

Registration Number: 06211806



# Jane Street

Jane Street Financial Limited

Reports and Financial Statements  
Year Ended 31 December 2016

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**Jane Street Financial Limited**  
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**Year Ended 31 December 2016**

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**Jane Street Financial Limited**  
**Company Information**  
**Year Ended 31 December 2016**

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<b>Directors</b>	D M Galkowski R A Granieri B Grundmann J S Mackenzie
<b>Company secretary</b>	D O Lawrie
<b>Registered office</b>	20 Fenchurch Street London EC3M 3BY
<b>Company number</b>	06211806
<b>FCA firm number</b>	486546
<b>Auditor</b>	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

**Jane Street Financial Limited**  
**Strategic Report**  
**Year Ended 31 December 2016**

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The Directors present their Strategic Report prepared in accordance with the provisions of section 414C of the Companies Act 2006 for the year ended 31 December 2016.

***Introduction and summary of principal activities***

Jane Street Financial Limited ("the Company") is a wholly-owned and controlled subsidiary of the ultimate parent of the Jane Street Group ("the Group" or "Group"), Jane Street Group, LLC ("the Parent" or "JSG").

The Company operates in three business sectors. The first business sector is principal and riskless principal trading activities in financial instruments. The second business sector is the provision of agency trading services to other companies in the Group. In the third business sector the Company serves as the investment manager for Jane Street Asia Capital Ltd ("JSAC"), an affiliate, through its position as a Foreign Portfolio Investor ("FPI").

The Company receives compensation for all trading and investment management activities performed on behalf of the Group in accordance with the trading services agreement and group transfer pricing arrangements. The Company charges Jane Street International Trading Limited ("JSIT"), an affiliate, for the amounts due under the transfer pricing agreement. The Company is also compensated by JSAC in the form of management and performance fees (see note 2).

The Company is headquartered in London, undertakes all business activities from this location and does not operate through branches in other jurisdictions. The Company is a member of, and market maker on, the London Stock Exchange plc, and a member of the SIX Swiss Exchange Ltd.

***Business Review***

The profit for the year was \$37,047 thousand, a 13% increase from the profit of \$32,688 thousand for the year ended 31 December 2015.

The table below sets out the key results and performance indicators for the year.

	<b>Year ended 2016 \$000</b>	<b>Year ended 2015 \$000</b>
Revenues	88,629	88,545
Profit for the financial year	37,047	32,688
Total Equity	251,081	214,034
Operating profit margin	44%	41%
Return on capital employed	16%	17%

Return on capital employed is calculated by dividing operating profit on ordinary activities before interest and taxation by net current assets plus intangibles. The statutory Statement of Comprehensive Income is provided on page 9.

The Directors have reviewed the Company's business model during the year, and have determined that in order to achieve the Group's objectives, the short term focus will be expanding both the riskless principal trading and agency trading models. The Company will continue to seek opportunities to further grow existing business activities, and will continue to deploy its resources accordingly to further the Group's wider goals.

As at the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 December 2016 not otherwise disclosed in this report.

***Risks and uncertainties***

Risks associated with the business are managed according to a common set of principals applied across the Group. These serve to mitigate the risks to which the Company is exposed, as described in further detail in note 14.

Considering the effectiveness of these risk management approaches, the financial position and performance of the Company as well as the economic environment, the Directors reasonably consider that there are adequate capital and liquidity resources for the Company to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to recommend that the accounts be prepared on a going concern basis.

**Approved by the Board of Directors on 26 April 2017 and signed on its behalf by:**



.....  
R A Granieri  
Director

**Jane Street Financial Limited**  
**Directors' Report**  
**Year Ended 31 December 2016**

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Company Registration Number: 06211806

The Directors present their report and the financial statements for the year ended 31 December 2016.

***Directors of the Company***

The Directors who held office during the year were as follows:

D M Galkowski  
R A Granieri  
B Grundmann  
J S Mackenzie

***Dividends***

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: \$nil).

***Directors' indemnities***

In 2016 the Company did not provide third party indemnity insurance for the benefit of Directors.

***Subsequent events***

The Company acquired third party indemnity insurance for the benefit of Directors and senior management effective 1 April 2017.

On 29 December 2016, the Company entered into a new Intercompany Services Agreement (the "Agreement") with Jane Street Europe Limited ("JSE"), an affiliate, JSIT and JSG. Under the previous arrangement, both the Company and JSIT were responsible for reimbursing JSE for expenses paid on their behalf. As per the Agreement, effective 1 January 2017, JSE will continue to provide and procure "Services" as defined by the Agreement; however, the Company's reimbursement to JSE will now be facilitated by JSIT on its behalf.

***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.

***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 'piii\_jsf'.

***Auditors***

Each Director has taken 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 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.

**Jane Street Financial Limited**  
**Directors' Report**  
**Year Ended 31 December 2016**

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Ernst & Young LLP has indicated its willingness to continue in office and they are reappointed as auditor under section 487(2) of the Companies Act 2006.

***Future developments***

Refer to the Business review section of the Strategic Report.

***Going concern and financial risk management***

Refer to the Risks and uncertainties section of the Strategic Report.

**Approved by the Board of Directors on 26 April 2017 and signed on its behalf by:**



.....  
R A Granieri  
Director

**Jane Street Financial Limited**  
**Statement of Directors' Responsibilities**  
**Year Ended 31 December 2016**

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The Directors are responsible for preparing the Strategic Report, 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 Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") (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.



## **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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 20. 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), including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and Directors' Report.

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

26.04.2017

**Jane Street Financial Limited**  
**Statement of Comprehensive Income**  
**Year Ended 31 December 2016**

	Note	2016 \$000	2015 \$000
Revenues	2	88,629	88,545
Administrative expenses		<u>(49,302)</u>	<u>(52,629)</u>
Operating profit on ordinary activities before interest and taxation		39,327	35,916
Interest receivable	3	<u>7,328</u>	<u>4,981</u>
Profit on ordinary activities before taxation	4	46,655	40,897
Tax on profit on ordinary activities	5	<u>(9,608)</u>	<u>(8,209)</u>
<b>Profit for the financial year</b>		<b><u>37,047</u></b>	<b><u>32,688</u></b>

Revenues and operating profit are derived wholly from continuing operations.

There are no components of other comprehensive income recognized as part of total comprehensive income outside profit or loss.

The notes starting on page 13 form an integral part of these financial statements.

**Jane Street Financial Limited**  
**Statement of Financial Position**  
**As at 31 December 2016**

	Note	2016 \$000	2015 \$000
<b>Fixed Assets</b>			
Intangible assets	8	569	67
<b>Current assets</b>			
Debtors	9	1,553,564	1,181,377
Financial assets	11	75,856	266,896
Inventories	15	399	949
Cash at bank	17	13,378	13,718
		<u>1,643,197</u>	<u>1,462,940</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	10	(1,363,374)	(934,420)
Financial liabilities	12	(29,311)	(314,553)
		<u>(1,392,685)</u>	<u>(1,248,973)</u>
Net current assets		250,512	213,967
<b>Net assets</b>		<u><b>251,081</b></u>	<u><b>214,034</b></u>
<b>Capital and reserves</b>			
Called up share capital	16	142,000	142,000
Profit and loss account		109,081	72,034
<b>Equity</b>		<u><b>251,081</b></u>	<u><b>214,034</b></u>

Approved by the Board of Directors on 26 April 2017 and signed on its behalf by:



R A Granieri  
Director

The notes starting on page 13 form an integral part of these financial statements.

Jane Street Financial Limited  
Statement of Changes in Equity  
Year Ended 31 December 2016

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	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
As at 1 January 2015	142,000	39,346	181,346
Profit for the year		32,688	32,688
<b>As at 31 December 2015</b>	<b>142,000</b>	<b>72,034</b>	<b>214,034</b>
Profit for the year		37,047	37,047
<b>As at 31 December 2016</b>	<b>142,000</b>	<b>109,081</b>	<b>251,081</b>

The notes starting on page 13 form an integral part of these financial statements.

**Jane Street Financial Limited**  
**Statement of Cash Flows**  
**Year Ended 31 December 2016**

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit on ordinary activities before interest and taxation		39,327	35,916
Amortization of intangible assets	8	124	101
Increase in debtors	9	(372,187)	(147,218)
Decrease in financial assets	11	191,040	2,888
Decrease/(increase) in inventories	15	550	(782)
Increase/(decrease) in creditors	10	428,954	(109,091)
(Decrease)/increase in financial liabilities	12	(285,242)	203,276
Tax under Group Payment Arrangement ("GPA")	5	(9,608)	(8,209)
<b>Net cash outflow from operating activities</b>		<b>(7,042)</b>	<b>(23,119)</b>
<b>Cashflows from investing activities</b>			
Interest received	3	7,328	4,981
Software implementation	8	(626)	-
<b>Net cash inflow from investing activities</b>		<b>6,702</b>	<b>4,981</b>
Decrease in cash		(340)	(18,138)
<b>Reconciliation of net cash flow to movement in funds</b>			
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$000</b>	<b>\$000</b>
Decrease in cash	17	(340)	(18,138)
Net funds as at 1 January	17	13,718	31,856
<b>Net funds as at 31 December</b>	<b>17</b>	<b>13,378</b>	<b>13,718</b>

The notes starting on page 13 form an integral part of these financial statements.

## 1 Accounting policies

### Basis of preparation

The Company is a limited liability company incorporated and domiciled in England. The registered office is Floor 30, 20 Fenchurch Street, London, England, EC3M 3BY.

The financial statements have been prepared in accordance with FRS 102. 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. The financial statements are rounded to the nearest \$000.

### Going concern

The Directors present these financial statements on a going concern basis based on their assessment of the ability of the Company to continue to manage the risks described in the Strategic Report.

### 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 United States dollars ("US\$") and the accounts are presented in US\$.

### Revenues

Revenues are 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 group transfer pricing arrangements, revenue is recognised and accrued through the year.

#### *Amounts Charged to UK affiliates and JSAC*

The Company receives compensation for all trading and investment management activities performed on behalf of the Group in accordance with the trading services agreement and group transfer pricing arrangements.

The Company serves as the investment manager for JSAC through its position as an FPI for which it is compensated by JSAC in the form of management and performance fees.

#### *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. Revenues in the Statement of Comprehensive Income are net of commissions and certain other trade related fees.

## 1 Accounting policies (continued)

Dividend income on equities owned and dividend expense on equities sold, not yet purchased are accounted for on an accruals basis and recorded on the ex-dividend date.

### Interest income and expense

Interest receivable presented in the Statement of Comprehensive Income 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 Revenues in the Statement of Comprehensive Income (see note 2). The interest income and expense is accounted for on an accrual basis in the Statement of Comprehensive Income using the effective interest method and are added to or subtracted from 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 the 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 Statement of Comprehensive Income in the year to which they relate. Contributions are paid on behalf of the Company by other Group entities.

### Intangible assets and amortization

Intangible assets are recorded at cost less any provisions for impairment in value. Amortization is provided on all intangible 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	Amortization period (straight line)
Software	Licence term where specified, otherwise over 3 years



**1 Accounting policies (continued)**

**Cash at bank and in hand**

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 Statement of Comprehensive Income.

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 102 are classified as basic financial instruments or other financial instruments not meeting the definition of basic financial instruments. At year end the Company's financial instruments comprised the following:

*(i) Basic financial instruments*

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

*(ii) Other financial instruments*

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 International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement ("IAS 39").

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the Statement of Financial Position with transaction costs taken directly to the Statement of Comprehensive Income. All changes in the fair value are recognised as part of Revenues in the Statement of Comprehensive Income (see note 2). Trading assets and liabilities are not reclassified subsequent to their initial recognition.

**Fair value measurement**

The Company accounts for financial instruments on a trade date basis and they are fair valued through the Statement of Comprehensive Income. The fair values of financial assets and financial liabilities are

## 1 Accounting policies (continued)

based on quoted market prices, consensus pricing bureaus or dealer price quotations for financial instruments traded in active markets.

### *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 Statement of Financial Position 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.

### **Inventories**

Inventories represent physical metals held by the Company. The Company accounts for inventories on a trade date basis and they are initially recognised and subsequently measured at fair value in the Statement of Financial Position with transaction costs taken directly to Revenues in the Statement of Comprehensive Income.

## 1 Accounting policies (continued)

All changes in the fair value are recognised as part of Revenues in the Statement of Comprehensive Income (see note 2).

### Secured financing transactions

The Company enters into secured financing transactions with brokers to obtain securities for settlement and to finance securities positions. The Company transfers title of long positions to brokers, who have full rights of rehypothecation over these assets.

Secured financing transactions are recorded as the amount of cash collateral advanced or received plus accrued interest. Securities borrowing 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 Statement of Financial Position, 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 UK affiliates and JSAC, exclusive of VAT.

	2016 \$000	2015 \$000
Amounts charged to UK affiliates	91,543	71,343
Amounts charged to JSAC	1,384	2,826
Net trading income		
Principal transactions	8,486	25,475
Commissions and fees	(9,050)	(8,279)
Interest and dividends	(3,734)	(2,820)
	<u>88,629</u>	<u>88,545</u>

## 3 Interest receivable

	2016 \$000	2015 \$000
Interest receivable from Group entities	7,327	4,978
Other interest receivable	<u>1</u>	<u>3</u>
	<u>7,328</u>	<u>4,981</u>

**Jane Street Financial Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2016**

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**4 Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Amortization of intangible assets (see note 8)	124	101
Operating lease rentals - buildings*	1,158	1,585
(Gain)/loss on foreign currency revaluation	(3)	10
<b>Auditor's remuneration</b>		
Audit of the financial statements	82	75
<b>Other fees to auditor</b>		
Audit related assurance services	8	3
Other assurance services	71	39
All taxation advisory services	21	55
<b>Total fees to auditor</b>	<u>182</u>	<u>172</u>

\*The corresponding leases are in the name of JSE.

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**5 Tax on profit on ordinary activities**

**(a) Analysis of tax charge**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
UK corporation tax charge	8,588	8,222
UK corporation tax bank surcharge	1,045	-
Prior year adjustment	(2)	15
<b>Total current tax charge</b>	<u>9,631</u>	<u>8,237</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(23)	(15)
Adjustments in respect of prior periods	-	(13)
<b>Total deferred tax charge</b>	<u>(23)</u>	<u>(28)</u>
<b>Total tax on profit on ordinary activities</b>	<u><u>9,608</u></u>	<u><u>8,209</u></u>

## 5 Tax on profit on ordinary activities (continued)

### (b) Factors affecting the tax charge for the year

Tax on profit on ordinary activities for the year is more than (2015: less than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 \$000	2015 \$000
Profit on ordinary activities before taxation	46,655	40,897
Corporation tax at standard rate	9,331	8,280
UK corporation tax bank surcharge	1,045	-
Expenses not deductible for tax purposes	34	31
Prior year adjustment	-	2
Difference between deferred and current tax rates	1	1
Foreign exchange adjustments	(803)	(105)
Total tax	9,608	8,209

### (c) Factors that may affect future tax charges

Reductions in the main rate of corporation tax to 19% from April 2017 and 17% from April 2020 were substantively enacted in Finance (No. 2) Act 2015 and Finance Act 2016 respectively. The Company meets the definition of a banking company in Part 7A CTA2010 and is therefore subject to an 8% surcharge on taxable profits in excess of £25,000,000 per year.

Deferred tax balances at 31 December 2016 are stated at a rate of 19% to reflect the average rates in which the differences are expected to reverse.

The deferred tax asset comprises:

	2016 \$000	2015 \$000
Timing differences between amortization and capital allowances	25	18
Other short term timing differences	32	16
Asset as at 31 December	57	34

## 5 Tax on profit on ordinary activities (continued)

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is \$5,000 (2015: \$10,000), relating to the reversal of short term timing differences. Capital allowances will be received in 2017 on assets that are fully depreciated in the accounts.

### (d) Group payment arrangement

The Company, along with its UK affiliates, has a GPA with HM Revenue & Customs, whereby JSE makes tax payments for and on behalf of the Company and JSIT. As a consequence, JSE allocates to the UK affiliates their portion of the tax expense.

## 6 Directors' remuneration

	2016 \$000	2015 \$000
Remuneration (including benefits in kind)	6,674	9,667
Company contributions to pension/retirement plans	17	22
Total Directors' remuneration	<u>6,691</u>	<u>9,689</u>

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

	2016 \$000	2015 \$000
Remuneration (including benefits in kind)	<u>2,656</u>	<u>4,880</u>
Total Director's remuneration	<u>2,656</u>	<u>4,880</u>

The Directors of the Company are remunerated by other entities within the Group. Directors' remuneration is allocated between Group entities on the basis of time spent by Directors for the period during which they served as Directors of the Company. The amounts allocated to the Company are as disclosed above.

## 6 Directors' remuneration (continued)

The 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 Group entities as previously disclosed. Of the Directors who served during the year, three (2015: four) Directors were members of the pension/retirement plans. Contributions are paid by other Group entities and therefore any unpaid contributions at year end are recognised in their accounts.

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## 7 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:

	2016	2015
Back office	76	58
Front office	41	33
Management	7	7
Total average headcount	<u>124</u>	<u>98</u>

The aggregate payroll costs were as follows:

	2016 \$000	2015 \$000
Salaries, allowances and benefits in kind	29,774	34,132
Social security costs	3,298	3,262
Staff pension / retirement plan costs	<u>478</u>	<u>491</u>
Total payroll costs	<u>33,550</u>	<u>37,885</u>

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

The 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 Group

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**7 Staff costs (continued)**

entities as previously disclosed. The amount charged against profit includes contributions by other Group entities on behalf of the Company of \$477,944 (2015: \$491,437). Contributions are paid by other Group entities and therefore any unpaid contributions at year end are recognised in their accounts.

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**8 Intangible assets**

	<b>Software \$000</b>
<b>Cost</b>	
At 31 December 2015	454
Additions	626
At 31 December 2016	<u>1,080</u>
<b>Amortization</b>	
At 31 December 2015	387
Charge for the year	124
At 31 December 2016	<u>511</u>
<b>Net book value</b>	
At 31 December 2015	<u>67</u>
At 31 December 2016	<u>569</u>

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**9 Debtors**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Amounts due from brokers		
Trade debtors	37,538	28,182
Amounts awaiting settlement	1,361,848	1,088,287
Other debtors		
Amounts due from Group undertakings	154,121	64,874
Deferred tax asset	57	34
<b>Total debtors</b>	<b>1,553,564</b>	<b>1,181,377</b>

No assets are past due or impaired at 31 December 2016.

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**10 Creditors**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Amounts due to brokers		
Trade creditors	142,729	313,641
Amounts awaiting settlement	1,206,357	610,982
Other creditors		
Amounts due to Group undertakings	14,000	9,568
Accruals	277	216
Corporation tax payable	11	13
<b>Total creditors</b>	<b>1,363,374</b>	<b>934,420</b>

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**11 Financial assets at fair value**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Equity instruments and exchange traded funds*	10,530	183,376
Debt securities*	64,799	81,777
Derivative financial assets	527	1,743
	<u>75,856</u>	<u>266,896</u>

\*The Company is the beneficial owner of all settled long securities, but title, along with the rehypothecation rights, are held by the prime broker as collateral for the secured financing transactions.

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**12 Financial liabilities at fair value**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Equity instruments and exchange traded funds	27,523	51,454
Debt securities	1,286	261,465
Derivative financial liabilities	502	1,634
	<u>29,311</u>	<u>314,553</u>

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**13 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 where each instrument is categorized. All financial instruments are classified as held for trading purposes under IAS 39.

The Company has no financial liabilities measured at fair value that are affected by changes in own credit risk.

Consequently the Company does not calculate credit or debit valuation adjustments. As such there are no changes in fair value of liabilities attributable to changes in credit risk, nor differences between the carrying amount of the liabilities and the amount to be contractually paid at maturity.

### 13 Financial instruments (continued)

The Company does not hold any level 3 financial instruments.

	2016 \$000	Level 1 \$000	Level 2 \$000
<b>Assets measured at fair value</b>			
Equity instruments and exchange traded funds	10,530	9,375	1,155
Debt securities	64,799	35,695	29,104
Derivative financial assets	527	-	527
	<u>75,856</u>	<u>45,070</u>	<u>30,786</u>
<b>Liabilities measured at fair value</b>			
Equity instruments and exchange traded funds	27,523	27,523	-
Debt securities	1,286	987	299
Derivative financial liabilities	502	-	502
	<u>29,311</u>	<u>28,510</u>	<u>801</u>
	2015 \$000	Level 1 \$000	Level 2 \$000
<b>Assets measured at fair value</b>			
Equity instruments and exchange traded funds	183,376	117,145	66,231
Debt securities	81,777	35,568	46,209
Derivative financial assets	1,743	-	1,743
	<u>266,896</u>	<u>152,713</u>	<u>114,183</u>
<b>Liabilities measured at fair value</b>			
Equity instruments and exchange traded funds	51,454	41,164	10,290
Debt securities	261,465	16,560	244,905
Derivative financial liabilities	1,634	-	1,634
	<u>314,553</u>	<u>57,724</u>	<u>256,829</u>

#### 14 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, equity prices, commodity prices and foreign exchange rates.

The Company has market risk exposures both directly through its proprietary trading activities and indirectly through the trading services agreement and the group transfer pricing arrangements, whereby the revenues earned by other Group entities are subject to such risk and their resultant earnings subject to the transfer pricing methodology. These risks are managed by JSG. 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 bear the impact of losses arising elsewhere.

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

##### *Interest rate risk*

The Company's interest rate risk arises from holdings in financial instruments, which give rise to price sensitivity with respect to interest.

The following table demonstrates the impact on profit and loss of a severe but plausible change in interest rates with all other variables held constant.

	Change in Interest Rates	Effect on profit before tax and equity
<b>2016</b>		
One hundred basis point increase in interest rates	100bps	(159)
One hundred basis point decrease in interest rates	(100bps)	159
	Change in Interest Rates	Effect on profit before tax and equity
<b>2015</b>		
One hundred basis point increase in interest rates	100bps	9,363
One hundred basis point decrease in interest rates	(100bps)	(9,363)

#### 14 Financial instrument risk exposures (continued)

##### *Equity price risk*

The Company holds equity-linked exchange traded products. At 31 December 2016, the portfolio was primarily long risk in securities which track the MSCI Emerging Market ("EM") Index and long risk securities which track the MSCI Developed Market ("DV") Index (2015: long MSCI EM and long MSCI DV).

The following table demonstrates the impact on profit and loss of a severe but plausible change in the index with all other variables held constant.

	Change in MSCI EM Index	Effect on profit before tax and equity
<b>2016</b>		
Fourteen percent increase in MSCI EM Index	14%	1,443
Fourteen percent decrease in MSCI EM Index	(14%)	(1,443)
	Change in MSCI DV Index	Effect on profit before tax and equity
<b>2016</b>		
Ten percent increase in MSCI DV Index	10%	1
Ten percent decrease in MSCI DV Index	(10%)	(1)
	Change in MSCI EM Index	Effect on profit before tax and equity
<b>2015</b>		
Fourteen percent increase in MSCI EM Index	14%	133
Fourteen percent decrease in MSCI EM Index	(14%)	(133)
	Change in MSCI DV Index	Effect on profit before tax and equity
<b>2015</b>		
Ten percent increase in MSCI DV Index	10%	212
Ten percent decrease in MSCI DV Index	(10%)	(212)

#### 14 Financial instrument risk exposures (continued)

##### *Commodity price risk*

The Company's commodity price risk arises from physical metals positions and positions in financial instruments, which give rise to price sensitivity with respect to changes in the values of commodities. At 31 December 2016, the portfolio was primarily long risk in commodities and commodity related instruments (2015: primarily long risk in commodities and commodity related instruments).

The following table demonstrates the impact on profit and loss of a severe but plausible change in commodity prices with all other variables held constant.

	Change in Commodity Prices	Effect on profit before tax and equity
<b>2016</b>		
Fifteen percent increase in commodity prices	15%	358
Fifteen percent decrease in commodity prices	(15%)	(358)
	Change in Commodity Prices	Effect on profit before tax and equity
<b>2015</b>		
Fifteen percent increase in commodity prices	15%	910
Fifteen percent decrease in commodity prices	(15%)	(910)

##### *Foreign currency risk*

At 31 December 2016, the Company was long emerging market currency exposure and long developed country currency exposure (2015: short EM and long DV).

The following tables demonstrate the impact on profit and loss of a severe but plausible change in the foreign currency exchange rates against the US dollar with all other variables held constant.

**14 Financial instrument risk exposures (continued)**

	<b>Change in EM vs USD</b>	<b>Effect on profit before tax and equity</b>
<b>2016</b>		
Twelve percent increase in EM vs USD	12%	1,915
Twelve percent decrease in EM vs USD	(12%)	(1,915)

	<b>Change in DV vs USD</b>	<b>Effect on profit before tax and equity</b>
<b>2016</b>		
Eight percent increase in DV vs USD	8%	458
Eight percent decrease in DV vs USD	(8%)	(458)

	<b>Change in EM vs USD</b>	<b>Effect on profit before tax and equity</b>
<b>2015</b>		
Twelve percent increase in EM vs USD	12%	(595)
Twelve percent decrease in EM vs USD	(12%)	595

	<b>Change in DV vs USD</b>	<b>Effect on profit before tax and equity</b>
<b>2015</b>		
Eight percent increase in DV vs USD	8%	202
Eight percent decrease in DV vs USD	(8%)	(202)

#### 14 Financial instrument risk exposures (continued)

##### *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.

	<b>2016</b>
	<b>\$000</b>
<b>Credit rating</b>	
AAA to AA-	16,673
A+ to BBB-	7,693
Other	167,339

	<b>2015</b>
	<b>\$000</b>
<b>Credit rating</b>	
AAA to AA-	10,554
A+ to BBB-	10,438
Other	75,384



#### 14 Financial instrument risk exposures (continued)

##### *Liquidity Risk*

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2016 and as at 31 December 2015 based on contractual undiscounted payments.

	On demand \$000	Due within 6 months \$000	Total \$000
<b>2016</b>			
Financial liabilities	-	28,809	28,809
Derivative financial liabilities	-	502	502
Amounts due to brokers	-	1,349,086	1,349,086
Amounts owed to Group entities	14,000	-	14,000
Accruals and other payables	288	-	288
	<u>14,288</u>	<u>1,378,397</u>	<u>1,392,685</u>

	On demand \$000	Due within 6 months \$000	Total \$000
<b>2015</b>			
Financial liabilities	-	312,919	312,919
Derivative financial liabilities	-	1,634	1,634
Amounts due to brokers	-	924,623	924,623
Amounts owed to Group entities	9,568	-	9,568
Accruals and other payables	229	-	229
	<u>9,797</u>	<u>1,239,176</u>	<u>1,248,973</u>

#### 14 Financial instrument risk exposures (continued)

##### *Other risk*

The Company holds Collective Investment Undertaking ("CIU") securities. At 31 December 2016, the portfolio was primarily long risk in these securities (2015: long CIU).

The following table demonstrates the impact on profit and loss of a severe but plausible change in CIU prices with all other variables held constant.

	Change in CIU Prices	Effect on profit before tax and equity
<b>2016</b>		
Ten percent increase in CIU prices	10%	130
Ten percent decrease in CIU prices	(10%)	(130)
	Change in CIU Prices	Effect on profit before tax and equity
<b>2015</b>		
Ten percent increase in CIU prices	10%	298
Ten percent decrease in CIU prices	(10%)	(298)

Additionally, the Company maintains a long position in short-dated out of the money index put options. For a severe but plausible change in underlying indices, where the indices prices change +/- 10%, there is no material effect on profit before tax and equity due to the price insensitivity of the options. However, for a very severe decline in underlying indices the Company could make a significant profit.

On 29 March 2017, the UK triggered Article 50 to initiate leaving the European Union ("EU"). The impact of this process remains unknown as the UK government is yet to agree the terms and conditions which will apply following its departure from the EU. The time-frame allowed for Article 50 is two years, and extension can only be granted by unanimous agreement from all EU countries. Until such time as formal terms are agreed, there is a high degree of uncertainty and consequently market volatility is expected. The impact of this volatility and uncertainty on the Company is yet to be determined. To date, there have been no matters that warrant adjustment to the financial results as at 31 December 2016 and for the year then ended.

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**15 Inventories**

	2016 \$000	2015 \$000
Physical metals	399	949
	<u>399</u>	<u>949</u>

**16 Share capital**

**Authorized Shares**

Following a written resolution of the shareholder on 28 August 2015, in accordance with paragraph 43(1) of Schedule 2 to the Companies Act 2006 (Commencement No. 8, Transitional Provisions and Savings) Order 2008 (SI 2008/2860), the Directors were given the power to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company under section 550 of the Companies Act 2006. This authority superseded the previous resolution of the shareholder on 7 March 2012 authorising the increase of the Company's authorised share capital to \$200,000,000 of ordinary shares of \$1.00 each.

	No. in 000's	2016 \$000	No. in 000's	2015 \$000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of \$1.00 each	<u>142,000</u>	<u>142,000</u>	<u>142,000</u>	<u>142,000</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 Financial Conduct Authorities' ("FCA") capital requirements. The Company determines its capital requirements through a comprehensive planning approach that takes into account projected business activity and incorporates stress and scenario testing in accordance with internal and FCA requirements. The instruments comprising regulatory capital are periodically reviewed to ensure the efficient allocation of resources from a Company and a broader Group perspective.

The Company is subject to capital supervision by the FCA which 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.

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# 16 Share capital (continued)

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

	2016 \$000	2015 \$000
Capital and reserves	251,081	214,034
Less: Tier 1 deductions	(135,617)	(60,742)
<b>Total regulatory capital</b>	<b>115,464</b>	<b>153,292</b>

Total regulatory capital is comprised of Tier 1 capital, made up of share capital and audited retained earnings, less specified deductions. Audited retained earnings include 2016 retained earnings of \$37,047 thousand (2015: \$32,688 thousand) which as of the date of signing the accounts have been audited.

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# 17 Analysis of net funds

	At 1 January 2016 \$000	Cash flow \$000	At 31 December 2016 \$000
Cash at bank	13,718	(340)	13,378
	<u>13,718</u>	<u>(340)</u>	<u>13,378</u>

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# 18 Related party transactions

Included within Debtors in the Statement of Financial Position is an amount of \$977,257 (2015: \$2,341,535) due from JSAC. An amount of \$16,570,358 (2015: \$1,277,683) is also due from JSIT (see note 9). An amount of \$54 (2015: \$7,248), excluding the Loan Note and related interest receivable described below, is due from the Parent as at 31 December 2016.

As at 31 December 2016, the Company has an outstanding Loan Note from the Parent for \$135,000,000 (2015: \$60,000,000). This amount is reflected as a portion of Debtors in the Statement of Financial Position. The Company charges interest on the outstanding principal amount of the Loan Note at a commercial rate. Interest receivable as at 31 December 2016 is \$1,573,065 (2015: \$1,246,530) and represents the unpaid portion of this interest (see note 9).

**18 Related party transactions (continued)**

Included within Creditors in the Statement of Financial Position is an amount of \$548,007 (2015: \$984,804) due to Jane Street Global Trading, LLC. An amount of \$13,451,559 (2015: \$8,583,350) is also due to JSE (see note 10).

Total compensation of key management personnel (including the Directors) in the year amounted to \$12,912,338 (2015: \$16,855,864).

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**19 Parent company**

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

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**20 Post Balance Sheet Events**

The Company acquired third party indemnity insurance for the benefit of Directors and senior management effective 1 April 2017.

On 29 December 2016, the Company entered into the Agreement with JSE, JSIT and JSG. Under the previous arrangement, both the Company and JSIT were responsible for reimbursing JSE for expenses paid on their behalf. As per the Agreement, effective 1 January 2017, JSE will continue to provide and procure "Services" as defined by the Agreement; however, the Company's reimbursement to JSE will now be facilitated by JSIT on its behalf.