

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)

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LONDON INTERNET EXCHANGE LIMITED
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COMPANY INFORMATION

The Board of Directors	Mr G Davies Mr N McRae Mr J B Souter Mr S Wilcox (resigned 21 May 2013) Mr P W Gilmore Mr T Mangin Mr S Wright Ms Nina Bargisen (appointed 21 May 2013)
REGISTERED NUMBER	03137929
REGISTERED OFFICE	Trinity Court Trinity Street Priestgate Peterborough PE1 1DA
INDEPENDENT AUDITORS	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors 8 - 12 Priestgate Peterborough PE1 1JA

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS REVIEW

The company's principle activity is to provide interconnectivity between members and to promote the interests of its members.

The directors consider that the company has performed well during the financial year, meeting its targets for member growth and income whilst operating within budget.

During the period covered by this report, we have continued the policy of reducing prices - but strong growth has resulted in a satisfactory surplus, which will be ploughed back into continued development of our network. New membership applications continued at the high rate established in previous years (more than 80 in 2013), which vindicates this approach. This financial policy has been explicitly endorsed by a membership vote.

The traffic carried at LINX again grew strongly during the trading period, and membership growth has been pleasing. This growth in membership assists all current members, since it provides new peering opportunities - which is the practical method of interconnectivity which LINX facilitates. LINX remains one of the largest and most important Internet Exchanges in Europe. Through its success in 2013 in attracting new members from Eastern Europe, the Middle East, Asia, Africa, the Americas and Australasia, having established itself as a key facility on a global scale.

This report was approved by the board on

and signed on its behalf.

.....
Mr G Davies
Director

LONDON INTERNET EXCHANGE LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,525,839 (2012 - £1,782,602).

The directors have not recommended a dividend in the current and prior year.

DIRECTORS

The directors who served during the year were:

Mr G Davies
Mr N McRae
Mr J B Souter
Mr S Wilcox
Mr P W Gilmore
Mr T Mangin
Mr S Wright
Ms Nina Bargisen (appointed 21 May 2013)

Mr S Wilcox retired as a director on 21 May 2013.

LONDON INTERNET EXCHANGE LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....
Mr G Davies
Director

Date:

Trinity Court
Trinity Street
Priestgate
Peterborough
PE1 1DA

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON INTERNET EXCHANGE LIMITED

We have audited the financial statements of London Internet Exchange Limited for the year ended 31 December 2013, set out on pages 7 to 18. 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 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, 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 Strategic report and the Directors' report 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER 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.

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON INTERNET EXCHANGE LIMITED

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.

Stuart Manning FCA (Senior statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

8 - 12 Priestgate

Peterborough

PE1 1JA

Date:

LONDON INTERNET EXCHANGE LIMITED
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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
TURNOVER	1,2	11,579,439	<i>10,775,016</i>
Distribution costs		(15,433)	<i>(29,845)</i>
Administrative expenses		(10,826,987)	<i>(9,792,545)</i>
Other operating income	3	789,881	<i>849,258</i>
OPERATING PROFIT	4	1,526,900	<i>1,801,884</i>
Interest receivable and similar income		11,528	<i>2,426</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,538,428	<i>1,804,310</i>
Tax on profit on ordinary activities	7	(12,589)	<i>(21,708)</i>
PROFIT FOR THE FINANCIAL YEAR	16	1,525,839	<i>1,782,602</i>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 10 to 18 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
(A company limited by guarantee)
REGISTERED NUMBER: 03137929

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	8		5,772,101		6,611,547
Investments	14		1		-
			5,772,102		6,611,547
CURRENT ASSETS					
Debtors	9	1,779,473		1,497,043	
Cash at bank and in hand		4,342,425		2,108,354	
		6,121,898		3,605,397	
CREDITORS: amounts falling due within one year	10	(1,853,769)		(1,702,552)	
NET CURRENT ASSETS			4,268,129		1,902,845
NET ASSETS			10,040,231		8,514,392
CAPITAL AND RESERVES					
Profit and loss account	16		10,040,231		8,514,392
			10,040,231		8,514,392

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
Mr G Davies
 Director

Date:

The notes on pages 10 to 18 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	17	5,143,288	5,568,040
Returns on investments and servicing of finance	18	11,528	2,426
Taxation	18	(19,494)	(20,675)
Capital expenditure and financial investment	18	(2,901,250)	(4,290,949)
Acquisitions and disposals	18	(1)	-
INCREASE IN CASH IN THE YEAR		2,234,071	1,258,842

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Increase in cash in the year	2,234,071	1,258,842
MOVEMENT IN NET DEBT IN THE YEAR	2,234,071	1,258,842
Net funds at 1 January 2013	2,108,354	849,512
NET FUNDS AT 31 DECEMBER 2013	4,342,425	2,108,354

The notes on pages 10 to 18 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

Group accounts have not been prepared as all of the company's subsidiaries are permitted to be excluded from group accounts by virtue of sections 402 and 405 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property improvements-	Over the period of the lease
Plant and machinery	- 3 years straight line

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

A geographical analysis of turnover is as follows:

	2013 £	2012 £
United Kingdom	5,562,401	4,630,901
Rest of European Union	3,481,079	3,518,583
Rest of world	2,535,959	2,625,532
	<u>11,579,439</u>	<u>10,775,016</u>

The analysis of turnover provided has been derived from the Company's accounting and VAT records and as such represents the invoicing address of the member. Were income to be analysed based on the operating location of the members it would provide an alternate analysis which would be in line with the continued global expansion referred to in the directors report.

3. OTHER OPERATING INCOME

	2013 £	2012 £
Other operating income	<u>789,881</u>	<u>849,258</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	3,740,696	3,603,520
Auditors' remuneration	8,000	6,000
Operating lease rentals:		
- other operating leases	<u>189,797</u>	<u>189,797</u>

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2013	<i>2012</i>
	£	£
Wages and salaries	2,617,255	<i>2,571,063</i>
Social security costs	255,118	<i>288,980</i>
Other pension costs	185,002	<i>192,149</i>
	<u>3,057,375</u>	<i><u>3,052,192</u></i>

The average monthly number of employees, including the directors, during the year was as follows:

	2013	<i>2012</i>
	No.	<i>No.</i>
Number of administration staff	38	<i>35</i>
Number of management staff	7	<i>7</i>
	<u>45</u>	<i><u>42</u></i>

6. DIRECTORS' REMUNERATION

	2013	<i>2012</i>
	£	£
Remuneration	<u>271,174</u>	<i><u>281,301</u></i>
Company pension contributions to defined contribution pension schemes	<u>13,763</u>	<i><u>13,414</u></i>

During the year retirement benefits were accruing to 1 director (*2012 - 1*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £168,947 (*2012 - £172,677*).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,763 (*2012 - £13,414*).

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

7. TAXATION

	2013	2012
	£	£
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	12,917	19,922
Adjustments in respect of prior periods	(328)	1,786
	<u>12,589</u>	<u>21,708</u>
Tax on profit on ordinary activities	<u>12,589</u>	<u>21,708</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 20% (2012 - 20%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before tax	<u>1,538,428</u>	<u>1,804,310</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012 - 20%)	307,686	360,862
Effects of:		
Adjustments to tax charge in respect of prior periods	(328)	1,786
Non-taxable income	(294,769)	(340,940)
Current tax charge for the year (see note above)	<u>12,589</u>	<u>21,708</u>

LONDON INTERNET EXCHANGE LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

8. TANGIBLE FIXED ASSETS

	Leasehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2013	245,215	22,011,876	22,257,091
Additions	-	2,901,250	2,901,250
At 31 December 2013	<u>245,215</u>	<u>24,913,126</u>	<u>25,158,341</u>
Depreciation			
At 1 January 2013	27,130	15,618,414	15,645,544
Charge for the year	25,026	3,715,670	3,740,696
At 31 December 2013	<u>52,156</u>	<u>19,334,084</u>	<u>19,386,240</u>
Net book value			
At 31 December 2013	<u>193,059</u>	<u>5,579,042</u>	<u>5,772,101</u>
At 31 December 2012	<u>218,085</u>	<u>6,393,462</u>	<u>6,611,547</u>

9. DEBTORS

	2013 £	2012 £
Trade debtors	386,974	526,367
Other debtors	291,538	19,032
Prepayments and accrued income	1,100,961	951,644
	<u>1,779,473</u>	<u>1,497,043</u>

**10. CREDITORS:
Amounts falling due within one year**

	2013 £	2012 £
Trade creditors	974,833	616,268
Corporation tax	12,917	19,822
Other taxation and social security	400,861	456,316
Other creditors	119,829	139,813
Accruals and deferred income	345,329	470,333
	<u>1,853,769</u>	<u>1,702,552</u>

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11. PENSION COMMITMENTS

The company makes contributions to personal pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge represents contributions payable to the fund and amounted to £185,882 (2012: £192,149). As at the 31 December 2013 the company owed £55,060 (2012: £63,775) to these pension schemes.

12. OPERATING LEASE COMMITMENTS

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	£	£
Expiry date:		
Between 2 and 5 years	141,024	<i>141,024</i>
After more than 5 years	57,400	<i>53,250</i>
	<u><u>198,424</u></u>	<u><u>194,274</u></u>

13. RELATED PARTY TRANSACTIONS

Controlling Parties:

There was no one controlling party during the current year and previous year.

Related Party Transactions:

During the year the company made sales to Exa Networks Limited in accordance with its objectives amounting to £6,491 (2012: £5,917), a company in which a director Mr T Mangin has a material interest. At the balance sheet date there were no amounts outstanding (2012: £nil). During the year the company also made purchases from Exa Networks Limited in accordance with its objectives of £15,379 (2012: £18,790). At the balance sheet date there was an amount outstanding of £nil (2012: £2,899). This was included within trade creditors.

During the year the company made sales to IX Reach Limited in accordance with its objectives amounting to £191,376 (2012: £43,916), a company in which director a Mr S Wilcox had a material interest. At the balance sheet date there no amounts outstanding (2012: £nil). During the year the company also made purchases from IX Reach Limited in accordance with its objectives amounting to £21,040 (2012: £18,936). At the balance sheet date there were no amounts outstanding (2012: £nil).

During the year the company made purchases from TPTB Limited in accordance with its objectives amounting to £31,653 (2012: £29,810), a company in which a director Mr G Davies has a material interest. At the balance sheet date the company owed £2,736 (2012: £2,897) to TPTB Limited. This was included within trade creditors.

During the year the company made a loan to its wholly owned subsidiary, London Internet Exchange Trading Limited, totalling £249,999 (2012: nil). This amount is included within other debtors. No interest has been charged on this loan.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2013	-
Additions	1
	1
At 31 December 2013	1
Net book value	
At 31 December 2013	1
	1
<i>At 31 December 2012</i>	-

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Class of shares	Holding
London Internet Exchange Trading Limited	1 Ordinary £1 Share	100%

15. COMPANY STATUS

The members' liability is limited. Every member of the Company undertakes to contribute to the assets of the Company in the event of the same being wound up while he is a member, or within one year after he ceases to be a member, for payments of the debts and liabilities of the Company contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such and for the amount as may be required not exceeding one pound.

16. RESERVES

	Profit and loss account £
At 1 January 2013	8,514,392
Profit for the financial year	1,525,839
	10,040,231
At 31 December 2013	10,040,231

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating profit	1,526,900	1,801,884
Depreciation of tangible fixed assets	3,740,696	3,603,520
Increase in debtors	(282,429)	(210,427)
Increase in creditors	158,121	373,063
	5,143,288	5,568,040
Net cash inflow from operating activities	5,143,288	5,568,040

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest received	11,528	2,426
	11,528	2,426
Taxation		
Corporation tax	(19,494)	(20,675)
	(19,494)	(20,675)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,901,250)	(4,290,949)
	(2,901,250)	(4,290,949)
Acquisitions and disposals		
Purchase of fixed asset investments	(1)	-
	(1)	-

19. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2013 £	Cash flow £	Other non-cash changes £	31 December 2013 £
Cash at bank and in hand	2,108,354	2,234,071	-	4,342,425
Net funds	2,108,354	2,234,071	-	4,342,425
	2,108,354	2,234,071	-	4,342,425