

Registration Number 06211806

Jane Street Financial Limited

Directors' Report and Financial Statements

Year Ended 31 December 2012

FRIDAY



L272W7KQ

LD6

26/04/2013

#84

COMPANIES HOUSE



Jane Street Financial Limited
Contents
Year Ended 31 December 2012

Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Profit and Loss Account	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11

Jane Street Financial Limited
Company Information
Year Ended 31 December 2012

Directors	R A Granieri (appointed 8 January 2013) D A Proctor (resigned 8 January 2013) I R Schaad O R Sharma
Company secretary	J S Mackenzie (appointed 12 November 2012) O R Sharma (resigned 12 November 2012)
Registered office	10 Chiswell Street London EC1Y 4UQ
Company number	06211806
FCA firm number	486546
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2012

The Directors present their report and the financial statements for the year ended 31 December 2012

Directors of the Company

The Directors who held office during the year were as follows

R A Granieri (appointed 8 January 2013)

D A Proctor (resigned 8 January 2013)

I R Schaad

O R Sharma

Principal activity and business review

Jane Street Financial Limited ('the Company') was formed in 2007 and commenced the provision of trading services to other Jane Street Group entities in 2009. The Company has provided such trading services to other Jane Street Group entities on an agency basis, for which it is compensated by Jane Street Europe Limited ("JSE") for and on behalf of Jane Street Holding, LLC ("JSH"). Such compensation is determined in line with the trading services agreement and transfer pricing arrangements. As a result of this compensation mechanism, key performance indicators are not set or measured on a standalone basis for the Company.

In 2012, the Company has continued to build upon the growth in 2011 and began trading on its own account in March 2012, while continuing to trade on an agency basis. The Directors are satisfied with the development of the Company in furtherance of Jane Street Group strategies and with its overall financial position at 31 December 2012.

The Company has achieved a profit for the year of \$5,344,752 (2011 profit of \$2,479,954). The statutory Profit and Loss account is provided on page 8.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") as a full scope BIPRU 730k firm and complies with all relevant requirements.

Subsequent events

The Directors have approved the allotment of additional capital post the Balance Sheet date (See note 23).

Future developments

Through 2013, the Company will continue with a mixed agency / principal trading model with the intent to expand its principal trading activities.

Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011 \$nil).

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2012

Going concern

Whilst the current economic environment has created a degree of economic uncertainty, the Directors have an expectation that there is both the intent and adequate resources, both in terms of liquidity and capital, for the Company to continue in operational existence for the foreseeable future. In making this assessment, a careful review of the risks and mitigations has been taken into account. Accordingly, the Directors continue to recommend that the accounts be prepared on a going concern basis.

Credit risk, liquidity risk and market risk

The risk appetite of the Company remains relatively low. Credit risk is limited as business is settled principally on a delivery versus payment basis, where associated credit risk is perceived to be minimal, and is also limited through secured financing transactions. Further, the Company only places deposits with highly rated credit institutions that have been approved by the Directors and for amounts not exceeding 100% of the Company's capital and audited reserves. Liquid cash assets exceed 100% of current liabilities and consequently the Directors consider that there are no probable scenarios where current liabilities cannot be met as they fall due. Market risk also remains relatively limited, in terms of size and nature of positions held, and this is monitored via an ongoing review versus risk appetite.

Directors' indemnities

In 2012 the Company did not provide third party indemnity insurance for the benefit of Directors.

Employer policy

All individuals whose time is allocated to the Company, either partially or wholly, are employees of JSE which maintains all employer policies. Refer to the Financial Statements of JSE for additional details.

Charitable donations

Charitable donations amounting to \$37 (2011: \$nil) were made by the Company during the financial year.

Creditor payment policy

JSE makes payments to suppliers on behalf of the Company. JSE agrees payment terms and conditions with suppliers. Once agreed, it is the policy to abide by the terms of the payment. Refer to the Financial Statements of JSE for additional details.

Pillar 3 disclosures

The Company's most recent Pillar 3 disclosures can be accessed on the internet at the following address: <http://www.janestreet.com/bojnirud/disclosures.pdf>. When prompted, the password is 'p111_jsf'.

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2012

Auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and for which they know the auditor is unaware.

Ernst & Young LLP has indicated its willingness to continue in office and a resolution for it to be reappointed as auditor will be presented at the next board meeting.

Approved by the Board of Directors on 25 April 2013 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R A Granieri', written in a cursive style.

R A Granieri
Director

Jane Street Financial Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2012

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

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Jane Street Financial Limited
Independent Auditor's Report
Year Ended 31 December 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF JANE STREET FINANCIAL LIMITED

We have audited the financial statements of Jane Street Financial Limited ("the Company") for the year ended 31 December 2012 which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements 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 2012 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.

Jane Street Financial Limited
Independent Auditor's Report
Year Ended 31 December 2012

Opinion on other matters 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

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



Janet Leslie (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 April 2013

Jane Street Financial Limited
Profit and Loss Account
Year Ended 31 December 2012

	Note	2012 \$000	2011 \$000
Revenues	2	31,358	22,833
Administrative expenses		<u>(24,238)</u>	<u>(19,444)</u>
Operating profit on ordinary activities before interest and taxation		7,120	3,389
Interest receivable and similar income	3	<u>4</u>	<u>-</u>
Profit on ordinary activities before taxation	4	7,124	3,389
Tax on profit on ordinary activities	5	<u>(1,779)</u>	<u>(909)</u>
Profit for the financial year		<u>5,345</u>	<u>2,480</u>

Revenues and operating profit are derived wholly from continuing operations

The Company has no recognised gains or losses for the year other than the results above

The notes starting on page 11 form an integral part of these financial statements

Jane Street Financial Limited
Balance Sheet
Year Ended 31 December 2012

	Note	2012 \$000	2011 \$000
Fixed Assets			
Tangible assets	10	370	454
		<u>370</u>	<u>454</u>
Current assets			
Debtors	11	17,783	349
Financial assets	13	10,184	-
Cash at bank	20	49,758	15,455
		<u>77,725</u>	<u>15,804</u>
Creditors' amounts falling due within one year			
Creditors	12	(19,260)	(6,149)
Financial liabilities	14	(5,381)	-
		<u>(24,641)</u>	<u>(6,149)</u>
Net current assets		<u>53,084</u>	<u>9,655</u>
Net assets		<u>53,454</u>	<u>10,109</u>
Capital and reserves			
Called up share capital	17	42,000	4,000
Profit and Loss account	19	11,454	6,109
Shareholder's funds	18	<u>53,454</u>	<u>10,109</u>

Approved by the Board of Directors on 25 April 2013 and signed on its behalf by:



R A Granieri
Director

The notes starting on page 11 form an integral part of these financial statements

Jane Street Financial Limited
Cash Flow Statement
Year Ended 31 December 2012

Reconciliation of operating profit to net cash flow from operating activities	Note	2012 \$000	2011 \$000
Profit on ordinary activities before taxation		7,124	3,389
Depreciation of tangible assets	10	84	-
(Increase) in financial instruments	13, 14	(4,803)	-
(Increase)/decrease in debtors	11	(17,331)	14
Increase in creditors	12	13,094	619
Foreign exchange gain on tax payments		-	(10)
Net cash (outflow)/inflow from operating activities		(1,832)	4,012
Taxation			
Tax paid		(1,865)	(959)
Capital Expenditure			
Purchase of tangible fixed assets	10	-	(454)
Financing			
Issuance of ordinary share capital	17	38,000	-
Increase in cash	20	34,303	2,599

Reconciliation of net cash flow to movement in funds	Note	2012 \$000	2011 \$000
Increase in cash		34,303	2,599
Movement in net funds	20	34,303	2,599
Net funds at 1 January	20	15,455	12,856
Net funds at 31 December	20	49,758	15,455

The notes starting on page 11 form an integral part of these financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). The financial statements have been prepared on a going concern basis and under the historical cost convention, excluding securities, derivatives and other financial instruments held for trading purposes, which are fair valued in accordance with applicable standards, as defined below.

Going concern basis

The financial statements have been prepared on a going concern basis taking into account the continuing support from the Company's parent, JSH. The risks and uncertainties facing the Company are discussed in the Going Concern and Credit Risk, Liquidity Risk and Market Risk sections of the Directors' Report. The Company's shareholder funds have increased from \$10,109,325 in 2011 to \$53,454,077 in 2012. The Company had cash of \$49,757,934 as at 31 December 2012. On 8 February 2013, \$100,000,000 of new \$1 shares were issued to support the Company's plans to expand trading activities, full consideration was received. Taking these factors into account, and given that the Directors are satisfied of the intent and ability of JSH to provide support to the Company, the Directors consequently present these financial statements on a going concern basis.

Changes in accounting policy

During 2012, no significant changes have been made to the accounting policies. However, a number of new standards have been adopted relating to the new trading activity, which commenced in March 2012. The Company has determined that newly issued guidance and standards in 2012 have no material impact on the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Where an amount is estimated, it is discussed and agreed by the Directors. The Directors do not consider there to be any significant estimates in the financial statements at year end.

Functional and presentation currency

The functional currency is US\$. The accounts have been presented in US\$.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In relation to the trading services agreement and transfer pricing arrangements, revenue is recognised and accrued through the year.

Amounts Charged to JSE

As discussed in the Directors' Report, the Company provides trading services on an agency basis to other Jane Street entities, for which it is compensated under the trading services agreement and transfer pricing arrangements.

Net Trading Income

The Company's net trading income includes movements in the fair value of financial instruments and trading profits and losses, including dividends and coupons, earned from principal trading in marketable securities.

Interest income and expense

Interest income and expense presented in the Profit and Loss account represents interest on other non-trading assets. Interest income and expense on all trading assets and liabilities are presented together with all other changes in fair value of trading assets and liabilities in net trading income (see note 2). The interest income and expense is accounted for on an accrual basis in the Profit and Loss account using the effective interest method and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

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 at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset would only be recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Company's taxable profits and its results as stated in financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Pension / retirement plan costs

Contributions payable to the defined contribution retirement benefit schemes are charged to the Profit and Loss account in the year to which they relate. Contributions are paid on behalf of the Company by other Jane Street Group entities.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

Fixed assets and depreciation

Fixed assets are recorded at cost less any provisions for impairment in value. Depreciation is provided on all fixed assets at the following annual rate in order to write off the cost less estimated residual value of each asset over its expected useful economic life

Asset class	Depreciation period (straight line)
Software	Licence term where specified, else over 3 years

Management of liquid resources

The Company includes cash at bank and cash in hand as liquid resources. Cash at bank is maintained in sight deposit accounts at highly rated financial institutions.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the Balance Sheet date. All exchange differences are included in the Profit and Loss account.

Transactions in foreign currencies are recorded using the daily rate on the day in which they are recorded in the Company accounts.

Non-monetary assets are measured on a historic cost basis and are translated using the exchange rate at the date of the transaction. They are not subsequently revalued for foreign currency movements.

Financial instruments

Financial instruments within the scope of FRS 26 are classified as financial assets or liabilities at fair value through the Profit and Loss account, loans and receivables, financial liabilities at amortised cost, available-for-sale investments or held-to-maturity investments. At year end the Company's financial instruments comprised the following:

(i) Financial assets or liabilities at fair value through the Profit and Loss account

Trading assets and liabilities are financial instruments that the Company acquired or acquires principally for the purpose of selling or repurchasing in the near term or are held as part of a portfolio that is managed together for short-term profit making. All trading assets and liabilities are classified as held for trading purposes under FRS 26.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the Balance Sheet with transaction costs taken directly to the Profit and Loss account. All changes in the fair value are recognised as part of net trading income in the Profit and Loss account. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(ii) Financial assets or liabilities at amortised cost

These include trade debtors and creditors and other short-term monetary assets and liabilities, which are initially recognised at cost and subsequently carried at amortised cost using the effective interest rate.

Fair value measurement

The Company accounts for financial instruments on a trade date basis and they are fair valued through the Profit and Loss account. The fair values of financial assets and financial liabilities are based on quoted market prices, consensus pricing bureaus or dealer price quotations for financial instruments traded in active markets. Where prices are not directly observable, the fair value is determined by third party valuation stochastic models where the input parameters are obtained from observable market data where available.

Fair value hierarchy

In determining the fair value of the financial instruments, the Company maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Company applies a hierarchy to categorise its fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1	quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
Level 3	techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Offsetting

The Company only offsets financial assets and liabilities and presents the net amount in the Balance Sheet where it:

- currently has a legally enforceable right to set off the recognised amounts, and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously

In accordance with UK GAAP the derivative trading positions are not netted and are presented on a gross basis within the Company's financial statements.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

Secured financing transactions

The Company enters into secured financing transactions with brokers to obtain securities for settlement and to finance inventory positions. Brokers provide title to long positions and have full rights of rehypothecation of these assets.

Secured financing transactions are recorded at the amount of cash collateral advanced or received plus accrued interest. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash, or other securities.

Securities subject to secured financing transactions are not recognised on, or derecognised from, the Balance Sheet, unless the risk and rewards of ownership are received or relinquished.

2 Revenues

Revenues are attributable to income from movements in the fair value of financial instruments, trading profits and losses, and amounts charged to JSE, exclusive of VAT (see note 22), in accordance with the trading services agreement and the transfer pricing arrangements.

Though revenues are attributable to the sources described above, it is the opinion of the Directors that due to the integrated nature of the Company's business, it is not meaningful to provide a segmented split of the Company's Balance Sheet or Profit and Loss.

Revenues

	2012	2011
	\$000	\$000
Amounts charged to JSE	29,797	22,833
Net trading income		
Principal transactions	3,503	-
Commissions and fees	(983)	-
Net interest payable	(24)	-
Net dividends payable	(935)	-
	<u>31,358</u>	<u>22,833</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

3 Interest receivable and similar income

	2012	2011
	\$000	\$000
Other interest receivable	4	-
	<u>4</u>	<u>-</u>

4 Operating profit

Operating Profit is stated after charging

	2012	2011
	\$000	\$000
Auditor's remuneration for the statutory audit of the financial statements*	53	35
Auditors remuneration for the provision of auxiliary services*	53	71
Depreciation of tangible assets (see note 10)	84	-
Gain on foreign currency revaluation	(11)	-
	<u>179</u>	<u>106</u>

*During 2011, the Company's auditor changed from Dixon Wilson to Ernst & Young LLP. The expenses above are aggregate expenses paid to both in 2011 (see note 6)

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

5 Tax on profit on ordinary activities

	2012	2011
	\$000	\$000
(a) Analysis of tax charge		
UK Corporation tax charge	1,792	909
Prior year adjustment	(30)	-
Total current tax charge	1,762	909
Deferred tax		
Origination and reversal of timing differences	17	-
Total deferred tax charge	17	-
Total tax on profit on ordinary activities	1,779	909

(b) Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2011 higher than) the average standard rate of corporation tax in the UK of 24.5% (2011 26.5%)

The differences are reconciled below

	2012	2011
	\$000	\$000
Profit on ordinary activities before taxation	7,124	3,389
Corporation tax at standard rate	1,745	898
Expenses not deductible for tax purposes	20	9
Prior year adjustment	(30)	2
Depreciation in excess of capital allowances	4	-
Foreign exchange adjustments	23	-
Total current tax	1,762	909

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

(c) Factors that may affect future tax charges

The UK government announced in the Finance Bill that the standard rate of corporation tax would be reduced to 23% from 1 April 2013. The bill has been substantively enacted on 3 July 2012 and accordingly the deferred tax balances at 31 December 2012 have been stated at 23%. A further rate reduction has been announced which will reduce the tax rate to 21% from 1 April 2014 and subsequently to 20% from 1 April 2015. These additional changes will be enacted separately.

The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 20% is expected to be \$2,221 (equivalent to 3% of the closing gross deferred tax balance).

Deferred tax

	2012	2011
	\$000	\$000
Liability as at 1 January	-	-
Charged to the Profit and Loss account	17	-
Liability as at 31 December	17	-

The deferred tax liability is comprised of

	2012	2011
	\$000	\$000
Accelerated capital allowances	17	-
Liability as at 31 December	17	-

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

6 Auditor's remuneration

	2012 \$000	2011 \$000
Current Auditor		
Audit of the financial statements	50	32
Other fees to current auditor		
Audit related assurance services	3	3
Taxation compliance services	19	15
All taxation advisory services	34	33
	<u>106</u>	<u>83</u>
Predecessor Auditor		
Audit of the financial statements	-	-
Other fees to predecessor auditor		
Taxation compliance services	-	2
All non-audit services not elsewhere allocated	-	21
	<u>-</u>	<u>23</u>
Total auditor's remuneration	<u>106</u>	<u>106</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

7 Directors' remuneration

	2012	2011
	\$000	\$000
Remuneration (including benefits in kind)	5,944	7,501
Company contributions to retirement plans	12	8
Total Directors' remuneration	5,956	7,509

The Directors' remuneration disclosed above includes the following amounts paid to the highest compensated Director

	2012	2011
	\$000	\$000
Remuneration (including benefits in kind)	4,688	5,821

The Directors of the Company are remunerated by other entities within the Jane Street Group. Remuneration is allocated between Jane Street Group entities on the basis of time spent and the amounts allocated to the Company are as disclosed above.

The Jane Street Group operates defined contribution pension schemes (retirement plans), the assets and liabilities of which are held separately from those of the Company. The costs are allocated between Jane Street Group entities as disclosed above. The amounts allocated to the Company, for the Directors, was \$11,552 (2011 \$7,687).

Contributions are paid by other Jane Street Group entities and therefore any unpaid contributions at year end are recognised in their accounts.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

8 Staff costs

The average number of persons (including relevant Directors) whose time was allocated to the Company, either partially or wholly, during the year was as follows

	2012	2011
	No	No
Back office	24	16
Front office	19	13
Management	2	2
Total average headcount	45	31

The aggregate payroll costs were as follows

	2012	2011
	\$000	\$000
Salaries, allowances and benefits in kind	17,593	15,610
Social security costs	814	471
Staff pension / retirement plan costs	209	154
Total payroll costs	18,616	16,235

Staff are remunerated by other entities within the Jane Street Group. Remuneration is allocated between Jane Street Group entities on the basis of time spent and the amounts allocated to the Company are as disclosed above.

9 Pension (retirement plans) costs

The Jane Street Group operates defined contribution pension schemes (retirement plans), the assets and liabilities of which are held separately from those of the Company. The costs are allocated between Jane Street Group entities as disclosed above. The amount charged against profit includes contributions by other Jane Street Group entities on behalf of the Company of \$209,189 (2011: \$153,449).

Contributions are paid by other Jane Street Group entities and therefore any unpaid contributions at year end are recognised in their respective accounts.

For this reason, contributions totalling \$nil (2011: \$nil) were payable by the Company at the end of the year.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

10 Tangible fixed assets

	Software	Total
	\$000	\$000
Cost		
At 31 December 2011	454	454
At 31 December 2012	<u>454</u>	<u>454</u>
Depreciation		
At 31 December 2011	-	-
Charge for the year	84	84
At 31 December 2012	<u>84</u>	<u>84</u>
Net book value		
At 31 December 2011	454	454
At 31 December 2012	<u>370</u>	<u>370</u>

11 Debtors

	2012	2011
	\$000	\$000
Amounts due from brokers		
Trade debtors	13,967	-
Amounts awaiting settlement	3,218	-
Collateral receivable	146	-
Other debtors		
Corporation tax recoverable	452	349
Total debtors	<u>17,783</u>	<u>349</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

12 Creditors

	2012	2011
	\$000	\$000
Amounts owed to Jane Street Group undertakings (see note 22)	2,643	6,012
Amounts due to brokers		
Trade creditors	4,582	-
Amounts awaiting settlement	11,473	-
Other creditors		
Other creditors	-	87
Accruals and deferred income	545	50
Deferred tax liability	17	-
Total creditors	19,260	6,149

13 Financial assets

	2012	2011
	\$000	\$000
Equity instruments*	10,175	-
Derivative financial assets	9	-
	10,184	-

*All settled long equity securities are delivered to brokers as collateral to secured financing transactions

14 Financial liabilities

	2012	2011
	\$000	\$000
Equity instruments	5,341	-
Derivative financial liabilities	40	-
	5,381	-

15 Financial instruments

The tables below analyse financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy each instrument is categorized. All financial instruments are classified as held for trading purposes under FRS 26.

	2012 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Assets measured at fair value				
Equity instruments	10,175	10,175	-	-
Derivatives financial assets	9	-	9	-
	<u>10,184</u>	<u>10,175</u>	<u>9</u>	<u>-</u>
Liabilities measured at fair value				
Equity instruments	5,341	5,341	-	-
Derivatives financial liabilities	40	-	40	-
	<u>5,381</u>	<u>5,341</u>	<u>40</u>	<u>-</u>

16 Financial Instrument Risk Exposures

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and other parameters.

The Company has market risk exposures both directly through its proprietary trading activities and indirectly through the trading services agreement and the transfer pricing arrangements, whereby the revenues earned by other Jane Street Group entities are subject to such risk and their resultant earnings subject to the transfer pricing methodology. These risks are managed by JSH. The Directors are satisfied that there is no probable scenario that would create a materially adverse impact on the amount of revenue received by the Company as under these agreements the Company does not incur losses arising elsewhere.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

The risks that the Company is directly exposed to are discussed below

Interest rate risk

The Company does not have significant exposure to interest rate fluctuations. The portfolio is comprised primarily of equity securities and all funding is on a LIBOR linked basis.

Equity price risk

The Company holds listed equity instruments and equity-linked derivatives. At 31 December 2012, the portfolio was primarily long risk in emerging market countries included in the MSCI Emerging Markets (EM) Index. The sensitivity analysis, in respect of these positions, is based on the assumption that if the MSCI EM Index increased/decreased by 10% with all other variables held constant, the equity share prices of the relevant companies would move according to historical correlation with the MSCI EM Index.

The following table shows the effect of a reasonably possible change in the MSCI EM Index.

	Change in MSCI EM Index	Effect on profit before tax and equity \$000
2012		
Ten percent increase in MSCI EM Index	10%	678
Ten percent decrease in MSCI EM Index	(10%)	(678)
2011		
Ten percent increase in MSCI EM Index	10%	-
Ten percent decrease in MSCI EM Index	(10%)	-

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

Foreign currency risk

At 31 December 2012, the Company was long emerging market (EM) currencies and short Western European (WE) currencies

The following tables demonstrate the sensitivity to a reasonably possible change in the EM and WE currency exchange rates against the US dollar with all other variables held constant

	Change in EM vs USD	Effect on profit before tax and equity \$000
2012		
Twelve percent increase in EM vs USD	12%	952
Twelve percent decrease in EM vs USD	(12%)	(952)
2011		
Twelve percent increase in EM vs USD	12%	-
Twelve percent decrease in EM vs USD	(12%)	-

	Change in WE vs USD	Effect on profit before tax and equity \$000
2012		
Eight percent increase in WE vs USD	8%	(262)
Eight percent decrease in WE vs USD	(8%)	262
2011		
Eight percent increase in WE vs USD	8%	-
Eight percent decrease in WE vs USD	(8%)	-

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

Credit Risk

In many instances the Company's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements ensure that the net position is settled in the event of default of either counterparty and effectively limit credit risk on gross exposures.

The Company's material credit exposures were to credit and financial institutions as per the below table.

Credit Rating	\$000
AA	39,358
A	11,279
Other	5,200

Liquidity Risk

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

	On demand	Due within 3 months	Total
	\$000	\$000	\$000
2012			
Financial liabilities	5,341	-	5,341
Derivative financial liabilities		40	40
Trade creditors	-	16,055	16,055
Amounts owed to Jane Street Group entities	2,643	-	2,643
Other creditors and deferred income	562	-	562
	<u>8,546</u>	<u>16,095</u>	<u>24,641</u>
2011			
Financial liabilities	-	-	-
Derivative financial liabilities			
Trade creditors	-	-	-
Amounts owed to Jane Street Group entities	6,012	-	6,012
Other creditors	137	-	137
	<u>6,149</u>	<u>-</u>	<u>6,149</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

17 Share Capital

	2012		2011	
Authorized	No. in 000's		No. in 000's	
Ordinary shares of \$1.00 each	<u>200,000</u>		<u>20,000</u>	
		2012		2011
Allotted, called up and fully paid	No. in 000's	\$000	No. in 000's	\$000
Ordinary shares of \$1.00 each	<u>42,000</u>	<u>42,000</u>	<u>4,000</u>	<u>4,000</u>

Capital management

The primary objectives of the Company's capital management policy is to ensure that the Company has sufficient resources to support the Company's existing and planned business and in doing so complies with the FCA's capital requirements. The Company determines its capital requirements through a comprehensive planning approach that takes account of projected business activity and after performing stress and scenario testing in accordance with internal and FCA requirements. The mix of instruments comprising regulatory capital is periodically reviewed to ensure the efficient allocation of resources from a Company and a broader Jane Street Group perspective.

The Company is subject to capital supervision via the UK FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms. This requires a firm to hold sufficient capital to underpin the solvency requirements related to credit, market and operational risk. The Company met its regulatory obligations throughout the year.

The regulatory capital of the Company comprises the following as at year end:

	2012	2011
	\$000	\$000
Tier 1 capital	<u>53,084</u>	<u>9,655</u>
Total regulatory capital	<u>53,084</u>	<u>9,655</u>

Total regulatory capital is comprised of Tier 1 capital made up of share capital, share premium and audited retained earnings less specified deductions. Audited retained earnings included 2012 retained earnings of \$5,344,752 (2011: \$2,479,954), which as of the date of signing of the accounts has been audited.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2012

18 Reconciliation of movement in shareholder's funds

	2012	2011
	\$000	\$000
Profit attributable to the member of the Company	5,345	2,480
New share capital allotted	38,000	-
Net addition to shareholder's funds	43,345	2,480
Shareholder's funds at 1 January	10,109	7,629
Shareholder's funds at 31 December	53,454	10,109

19 Profit and Loss reserves

	Profit and Loss account	Total
	\$000	\$000
At 1 January 2012	6,109	6,109
Profit for the year	5,345	5,345
At 31 December 2012	11,454	11,454

20 Analysis of net funds

	At 1 January 2012	Cash flow	At 31 December 2012
	\$000	\$000	\$000
Cash at bank	15,455	34,303	49,758
Net funds	15,455	34,303	49,758

21 Parent company

The Company is controlled by and is a wholly owned subsidiary of JSH, an entity that was formed under the laws of the State of Delaware in the United States of America. JSH is the only Jane Street Group entity producing consolidated accounts including the results of the Company.

22 Related party transactions

During the year the Company entered into the following related party transactions

The Company provides agency services to other entities within the Jane Street Group and for which, under the trading services agreement and transfer pricing arrangements, it was compensated by JSE for and on behalf of JSH in the amount of \$29,797,379 (2011 \$1,877,962)

JSE paid the operating expenses of the Company during the year. At the Balance Sheet date the amount due to JSE was \$2,424,979 (2011 \$5,793,422)

JSH ceased compensating the Company directly in 2011 and so the amount in 2012 was \$nil (2011 \$20,954,792). At the Balance Sheet date the amount due to JSH was \$176,153 (2011 \$176,153)

At the balance sheet date the Company had an amount due to Jane Street Capital, LLC (under common control) of \$41,997 (2011 \$41,997) arising from historic transactions

The Directors have interests in the capital of JSH, which is the Parent company of JSE and the Company, and therefore are interested in all transactions between these entities. Amounts due between Jane Street Group entities are interest free and are payable on demand

23 Events after the balance sheet date

On 8 February 2013, the Directors allotted 100 million shares to JSH for \$100,000,000 consideration to be used to support the Company's increased level of principal trading