

**MCAFEE INTERNATIONAL LIMITED  
ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

2825890 .

WEDNESDAY



\*ANY4SE38\*

A26

14/10/2009

98

COMPANIES HOUSE

**MCAFEE INTERNATIONAL LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	<b>Page</b>
DIRECTORS AND ADVISORS	2
DIRECTORS' REPORT	3-4
STATEMENT OF DIRECTORS' RESPONSIBILITIES	5
INDEPENDENT AUDITOR'S REPORT	6-7
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
NOTES TO THE FINANCIAL STATEMENTS	10-22

**MCAFFEE INTERNATIONAL LIMITED**

**DIRECTORS AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**DIRECTORS**

M Dalton (resigned April 2009)  
A E Ruiseal  
E F Brown (resigned April 2008)  
KS Krzeminski (appointed June 2008)

**SECRETARY AND REGISTERED OFFICE**

Abogado Nominees Limited  
100 New Bridge Street  
London  
EC4V 6JA

**REGISTERED AUDITORS**

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
No.6 Lapps Quay  
Cork  
Ireland

**BANKERS**

ABN Amro Bank 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 2008**

---

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

#### **PRINCIPAL ACTIVITY**

The company acts as a sales representative for a group company in the sale of enterprise security and management software. 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.

On 30 April 2008, the company purchased the entire legal and beneficial ownership of the shares of Safeboot Limited. On 30 May 2008, as part of a group re-organisation, the company purchased the business of Safeboot Limited as a going concern. The assets and liabilities of Safeboot Limited were recognised in the company from that date. This purchase was part of a reorganisation of McAfee Inc.'s international subsidiaries.

On 30 December 2008, the company allotted 13,520 ordinary shares at a premium to acquire the share capital of Secure Computing International Limited.

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.

#### **RESULTS AND DIVIDENDS**

The company's profit for the financial year is £604,684 (2007: £1,326,000).

The directors do not recommend the payment of a dividend (2007: £nil).

#### **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year are given below:

M Dalton (resigned April 2009)  
A E Ruiseal  
E F Brown (resigned April 2008)  
KS Krzeminski (appointed June 2008)

*(Continued on next page)*

*(Continued from previous page)*

## **MCAFEE INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

---

#### **DIRECTORS AND THEIR INTERESTS - continued**

None of the directors had any disclosable interests in the shares of the company, or the immediate parent company.

The company's immediate parent company is a wholly owned subsidiary of a company incorporated outside Great Britain. As permitted by statutory instrument, no disclosure is made of any interests of the directors in the shares of the ultimate parent company.

#### **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**

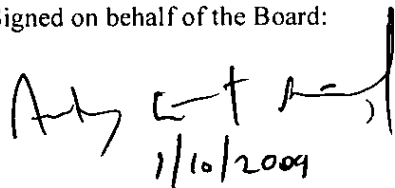
Each of the persons who is a director at the date of approval of this report confirms that:

- (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 s234ZA of the Companies Act 1985.

The auditors, Deloitte & Touche, Chartered Accountants and Registered Auditors, continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board:



1/10/2009

DIRECTOR

## **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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 proper accounting records which 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 1985. 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.

## 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 2008 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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**

The directors' responsibilities for preparing the financial statements, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not obtained all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

*(Continued on next page)*

(Continued from previous page)

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

---

**Basis of audit opinion**

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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte + Touche.*  
Chartered Accountants and Registered Auditors  
Cork

Date: 6 October 2009

**MCAFEE INTERNATIONAL LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	Note	2008 £'000	2007 £'000
<b>TURNOVER – continuing operations</b>	3	36,404	27,781
Staff costs	4	(28,920)	(20,289)
Depreciation	4	(420)	(387)
Other operating expenses		<u>(7,928)</u>	<u>(6,593)</u>
<b>OPERATING (LOSS)/PROFIT – continuing operations</b>	4	(864)	512
Interest receivable and similar income	5	<u>649</u>	<u>633</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(215)	1,145
Tax credit on (loss)/profit on ordinary activities	8	<u>820</u>	<u>181</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	<u>605</u>	<u>1,326</u>

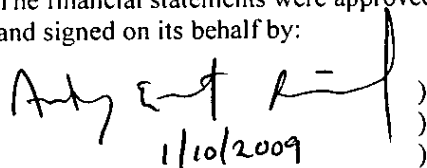
There are no recognised gains and losses other than the profit for the financial year as disclosed in the profit and loss account

**MCAFEE INTERNATIONAL LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Financial assets	9	4,270	-
Tangible assets	10	<u>801</u>	<u>749</u>
		<u>5,071</u>	<u>749</u>
<b>CURRENT ASSETS</b>			
Debtors	11	11,042	9,414
Cash at bank and in hand		<u>12,330</u>	<u>11,384</u>
		23,372	20,798
<b>CREDITORS - Amounts falling due within one year</b>	12	<u>(4,897)</u>	<u>(5,521)</u>
<b>NET CURRENT ASSETS</b>		<u>18,475</u>	<u>15,277</u>
<b>NET ASSETS</b>		<u>23,546</u>	<u>16,026</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	64	50
Share Premium	15	4,256	-
Capital contribution	16	8,602	5,957
Profit and loss account	17	<u>10,624</u>	<u>10,019</u>
<b>SHAREHOLDER'S FUNDS</b>	18	<u>23,546</u>	<u>16,026</u>

The financial statements were approved by the Board of Directors on  
and signed on its behalf by:

  
11/10/2009

DIRECTORS

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**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 commission receipts represent amounts invoiced to other group companies in respect of services provided under sales representative agreements. Revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

***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.

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**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.

**Operating leases**

The company enters into operating leases as described in note 19. Rentals are charged on a straight line basis over each 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**

Equity-settled share based payments granted to employees directly by the parent company, McAfee Inc. are measured at the fair value of the equity instrument at the grant date. Fair value is measured using a Black Scholes options pricing model.

The cost of equity-settled share based payments granted to employees is recorded as a capital contribution and recognised in the profit and loss account over the vesting period.

**Financial assets**

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

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES**

The company is a wholly-owned subsidiary of McAfee Inc. and is included in the consolidated financial statements of McAfee Inc., 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 (revised 1996).

As a wholly owned subsidiary of McAfee Inc., the company has taken advantage of the exemption available under Financial Reporting Standard 8 – Related Party Transactions and has not disclosed related party transactions with other group companies.

<b>3. TURNOVER</b>	2008 £'000	2007 £'000
Third party sales	1,088	582
Group services	<u>35,316</u>	<u>27,199</u>
	<u>36,404</u>	<u>27,781</u>
 <b>Geographical analysis by destination</b>	 2008 £'000	 2007 £'000
United Kingdom	1,088	582
Rest of Europe	<u>35,316</u>	<u>27,199</u>
	<u>36,404</u>	<u>27,781</u>

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.

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

<b>4. OPERATING (LOSS)/PROFIT</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating (loss)/profit is stated after charging:</b>		
Wages and salaries	25,195	17,625
Social security costs	3,006	2,171
Other pension costs	<u>719</u>	<u>493</u>
<b>Staff costs</b>	<b><u>28,920</u></b>	<b><u>20,289</u></b>
Depreciation of owned tangible fixed assets	420	387
Operating lease charges		
- land & buildings	840	840
Share based payments	<u>2,645</u>	<u>1,782</u>

In 2008 and 2007, audit fees were borne by another group company.

**MCAFEE INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>5.</b>	<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>	2008 £'000	2007 £'000
-----------	---	---------------	---------------

On bank interest and short term investments	<u>649</u>	<u>633</u>
---	------------	------------

<b>6.</b>	<b>DIRECTORS' EMOLUMENTS</b>	2008 £'000	2007 £'000
-----------	------------------------------	---------------	---------------

Directors' emoluments	466	361
Gains on exercise of share options	886	-
Company contributions paid to money purchase pension schemes	<u>13</u>	<u>13</u>
	<u>1,365</u>	<u>374</u>

<b>Highest paid director</b>	2008 £'000	2007 £'000
------------------------------	---------------	---------------

Director's emoluments	466	361
Gains on exercise of share options	886	-
Company contributions paid to money purchase pension schemes	<u>13</u>	<u>13</u>
	<u>1,365</u>	<u>374</u>

**7. EMPLOYEE INFORMATION**

The average monthly number of persons (including executive directors) employed by the company during the year was as follows:

	2008 Number	2007 Number
<b>By activity</b>		
Sales and marketing	105	97
Administration	55	46
Technical support	<u>95</u>	<u>81</u>
	<u>255</u>	<u>224</u>

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

<b>8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES</b>	2008	2007
	£'000	£'000
<b>Current tax</b>		
UK corporation tax at 28.5% blended rate (2007: 30%)	619	888
Over provision in respect of prior years	<u>(1,846)</u>	<u>(712)</u>
Total current tax (credit)/charge	<u>(1,227)</u>	<u>176</u>
<b>Deferred tax credit</b>		
Origination and reversal of timing differences	<u>407</u>	<u>(357)</u>
Tax credit on (loss)/profit on ordinary activities	<u>(820)</u>	<u>(181)</u>
	2008	2007
	£'000	£'000
<b>(Loss)/profit on ordinary activities before taxation</b>	<u>(215)</u>	<u>1,145</u>
(Loss)/profit on ordinary activities multiplied by standard rate in the UK: 28.5% blended rate (2007: 30%)	(61)	344
Expenses not deductible for tax purposes	1,120	162
Capital allowances in excess of depreciation	(10)	(27)
Other timing differences	<u>(430)</u>	<u>409</u>
Actual corporation tax charge	<u>619</u>	<u>888</u>
<b>9. FINANCIAL ASSETS</b>	2008	2007
	£'000	£'000
<b>Shares in group undertakings</b>		
At 1 January	-	-
Additions	5,450	-
Provision for impairment	<u>(1,180)</u>	<u>-</u>
At 31 December	<u>4,270</u>	<u>-</u>

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**9. FINANCIAL ASSETS - continued**

**Interests in group undertakings**

The subsidiaries listed below are 100% owned by the company at 31 December 2008.

<i>Name of undertaking</i>	<i>Country of incorporation</i>	<i>Description of shares held</i>	<i>Nature of business</i>
Secure Computing International Ltd	England and Wales	Ordinary shares of £1 each	Software security
SafeBoot Ltd	England and Wales	Ordinary shares of £1 each	Software security

**10. TANGIBLE ASSETS**

	Furniture and office equipment £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>			
At 1 January 2008	3,512	1,554	5,066
Additions	<u>411</u>	<u>61</u>	<u>472</u>
At 31 December 2008	<u>3,923</u>	<u>1,615</u>	<u>5,538</u>
<b>Accumulated depreciation</b>			
At 1 January 2008	2,941	1,376	4,317
Charge for the year	<u>399</u>	<u>21</u>	<u>420</u>
At 31 December 2008	<u>3,340</u>	<u>1,397</u>	<u>4,737</u>
<b>Net book value</b>			
At 31 December 2008	<u>583</u>	<u>218</u>	<u>801</u>
At 31 December 2007	<u>571</u>	<u>178</u>	<u>749</u>

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

<b>11. DEBTORS</b>	2008	2007
	£'000	£'000
Trade debtors	430	247
Amounts owed by group undertakings	5,314	6,032
Deferred tax debtor (see note 13)	1,065	1,472
Prepayments and accrued income	2,960	1,663
Corporation tax	<u>1,273</u>	<u>-</u>
	<u>11,042</u>	<u>9,414</u>

Amounts owed by group undertakings are unsecured, interest free, and have no fixed date of repayment.

<b>12. CREDITORS – Amounts falling due within one year</b>	2008	2007
	£'000	£'000
Trade creditors	388	726
Amounts owed to group undertakings	882	1,214
Other creditors	-	120
Corporation tax	-	630
Other taxes and social security	1,122	949
Accruals and deferred income	<u>2,505</u>	<u>1,882</u>
	<u>4,897</u>	<u>5,521</u>

Amounts owed to group undertakings are unsecured, interest free, and have no fixed date of repayment.

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

<b>13. DEFERRED TAXATION</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>The recognised amounts of deferred taxation for timing differences are as follows:</b>		
Depreciation in excess of capital allowances	226	227
Other timing differences	<u>839</u>	<u>1,245</u>
Deferred tax asset	<u>1,065</u>	<u>1,472</u>
There are no unprovided deferred tax assets.		
<b>Deferred tax assets:</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2008	1,472	1,115
(Debited)/credited to the profit and loss account	<u>(407)</u>	<u>357</u>
At 31 December 2008	<u>1,065</u>	<u>1,472</u>

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

<b>14. CALLED UP SHARE CAPITAL</b>	2008 £'000	2007 £'000
<b>Authorised</b>		
70,000 ordinary shares of £1 each	<u>70</u>	<u>50</u>
50,000 ordinary shares of £1 each (2007)		
<b>Called up, allotted and fully paid</b>		
63,520 ordinary shares of £1 each	<u>64</u>	<u>50</u>
50,000 ordinary shares of £1 each (2007)		
<b>15. SHARE PREMIUM</b>	2008 £'000	2007 £'000
Share premium	4,256	=
The share premium arose on the allotment of 13,520 shares at a premium of £314.81.		
<b>16. CAPITAL CONTRIBUTION</b>	2008 £'000	2007 £'000
Opening balance	5,957	4,175
Share based payment	<u>2,645</u>	<u>1,782</u>
Closing balance	<u>8,602</u>	<u>5,957</u>
The capital contribution arises on the grant of share options to the company's employees under the McAfee Inc. employee share options plan.		
<b>17. RESERVES</b>	2008 £'000	2007 £'000
At 1 January 2008	10,019	8,693
profit for the financial year	<u>605</u>	<u>1,326</u>
At 31 December 2008	<u>10,624</u>	<u>10,019</u>

**MCAFEE INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Profit for the financial year	605	1,326
Issue of ordinary share capital	14	-
Share premium on issue of ordinary share capital	4,256	
Increase in capital contribution	2,645	1,782
Opening shareholders funds	<u>16,026</u>	<u>12,918</u>
Closing shareholders' funds	<u>23,546</u>	<u>16,026</u>

**19. FINANCIAL COMMITMENTS**

At 31 December 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

	<b>2008</b>		<b>2007</b>	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	12	-	-	-
Within two to five years	-	-	-	-
After five years	<u>840</u>	<u>-</u>	<u>840</u>	<u>-</u>
	<u>852</u>	<u>-</u>	<u>840</u>	<u>-</u>

**20. 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 2008 were £nil (2007: £nil).

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**21. ULTIMATE PARENT UNDERTAKING**

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

The ultimate parent company and controlling party is McAfee Inc., 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 McAfee Inc. consolidated financial statements can be obtained from McAfee Inc., 3965 Freedom Circle, Santa Clara, California, 95054, USA.

**22. SHARE BASED PAYMENTS**

The company's ultimate parent company, McAfee Inc., 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 McAfee Inc. 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.

As a result of the trading blackout (which ended on December 21, 2007) the term of certain vested options belonging to former employees and directors, which would have normally expired during the blackout, were extended such that these vested options will be exercisable for 90 days after the trading blackout was lifted i.e. through March 20, 2008.

**MCAFEE INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**22. SHARE BASED PAYMENTS - continued**

Reconciliation of outstanding share options granted under the employee share option plan at the beginning and end of the financial year.

	Number of options	2008 Weighted average exercise price £	Number of options	2007 Weighted average exercise price £
Balance at the beginning of the year	713,718	11.96	782,697	11.41
Granted during the year	248,070	18.95	78,800	17.63
Forfeited during the year	(41,776)	16.20	(91,742)	13.06
Exercised during the year	(365,809)	10.55	(54,234)	9.89
Expired during the year	<u>(17,086)</u>	16.32	<u>(1,803)</u>	6.12
Balance at end of year	<u>537,117</u>	14.75	<u>713,718</u>	11.15
Exercisable at end of year	255,257	12.53	506,865	10.09

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

- Risk free interest rate 3% (2007: 4.5%)
- Expected life in years 5.7 (2007: 5.8)
- Volatility 40.5% (2007: 34%)

The weighted average fair value is £8.04 (2007: £7.19). The range of expected lives in years is 5.6 to 5.8 with the range of fair values being £6.71 to £8.96.

The company recognised an expense of £2,644,563 (2007: £1,781,606) and a capital contribution of £2,644,563 (2007: £1,781,606) related to equity-settled share-based payment transactions during the year.