

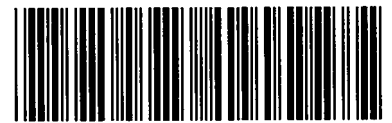
Registration Number: 06211806

Jane Street Financial Limited

Reports and Financial Statements

Year Ended 31 December 2013

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Jane Street Financial Limited
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Year Ended 31 December 2013

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Jane Street Financial Limited
Company Information
Year Ended 31 December 2013

Directors	D M Galkowski R A Granieri B Grundmann
Company secretary	J S Mackenzie
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
Strategic Report
Year Ended 31 December 2013

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 2013.

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. Through the 2013 calendar year this parent was Jane Street Holding, LLC ("the Parent" or "JSH"). A Jane Street reorganisation occurred on 1 January 2014 and had the effect of transferring the Company to a new parent, Jane Street Group, LLC ("JSG"). For the respective periods the noted parents were also the ultimate parent of the Company.

During the year the Company continued to operate two business sectors. The first business sector is to carry on principal trading activities in financial instruments. The second business sector the Company operates in is the provision of agency trading services to other companies in the Jane Street Group for which it is compensated in accordance with the trading services agreement and group transfer pricing arrangements. The Company charged Jane Street Europe Limited ("JSE") for the amounts due under the agreement (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 the London Stock Exchange.

Business Review

The profit for the year was \$13,519,382 a 153% increase from the profit of \$5,344,752 for the year ended 31 December 2012. The Company has seen a significant increase in activity and revenues in both business sectors. This has generated the positive results for the year.

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

	Year ended 2013 \$000	Year ended 2012 \$000
Turnover	62,809	31,358
Profit for the financial year	13,519	5,345
Total shareholder's funds	166,973	53,454
Operating profit margin	28%	23%
Return on capital employed	11%	13%

Return on capital employed is calculated by dividing net operating profit by net current assets plus fixed assets. The statutory profit and loss account is provided on page 9.

Jane Street Financial Limited
Strategic Report
Year Ended 31 December 2013

On 8 February 2013, 100 million ordinary shares of \$1 each were issued and allotted to the Company's parent, JSH. In consideration, JSH made a payment of \$100,000,000 to the Company (see note 17).

The Directors anticipate no significant changes to the Company's business model in the foreseeable future and from enquiries made of the Parent understand that the Company will be permitted to continue to develop its business strategy by deploying its resources in furtherance of the Jane Street Group's objective.

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 2013 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 Jane Street Group. These serve to mitigate the risks to which the Company is exposed, as described in further detail in note 16.

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 24 April 2014 and signed on its behalf by:



.....
R A Granieri
Director

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2013

The Directors present their report and the financial statements for the year ended 31 December 2013.

Directors of the Company

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

D M Galkowski (appointed 12 February 2014)

R A Granieri (appointed 8 January 2013)

B Grundmann (appointed 12 February 2014)

D A Proctor (resigned 8 January 2013)

I R Schaad (resigned 12 February 2014)

O R Sharma (resigned 12 February 2014)

E E Stokes (appointed 16 August 2013, resigned 10 January 2014)

Subsequent events

There was a group reorganization post the balance sheet date. This resulted in the Company's ultimate parent changing from JSH to JSG (see note 22).

Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: \$nil).

Directors' indemnities

In 2013 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.

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 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 they are reappointed as auditor.

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2013

Approved by the Board of Directors on 24 April 2014 and signed on its behalf by:



.....
R A Granieri
Director

Jane Street Financial Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2013

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 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.

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 2013 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds, the Cash Flow Statement, and the related notes 1 to 22. 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 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

Jane Street Financial Limited
Independent Auditor's Report
Year Ended 31 December 2013

- 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 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.

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 2014

Jane Street Financial Limited
Profit and Loss Account
Year Ended 31 December 2013

	Note	2013 \$000	2012 \$000
Revenues	2	62,809	31,358
Administrative expenses		<u>(45,052)</u>	<u>(24,238)</u>
Operating profit on ordinary activities before interest and taxation		17,757	7,120
Interest receivable and similar income	3	<u>2</u>	<u>4</u>
Profit on ordinary activities before taxation	4	17,759	7,124
Tax on profit on ordinary activities	5	<u>(4,240)</u>	<u>(1,779)</u>
Profit for the financial year		<u><u>13,519</u></u>	<u><u>5,345</u></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 13 form an integral part of these financial statements.

Jane Street Financial Limited
Balance Sheet
Year Ended 31 December 2013

	Note	2013 \$000	2012 \$000
Fixed Assets			
Tangible assets	10	269	370
Current assets			
Debtors	11	818,556	17,783
Financial assets	13	258,844	10,184
Cash at bank	19	42,259	49,758
		<u>1,119,659</u>	<u>77,725</u>
Creditors: amounts falling due within one year			
Creditors	12	(715,744)	(19,260)
Financial liabilities	14	(237,211)	(5,381)
		<u>(952,955)</u>	<u>(24,641)</u>
Net current assets		166,704	53,084
Net assets		<u>166,973</u>	<u>53,454</u>
Capital and reserves			
Called up share capital	17	142,000	42,000
Profit and loss account	18	24,973	11,454
Shareholder's funds		<u>166,973</u>	<u>53,454</u>

Approved by the Board of Directors on 24 April 2014 and signed on its behalf by:



 R A Granieri
 Director

25 April 2014

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

Jane Street Financial Limited

Reconciliation of Movements in Shareholder's Funds

Year Ended 31 December 2013

	Note	2013 \$000	2012 \$000
Profit attributable to the member of the Company		13,519	5,345
New share capital allotted	17	<u>100,000</u>	<u>38,000</u>
Net addition to shareholder's funds		113,519	43,345
Shareholder's funds at 1 January		<u>53,454</u>	<u>10,109</u>
Shareholder's funds at 31 December		<u><u>166,973</u></u>	<u><u>53,454</u></u>

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

Jane Street Financial Limited
Cash Flow Statement
Year Ended 31 December 2013

Reconciliation of operating profit to net cash flow from operating activities		2013	2012
	Note	\$000	\$000
Profit on ordinary activities before taxation		17,759	7,124
Depreciation of tangible assets	10	101	84
Increase in financial instruments	13, 14	(16,830)	(4,803)
Increase in debtors – amounts due from brokers	11	(741,070)	(17,331)
Increase in debtors – amounts due from group undertakings	11	(60,000)	-
Increase in creditors (excluding tax)	12	696,496	13,094
Net cash outflow from operating activities		(103,544)	(1,832)
Taxation			
Tax paid		(3,955)	(1,865)
Financing			
Issuance of ordinary share capital	17	100,000	38,000
(Decrease)/increase in cash	19	(7,499)	34,303

Reconciliation of net cash flow to movement in funds		2013	2012
	Note	\$000	\$000
(Decrease)/increase in cash		(7,499)	34,303
Movement in net funds	19	(7,499)	34,303
Net funds at 1 January	19	49,758	15,455
Net funds at 31 December	19	42,259	49,758

The notes starting on page 13 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 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.

Changes in accounting policy

During 2013, no significant changes have been made to the accounting policies.

New accounting standards that are not yet effective

FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

The three standards will replace the existing UK GAAP.

FRS 100 sets out the financial reporting requirements for UK and Republic of Ireland entities. The framework provides entities with the option for the basis of preparation of the financial statements, Financial Reporting Standard for Smaller Entities ("FRSSE") (only for eligible entities), FRS 101, FRS 102 or EU-adopted International Financial Reporting Standards ("EU-IFRS").

FRS 101 sets out a reduced disclosure framework, which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-IFRS. Financial statements prepared under the standard will be defined as Companies Act Accounts under the Companies Act 2006.

FRS 102 provides a single financial reporting standard that applies to the financial statements of entities that are not applying EU-IFRS or FRS 101. The FRS requirements are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") but have retained some of the accounting options which exist under the existing UK GAAP and are permitted under IFRS but are not included within IFRS for SMEs.

The standards are effective for annual reporting beginning on or after 1 January 2015, with early application permitted. The Company is continuing to assess which of FRS 101, FRS 102 or EU-IFRS it will adopt and the full impact of implementation.

1 Accounting policies (continued)

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\$ and the accounts are presented in US\$.

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

Amounts Charged to JSE

The Company provides agency trading services to other entities in the Jane Street Group, for which it is compensated under the trading services agreement and group 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.

1 Accounting policies (continued)

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 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.

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.

1 Accounting policies (continued)

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 recognized at cost and subsequently carried at amortised cost using the effective interest rate.

1 Accounting policies (continued)

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

1 Accounting policies (continued)

Secured financing transactions

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

Secured financing transactions are recorded at 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 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.

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

	2013	2012
	\$000	\$000
Amounts charged to JSE	43,949	29,797
Net trading income		
Principal transactions	31,479	3,503
Commissions and fees	(10,690)	(983)
Interest and dividends	(1,929)	(959)
	<u>62,809</u>	<u>31,358</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2013

3 Interest receivable and similar income

	2013	2012
	\$000	\$000
Other interest receivable	2	4
	<u>2</u>	<u>4</u>

4 Operating profit

Operating profit is stated after charging:

	2013	2012
	\$000	\$000
Depreciation of tangible assets (see note 10)	101	84
Gain on foreign currency revaluation	(20)	(11)
	<u>81</u>	<u>73</u>

5 Tax on profit on ordinary activities

(a) Analysis of tax charge

	2013	2012
	\$000	\$000
UK corporation tax charge	4,247	1,792
Prior year adjustment	5	(30)
Total current tax charge	<u>4,252</u>	<u>1,762</u>
Deferred tax		
Origination and reversal of timing differences	(10)	17
Effect of tax rate change on opening balance	(2)	-
Total deferred tax charge	<u>(12)</u>	<u>17</u>
Total tax on profit on ordinary activities	<u>4,240</u>	<u>1,779</u>

5 Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2012: higher than) the average standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

The differences are reconciled below:

	2013 \$000	2012 \$000
Profit on ordinary activities before taxation	17,759	7,124
Corporation tax at standard rate	4,129	1,745
Expenses not deductible for tax purposes	27	20
Prior year adjustment	5	(30)
Depreciation in excess of capital allowances	11	4
Foreign exchange adjustments	80	23
Total current tax	4,252	1,762

(c) Factors that may affect future tax charges

Reductions in the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015 were substantively enacted in the Finance Act 2013.

Deferred tax balances at 31 December 2013 are stated at a rate of 20%.

Deferred tax

	2013 \$000	2012 \$000
Liability as at 1 January	17	-
Charged to the profit and loss account	(12)	17
Liability as at 31 December	5	17

The deferred tax liability is comprised of

	2013 \$000	2012 \$000
Accelerated capital allowances	5	17
Liability as at 31 December	5	17

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2013

6 Auditor's remuneration

	2013	2012
	\$000	\$000
Audit of the financial statements	82	50
Other fees to auditor		
Audit related assurance services	3	3
Taxation compliance services	-	19
All taxation advisory services	12	34
	<u>97</u>	<u>106</u>

7 Directors' remuneration

	2013	2012
	\$000	\$000
Remuneration (including benefits in kind)	11,920	5,944
Company contributions to retirement plans	1	12
Total Directors' remuneration	<u>11,921</u>	<u>5,956</u>

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

	2013	2012
	\$000	\$000
Remuneration (including benefits in kind)	9,209	4,688
Company contributions to retirement plans	-	-
Total Director's remuneration	<u>9,209</u>	<u>4,688</u>

The Directors of the Company are remunerated by other entities within the Jane Street Group. Directors' remuneration is allocated between Jane Street 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.

7 Directors' remuneration (continued)

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 previously disclosed. The amounts allocated to the Company, for the Directors, was \$860 (2012: \$11,552).

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

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:

	2013	2012
	No.	No.
Back office	39	24
Front office	23	19
Management	2	2
Total average headcount	64	45

The aggregate payroll costs were as follows:

	2013	2012
	\$000	\$000
Salaries, allowances and benefits in kind	34,545	17,593
Social security costs	1,787	814
Staff pension / retirement plan costs	343	209
Total payroll costs	36,675	18,616

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 previously disclosed. The amount charged against profit includes contributions by other Jane Street Group entities on behalf of the Company of \$343,200 (2012: \$209,189).

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

10 Tangible fixed assets

	Software \$000	Total \$000
Cost		
At 31 December 2012	454	454
At 31 December 2013	<u>454</u>	<u>454</u>
Depreciation		
At 31 December 2012	84	84
Charge for the year	101	101
At 31 December 2013	<u>185</u>	<u>185</u>
Net book value		
At 31 December 2012	370	370
At 31 December 2013	<u>269</u>	<u>269</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2013

11 Debtors

	2013	2012
	\$000	\$000
Amounts due from brokers		
Trade debtors	8,744	13,967
Amounts awaiting settlement	749,657	3,218
Collateral receivable	-	146
Other debtors		
Amounts due from group undertakings	60,000	-
Corporation tax recoverable	155	452
Total debtors	818,556	17,783

No assets are past due or impaired at 31 December 2013.

12 Creditors

	2013	2012
	\$000	\$000
Amounts due to brokers		
Trade creditors	331,366	4,582
Amounts awaiting settlement	382,059	11,473
Other creditors		
Amounts due to group undertakings	1,774	2,643
Accruals and deferred income	282	545
Other payables	258	-
Deferred tax liability	5	17
Total creditors	715,744	19,260

In 2012, a bid offer reserve was included in deferred income. In 2013, appropriate adjustments were made to the fair value of financial assets and financial liabilities to value them at the more prudent of bid or offer.

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13 Financial assets

	2013	2012
	\$000	\$000
Equity instruments and exchange traded funds*	228,515	10,175
Debt securities*	30,245	-
Derivative financial assets	84	9
	<u>258,844</u>	<u>10,184</u>

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

No assets are past due or impaired at 31 December 2013.

14 Financial liabilities

	2013	2012
	\$000	\$000
Equity instruments and exchange traded funds	83,611	5,341
Debt securities	153,054	-
Derivative financial liabilities	546	40
	<u>237,211</u>	<u>5,381</u>

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. There have been no material movements between level 1 and level 2 for the year ended 31 December 2013. All financial instruments are classified as held for trading purposes under FRS 26.

The Company has:

- no financial liabilities measured at fair value that are affected by changes in own credit risk
- no over-the-counter derivatives

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

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15 Financial instruments (continued)

	2013 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Assets measured at fair value				
Equity instruments and exchange traded funds	228,515	228,515	-	-
Debt securities	30,245	-	30,245	-
Derivatives financial assets	84	-	84	-
	<u>258,844</u>	<u>228,515</u>	<u>30,329</u>	<u>-</u>
Liabilities measured at fair value				
Equity instruments and exchange traded funds	83,611	83,611	-	-
Debt securities	153,054	-	153,054	-
Derivatives financial liabilities	546	-	546	-
	<u>237,211</u>	<u>83,611</u>	<u>153,600</u>	<u>-</u>
	2012 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Assets measured at fair value				
Equity instruments and exchange traded funds	10,175	10,175	-	-
Debt securities	-	-	-	-
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 and exchange traded funds	5,341	5,341	-	-
Debt securities	-	-	-	-
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, 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 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 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 yields (2012: the Company did not have significant exposure to interest rate risk).

The following table demonstrates the profit and loss effect 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 \$000
2013		
One hundred basis point increase in interest rates	100bps	2,788
One hundred basis point decrease in interest rates	(100bps)	(2,904)

16 Financial instrument risk exposures (continued)

Equity price risk

The Company holds equity-linked derivatives. At 31 December 2013, the portfolio was primarily long risk in securities which track the MSCI Japan Index (2012: long countries included in the MSCI Emerging Markets (EM) Index).

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

	Change in MSCI Japan Index	Effect on profit before tax and equity \$000
2013		
Ten percent increase in MSCI Japan Index	10%	770
Ten percent decrease in MSCI Japan Index	(10%)	(770)
	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)

Additionally the Company maintains a long position in short-dated out of the money index put options. For most severe but plausible scenarios these are insensitive to moves but for very severe moves the Company could make a significant profit.

16 Financial instrument risk exposures (continued)

Commodity price risk

The Company's commodity price risk arises from positions in financial instruments, which give rise to price sensitivity with respect to changes in the values of commodities (2012: the Company did not have exposure to commodity price risk).

The following table demonstrates the profit and loss effect 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 \$000
2013		
Fifteen percent increase in commodity prices	15%	(702)
Fifteen percent decrease in commodity prices	(15%)	702

16 Financial instrument risk exposures (continued)

Foreign currency risk

At 31 December 2013, the Company was long emerging market (EM) currency exposure and short developed (DV) country currency exposure (2012: long EM and short DV).

The following tables demonstrate the profit and loss effect of a severe but plausible change in the foreign 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
2013		
Twelve percent increase in EM vs USD	12%	650
Twelve percent decrease in EM vs USD	(12%)	(650)

	Change in DV vs USD	Effect on profit before tax and equity \$000
2013		
Eight percent increase in DV vs USD	8%	(1,658)
Eight percent decrease in DV vs USD	(8%)	1,658

	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)

	Change in DV vs USD	Effect on profit before tax and equity
2012		
Eight percent increase in DV vs USD	8%	(262)
Eight percent decrease in DV vs USD	(8%)	262

16 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.

	2013
Credit Rating	\$000
AAA to AA-	39,078
A+ to BBB-	1,676
UCITS counterparties	1,305
Other	5,117

	2012
Credit Rating	\$000
AAA to AA-	39,358
A+ to BBB-	11,279
UCITS counterparties	-
Other	5,200

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16 Financial instrument risk exposures (continued)

Liquidity Risk

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

	On demand	Due within 6 months	Total
2013	\$000	\$000	\$000
Financial liabilities	-	236,665	236,665
Derivative financial liabilities	-	546	546
Amounts due to brokers	-	713,425	713,425
Amounts owed to Jane Street Group entities	1,774	-	1,774
Accruals, other payables and deferred income	545	-	545
	<u>2,319</u>	<u>950,636</u>	<u>952,955</u>

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

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17 Share capital

	2013		2012	
Authorized	No. in 000's		No. in 000's	
Ordinary shares of \$1.00 each	<u>200,000</u>		<u>200,000</u>	
		2013		2012
Allotted, called up and fully paid	No. in 000's	\$000	No. in 000's	\$000
Ordinary shares of \$1.00 each	<u>142,000</u>	<u>142,000</u>	<u>42,000</u>	<u>42,000</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:

	2013	2012
	\$000	\$000
Tier 1 capital	166,704	53,084
Deduction	<u>(60,000)</u>	<u>-</u>
Total regulatory capital	<u>106,704</u>	<u>53,084</u>

Total regulatory capital is comprised of Tier 1 capital, made up of share capital and audited retained earnings, less specified deductions. Audited retained earnings included 2013 retained earnings of \$13,519,382 (2012: \$5,344,752), which as of the date of signing of the accounts has been audited. The deduction relates to the loan made to JSH.

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18 Profit and loss reserves

	Profit and Loss account \$000	Total \$000
At 1 January 2013	11,454	11,454
Profit for the year	13,519	13,519
At 31 December 2013	24,973	24,973

19 Analysis of net funds

	At 1 January 2013 \$000	Cash flow \$000	At 31 December 2013 \$000
Cash at bank	49,758	(7,499)	42,259
Net funds	49,758	(7,499)	42,259

20 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.

21 Related party transactions

As 100% of the voting rights of both the Company and other related entities with whom the Company has transactions, are controlled within the group headed by JSH, an entity that was formed under the laws of the State of Delaware in the United States of America, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Jane Street Group.

22 Events after the balance sheet date

Effective January 1, 2014 the Company, together with its affiliates, was party to a reorganization designed to achieve certain business and regulatory efficiencies. Pursuant to an Assignment and Assumption Agreement, JSH assigned to JSG, a separate holding company, substantially all of its assets and liabilities. Accordingly, the Company became a wholly-owned subsidiary of JSG subsequent to the reorganization. No cash consideration was transferred specific to the transaction.