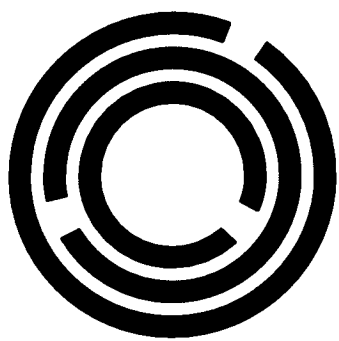


Registration Number: 06211806

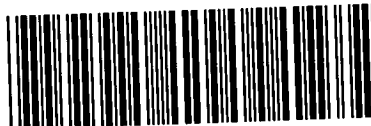


Jane Street

Jane Street Financial Limited

Reports and Financial Statements
Year Ended 31 December 2018

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Jane Street Financial Limited
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Year Ended 31 December 2018

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Jane Street Financial Limited
Company Information
Year Ended 31 December 2018

Executive Directors	D M Galkowski R A Granieri J S Mackenzie D M House
Non-Executive Directors	R S Emmet T Liu
Company secretary	D O Lawrie
Registered office	20 Fenchurch Street London EC3M 3BY
Company number	06211806
FCA firm number	486546
Auditor	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Jane Street Financial Limited
Strategic Report
Year Ended 31 December 2018

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 2018.

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 is authorised and regulated by the Financial Conduct Authority ("FCA").

The Company operates in three business sectors. The first business sector is principal and matched 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. Effective 1 January 2018, the Group amended its global transfer pricing policy with respect to the Company. The Company is also compensated by JSAC in the form of management fees and performance fees, as applicable, under an Investment Management Agreement between the Company and JSAC. See note 2 for a summary of the above revenues.

The Company is headquartered in London and undertakes the majority of its business activities from this location. The Company also has a permanent establishment in Germany. The Company is a member of, and market maker on, the London Stock Exchange plc, and a member of the SIX Swiss Exchange Ltd. On 3 January 2018, the Company became a Systematic Internaliser, as per Article 4(1)(20) of MiFID II. On 1 August 2018, the Company was granted an exemption from regulation under the South African Financial Advisory and Intermediary Services Act 2002. In order to comply with one of the conditions of the exemption, the Company registered as an external company in South Africa on 2 October 2018.

Business review

The profit for the year was \$121,677,921, a 205% increase from the profit of \$39,896,243 for the year ended 31 December 2017. The table below sets out the key results and performance indicators for the year:

	Year ended 2018 \$000	Year ended 2017 \$000
Revenues	336,880	108,351
Profit for the financial year	121,678	39,896
Total equity	148,481	277,003
Operating profit margin	46%	39%
Return on capital employed	104%	15%

Return on capital employed is calculated by dividing operating profit on ordinary activities before interest and taxation by net assets. The statutory Statement of Comprehensive Income is provided on page 10.

The Directors continue to review the Company's business model. The Company will continue to seek opportunities to further grow business activities, and will continue to deploy its resources in furtherance of the Group's wider goals.

As at the date of this report, and subject to the matters disclosed herein, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected, 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 2018.


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 15.

Following the outcome of the UK referendum in 2016 where the UK voted to leave the European Union ("EU") ("Brexit"), there remains a certain level of uncertainty over the impact of Brexit for the Company. However, the Company has taken steps to ensure it will retain its ability to access EU markets and provide liquidity to EU counterparties even in the event of a Hard Brexit. As at the date of this report, the time-frame for the withdrawal of the UK from the EU is uncertain but to date, there have been no matters that warrant adjustment to the financial results as at 31 December 2018 and for the year then ended.

Considering the effectiveness of the Company's 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 17 April 2019 and signed on its behalf by:


.....
D M Galkowski
Director

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2018

Company Registration Number: 06211806

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the Company

The Executive Directors who held office during the year and through to the date of this report were as follows:

D M Galkowski

R A Granieri

B Grundmann (resigned 7 February 2018)

J S Mackenzie

D M House (appointed 2 February 2018)

The Non-Executive Directors who held office during the year and through to the date of this report were as follows:

R S Emmet

T Liu

Dividends

There were dividends of \$130,200,000 declared and paid during the year (2017: \$13,973,894) (see note 21).

On 4 March 2019, an interim dividend of \$7,000,000 was approved and paid by the Company. On 11 April 2019, the Directors declared a final dividend for the year ended 31 December 2018 of \$5,000,000 (see note 22).

Share capital reduction

On 28 December 2018, the Company's share capital was reduced from \$142,000,000 to \$22,000,000 by cancelling 120,000,000 of the issued ordinary shares of \$1.00 each. Consideration for the share cancellation was provided by way of an agreement with the Parent whereby the \$120,000,000 outstanding principal balance owed to the Company under the Loan Note with the Parent was reduced to \$nil.

Directors' indemnities

Beginning on 1 April 2017, and throughout 2018, the Company has provided third party indemnity insurance for the benefit of the Directors and senior management. Such qualifying third party indemnity insurance remains in force as at the date of approval of the Directors' Report. Prior to 1 April 2017, the Company did not provide third party indemnity insurance for the benefit of the Directors or senior management.

Jane Street Financial Limited
Directors' Report
Year Ended 31 December 2018

Employer policy

All individuals whose time is allocated to the Company, either partially or wholly, are employed by or assigned to Jane Street Europe Limited ("JSE"), an affiliate, 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 <https://www.janestreet.com/bojnirud/disclosures.pdf>. When prompted, the password is 'pii_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.

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 17 April 2019 and signed on its behalf by:


.....
D M Galkowski
Director

Jane Street Financial Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2018

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 MEMBERS OF JANE STREET FINANCIAL LIMITED

Opinion

We have audited the financial statements of Jane Street Financial Limited for the year ended 31 December 2018 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 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, 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.

Ernst & Young LLP

Janet Leslie (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 April 2019

Jane Street Financial Limited
Statement of Comprehensive Income
Year Ended 31 December 2018

	Note	2018 \$000	2017 \$000
Revenues	2	336,880	108,351
Administrative expenses		<u>(182,372)</u>	<u>(66,550)</u>
Operating profit on ordinary activities before interest and taxation		154,508	41,801
Interest receivable	3	<u>6,928</u>	<u>9,985</u>
Profit on ordinary activities before taxation	4	161,436	51,786
Tax on profit on ordinary activities	5	<u>(39,758)</u>	<u>(11,890)</u>
Profit for the financial year		<u>121,678</u>	<u>39,896</u>

Revenues and operating profit are derived wholly from continuing operations.

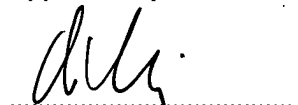
There are no components of other comprehensive income recognised as part of total comprehensive income outside profit or loss.

The notes starting on page 14 form an integral part of these financial statements.

Jane Street Financial Limited
Statement of Financial Position
As at 31 December 2018

	Note	2018 \$000	2017 \$000
Fixed Assets			
Intangible assets	8	728	978
Tangible assets	9	271	278
		<u>999</u>	<u>1,256</u>
Current assets			
Debtors	10	2,480,799	1,892,143
Financial assets at fair value	12	119,891	77,215
Inventories	16	31	-
Cash at bank	18	65,476	55,404
		<u>2,666,197</u>	<u>2,024,762</u>
Creditors: amounts falling due within one year			
Creditors	11	(2,516,830)	(1,747,445)
Financial liabilities at fair value	13	(1,885)	(1,570)
		<u>(2,518,715)</u>	<u>(1,749,015)</u>
Net current assets		147,482	275,747
Net assets		<u>148,481</u>	<u>277,003</u>
Capital and reserves			
Called up share capital	17	22,000	142,000
Profit and loss account		<u>126,481</u>	<u>135,003</u>
Total equity		<u>148,481</u>	<u>277,003</u>

Approved by the Board of Directors on 17 April 2019 and signed on its behalf by:



D M Galkowski
Director

The notes starting on page 14 form an integral part of these financial statements.

Jane Street Financial Limited
Statement of Changes in Equity
Year Ended 31 December 2018

	Note	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
As at 1 January 2017		142,000	109,081	251,081
Dividend declared and paid	21		(13,974)	(13,974)
Profit for the year			39,896	39,896
As at 31 December 2017		142,000	135,003	277,003
Dividend declared and paid	21		(130,200)	(130,200)
Profit for the year			121,678	121,678
Share capital reduction	17	(120,000)		(120,000)
As at 31 December 2018		22,000	126,481	148,481

The notes starting on page 14 form an integral part of these financial statements.

Jane Street Financial Limited
Statement of Cash Flows
Year Ended 31 December 2018

		2018	2017
		\$000	\$000
Reconciliation of operating profit to net cash flow from operating activities	Note		
Operating profit on ordinary activities before interest and taxation		154,508	41,801
Amortisation of intangible assets	8	375	135
Depreciation of tangible assets	9	91	64
Increase in debtors	10, 17	(588,656)	(338,579)
Increase in financial assets at fair value	12	(42,676)	(1,359)
(Increase)/decrease in inventories	16	(31)	399
Increase in creditors	11	769,385	384,071
Increase/(decrease) in financial liabilities at fair value	13	315	(27,741)
Tax under Group Payment Arrangement ("GPA")	5	(39,758)	(11,890)
Net cash inflow from operating activities		253,553	46,901
Cash flow from investing activities			
Interest received	3	6,928	9,985
Software implementation	8	(125)	(544)
Purchase of tangible assets	9	(84)	(342)
Net cash inflow from investing activities		6,719	9,099
Cash flow from financing activities			
Dividend paid	21	(130,200)	(13,974)
Share capital reduction	17	(120,000)	-
Net cash outflow from financing activities		(250,200)	(13,974)
Increase in cash		10,072	42,026
Reconciliation of net cash flow to movement in funds			
	Note	2018	2017
		\$000	\$000
Increase in cash	18	10,072	42,026
Net funds as at 1 January	18	55,404	13,378
Net funds as at 31 December	18	65,476	55,404

The notes starting on page 14 form an integral part of these financial statements.

1 Accounting policies

Basis of preparation

The Company is a limited company incorporated in England and Wales. 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 thousand United States dollar ("US\$").

The Company has not early adopted the improvements and clarifications introduced by the Triennial review 2017. These changes are effective for accounting periods beginning on or after 1 January 2019.

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 the year end.

Functional and presentation currency

The functional currency is 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 JSIT 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 fees and performance fees, as applicable.

1 Accounting policies (continued)

Net Trading Income

The Company's net trading income includes movements in the fair value of financial instruments and trading profits and losses, including interest and dividends, earned from principal trading in marketable securities. Net trading income also includes commissions earned on matched principal transactions. Revenues in the Statement of Comprehensive Income are net of commission expenses and certain other trade related fees.

Dividend income on equities owned and dividend expense on equities sold but 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 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.

1 Accounting policies (continued)

Tangible assets and depreciation

Tangible assets are recorded at cost less any provisions for impairment in value. Depreciation is provided on all tangible 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)
Computer equipment	Over 4 years

Intangible assets and amortisation

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

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

1 Accounting policies (continued)

(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 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.

1 Accounting policies (continued)

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.

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.

Dividends

Dividends payable to the shareholder are recognised as a liability in the period in which they are authorised. These amounts are recognised in the Statement of Changes in Equity.

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2018

2 Revenues

Revenues are attributable to income from movements in the fair value of financial instruments, trading profits and losses, and amounts charged to JSIT and JSAC.

	2018 \$000	2017 \$000
Amounts charged to JSIT	349,712	106,949
Amounts charged to JSAC	863	857
Net trading income		
Principal and matched principal transactions	7,170	4,254
Commission expenses and other fees	(20,575)	(7,840)
Interest and dividends	(290)	4,131
	<u>336,880</u>	<u>108,351</u>

3 Interest receivable

	2018 \$000	2017 \$000
Interest receivable from the Parent	6,918	9,982
Other interest receivable	10	3
	<u>6,928</u>	<u>9,985</u>

Jane Street Financial Limited
Notes to the Financial Statements
Year Ended 31 December 2018

4 Operating profit

Operating profit is stated after charging:

	2018	2017
	\$000	\$000
Amortisation of intangible assets (see note 8)	375	135
Depreciation of tangible assets (see note 9)	91	64
Operating lease rentals - buildings*	3,007	1,384
(Gain)/loss on foreign currency revaluation	(10)	9
Auditor's remuneration		
Audit of the financial statements	93	93
Other fees to auditor		
Audit related assurance services	106	52
Other assurance services	-	43
All taxation advisory services	91	153
Total fees to auditor	<u>290</u>	<u>341</u>

*The corresponding leases are in the name of JSE.

5 Tax on profit on ordinary activities

(a) Analysis of tax charge

	2018 \$000	2017 \$000
Current tax		
UK corporation tax charge	30,797	10,111
UK corporation tax bank surcharge	10,300	1,625
Foreign exchange on current tax balances	(1,299)	315
Foreign tax	5	7
Adjustments in respect of prior periods	(1)	-
Total current tax charge	<u>39,802</u>	<u>12,058</u>
Deferred tax		
Origination and reversal of timing differences	(46)	(103)
Effect of changes in tax rates	2	(65)
Total deferred tax charge	<u>(44)</u>	<u>(168)</u>
Total tax on profit on ordinary activities	<u>39,758</u>	<u>11,890</u>

(b) Reconciliation between tax expense and profit on ordinary activities before tax multiplied by applicable tax rate

	2018 \$000	2017 \$000
Profit on ordinary activities before taxation	161,436	51,786
Corporation tax at standard rate of 19% (2017: 19.25%)	30,673	9,967
UK corporation tax bank surcharge	10,300	1,625
Expenses not deductible for tax purposes	84	46
Effect of changes in tax rates	2	(65)
Foreign tax	5	7
Foreign tax credits taken against UK corporation tax	(6)	(5)
Foreign exchange adjustments	(1,299)	315
Prior year adjustments	(1)	-
Total tax	<u>39,758</u>	<u>11,890</u>

5 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

A reduction in the main rate of corporation tax to 17% from April 2020 was substantively enacted in the Finance Act 2016. The Company meets the definition of a banking company in Part 7A CTA 2010 and is subject to an 8% surcharge on profits in excess of £25,000,000 per year.

Deferred tax balances at 31 December 2018 are calculated at a rate of 25% to reflect the marginal rates at which the differences are expected to reverse.

The deferred tax asset comprises:

	2018 \$000	2017 \$000
Timing differences between depreciation and capital allowances	30	31
Other short term timing differences	240	195
Asset as at 31 December	<u>270</u>	<u>226</u>

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 \$3,000 (2017: \$3,000), relating to the reversal of short term timing differences. Capital allowances will be received in 2019 on assets that have been fully depreciated in the accounts.

(d) Group payment arrangement

The Company, along with JSE and JSIT, has a GPA with HM Revenue & Customs, whereby JSE makes UK corporation tax payments for and on behalf of the Company and JSIT. The payments made by JSE are allocated to the entities within the GPA in line with their tax expense for the period to which the payments relate.

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Notes to the Financial Statements
Year Ended 31 December 2018

6 Directors' remuneration

	2018	2017
	\$000	\$000
Remuneration (including benefits in kind)	21,398	6,811
Company contributions to pension/retirement plans	20	9
Total Directors' remuneration	<u>21,418</u>	<u>6,820</u>

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

	2018	2017
	\$000	\$000
Remuneration (including benefits in kind)	<u>11,864</u>	<u>2,517</u>
Total Director's remuneration	<u>11,864</u>	<u>2,517</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.

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 2018, three (2017: three) Directors were members of the pension/retirement plans. Contributions are paid by other Group entities and therefore any unpaid contributions at the year end are recognised in their accounts.

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:

	2018	2017
Back office	139	105
Front office	52	45
Management	4	4
Total average headcount	<u>195</u>	<u>154</u>

The aggregate payroll costs were as follows:

	2018 \$000	2017 \$000
Salaries, allowances and benefits in kind	121,496	39,286
Social security costs	13,089	4,412
Staff pension / retirement plan costs	1,369	601
Total payroll costs	<u>135,954</u>	<u>44,299</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 entities as previously disclosed. The amount charged against profit includes contributions by other Group entities on behalf of the Company of \$1,369,452 (2017: \$600,687). Contributions are paid by other Group entities and therefore any unpaid contributions at the year end are recognised in their accounts.

Jane Street Financial Limited
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8 Intangible assets

	Software \$000
Cost	
At 31 December 2017	1,169
Additions	<u>125</u>
At 31 December 2018	<u><u>1,294</u></u>
Amortisation	
At 31 December 2017	191
Charge for the year	<u>375</u>
At 31 December 2018	<u><u>566</u></u>
Net book value	
At 31 December 2017	<u>978</u>
At 31 December 2018	<u><u>728</u></u>

9 Tangible assets

	Computer Equipment \$000
Cost	
At 31 December 2017	342
Additions	<u>84</u>
At 31 December 2018	<u><u>426</u></u>
Depreciation	
At 31 December 2017	64
Charge for the year	<u>91</u>
At 31 December 2018	<u><u>155</u></u>
Net book value	
At 31 December 2017	<u>278</u>
At 31 December 2018	<u><u>271</u></u>

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10 Debtors

	2018	2017
	\$000	\$000
Amounts due from brokers		
Trade debtors	18,175	12,873
Amounts awaiting settlement	2,461,391	1,737,305
Other debtors		
Amounts due from Group undertakings	300	141,739
Corporation tax receivable	7	-
Stamp duty receivable	656	-
Deferred tax asset	270	226
Total debtors	2,480,799	1,892,143

No assets are past due or impaired as at 31 December 2018.

11 Creditors

	2018	2017
	\$000	\$000
Amounts due to brokers		
Trade creditors	542,101	155,957
Amounts awaiting settlement	1,923,511	1,587,362
Other creditors		
Amounts due to Group undertakings	50,694	3,589
Accruals	524	534
Corporation tax payable	-	3
Total creditors	2,516,830	1,747,445

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12 Financial assets at fair value

	2018	2017
	\$000	\$000
Equity instruments*	66	58
Debt securities*	117,656	73,975
Derivative financial assets	2,169	3,182
	<u>119,891</u>	<u>77,215</u>

*The Company is the beneficial owner of all settled long securities. Where long securities are held at prime brokers, title, along with the rehypothecation rights, are held by the prime brokers as collateral for the secured financing transactions. The Company is the legal owner where long securities are held at a custodian.

13 Financial liabilities at fair value

	2018	2017
	\$000	\$000
Equity instruments	10	4
Derivative financial liabilities	1,875	1,566
	<u>1,885</u>	<u>1,570</u>

14 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 categorised. All financial instruments are classified as held for trading under IAS 39.

The Company has no financial liabilities measured at fair value that are affected by changes in own credit risk and the Company does not hold any level 3 financial instruments.

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14 Financial instruments (continued)

	2018 \$000	Level 1 \$000	Level 2 \$000
Assets measured at fair value			
Equity instruments	66	66	-
Debt securities	117,656	117,656	-
Derivative financial assets	2,169	-	2,169
	<u>119,891</u>	<u>117,722</u>	<u>2,169</u>

Liabilities measured at fair value			
Equity instruments	10	10	-
Derivative financial liabilities	1,875	-	1,875
	<u>1,885</u>	<u>10</u>	<u>1,875</u>

	2017 \$000	Level 1 \$000	Level 2 \$000
Assets measured at fair value			
Equity instruments	58	58	-
Debt securities	73,975	73,975	-
Derivative financial assets	3,182	-	3,182
	<u>77,215</u>	<u>74,033</u>	<u>3,182</u>

Liabilities measured at fair value			
Equity instruments	4	4	-
Derivative financial liabilities	1,566	-	1,566
	<u>1,570</u>	<u>4</u>	<u>1,566</u>

15 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 although there is a small probability of a Group-wide scenario which could have an adverse impact on the amount of revenue received by the Company, the impact is limited under the above agreements.

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 \$000
2018		
One hundred basis point increase in interest rates	100bps	(516)
One hundred basis point decrease in interest rates	(100bps)	516
	Change in Interest Rates	Effect on profit before tax and equity \$000
2017		
One hundred basis point increase in interest rates	100bps	(86)
One hundred basis point decrease in interest rates	(100bps)	86

15 Financial instrument risk exposures (continued)

Equity price risk

The Company holds equities and OTC equity derivatives. At 31 December 2018, 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 (2017: 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 \$000
2018		
Twelve percent increase in MSCI EM Index	12%	1,223
Twelve percent decrease in MSCI EM Index	(12%)	(1,223)

	Change in MSCI DV Index	Effect on profit before tax and equity \$000
2018		
Eight percent increase in MSCI DV Index	8%	4
Eight percent decrease in MSCI DV Index	(8%)	(4)

	Change in MSCI EM Index	Effect on profit before tax and equity \$000
2017		
Fourteen percent increase in MSCI EM Index	14%	2,196
Fourteen percent decrease in MSCI EM Index	(14%)	(2,196)

	Change in MSCI DV Index	Effect on profit before tax and equity \$000
2017		
Ten percent increase in MSCI DV Index	10%	5
Ten percent decrease in MSCI DV Index	(10%)	(5)

15 Financial instrument risk exposures (continued)

Foreign currency risk

At 31 December 2018, the Company was long emerging market currency exposure and short developed country currency exposure (2017: long EM and short 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.

	Change in EM vs USD	Effect on profit before tax and equity \$000
2018		
Eight percent increase in EM vs USD	8%	828
Eight percent decrease in EM vs USD	(8%)	(828)

	Change in DV vs USD	Effect on profit before tax and equity \$000
2018		
Four percent increase in DV vs USD	4%	(158)
Four percent decrease in DV vs USD	(4%)	158

	Change in EM vs USD	Effect on profit before tax and equity \$000
2017		
Twelve percent increase in EM vs USD	12%	2,084
Twelve percent decrease in EM vs USD	(12%)	(2,084)

	Change in DV vs USD	Effect on profit before tax and equity \$000
2017		
Eight percent increase in DV vs USD	8%	(145)
Eight percent decrease in DV vs USD	(8%)	145

15 Financial instrument risk exposures (continued)

Credit Risk

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

	2018
	\$000
Credit rating	
AAA to AA-	25,741
A+ to BBB-	55,683
BB+ to B-	-
Other	12,387
	2017
	\$000
Credit rating	
AAA to AA-	52,439
A+ to BBB-	15,803
BB+ to B-	121,220
Other	28,973

15 Financial instrument risk exposures (continued)

Liquidity Risk

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and as at 31 December 2017 according to when they are expected to be realised or settled, based on contractual undiscounted payments.

	On demand \$000	Due within 6 months \$000	Total \$000
2018			
Financial liabilities	-	10	10
Derivative financial liabilities	-	1,875	1,875
Amounts due to brokers	-	2,465,612	2,465,612
Amounts owed to Group undertakings	50,694	-	50,694
Accruals and other payables	524	-	524
	<u>51,218</u>	<u>2,467,497</u>	<u>2,518,715</u>

	On demand \$000	Due within 6 months \$000	Total \$000
2017			
Financial liabilities	-	4	4
Derivative financial liabilities	-	1,566	1,566
Amounts due to brokers	-	1,743,319	1,743,319
Amounts owed to Group undertakings	3,589	-	3,589
Accruals and other payables	537	-	537
	<u>4,126</u>	<u>1,744,889</u>	<u>1,749,015</u>

15 Financial instrument risk exposures (continued)

Other risks

As part of its business the Company may also hold Collective Investment Undertaking ("CIU") securities. At 31 December 2018, the Company was primarily long risk CIU securities (2017: held no CIU securities). The impact on profit and loss of a severe but plausible change in CIU prices with all other variables held constant is not material due to the size of the CIU position held by the Company.

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.

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 comply with the FCA's 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 the perspective of the Company as well as the Group.

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.

At the year end, the total regulatory capital of the Company comprised of Tier 1 capital, made up of share capital and audited retained earnings, less specified deductions. For the year ended 31 December 2018, the Company reported no regulatory capital breaches (2017: no breaches) to the FCA.

16 Inventories

	2018 \$000	2017 \$000
Physical metals	31	-

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17 Share capital

	No. in 000's	2018 \$000	No. in 000's	2017 \$000
Allotted, called up and fully paid				
Ordinary shares of \$1.00 each	22,000	22,000	142,000	142,000

On 28 December 2018, the Company's share capital was reduced from \$142,000,000 to \$22,000,000 by cancelling 120,000,000 of the issued ordinary shares of \$1.00 each. Consideration for the share cancellation was provided by way of an agreement with the Parent whereby the \$120,000,000 outstanding principal balance owed to the Company under the Loan Note with the Parent was reduced to \$nil.

18 Analysis of net funds

	At 1 January 2018 \$000	Cash flow \$000	At 31 December 2018 \$000
Cash at bank	55,404	10,072	65,476

19 Related party transactions

Included within Debtors in the Statement of Financial Position are amounts due from affiliates as follows: \$172,175 (2017: \$355,123) due from JSAC, \$nil (2017: \$17,876,950) due from JSIT, \$62,588 (2017: \$nil) due from Jane Street Asia Limited and \$65,170 (2017: \$2,287,638) due from Jane Street Global Trading, LLC ("JSGT").

As at 31 December 2018, there are no outstanding amounts receivable under the Company's Loan Note with the Parent (see note 17). As at 31 December 2017, the outstanding balance of the Loan Note was \$120,000,000. Loan Notes are 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 2018 is \$nil (2017: \$1,219,164 represents the unpaid portion of this interest). See note 10 for total amounts due from Group undertakings.

19 Related party transactions (continued)

Included within Creditors in the Statement of Financial Position are amounts owed to affiliates as follows: \$1,952,970 (2017: \$3,351,090) due to JSE, \$52,134,202 (2017: \$nil) due to JSIT, \$139,461 (2017: \$nil) due to Jane Street Capital, LLC, \$66,561 (2017: \$nil) due to Jane Street Execution Services, LLC and \$306,779 (2017: \$238,041) due to Jane Street Hong Kong Limited. See note 11 for total amounts due to Group undertakings.

The key management personnel ("KMP") of the Company are remunerated by other entities within the Group. This remuneration is allocated between Group entities on the basis of time spent by the KMP for the year during which they served as key management of the Company. Total compensation of KMP (including the Directors) in the year amounted to \$24,031,109 (2017: \$6,819,977).

20 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.

21 Dividends

	2018 \$000	2017 \$000
Declared and paid during the year		
Interim dividend for 2017	-	13,974
Final dividend for 2017	25,900	-
Interim dividends for 2018	104,300	-
	<u>130,200</u>	<u>13,974</u>

22 Post balance sheet events

On 4 March 2019, an interim dividend of \$7,000,000 was approved and paid by the Company. On 11 April 2019, the Directors declared a final dividend for the year ended 31 December 2018 of \$5,000,000.