

MarketAxess Europe Limited

DIRECTORS AND OFFICERS

DIRECTORS

Mr R M McVey

Mr J N B Rucker

Mr W P B Ellis (resigned 29 June 2012) Mr T K Millet (resigned 7 July 2011)

COMPANY SECRETARY

Miss H Davidson (resigned 25 November 2011)

Mr V Mittal (appointed 21 December 2011)

COMPANY NUMBER

4017610

REGISTERED OFFICE

10th Floor
71 Fenchurch Street
London
EC3M 4BS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

TUESDAY



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25/09/2012
COMPANIES HOUSE

MarketAxess Europe Limited

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of MarketAxess Europe Limited ("the Company") for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

MarketAxess Europe Limited is registered as a Multilateral Trading Facility following implementation of the Markets in Financial Instruments Directive with the Financial Services Authority ("FSA") in the United Kingdom. It operates an electronic trading platform for corporate and government bonds and certain other types of fixed-income securities, serving as an electronic platform through which the Company's active institutional investor clients can access the liquidity provided by its broker-dealer clients. The Company's multi-dealer trading platform allows its institutional investor clients to simultaneously request competitive, executable bids or offers from multiple broker-dealers, and to execute trades with the broker-dealer of their choice. The Company offers its clients the ability to trade European high-grade corporate bonds, government bonds, credit default swaps, agencies, high yield and emerging markets bonds.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Through the course of the year we continued to add functionality to our trading platform and deliver additional trade data information content to our clients. We seek to grow and diversify our revenues by capitalising on our status as the operator of a leading platform for the electronic trading of corporate bonds and certain other types of fixed-income securities. The key elements of our strategy are

- to innovate and efficiently add new functionality and product offerings to the MarketAxess platform that we believe will help to increase our market share with existing clients, as well as expand our client base,
- to leverage our technology, as well as our strong broker-dealer and institutional investor relationships, to deploy our electronic trading platform into additional product segments within the fixed-income securities markets, deliver fixed income securities-related technical services and products and deploy our electronic trading platform into new client segments, and
- to continue building our existing service offerings so that our electronic trading platform is fully integrated into the workflow of our broker-dealer and institutional investor clients and to continue to add functionality to allow our clients to achieve a fully automated end-to-end straight-through processing solution (automation from trade initiation to settlement)

Due in part to the continuing sovereign debt concerns and competitive environment in Europe, trading volume in our Eurobond product decreased during 2010 and 2011. We have reduced the monthly distribution fees paid by our European broker-dealer market makers effective March 1, 2012, but have left dealer variable transaction fees unchanged. We expect that Eurobond distribution fees will decline by approximately £269k per month. Despite our efforts, there is no assurance that Eurobond trading volumes and revenues will increase as a result of this change. It is possible that our broker-dealer clients could respond to this new fee plan by either reducing the amount of their business conducted on our platform or terminating their contractual relationship with us, which could have an adverse impact on our fees.

The directors consider the year-end financial position to be in line with their expectations.

RESULTS AND DIVIDENDS

The Profit and Loss Account for the year is set out on page 10. The net profit for the financial year was £1,921,894 (2010 profit of £2,068,391). No dividends were paid to MarketAxess Holdings Inc ("the Parent") in financial year ending 31 December 2011 (2010 £3,000,000).

MarketAxess Europe Limited

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

On 01st August 2012, the directors passed a special resolution supported by a solvency statement to reduce the Company's share capital from £11,468,250 to £6,468,250 by cancelling, and repaying the capital on 5,000,000 of its issued Ordinary Shares of £1 each registered in the name of the Company's sole shareholder, MarketAxess Holdings Inc (the "Reduction and Return of Capital") In addition, paid an interim dividend to the Company's sole shareholder, MarketAxess Holdings Inc of £5,000,000 from the Company's existing distributable reserves (the "Dividend")

MarketAxess Europe Limited

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Economic, Political and Market Factors

The global fixed-income securities industry is risky and volatile and is directly affected by a number of economic, political and market factors that may result in declining trading volume. These factors could have a material adverse effect on our business, financial condition and results of operations. These factors include, among others, credit market conditions, the current interest rate environment (including the volatility of interest rates and investors' forecasts of future interest rates), and the economic and political conditions in the United States, Europe and elsewhere and consolidation or contraction in the number of broker-dealers.

Competitive Landscape

The global fixed-income securities industry generally, and the electronic financial services markets in which we engage in particular, are highly competitive, and we expect competition to intensify in the future. Sources of competition for us continue to include, among others, bond trading conducted directly between broker-dealers and their institutional investor clients over the telephone or electronically and other multi-dealer trading companies. Competitors, including companies in which some of our broker-dealer clients have invested, have developed electronic trading platforms or have announced their intention to explore the development of electronic platforms that may compete with us.

In general, we compete on the basis of a number of key factors, including, among others, the liquidity provided on our platform, the magnitude and frequency of price improvement enabled by our platform and the quality and speed of execution. We believe that we compete favourably with respect to these factors. We continue to proactively build technology solutions that serve the needs of the credit markets.

Our competitive position is also enhanced by the familiarity and integration of our broker-dealer and institutional investor clients with our electronic trading platform and other systems. We have focused on the unique aspects of the credit markets we serve in the development of our platform, working closely with our clients to provide a system that is suited to their needs.

Rapid Technological Changes

We must continue to enhance and improve our electronic trading platform. The electronic financial services industry is characterised by increasingly complex systems and infrastructures and new business models. Our future success will depend on our ability to enhance our existing products and services, develop and/or license new products and technologies that address the increasingly sophisticated and varied needs of our broker-dealer and institutional investor clients and prospective clients and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Regulatory Environment

Our industry has been and is subject to continuous regulatory changes and may become subject to new regulations or changes in the interpretation or enforcement of existing regulations, which could require us to incur significant costs.

We are registered as a Multilateral Trading Facility with the FSA. Relevant regulations prohibit repayment of borrowings to the Parent or their affiliates or otherwise entering into transactions that result in a significant reduction in regulatory net capital or financial resources, without prior notification to, or approval from the FSA.

MarketAxess Europe Limited

DIRECTORS' REPORT

Similar to the U S , regulatory bodies in Europe and elsewhere are developing new rules for derivatives trading. For example, the European Commission has issued three consultation papers intended to help define certain terms in the new OTC derivatives landscape and, in 2010, proposed legislation that mandates, among other things, central clearing of standardized CDS contracts. Although the European regulators have not yet implemented such legislation, our expectation is that the EU will, in line with the U S , require central clearing of standardized CDS contracts and increase transparency through enhanced trade reporting requirements. We cannot predict the extent to which any future regulatory changes may affect our business and operations.

Trends in Our Business

The majority of our revenues are derived from monthly distribution fees and commissions for transactions executed on our platform between our institutional investor and broker-dealer clients. We believe that there are five key variables that impact the notional value of such transactions on our platform and the amount of commissions and distribution fees earned by us:

- the number of institutional investor clients that participate on the platform and their willingness to originate transactions through the platform,
- the number of broker-dealer clients on the platform and the frequency and competitiveness of the price responses they provide to the institutional investor clients,
- the number of markets for which we make trading available to our clients,
- the overall level of activity in these markets, and
- the level of commissions that we collect for trades executed through the platform.

We believe that overall corporate bond market trading volume is affected by various factors including the absolute levels of interest rates, the direction of interest rate movements, the level of new issues of corporate bonds and the volatility of corporate bond spreads versus U S Treasury securities. Because a significant percentage of our revenue is tied directly to the volume of securities traded on our platform, it is likely that a general decline in trading volumes, regardless of the cause of such decline, would reduce our revenues and have a significant negative impact on profitability.

The deterioration with European credit markets through 2010, due in part to continuing sovereign debt credit concerns continued throughout 2011. The global financial crisis has led to a significant rise in sovereign debt relative to GDP. Increased government deficits and debt levels, along with ratings downgrades, sparked fears of default among certain Euro zone nations, leading to increased yields on government bonds, making a more difficult trading environment for European corporate bonds during 2011.

Financial Risks

Liquidity Risk

We maintain a high level of cash investments, all of which are held with the same credit institution. The board is aware of the risk, albeit that the risk is considered to be low, that the credit institution could fail. We keep our general banking arrangements under close review, with a view to diversifying risk if assessed as necessary and appropriate.

MarketAxess Europe Limited

DIRECTORS' REPORT

Credit Risk

Our turnover is relatively evenly spread across our dealers, with no individual dealer providing more than a 10% contribution towards revenue (annualised), therefore this area is deemed to be low-risk. The Finance Manager reviews the debtors balance on regular basis and controls are in place to ensure timely recovery of any trade debts outstanding.

Foreign Exchange Risk

We have fixed fee agreements with broker/dealers which are denominated in Euro, therefore we are exposed to fluctuations in the exchange rates between Euro and Sterling.

EU CAPITAL REQUIREMENTS DIRECTIVE

The Company's Pillar 3 Disclosure Statement is available on our website – www.marketaxess.com

KEY PERFORMANCE INDICATORS ("KPIs")

Given the nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

DIRECTORS

The directors of the Company during the year, and as at the date of this report, were

Name	Date of Appointment
J N B Rucker	8 December 2000
R M McVey	9 May 2001
W P B Ellis	14 October 2010, resigned 29 June 2012
T K Millet	resigned on 7 July 2011

CREDITORS PAYMENT POLICY

For all trade creditors, it is the Company's policy to pay according to the standard payment terms of the individual supplier.

The Company has 19 days (2010: 18) of purchases outstanding at the 31 December 2011.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 prepared 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,

MarketAxess Europe Limited

DIRECTORS' REPORT

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved

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

(b) he 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

AUTHORITY FOR ISSUE OF FINANCIAL STATEMENTS

The entity's owners or others do not have the power to amend the financial statements after issue

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the board



Mr J N B Rucker
Director

Date 14/9/12

MarketAxess Europe Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKETAXESS EUROPE LIMITED (CONTINUED) for the year ended 31 December 2011

We have audited the financial statements of MarketAxess Europe Limited for the year ended 31st December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

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.

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.

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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

MarketAxess Europe Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKETAXESS
EUROPE LIMITED (CONTINUED)
for the year ended 31 December 2011

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

Mark Randell

Mark Randell (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 24 SEPTEMBER 2012

MarketAxess Europe Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2011

	<i>Notes</i>	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Turnover		11,450,608	12,134,719
Operating Expenses		(9,040,918)	(9,433,843)
OPERATING PROFIT	3	2,409,690	2,700,876
Interest Receivable And Similar Income	6	87,313	69,803
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,497,003	2,770,679
Tax On Profit On Ordinary Activities	7	(575,110)	(702,288)
PROFIT FOR THE FINANCIAL YEAR		1,921,893	2,068,391

Profit on ordinary activities before taxation relate wholly to continuing operations. The Company has no recognised gains or losses other than those included in the profit for the year above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the profit/loss on ordinary activities before taxation and the profit/loss for the year stated above and their historical cost equivalents.

MarketAxess Europe Limited

BALANCE SHEET

for the year ended 31 December 2011

		As at 31 December 2011	As at 31 December 2010
	Notes	£	£
TANGIBLE FIXED ASSETS			
Tangible Assets – Software Development	9 (a)	-	741
Tangible Assets – Other	9 (b)	234,769	254,403
		<u>234,769</u>	<u>255,144</u>
CURRENT ASSETS			
Debtors	11	2,035,614	1,792,983
Deferred Tax	7 (c)	314,435	355,419
Cash At Bank And In Hand		17,998,511	16,196,148
		<u>20,348,560</u>	<u>18,344,550</u>
CREDITORS Amounts Falling Due Within One Year	13	(2,423,811)	(2,952,491)
NET CURRENT ASSETS		<u>17,924,749</u>	<u>15,392,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,159,518	15,647,203
CREDITORS Amounts Falling Due After More Than One Year	14	(65,784)	(9,162)
		<u>18,093,734</u>	<u>15,638,041</u>
CAPITAL AND RESERVES			
Called Up Share Capital	15	11,468,250	11,468,250
Profit And Loss Account	16	6,625,484	4,169,791
TOTAL SHAREHOLDERS FUNDS	17	<u>18,093,734</u>	<u>15,638,041</u>

The financial statements on pages 9 to 25 were approved by the Board of Directors on 14th September 2012 and signed on its behalf by Mr J N B Rucker



.. Director

MarketAxess Europe Limited

Registered Number 4017610

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1 ACCOUNTING POLICIES

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The company has adopted FRS26, however the only financial instruments held during the year were cash, receivables and payables, all of which were measured at amortised cost.

The principal accounting policies, which have been consistently applied, are as follows

1 0 *TURNOVER*

The majority of the Company's revenue is derived from monthly distribution fees and commission for trades executed on its platform, which are billed to its broker-dealer clients on a monthly basis. The Company also derives revenues from leased line connection fees and license fees. An element of the license fee income is recognised to cover the setup costs incurred to provide access to the platform. The remaining license fee is recognised over the duration of the license period.

1 1 *OPERATING EXPENSES*

Included in operating expenses is net transfer pricing expense payable to other members of the group, all of whom are wholly owned subsidiaries within the group. The allocation to MarketAxess Europe Limited which remunerates the Company for its contribution to trading volumes on the platform as well as factoring in an expense for centrally performed functions (performed in the US) is recognised on an accruals basis.

1 2 *TANGIBLE FIXED ASSETS*

(a) Tangible fixed assets – software development

Development costs are capitalised and written off on a straight-line basis over three years.

(b) Tangible fixed assets – other

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated so as to write off the costs of the assets, on a straight line basis, to their estimated residual value over their useful economic life, as follows:

Leasehold Improvements	- over the shorter of the remaining term of the lease or term to the first break clause in the lease
Computer Equipment	- three years
Furniture, Fixtures & Fittings	- three to five years

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

1.3 FINANCIAL INSTRUMENTS

The Company recognises financial assets and liabilities when it becomes party to the contractual provisions of the financial assets and liabilities and it ceases to recognise them when the contractual right is completed or expires

1.4 PENSION CONTRIBUTIONS

The Company makes contributions to employees' personal pensions plans under a defined contribution scheme. Contributions are charged in the Profit and Loss Account as they become payable.

1.5 OPERATING LEASES

Costs and income in respect of 'operating leases' are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Rent free, or reduced rent, periods offered as inducements to enter into operating lease agreements are released into the Profit and Loss Account evenly over the lease term, or if shorter, the period to the next rent review.

1.6 DEFERRED TAXATION

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. These timing differences arise from the inclusion of items of income and expenditure in the Company's tax computations in different periods from those in which they are included in the financial statements.

The amounts provided are calculated at the rates expected to apply when they crystallise based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they are recoverable.

1.7 FOREIGN CURRENCIES

- (a) Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the accounting date. Non-monetary assets or liabilities are translated into Sterling at the rate ruling on the date of acquisition.
- (b) Revenue and expenses incurred in foreign currencies are recorded in Sterling at the rate ruling on the date of the transaction. Any gains or losses arising on translation are reported within the Profit and Loss Account.

1.8 PROVISIONS

A provision is recognised where there is a present obligation, either legal or constructive, for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1 9 SHARE BASED COMPENSATION

The Company's employees participate in the equity-settled share-based payment schemes of MarketAxess Holdings, Inc ("the Parent"), the Company's immediate and ultimate parent undertaking. Share-based payments are measured at fair value at the date of award. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the Profit and Loss Account. The fair value of share options is measured using a valuation model. There is also a corresponding capital contribution from the Parent which is recognised within equity (see note 16).

2 CAPITAL MANAGEMENT

The Company's objectives when managing their capital is to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Historically, the Company has satisfied these needs primarily through equity financing from their Parent and internally generated funds and the Company believes that their available cash resources are sufficient to meet their presently anticipated liquidity needs and capital expenditure requirements for at least the next 12 months.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares, all the time being fully aware of their capital adequacy requirements, as laid out by the Financial Services Authority.

3	OPERATING PROFIT	2011 £	2010 £
	Operating profit is stated after charging		
	Staff Costs (note 5)	5,715,122	5,466,176
	Depreciation of Tangible Fixed Assets		
	- Owned Assets	97,983	53,432
	Amortisation of Tangible Fixed Assets		
	- Software Development	741	33,321
	Operating Lease Charges		
	- Land & Buildings	183,458	247,840
	Auditors' Remuneration		
	- Fees payable to the Company's auditor for the audit of the Company's financial statements	70,968	65,000
	- Other services pursuant to legislation		-
	Foreign Exchange	4,597	24,760
4	DIRECTORS' EMOLUMENTS	2011 £	2010 £
	Aggregate emoluments	<u>558,254</u>	<u>559,506</u>

One director (2010: one) has benefits accruing under a defined contribution pension scheme. The Company's contributions paid in respect of this director totalled £31,968 (2010: £12,032). Costs amounting to £172,244 (2010: £93,120) reflected in the aggregate emoluments above for three directors were not charged to the profit and loss account of the company as the costs are borne by

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

another group entity No directors exercised share options in the year Two directors are entitled to shares under a long-term incentive scheme

HIGHEST PAID DIRECTOR	2011 £	2010 £
Aggregate emoluments	386,010	336,247

The highest paid director in 2011 has benefits accruing under a defined contribution pension scheme The Company's contributions paid in respect of this director totalled £31,968 (2010 £12,032)

5	EMPLOYEE INFORMATION	2011	2010
	The average monthly number of persons (including executive directors) employed by the Company during the year was	34	29
	By activity		
	Administration	5	3
	Sales	10	10
	Client Services	5	4
	Technology	7	7
	Trading & Execution Services	2	1
	Dealer Relations	5	4
		<u>34</u>	<u>29</u>

EMPLOYEE INFORMATION	2011 £	2010 £
Staff costs for the above persons		
Wages and Salaries	4,271,045	4,087,481
Social Security Costs	697,342	703,965
Pension Costs	212,935	141,331
	<u>5,181,322</u>	<u>4,932,777</u>
Share-Based Compensation Costs	<u>533,800</u>	<u>533,399</u>
Staff Costs (Note 3)	<u>5,715,122</u>	<u>5,466,176</u>

The Company operates a defined contribution pension scheme £39,599 (2010 £26,201) was outstanding at the balance sheet date

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

6	INTEREST RECEIVABLE AND SIMILAR INCOME	2011 £	2010 £
	Interest receivable on deposits and other bank accounts	87,313	69,803
7	TAX ON PROFIT ON ORDINARY ACTIVITIES	2011 £	2010 £
	(a) Analysis of tax charge in the year		
	Current Tax		
	UK corporation tax on profits of the years (2011 26.5%, 2010 28%)	529,075	873,981
	Adjustment in respect of previous years	5,051	1,883
		534,126	875,864
	Deferred Tax		
	Adjustment in respect of previous years	(4,855)	(1,106)
	Origination and reversal of timing differences	32,495	(179,004)
	Effect of tax rate change	13,344	6,534
		40,984	(173,576)
		575,110	702,288

The tax assessed for the year ended 31 December 2011 is lower (2011 higher) than the standard rate of corporation tax in the United Kingdom of 26.5% (2011 28%). The differences are explained below

(b) Factors affecting current tax charge for the year	2011 £	2010 £
Profit on ordinary activities before taxation	2,497,004	2,770,679
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (2011 26.5%, 2010 28%)	661,706	775,790
Effect of		
Expenses not deductible for tax purposes	63,026	64,858
(Excess)/Deficit tax deduction for share-based compensation	(200,094)	65,869
Tax losses brought forward set off against trading income	-	-
Timing differences on fixed assets	4,437	(32,536)
Current tax charge for year	529,075	873,981

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

(c) Deferred Tax	2011 £	2010 £
Opening balance	355,419	181,842
Movement	(40,984)	173,577
Closing balance	<u>314,435</u>	<u>355,419</u>

The Company believes that there is reasonable certainty over its future profitability with regard to the ultimate realisation of the deferred tax asset which relates to timing differences on share based compensation

8	DIVIDENDS	2011 £	2010 £
	Equity – Ordinary Shares	-	3,000,000
		<u>-</u>	<u>3,000,000</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

9 TANGIBLE FIXED ASSETS

a TANGIBLE FIXED ASSETS – SOFTWARE
DEVELOPMENT

	Software Development £
<i>Cost</i>	
At 1 January 2011	202,008
Additions	-
Disposals	(9,206)
	<hr/>
At 31 December 2011	192,802
	<hr/>
<i>Accumulated amortisation</i>	
At 1 January 2011	(201,267)
Charge for the year	(741)
Disposals	9,206
	<hr/>
At 31 December 2011	(192,802)
	<hr/>
<i>Net book value</i>	
At 31 December 2011	(0)
	<hr/>
At 31 December 2010	741
	<hr/>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

b TANGIBLE FIXED ASSETS– OTHER

	Leasehold Improvements £	Computer Equipment & Related Software £	Furniture, Fixtures & Fittings £	Total £
<i>Cost</i>				
At 1 January 2011	229,523	311,780	226,118	767,421
Additions	-	75,065	3,285	78,350
Disposals	-	(14,407)	(27,857)	(42,264)
At 31 December 2011	<u>229,523</u>	<u>372,438</u>	<u>201,546</u>	<u>803,507</u>
<i>Accumulated Depreciation</i>				
At 1 January 2011	(163,472)	(143,989)	(205,557)	(513,018)
Charge for the year	(7,728)	(85,602)	(4,653)	(97,984)
Disposals	-	14,407	27,857	42,264
At 31 December 2011	<u>(171,200)</u>	<u>(215,184)</u>	<u>(182,353)</u>	<u>(568,738)</u>
<i>Net book value</i>				
At 31 December 2011	<u>58,323</u>	<u>157,254</u>	<u>19,193</u>	<u>234,769</u>
At 31 December 2010	<u>66,051</u>	<u>167,791</u>	<u>20,561</u>	<u>254,403</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

10 FINANCIAL INSTRUMENTS

The Company holds financial instruments in the form of debtors, cash at bank and in hand and creditors. All of these financial instruments are measured at amortised cost. The risks arising from these financial instruments and how these risks are managed are described in the Directors' Report.

The Company is subject to FSA capital requirements and considers its capital to comprise of equity shares and retained profits less any intangible assets. During the year, the Company has complied with the FSA capital requirements.

The contractual maturities of the Company's liabilities are all in less than one year (2010: all less than one year).

The maximum exposure to credit risk at the reporting date is £20,816,554 (2010: £17,823,974).

There were £589,446 (2010: £359,523) of debtors which were past due but unimpaired at the balance sheet date.

11 DEBTORS	2011 £	2010 £
Trade debtors	1,409,113	1,243,445
Amounts due from group undertakings	98,724	126,375
Other debtors	293,200	258,006
Prepayments and accrued income	234,577	165,157
	<u>2,035,614</u>	<u>1,792,983</u>

Other debtors include £250,000 (2010: £250,000) falling due after more than one year. No amounts have been written off.

12 SHARE-BASED COMPENSATION PLANS

STOCK OPTIONS

Stock options vest over a three-year period. Options expire ten years from the date of grant and the exercise price is equal to the market value of the Parent's common stock on the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton closed-form model ("Black-Scholes"). The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of FRS 20 and reflects all substantive characteristics of the instruments being valued. The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Parent's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards. Expected volatilities are based on historical volatility of the Parent's

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

stock and a peer group. The risk-free interest rate is based on U.S. Treasury securities with a maturity value approximating the expected term of the option. The expected term represents the period of time that options granted are expected to be outstanding.

	Number of options 2011	Weighted average exercise price 2011	Number of options 2010	Weighted average exercise price 2010
Outstanding at 1 January	266,749	USD 14.12	312,145	USD 13.65
Granted during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	(235,054)	USD 14.16	(45,396)	USD 10.89
Outstanding at 31 December	31,695	USD 13.76	266,749	USD 14.12
Exercisable at 31 December	30,001	USD 14.09	257,828	USD 14.27

Range of exercise prices	Weighted average exercise price 2011	Number of shares 2011	Contractual weighted average remaining life (years) 2011
USD 5.01 – USD 10.00	USD 7.94	1,694	7
USD 10.01 – USD 15.00	USD 12.17	16,667	4.1
USD 15.01 – USD 20.00	USD 16.48	13,334	2.7

Range of exercise prices	Weighted average exercise price 2010	Number of shares 2010	Contractual weighted average remaining life (years) 2010
USD 2.10 – USD 5.00	USD 2.70	1,668	1.5
USD 5.01 – USD 10.00	USD 7.94	3,387	8.0
USD 10.01 – USD 15.00	USD 11.65	124,001	5.4
USD 15.00 – USD 20.00	USD 16.62	137,693	3.5

RESTRICTED STOCK

Shares of restricted stock vest over a period of either three or five years. Compensation expense is recognised over the vesting period using the share price at grant date, which the Company believes is the best representation of the fair value of the shares. There is no exercise price for restricted stock. The Company also considers the likelihood of meeting the performance criteria (length of service) in determining the amount to expense on a periodic basis.

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	Employee share plan 2011	Employee share plan 2010
Date of grant	14 th January 2011	15 th January 2010 12 th April 2010
Share price (fair value) at grant date	USD 21.59	USD 14.29 USD 16.48
Number of employees	4	7 1
Shares	14,367	32,697 148,665
Vesting period (years)	3	3 3-5
	Number of restricted shares 2011	Number of restricted shares 2010
Outstanding at 1 January	215,977	71,394
Granted during the period	14,367	181,362
Cancelled during the period	(46,930)	(10,851)
Vested during the period	(35,326)	(25,928)
Outstanding at 31 December	148,088	215,977

PERFORMANCE STOCK

The Parent company runs a Performance share scheme, however there are currently no participants in this scheme within MarketAxess Europe Limited

13	CREDITORS Amounts falling due within one year	2011 £	2010 £
	Trade creditors	172,292	196,430
	Amounts due to group undertakings	376	79,969
	Taxation and social security	265,867	590,148
	Accruals and deferred income	1,985,276	2,085,944
		<u>2,423,811</u>	<u>2,952,491</u>
14	CREDITORS Amounts falling due after more than one year	2011 £	2010 £
	Deferred income	<u>65,784</u>	<u>9,162</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

15.	CALLED UP SHARE CAPITAL	2011 £	2010 £
	Authorised 11,468,250 (2010 11,468,250) Ordinary shares of £1 each	<u>11,468,250</u>	<u>11,468,250</u>
	Allotted and fully paid 11,468,250 (2010 11,468,250) Ordinary shares of £1 each	<u>11,468,250</u>	<u>11,468,250</u>
16	PROFIT AND LOSS ACCOUNT	2011 £	2010 £
	At 1 January	4,169,791	4,568,001
	Dividends	-	(3,000,000)
	Capital contribution from MarketAxess Holdings Inc (share-based compensation)	533,800	533,399
	Retained profit for the year	<u>1,921,893</u>	<u>2,068,391</u>
	At 31 December	<u>6,625,484</u>	<u>4,169,791</u>
17	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2011 £	2010 £
	Profit for the financial year	1,921,893	2,068,391
	Dividends	-	(3,000,000)
	Share-based compensation (note 5)	<u>533,800</u>	<u>533,399</u>
	Net increase /(decrease) in shareholders' funds	<u>2,455,693</u>	<u>(398,210)</u>
	Shareholders' funds as at 1 st January	<u>15,638,041</u>	<u>16,036,251</u>
	Shareholders' funds as at 31 st December	<u>18,093,734</u>	<u>15,638,041</u>
18	CONTINGENT LIABILITIES		
	The Company had no contingent liabilities at the year end		

MarketAcess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2011

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 and 2010 the Company had annual commitments under non-cancellable operating leases expiring as follows.

	2011 £	2010 £
	Land and Buildings	Land and Buildings
Within one year	-	-
Within two to five years	-	-
After five years	97,068	97,068
	<u>97,068</u>	<u>97,068</u>

20 RELATED PARTIES

Under the terms of FRS8, "Related Party Disclosures", the Company is exempt from disclosing transactions with wholly owned subsidiaries, as the consolidated financial statements in which the Company is included are publicly available

21 CASH FLOW STATEMENT

The Company was a wholly owned subsidiary within the MarketAcess Holdings Inc Group throughout the year and is included in the consolidated financial statements of MarketAcess Holdings Inc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

22 SEGMENTAL REPORTING

The Company was a wholly owned subsidiary within the MarketAcess Holdings Inc Group throughout the year and is included in the consolidated financial statements of MarketAcess Holdings Inc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a segmental reporting note under the terms of SSAP 25

23 ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking is MarketAcess Holdings Inc, 299 Park Avenue, 10th Floor, New York, NY 10171, USA. The ultimate parent undertaking is also the ultimate controlling party. The largest and smallest group to consolidate these financial statements is MarketAcess Holdings Inc, a company incorporated in the US. The financial statements of MarketAcess Holdings Inc are available at the above address.

24 SUBSEQUENT/POST BALANCE SHEET EVENTS

On 01st August 2012, the directors passed a special resolution supported by a solvency statement to reduce the Company's share capital from £11,468,250 to £6,468,250 by cancelling, and repaying the capital on 5,000,000 of its issued Ordinary Shares of £1 each registered in the name of the Company's sole shareholder, MarketAcess Holdings Inc (the "Reduction and Return of

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

Capital") In addition, paid an interim dividend to the Company's sole shareholder, MarketAxess Holdings Inc of £5,000,000 from the Company's existing distributable reserves (the "Dividend")