-	1,175
Deferred tax asset (note 13)	744	864
	23,049	11,170

12. CREDITORS – amounts falling due within one year

	2011 £'000	*Restated* 2010 £'000
Trade creditors	626	338
Amounts owed to subsidiary undertakings	-	4,270
Amounts owed to other group undertakings	-	4,279
Other creditors including taxation and social security	1,425	1,747
Accruals and deferred income	2,974	4,283
Corporation tax	57	-
Provisions for liabilities	379	-
	5,461	14,917

13. DEFERRED TAXATION

The recognised amounts of deferred taxation for timing differences are as follows:

	2011 £'000	2010 £'000
Depreciation in excess of capital allowances	310	324
Other timing differences	434	540
Deferred tax asset	744	864

There are no unprovided deferred tax assets

Deferred tax assets:	2011 £'000	2010 £'000
At 1 January	864	1,299
Debit to the profit and loss account	(120)	(435)
At 31 December	744	864

14. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised		
70,000 ordinary shares of £1 each	70	70
Called up, allotted and fully paid		
63,521 (2010 63,520) ordinary shares of £1 each	64	64

The company issued 1 ordinary share during the year for the purpose of acquiring from its parent undertaking the entire share capital of Nitrosecurity (UK) Limited

15. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENT ON RESERVES

	Share capital £'000	*Share premium account £'000*	*Capital contribution £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 January 2010 – as previously stated	64	4,256	12,512	3,819	20,651
Prior year adjustments	-	-	(10,286)	7,561	(2,725)
At 1 January 2010- restated	64	4,256	2,226	11,380	17,926
Capital contribution	-	-	3,650	-	3,650
Recharge of stock compensation expense	-	-	(4,278)	-	(4,278)
Profit for the year	-	-	-	2,566	2,566
At 31 December 2010	64	4,256	1,598	13,946	19,864
Issue of share capital	-	27	-	-	27
Capital contribution	-	-	1,185	-	1,185
Recharge of stock compensation expense	-	-	(2,783)	(284)	(3,067)
Profit for the year	-	-	-	3,046	3,046
At 31 December 2011	64	4,283	-	16,708	21,055

16. FINANCIAL COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases expiring as follows

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	-	-	-
Within two to five years	1,032	2,217	-	-
After five years	-	-	953	-
	1,032	2,217	953	-

17. PENSION COMMITMENTS

The company operates a defined contribution pension scheme, the assets of which are held in a separately administered fund The aggregate pension contributions due for the year are given in note 4 The contributions outstanding at 31 December 2011 were £nil (2010 £nil)

18. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is NetTools Company, incorporated in the United Kingdom

The ultimate parent company and controlling party at 31 December 2011 was Intel Corporation incorporated in the State of Delaware, United States of America, and is the parent undertaking of the largest group to consolidate these financial statements Copies of Intel Corporation consolidated financial statements can be obtained from Intel Corporation , 2200 Mission College Blvd, Santa Clara, California, 95052, USA

100% of the share capital in McAfee Inc was acquired by Intel Corporation on 28 February 2011 McAfee Inc is now a wholly owned subsidiary of Intel Corporation

19. SHARE BASED PAYMENTS

The company's ultimate parent company at 31 December 2011, Intel Corporation, has an ownership-based compensation scheme for employees of the group In accordance with the plan employees are granted options to purchase ordinary shares at a predetermined exercise price

Each employee's share options convert into one ordinary share of Intel Corporation on exercise No amounts are paid or payable by the recipient on receipt of the option Shares subject to the option vest over four years with one fourth vesting one year from the grant date and one forty-eighth of the shares vesting each month thereafter The standard life of the grant is 10 years If an optionee remains an employee of the company throughout the life of the grant and does not exercise the grant before the 10 year expiration date, the option expires

If an optionee ceases to be an employee of the company, all unvested options cancel immediately on the termination date The vested options generally remain exercisable for a period of 90 days If the optionee does not exercise the vested options by the exercise grace period deadline the vested options will expire

19. SHARE BASED PAYMENTS (continued)

	2011 Number of options	2011 Weighted average exercise price £	2010 Number of options	2010 Weighted average exercise price £
Opening Balance at 01/01/11	250,601	22 60	426,707	20 96
Transfers in/(out)	2,408	21 67	(4,807)	20 96
Granted	12,500	29 83	95,142	25 04
Forfeited	(42,311)	21 14	(79,185)	25 16
Exercised	(32,788)	20 28	(180,279)	19 66
Cash out options held by former employees at close	(521)		-	
Expired	(1,268)	3 77	(6,977)	22 72
Closing McAfee balance - 28/02/11	188,621	22 70	250,601	22 60
Convert to Intel awards	418,209			
Rounding of individual awards	(81)			
Balance at 01/03/11	418,128	10 24		
Granted	28,669	14 50		
Forfeited	(70,004)	11 59		
Exercised	(66,773)	10 76		
Closing Intel balance – 31/12/11	310,020	10 20		
Ending vested + expected to vest	277,874	10 01		
Ending exercisable	147,223	8 58		

The fair values are calculated using the Black Scholes model, the key assumptions are

- Risk free interest rate 1 3% (2010 2 3%)
- Expected life in years 5 2 (2010 5 2)
- Volatility 29 0% (2010 30 0%)

The weighted average fair value is £3 19 (2010 £7 70) The range of expected lives in years is 5 0 to 5 4 with the range of fair values being £2 38 to £3 84

The company recognised expense of £1,185,000 (2010 £3,614,516) and an increase in capital contribution of £1,185,000 (2010 £3,614,516) related to equity-settled share-based payment transactions during the year

19. SHARE BASED PAYMENTS (continued)

The primary employee benefit plans are the 2010 Equity Incentive Plan ("2010 Plan"), together with shares underlying forfeited or cancelled equity awards previously issued under the 1997 Stock Incentive Plan ("1997 Plan") and certain stock plans of acquired companies, for issuance to our employees, directors and consultants through stock-based awards provided in the form of options, restricted stock units ("RSUs"), restricted stock awards ("RSAs"), performance stock units ("PSUs") or stock appreciation rights RSAs are common stock issued to recipients that have not vested RSUs are promises to issue common stock in the future PSUs are RSUs with performance-based vesting As of 31 December 2011, there are no stock-based awards outstanding with consultants

The exercise price for options is equal to the market value of our common stock on the grant date Options generally contain graded vesting provisions whereby 25% vest one year from the date of grant and thereafter in equal monthly increments over the remaining three years Unexercised options granted under the 2011 Plan expire seven years after the grant date Unexercised options originally granted under the 1997 Plan expire ten years after the grant date RSAs and RSUs also vest over a specified period, generally rateably over three years RSAs and RSUs assumed in the acquisition of Secure contain graded vesting provisions, generally whereby 25% vest one year from the date of grant and thereafter in equal quarterly increments over the remaining three years

The exercise price for options is equal to the market value of our common stock on the grant date Unexercised options granted under the 2011 Director Plan expire seven years after the grant date Unexercised options originally granted under the Amended and Restated 1993 Stock Plan for Outside Directors expire ten years after the grant date The initial stock option grant vests quarterly over three years The initial RSU grant vests 33% on the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next annual meeting of stockholders at which a general election of directors is held and then quarterly through the third anniversary of the grant Annual stock option and RSU grants vest in their entirety upon the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next annual meeting of stockholders at which a general election of directors is held Vesting of all options and RSUs granted under these plans are subject to continuous service by the holder as a director on the vesting date All options and RSUs held by directors under these plans will become fully vested at the close of our acquisition by Intel

The exercise price for options is equal to the market value of our common stock on the grant date Options generally contain graded vesting provisions whereby 25% vest one year from the date of grant and thereafter in equal monthly increments over the remaining three years Unexercised options granted under the 2011 Plan expire seven years after the grant date Unexercised options originally granted under the 1997 Plan expire ten years after the grant date RSAs and RSUs also vest over a specified period, generally rateably over three years RSAs and RSUs assumed in the acquisition of Secure contain graded vesting provisions, generally whereby 25% vest one year from the date of grant and thereafter in equal quarterly increments over the remaining three years

19. SHARE BASED PAYMENTS (continued)

The exercise price for options is equal to the market value of our common stock on the grant date Unexercised options granted under the 2011 Director Plan expire seven years after the grant date

Unexercised options originally granted under the Amended and Restated 1993 Stock Plan for Outside Directors expire ten years after the grant date The initial stock option grant vests quarterly over three years The initial RSU grant vests 33% on the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next annual meeting of stockholders at which a general election of directors is held and then quarterly through the third anniversary of the grant Annual stock option and RSU grants vest in their entirety upon the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next annual meeting of stockholders at which a general election of directors is held Vesting of all options and RSUs granted under these plans are subject to continuous service by the holder as a director on the vesting date

Reconciliation of restricted stock units granted under the employee share option plan at the beginning and end of the financial year are as follows

RSUs	2011 Number of units	2010 Number of units
Opening Balance at 01/01/11	144,546	179,111
Transfers in	2,300	-
Awarded	5,140	65,217
Forfeited	(27,972)	(38,850)
Released	(48,566)	(60,932)
Closing McAfee balance - 28/02/11	75,448	144,546
Convert to Intel awards	175,410	
Rounding of individual awards	(80)	
Balance at 01/03/11	175,330	
Awarded	109,654	
Forfeited	(25,304)	
Released	(55,382)	
Closing Intel balance – 31/12/11	204,298	
Ending vested + expected to vest	169,593	

19. SHARE BASED PAYMENTS (continued)

Reconciliation of performance stock units and restricted stock awards granted under the employee share option plan at the beginning and end of the financial year are as follows

PSUs

	2011 Number of units	2010 Number of units
Beginning outstanding	32,929	63,560
Transfers in/(out)	229	
Awarded	-	14,113
Released	(24,910)	(30,289)
Forfeited	(4,582)	(14,455)
Ending outstanding	3,666	32,929
Ending vested & expected to vest	3,506	31,429
Ending Exercisable	-	

RSAs

	2011 Number of units	2010 Number of units
Beginning outstanding	118	450
Awarded	96	-
Released	(118)	(310)
Forfeited	-	(22)
Ending outstanding	96	118

20. PRIOR YEAR ADJUSTMENTS

Costs recharged to the company by its parent company in respect of the exercise by employees of stock options and other share based payments were charged as incurred to the profit and loss account in error In accordance with FRS 20, these costs should have been debited to the capital contribution reserve directly

In preparing the financial statements the directors considered the recoverability of an asset of £2,725,000 included in the opening balance sheet and concluded the amount should have been written off prior to 1 January 2010

The comparatives are restated to reflect the prior year adjustments on the correction of these fundamental errors The capital contribution reserve is reduced by £14,564,000 and the profit and loss account reserve increased by £11,839,000 at 31 December 2010 In the profit and loss account for the year ended 31 December 2010 staff costs are reduced by £4,278,000 and the previously reported loss for the financial year of £1,712,000 is restated as a profit of £2,566,000

21. APPROVAL OF FINANCIAL STATEMENTS

The directors issued and approved the financial statements on 10/07/2012