

MarketAxess Europe Limited

DIRECTORS AND OFFICERS

DIRECTORS

Mr. R.M. McVey
Mr. J.N.B. Rucker

COMPANY SECRETARY

Mr. C. R. Hood

COMPANY NUMBER

4017610

REGISTERED OFFICE

10th Floor
71 Fenchurch Street
London
EC3M 4BS

AUDITORS

PricewaterhouseCoopers LLP
Banking and Capital Markets
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

WEDNESDAY



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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 2008.

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 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, U.S. high-grade corporate bonds, credit default swaps, agencies, high yield and emerging markets bonds. The Company's current participating dealers are: Barclays, BNP Paribas, Calyon, Citigroup Global Markets, Credit Suisse, Deutsche Bank Securities, Dresdner Bank, DZ Bank, Goldman Sachs, HSBC, JPMorgan Chase, Merrill Lynch, Morgan Stanley, RBC Capital Markets, The Royal Bank of Scotland, SG Corporate & Investment Banking, UBS and UniCredit.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Through the course of the year we continued to add functionality to our trading platform, add asset classes and deliver additional trade 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;
- 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);
- to add new content and analytical capabilities to our BondTicker offering in order to improve the value of the information we provide to our clients.

The directors consider the year-end financial position to be in line with their expectations and reflective of the overall credit market conditions.

MarketAxess Europe Limited

DIRECTORS' REPORT (CONTINUED)

RESULTS AND DIVIDENDS

The Profit and Loss Account for the year is set out on page 9. The net profit for the year was £2,371,052 (2007: profit of £1,686,650). The directors do not recommend the payment of a dividend (2007: Nil).

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 include, among others, credit market conditions, the current interest rate environment (including the volatility of interest rates and investors' forecasts of future interest rates), 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.

MarketAxess Europe Limited

DIRECTORS' REPORT (CONTINUED)

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.

As a wholly owned subsidiary of a US quoted company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 and NASDAQ rules promulgated in response to the Sarbanes-Oxley Act. The requirements of these rules and regulations have increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and may also place undue strain on our systems and resources. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required.

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 or 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 past 18 months has been a period of significant turmoil in the U.S. and European credit markets, especially in short-term funding and floating rate note instruments. A widespread retrenchment in the credit markets resulted in increased credit spreads and significantly higher credit spread volatility across a wide range of asset classes. We believe a resultant lack of liquidity in the credit markets led institutional investors to reduce overall bond trading activity and conduct a higher percentage of their trades directly with their broker-dealer counterparties via the telephone, resulting in lower volumes on our platform. We also believe that a stabilisation in credit market conditions, at higher overall levels of credit spread and credit spread volatility, is likely to impact favourably on the volume of trades conducted over our platform.

MarketAxess Europe Limited

DIRECTORS' REPORT (CONTINUED)

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.

Credit Risk

Our turnover is relatively evenly spread across its dealers, with no individual dealer providing more than a 10% contribution towards revenue (annualised), therefore this area is deemed to be low-risk.

EU CAPITAL REQUIREMENTS DIRECTIVE

The Company's Pillar 3 Disclosure Statement is available on request.

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward 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	08 December 2000
R.M. McVey	09 May 2001

DIRECTORS' INTEREST IN SHARES

No director has, or had during the period, any interest requiring a note herein.

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 6 days (2007: 21) of purchases outstanding at the 31st December 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

MarketAxess Europe Limited

DIRECTORS' REPORT (CONTINUED)

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2008 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that, so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the 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.

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.

By order of the board



James N.B. Rucker
Director

Date: 3rd April 2009

MarketAxess Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARKETAXESS EUROPE LIMITED

We have audited the financial statements of MarketAxess Europe Limited for the year ended 31st December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view 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 received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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 judgments 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.

MarketAxess Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARKETAXESS EUROPE LIMITED

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 the company's affairs as at 31st December 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

6 April, 2009

MarketAxess Europe Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

		Year ended 31 December 2008 £	Year ended 31 December 2007 £
	<i>Notes</i>		
Turnover		9,926,018	9,802,175
Operating expenses		(7,135,298)	(7,644,845)
Other operating income		141,813	-
OPERATING PROFIT	3	<u>2,932,533</u>	<u>2,157,330</u>
Interest receivable and similar income	6	481,760	370,504
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>3,414,293</u>	<u>2,527,834</u>
Tax on profit on ordinary activities	7	(1,043,241)	(841,184)
PROFIT FOR THE FINANCIAL YEAR		<u><u>2,371,052</u></u>	<u><u>1,686,650</u></u>

The profit for the year all came from continuing activities.

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.

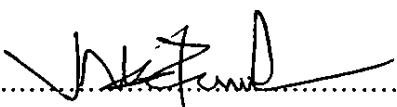
MarketAxess Europe Limited

BALANCE SHEET

for the year ended 31 December 2008

		As at 31 December 2008	As at 31 December 2007
	Notes	£	£
FIXED ASSETS			
Intangible assets	8 (a)	101,398	161,520
Tangible assets	8 (b)	58,573	108,988
		<u>159,971</u>	<u>270,508</u>
CURRENT ASSETS			
Debtors	9	1,277,027	2,550,810
Deferred tax	7 (c)	386,540	1,288,724
Cash at bank and in hand	16 (b)	13,572,442	9,441,729
		<u>15,236,009</u>	<u>13,281,263</u>
CREDITORS: Amounts falling due within one year	11	<u>(1,819,647)</u>	<u>(2,502,631)</u>
NET CURRENT ASSETS		<u>13,416,362</u>	<u>10,778,632</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,576,333</u>	<u>11,049,140</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(8,632)</u>	<u>(28,328)</u>
NET ASSETS		<u><u>13,567,701</u></u>	<u><u>11,020,812</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	11,468,250	11,468,250
Profit and loss account	14	2,099,451	(447,438)
TOTAL SHAREHOLDERS FUNDS	15	<u><u>13,567,701</u></u>	<u><u>11,020,812</u></u>

The financial statements on pages 9 to 26 were approved by the Board of Directors on 3rd April 2009 and signed on its behalf by James N.B. Rucker

 Director

MarketAxess Europe Limited

CASH FLOW STATEMENT

for the year ended 31 December 2008

		2008	2007
	<i>Notes</i>	£	£
Net cash inflow from operating activities	16 (a)	3,859,785	1,765,501
Returns on investment and servicing of finance	16 (c)	472,111	370,504
Taxation		(182,401)	(19,560)
Capital expenditure and financial investment	16 (c)	(18,782)	(176,694)
Cash inflow before use of liquid resources and financing		4,130,713	1,939,751
Net cash inflow from financing		-	-
Increase in net cash		<u>4,130,713</u>	<u>1,939,751</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom.

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

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.

FIXED ASSETS

(a) Intangible

Development costs are capitalised and written off on a straight-line basis over three years to better match costs and revenues arising from significant product enhancements.

(b) Tangible

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 and fittings	- three years

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.

PENSION CONTRIBUTIONS

The company makes contributions to employees' personal pensions plans. Contributions are charged in the Profit and Loss account as they become payable.

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

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.

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 current tax rates and law. 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.

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, except where rates of exchange are fixed under contractual arrangements. 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 average rate ruling on the date of the transaction. Any gains or losses arising on transaction are reported within the Profit and Loss Account.

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.

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 expense is recognised on a quarterly basis and translated from US Dollars (USD) at the exchange rate prevailing on the last business day of the quarter. The fair value of share options is measured using a valuation model.

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

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	2008	2007
		£	£
	Operating profit is stated after charging:		
	Staff costs (note 5)	3,997,575	4,097,534
	Depreciation of tangible fixed assets		
	- owned assets	52,258	63,456
	Amortisation of intangible fixed assets	66,596	33,678
	Loss on disposal of fixed assets	10,465	-
	Operating lease charges		
	- land and buildings	399,047	566,208
	Auditors' remuneration:		
	- fees payable to the Company's auditor for the audit of the Company's annual accounts	70,000	61,000
	- other services pursuant to legislation	-	8,041
	Foreign exchange	47,505	17,285
4.	DIRECTORS' EMOLUMENTS	2008	2007
		£	£
	Aggregate emoluments	57,145	43,535

No directors have benefits accruing under either money purchase or defined benefit pension schemes. All directors are entitled to shares under a long-term incentive scheme. No costs relating to the directors appear in the Company's accounts as they are contained within the accounts of the Parent.

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

HIGHEST PAID DIRECTOR	2008 £	2007 £
Aggregate emoluments	43,033	39,406
5. EMPLOYEE INFORMATION	2008	2007
The average monthly number of persons (including executive directors) employed by the Company during the year was:	28	32
By activity:		
Administration	4	4
Sales	7	7
Client Services	4	4
Technology	9	13
Dealer Relations	4	4
	<u>28</u>	<u>32</u>
EMPLOYEE INFORMATION (CONTINUED)	2008 £	2007 £
Staff costs for the above persons:		
Wages and salaries	3,347,155	3,516,914
Social security costs	401,853	424,399
Pension costs	72,730	83,375
	<u>3,821,738</u>	<u>4,024,688</u>
Share-based compensation costs	<u>175,837</u>	<u>72,846</u>
Staff costs (Note 3)	<u>3,997,575</u>	<u>4,097,534</u>
The Company operates a defined contribution pension plan. £11,399 was outstanding at the balance sheet date.		
6. INTEREST RECEIVABLE AND SIMILAR INCOME	2008 £	2007 £
Interest receivable on deposits and other bank accounts	<u>481,760</u>	<u>370,504</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

7. TAXATION	2008 £	2007 £
(a) Analysis of tax charge in the year		
Current Tax:		
UK corporation tax on profits of the period (2008: 28.5%, 2007: 30%)	137,302	111,152
Adjustment in respect of previous periods	-	(26,751)
	<u>137,302</u>	<u>84,401</u>
Deferred Tax:		
Adjustment in respect of previous periods	(25,924)	(18,339)
Impact in change of corporation tax rate	-	92,052
Trading losses brought forward	906,218	260,934
Origination and reversal of timing differences	25,645	422,136
	<u>905,939</u>	<u>756,783</u>
	<u><u>1,043,241</u></u>	<u><u>841,184</u></u>
(b) Factors affecting current tax charge for the year	2008 £	2007 £
Profit on ordinary activities before tax	3,414,293	2,527,834
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (2008: 28.5%, 2007: 30%)	973,074	758,350
Effect of:		
Prior year adjustment	-	(26,751)
Expenses not deductible for tax purposes	64,411	15,395
Excess tax deduction for share-based compensation	32,479	(399,636)
Tax losses brought forward set off against trading income	(922,401)	(260,934)
Timing differences on fixed assets	(10,261)	(2,023)
Current tax charge for year	<u><u>137,302</u></u>	<u><u>84,401</u></u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

(c) Deferred Tax	2008 £	2007 £
Opening balance	1,288,724	2,045,507
Movement	(905,939)	(756,783)
Reclassification	3,755	-
Closing balance	<u>386,540</u>	<u>1,288,724</u>

The Company believes that there is reasonable certainty over its future profitability with regard to the ultimate realisation of the deferred tax asset.

8. FIXED ASSETS

a. INTANGIBLE

	Software Development £
<i>Cost</i>	
At 1 January 2008	195,534
Additions	6,474
At 31 December 2008	<u>202,008</u>
<i>Accumulated amortisation</i>	
At 1 January 2008	(34,014)
Charge for the year	(66,596)
At 31 December 2008	<u>(100,610)</u>
<i>Net book value</i>	
At 31 December 2008	<u>101,398</u>
At 31 December 2007	<u>161,520</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

b. TANGIBLE

	Leasehold Improvements	Computer Equipment & related software	Furniture, fixtures and fittings	Total
	£	£	£	£
<i>Cost</i>				
At 1 January 2008	197,268	479,902	215,229	892,399
Additions	-	12,308	-	12,308
Disposals	(33,316)	-	(10,021)	(43,337)
At 31 December 2008	<u>163,952</u>	<u>492,210</u>	<u>205,208</u>	<u>861,370</u>
<i>Accumulated depreciation</i>				
At 1 January 2008	(135,809)	(437,893)	(209,709)	(783,411)
Charge for the year	(19,050)	(31,109)	(2,099)	(52,258)
Disposals	25,913	-	6,959	32,872
At 31 December 2008	<u>(128,946)</u>	<u>(469,002)</u>	<u>(204,849)</u>	<u>(802,797)</u>
<i>Net book value</i>				
At 31 December 2008	<u>35,006</u>	<u>23,208</u>	<u>359</u>	<u>58,573</u>
At 31 December 2007	<u>61,459</u>	<u>42,009</u>	<u>5,520</u>	<u>108,988</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

9. DEBTORS	2008	2007
	£	£
Trade debtors	1,082,055	2,341,739
Amounts due from group undertakings	29,679	7,612
Other debtors	12,914	3,765
Prepayments and accrued income	152,379	197,694
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	1,277,027	2,550,810
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10. SHARE-BASED COMPENSATION PLANS

STOCK OPTIONS

Generally, stock options vest over a three-year period, with one-third vesting after one year from the grant date and the remaining two-thirds vesting on an equal monthly basis over the remaining two-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 and actual and projected employee stock option exercise behaviour. Expected volatilities are based on historical volatility of the Parent's 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

	Employee Share Plan 2008	Employee Share Plans 2007
Date of grant	15 th January 2008	12 th January 2007 1 st February 2007
Share price at grant date	USD 10.93	USD12.96 USD 12.68
Exercise price	USD 10.93	USD12.96 USD 12.68
Number of employees	2	6 1
Shares under option	16,600	38,500 500
Vesting period (years)	3	3 3
Expected volatility	36.28%	44.82% 44.49%
Option life (years)	10	10 10
Expected life (years)	5	5 5
Risk free rate	2.98%	4.76% 4.84%
Expected dividends expressed as a dividend yield	0%	0% 0%
Fair value per option granted	USD 4.01	USD 5.93 USD 5.93

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

	Number of options 2008	Weighted average exercise price 2008	Number of options 2007	Weighted average exercise price 2007
Outstanding at 1 January	328,298	USD 13.77	851,921	USD 10.79
Granted during the period	16,600	USD 10.93	39,000	USD 12.96
Cancelled during the period	(35,500)	USD 12.78	(199,826)	USD 11.64
Exercised during the period	-	-	(362,797)	USD 7.87
Outstanding at 31 December	309,398	USD 13.73	328,298	USD 13.77
Exercisable at 31 December	269,330	USD 14.04	230,886	USD 14.51

Range of exercise prices	Weighted average exercise price 2008	Number of shares 2008	Contractual weighted average remaining life (years) 2008
USD 2.10 – USD 5.00	USD 2.35	5,670	2.6
USD 5.01 – USD 10.00	USD 9.98	5,220	6.4
USD 10.01 – USD 15.00	USD 11.76	160,648	7.5
USD 15.00 – USD 20.00	USD 16.62	137,860	5.5

Range of exercise prices	Weighted average exercise price 2007	Number of shares 2007	Contractual weighted average remaining life (years) 2007
USD 2.10 – USD 5.00	USD 2.35	5,670	3.6
USD 5.01 – USD 10.00	USD 9.98	5,220	7.4
USD 10.01 – USD 15.00	USD 11.87	171,548	8.2
USD 15.00 – USD 20.00	USD 16.57	145,860	6.5

RESTRICTED STOCK

Shares of restricted stock generally vest over a period of three years. Certain grants vest after five years. Had certain performance criteria been met, there were provisions that allowed for accelerated vesting over a shorter term. However, the performance criteria were not met. Compensation expense is measured at the grant date based on the market value of the Parent's common stock and recognised rateably over the vesting period. The Company considers the likelihood of meeting the performance criteria in determining the amount to expense on a periodic basis.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2008

	Employee share plan 2008	Employee share plan 2007
Date of grant	15 th January 2008	12 th January 2007
Share price (fair value) at grant date	USD 10.93	USD 12.96
Number of employees	2	1
Shares	6,150	2,000
Vesting period (years)	3	3

	Number of restricted shares 2008	Number of restricted shares 2007
Outstanding at 1 January	22,499	64,000
Granted during the period	6,150	2,000
Cancelled during the period	(1,000)	(32,000)
Vested during the period	(10,166)	(11,501)
Outstanding at 31 December	17,483	22,499

PERFORMANCE STOCK

During 2008 the Parent company granted a performance share award to a senior manager with a cumulative target payout of 5,490 shares of the Parent company's common stock. The fair value of this award on the grant date was USD 10.93 per share. Each performance share award would vest or be forfeited based on the level of achievement by the Parent and its subsidiary companies of pre-tax operating income on a per share basis before performance share and cash bonus expense for the 2008 calendar year performance period. For each performance share earned, the participant would be awarded an equal number of shares of restricted stock. Any restricted stock awarded to a participant would vest and cease to be restricted stock in equal 50% instalments on each of the second and third anniversaries of the date of grant of the applicable performance share award. The Parent and its subsidiary companies failed to meet the pre-tax operating income per share target for 2008 and, accordingly, all of the performance share awards were forfeited.

11. CREDITORS: Amounts falling due within one year	2008 £	2007 £
Trade creditors	56,546	203,439
Amounts due to group undertakings	297,668	683,688
Taxation and social security	250,893	169,595
Other creditors	6,938	-
Accruals and deferred income	1,207,602	1,445,909
	<u>1,819,647</u>	<u>2,502,631</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

12. CREDITORS: Amounts falling due after more than one year	2008 £	2007 £
Deferred income	<u>8,632</u>	<u>28,328</u>
13. CALLED UP SHARE CAPITAL	2008 £	2007 £
Authorised: 11,468,250 (2007: 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 (2007: 11,468,250) Ordinary shares of £1 each	<u>11,468,250</u>	<u>11,468,250</u>
14. PROFIT AND LOSS ACCOUNT	2008 £	2007 £
At 1 January	(447,438)	(2,206,934)
Capital contribution from MarketAxess Holdings Inc. (share-based compensation)	175,837	72,846
Retained profit for the year	<u>2,371,052</u>	<u>1,686,650</u>
At 31 December	<u>2,099,451</u>	<u>(447,438)</u>
15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2008 £	2007 £
Profit for the financial year	2,371,052	1,686,650
Share-based compensation (note 5)	<u>175,837</u>	<u>72,846</u>
Net increase in shareholders' funds	2,546,889	1,759,496
Shareholders' funds as at 1 st January	<u>11,020,812</u>	<u>9,261,316</u>
Shareholders' funds as at 31 st December	<u>13,567,701</u>	<u>11,020,812</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

16. CASH FLOWS	2008	2007
	£	£
a. Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	2,932,533	2,157,330
Depreciation of tangible fixed assets	52,258	63,456
Amortisation of intangible assets	66,596	33,678
Loss on disposal of fixed assets	10,465	-
Share-based compensation expense	175,837	72,846
Decrease / (increase) in debtors	1,279,677	(745,026)
(Decrease) / increase in creditors	(657,581)	183,217
Net cash inflow from operating activities	<u>3,859,785</u>	<u>1,765,501</u>
b. Reconciliation of net cash flow to movement in net funds	2008	2007
	£	£
Increase in cash in the year	4,130,713	1,939,751
Cash inflow from increase in debt	-	-
Movement in cash in the year	4,130,713	1,939,751
Net funds at 1 January	9,441,729	7,501,978
Net funds at 31 December	<u>13,572,442</u>	<u>9,441,729</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

	2008	2007
	£	£
c. Analysis of cash flows for headings netted in the cash flow statement:		
<i>Returns on investments and servicing of finance</i>		
Interest received	472,111	370,504
Interest paid	-	-
Net cash inflow for returns on investment and servicing of finance	<u>472,111</u>	<u>370,504</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(12,308)	(5,385)
Capitalisation of intangible fixed assets	(6,474)	(171,309)
Net cash outflow for capital expenditure and financial investment	<u>(18,782)</u>	<u>(176,694)</u>
<i>Financing</i>	<u>-</u>	<u>-</u>

17. CONTINGENT LIABILITIES

The Company had no contingent liabilities at the year end.

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 and 2007 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2008	2007
	£	£
	Land and Buildings	Land and Buildings
Within one year	-	-
Within two to five years	236,750	471,362
After five years	-	-
	<u>236,750</u>	<u>471,362</u>

MarketAxess Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2008

19. RELATED PARTIES

Under the terms of FRS8, "Related Party Disclosures", the Company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the Company is included are publicly available.

20. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking is MarketAxess Holdings Inc., 140 Broadway, 42nd Floor, New York, NY 10005. The ultimate parent undertaking is also the ultimate controlling party. The accounts of MarketAxess Holdings Inc. are available at the above address.