

Registered number: 03137929

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | Mr M A Blanche Mr P W Gilmore Mr T S A Lahtinen Mr T Mangin Mr N McRae (resigned 17 May 2016) Mr W M B Steele Mr J B Souter Mr S P Woodhead (appointed 17 May 2016) Mr S Wright |
| Company secretary | Mr H J Fisher (appointed 14 October 2016) |
| Registered number | 03137929 |
| Registered office | Trinity Court Trinity Street Priestgate Peterborough Cambridgeshire PE1 1DA |
| Independent auditors | haysmacintyre 26 Red Lion Square London WC1R 4AG |

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

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LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

The company is a membership organisation whose principal activity is to provide Internet Exchange Points for the mutual benefit of members, to promote the interests of members and to represent members in matters of public interest.

BUSINESS REVIEW

The directors consider that the company has continued to perform well during this financial year. Connected capacity growth continued with a 17% increase to 17.6 Tb/s by the end of 2016, we returned to a surplus financial position (compared with 2015) and revenue grew by 9%. Additionally, good performance results were achieved across our measurement metrics.

The positive view of the future supported us making a significant reduction in our prices during the year, when such reductions would normally be implemented at the beginning of the next financial year. This approach follows a long established principle that the Board may authorise price cuts to members whenever, and as soon as, they consider them to be appropriate. The effect of the mid-year price reductions was to significantly reduce our potential surplus for the year, but still enable a small surplus to be achieved.

Our operational performance was constantly good with network availability statistics exceeding 99.99% over the whole year.

PRINCIPAL RISKS AND UNCERTAINTIES

The rapid expansion of member capacity during 2015, principally the increase in 100Gb ports, did not continue at the same pace during 2016 with a slowdown in growth. The change in demand, together with the mid-year price reductions offered to members, resulted in comparisons to the original budget becoming somewhat redundant. However, in such circumstances, the reduction in forecast revenue was more than offset by reductions in both required operational and capital expenditure.

The decision to reduce prices followed an extensive review during 2015 of our second London network infrastructure, and this gave assurance that the future technical solution could be provided at a lower cost. It also continues our policy of seeking to reduce member prices year-on-year, which has now taken place for the last decade.

The demand for 100Gb ports had strengthened again by the end of the year and we entered 2017 with a positive outlook.

FINANCIAL KEY PERFORMANCE INDICATORS

Taking into account the price cut on 1st January 2016, followed by a further price cut on 1st August 2016, it was not surprising that income, whilst still growing, was below our original budget. This was compounded, in particular, by a reduction in the rate of growth of 100Gb connected ports which in total resulted in income being 12% (£2.3M) below that budget.

Operational and capital expenditure correspondingly fell with the reduced level of growth, with reductions of 8% and 40% respectively being achieved against OPEX and CAPEX budgets.

Despite the altered circumstances, we managed our cash liquidity position to be at approximately the same level as 2015, with a closing balance of £3M.

The directors consider that they have maintained an appropriate balance in our financial situation and our policy of reducing prices continues to be vindicated by the high rate of new membership applications (123 in 2016). This financial policy has been explicitly endorsed by a membership vote.

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

OTHER KEY PERFORMANCE INDICATORS

The traffic carried at LINX again grew during the year, and we finished the year with total peak traffic of just over 3.3Tb/sec overall on the exchange (up around 10%). LINX offers a private interconnect (PI) service at certain sites in London for large bilateral flows between members. This is on a passive infrastructure, with no direct measurement by LINX, but our members provide us with data on traffic flows on a voluntary basis. This indicates that more traffic is carried by the PI infrastructure than is on the multilateral peering LAN in London, and that it is growing at a faster rate.

LINX membership growth has been pleasing, and the number of members was at 742 at the end of 2016. This is a net increase of 79 members from 2015, representing an 11% growth. This growth in membership assists all current members, since it provides new peering opportunities and supports the rationale for our principal activities.

LINX remains one of the largest and most important Internet Exchanges in the world, with exchange locations in England, Scotland, Wales and the USA. LINX continues to attract new members from Europe, the Middle East, Asia, Africa, the Americas and Australasia, having established itself as a key facility on a global scale. By the end of 2016, LINX was serving members from 72 countries - and this number continues to increase.

The London Internet Exchange is a group of four companies. London Internet Exchange Ltd, established in 1994, (LINX) and London Internet Exchange Trading Ltd, established in 2013, (LINX Trading) are the two UK companies in the group in respect of which audited accounts are filed at Companies House.

The group also comprises two overseas companies: LINX USA Inc and LINX America Inc. LINX USA was established in 2013 as the operational vehicle for LINX NoVA, our exchange in North Virginia, and LINX America was established in 2014 to support the promotion of LINX NoVA. The results of these companies are included in this consolidated report and accompanying financial statements.

This report therefore covers both LINX and the consolidation of the group as a whole.

This report was approved by the board on 22 March 2017 and signed on its behalf.

Mr W M B Steele
Director

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under Company law the directors must not approve the financial statements unless satisfied that they a true and fair view of the state of affairs of the Company and the Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The surplus for the year, after taxation, amounted to £225,886 (2015 - deficit £248,905).

Directors

The directors who served during the year were:

Mr M A Blanche
Mr P W Gilmore
Mr T S A Lahtinen
Mr T Mangin
Mr N McRae (resigned 17 May 2016)
Mr W M B Steele
Mr J B Souter
Mr S P Woodhead (appointed 17 May 2016)
Mr S Wright

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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 the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the 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 and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

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

This report was approved by the board on 22 March 2017 and signed on its behalf.

Mr W M B Steele
Director

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 2016, set out on pages 7 to 24. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 on page 3, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's surplus 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, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

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

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Jeremy Beard (Senior Statutory Auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

22 March 2017

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 £ | 2015 £ |
|--|------|--------------|--------------|
| Income | 4 | 15,148,821 | 14,264,079 |
| Distribution costs | | (1,371,868) | (1,390,458) |
| Administrative expenses | | (13,763,906) | (13,193,272) |
| Other operating income | 5 | 208,842 | 63,336 |
| OPERATING SURPLUS/(DEFICIT) | 6 | 221,889 | (256,315) |
| Interest receivable and similar income | | 6,794 | 9,264 |
| SURPLUS/(DEFICIT) BEFORE TAX | | 228,683 | (247,051) |
| Tax on surplus/(deficit) | 10 | (2,797) | (1,854) |
| SURPLUS/(DEFICIT) AFTER TAX | | 225,886 | (248,905) |
| Retained earnings at the beginning of the year | | 11,475,583 | 11,724,488 |
| Surplus/(deficit) for the year attributable to the members of the parent | | 225,886 | (248,905) |
| RETAINED EARNINGS AT THE END OF THE YEAR | | 11,701,469 | 11,475,583 |

The notes on pages 11 to 24 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER:03137929

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

| | | 2016 £ | 2015 £ |
|---|----|--------------------------|--------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 8,535,193 | 8,326,027 |
| | | <u>8,535,193</u> | <u>8,326,027</u> |
| CURRENT ASSETS | | | |
| Debtors: Amounts falling due within one year | 14 | 3,067,792 | 3,063,377 |
| Cash at bank and in hand | 15 | 3,098,805 | 3,009,297 |
| | | <u>6,166,597</u> | <u>6,072,674</u> |
| Creditors: Amounts falling due within one year | 16 | (3,000,321) | (2,923,118) |
| Net current assets | | <u>3,166,276</u> | <u>3,149,556</u> |
| Total assets less current liabilities | | <u>11,701,469</u> | <u>11,475,583</u> |
| Net assets | | <u><u>11,701,469</u></u> | <u><u>11,475,583</u></u> |
| RESERVES | | | |
| Income and expenditure account | 18 | 11,701,469 | 11,475,583 |
| RESERVES ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY | | <u><u>11,701,469</u></u> | <u><u>11,475,583</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 March 2017.

Mr W M B Steele
 Director

The notes on pages 11 to 24 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER:03137929

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

| | | 2016 £ | 2015 £ |
|--|----|-------------------|-------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 8,459,235 | 8,239,318 |
| Investments | 13 | 1 | 1 |
| | | <u>8,459,236</u> | <u>8,239,319</u> |
| CURRENT ASSETS | | | |
| Debtors: Amounts falling due within one year | 14 | 3,798,188 | 3,556,806 |
| Cash at bank and in hand | 15 | 2,543,664 | 2,759,816 |
| | | <u>6,341,852</u> | <u>6,316,622</u> |
| Creditors: Amounts falling due within one year | 16 | (2,916,937) | (2,912,247) |
| Net current assets | | <u>3,424,915</u> | <u>3,404,375</u> |
| Total assets less current liabilities | | <u>11,884,151</u> | <u>11,643,694</u> |
| Net assets | | <u>11,884,151</u> | <u>11,643,694</u> |
| RESERVES | | | |
| Income and expenditure account | 18 | <u>11,884,151</u> | <u>11,643,694</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 March 2017.

Mr W M B Steele
 Director

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

| | 2016 £ | 2015 £ |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus/(deficit) for the financial year | 225,886 | (248,905) |
| ADJUSTMENTS FOR: | | |
| Depreciation of tangible assets | 3,851,697 | 4,732,329 |
| Interest received | (6,794) | (9,264) |
| Taxation charge | 2,797 | 1,854 |
| (Increase) in debtors | (4,417) | (762,316) |
| Increase in creditors | 75,422 | 611,244 |
| Foreign exchange movement on subsidiary fixed assets | (17,766) | (5,152) |
| Corporation tax (paid) | (1,013) | (15,026) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | <u>4,125,812</u> | <u>4,304,764</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible fixed assets | (4,043,098) | (8,223,502) |
| Interest received | 6,794 | 9,264 |
| NET CASH FROM INVESTING ACTIVITIES | <u>(4,036,304)</u> | <u>(8,214,238)</u> |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 89,508 | (3,909,474) |
| Cash and cash equivalents at beginning of year | 3,009,297 | 6,918,771 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | <u>3,098,805</u> | <u>3,009,297</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE: | | |
| Cash at bank and in hand | 3,098,805 | 3,009,297 |
| | <u>3,098,805</u> | <u>3,009,297</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

London Internet Exchange Limited is a private company limited by guarantee, incorporated in England and Wales. Its registered office is Trinity Court, Trinity Street, Peterborough, PE1 1DA.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of group and its own subsidiaries ("the group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 INCOME

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before income is recognised:

Income from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of income can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.4 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Income and Retained Earnings during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Leasehold property improvements - 5 years straight line

Network assets - 3-4 years straight line

Computer equipment - 3-4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

2.5 OPERATING LEASES

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the period of the lease.

2.6 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.7 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 FINANCIAL INSTRUMENTS

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

2.10 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.11 FOREIGN CURRENCY TRANSLATION

Functional and presentational currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Financial statements of overseas subsidiaries are translated at the rate ruling at the balance sheet date for the balance sheet items, and the average rate for the year for the items in the Statement of Income and Retained Earnings.

2.12 PENSIONS

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.13 TAXATION

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The directors consider the depreciation of fixed assets to be a critical estimate and judgement applicable to the financial statements.

4. ANALYSIS OF INCOME

Analysis of income by country of destination:

| | 2016 £ | 2015 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 8,376,597 | 7,350,855 |
| Rest of Europe | 4,345,967 | 4,028,067 |
| Rest of the world | 2,426,257 | 2,885,157 |
| | <u>15,148,821</u> | <u>14,264,079</u> |

The whole of the income is attributable to the one principal activity of the group. The analysis of income provided has been derived from the Group's accounting 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 Strategic Report.

5. OTHER OPERATING INCOME

| | 2016 £ | 2015 £ |
|------------------|----------------|---------------|
| Rents receivable | 208,842 | 63,336 |
| | <u>208,842</u> | <u>63,336</u> |

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. OPERATING SURPLUS/(DEFICIT)

The operating surplus/(deficit) is stated after charging/(crediting):

| | 2016 £ | 2015 £ |
|---|-----------------------------|-----------------------------|
| Depreciation of tangible fixed assets | 3,888,496 | 4,732,329 |
| Fees payable to the Group's auditor and its associates for the audit of the company's annual accounts | 9,150 | 8,750 |
| Exchange differences | 105,370 | 126,324 |
| Defined contribution pension cost | 274,371 | 252,669 |
| | <u> </u> | <u> </u> |

7. AUDITORS' REMUNERATION

| | 2016 £ | 2015 £ |
|---|-----------------------------|-----------------------------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts | 9,150 | 8,750 |
| | <u> </u> | <u> </u> |
| | 9,150 | 8,750 |

FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:

| | | |
|---|-----------------------------|-----------------------------|
| The auditing of accounts of associates of the Group pursuant to legislation | 3,325 | 3,250 |
| Other services relating to taxation | 1,400 | 1,350 |
| Internal audit services | - | 5,000 |
| | <u> </u> | <u> </u> |
| | 4,725 | 9,600 |

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. EMPLOYEES

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

| | 2016 £ | 2015 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 4,133,461 | 3,477,723 |
| Social security costs | 441,052 | 393,196 |
| Cost of defined contribution scheme | 274,371 | 252,669 |
| | <u>4,848,884</u> | <u>4,123,588</u> |

The senior management team are considered to be key management personnel. Total remuneration in respect of these individuals is £1,017,457 (2015: £783,229).

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

| | 2016 No. | 2015 No. |
|----------------------|-------------|-------------|
| Administrative staff | 51 | 48 |
| Management staff | 7 | 5 |
| | <u>58</u> | <u>53</u> |

9. DIRECTORS' REMUNERATION

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Directors' emoluments | 331,966 | 335,277 |
| Company contributions to defined contribution pension schemes | 14,678 | 14,530 |
| | <u>346,644</u> | <u>349,807</u> |

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £183,580 (2015 - £198,248).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,678 (2015 - £14,530).

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. TAXATION

| | 2016 £ | 2015 £ |
|---|--------------|--------------|
| UK corporation tax | | |
| Current tax on taxable surplus for the year | 2,797 | 1,854 |
| Total current tax | <u>2,797</u> | <u>1,854</u> |

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

| | 2016 £ | 2015 £ |
|---|--------------|--------------|
| Surplus/(deficit) on ordinary activities before tax | 228,683 | (247,051) |
| Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%) | 45,737 | (49,410) |
| EFFECTS OF: | | |
| Amounts not subject to corporation tax | (42,940) | 51,264 |
| CURRENT TAX CHARGE/(CREDIT) FOR THE YEAR | <u>2,797</u> | <u>1,854</u> |

11. PARENT COMPANY SURPLUS FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements. The surplus after tax of the parent Company for the year was £240,456 (2015 - deficit £224,322).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. TANGIBLE FIXED ASSETS

Group

| | Leasehold property £ | Network Assets £ | Computer equipment £ | Total £ |
|---------------------------------------|----------------------------|------------------------|----------------------------|------------|
| COST OR VALUATION | | | | |
| At 1 January 2016 | 545,982 | 35,601,098 | 95,125 | 36,242,205 |
| Additions | 218,339 | 3,691,905 | 187,418 | 4,097,662 |
| At 31 December 2016 | 764,321 | 39,293,003 | 282,543 | 40,339,867 |
| DEPRECIATION | | | | |
| At 1 January 2016 | 249,350 | 27,651,311 | 15,517 | 27,916,178 |
| Charge for the period on owned assets | 63,452 | 3,747,400 | 77,644 | 3,888,496 |
| At 31 December 2016 | 312,802 | 31,398,711 | 93,161 | 31,804,674 |
| NET BOOK VALUE | | | | |
| At 31 December 2016 | 451,519 | 7,894,292 | 189,382 | 8,535,193 |
| At 31 December 2015 | 296,632 | 7,949,787 | 79,608 | 8,326,027 |

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. TANGIBLE FIXED ASSETS (CONTINUED)

Company

| | Leasehold property £ | Network Assets £ | Computer equipment £ | Total £ |
|---------------------------------------|----------------------------|------------------------|----------------------------|------------|
| COST OR VALUATION | | | | |
| At 1 January 2016 | 545,982 | 35,334,794 | 95,125 | 35,975,901 |
| Additions | 218,339 | 3,637,341 | 187,418 | 4,043,098 |
| At 31 December 2016 | 764,321 | 38,972,135 | 282,543 | 40,018,999 |
| DEPRECIATION | | | | |
| At 1 January 2016 | 249,350 | 27,471,716 | 15,517 | 27,736,583 |
| Charge for the period on owned assets | 63,452 | 3,682,085 | 77,644 | 3,823,181 |
| At 31 December 2016 | 312,802 | 31,153,801 | 93,161 | 31,559,764 |
| NET BOOK VALUE | | | | |
| At 31 December 2016 | 451,519 | 7,818,334 | 189,382 | 8,459,235 |
| At 31 December 2015 | 296,632 | 7,863,078 | 79,608 | 8,239,318 |

13. FIXED ASSET INVESTMENTS

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding | Principal activity |
|--|----------------------------|----------------|----------------------------------|
| London Internet Exchange Trading Limited | | Ordinary | 100 % Marketing and events |
| LINX USA Incorporated | | | NIL % Internet exchange |
| LINX America Incorporated | | | NIL % Sales of Internet Exchange |

The balances and transactions of LINX USA Incorporated have been included in the consolidated financial statements by virtue of the fact that the sole member of LINX USA Incorporated is the company's wholly owned subsidiary, London Internet Exchange Trading Limited. It is therefore deemed to be under the control of the group. LINX America is a wholly owned subsidiary of London Internet Exchange Trading Limited.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. FIXED ASSET INVESTMENTS (CONTINUED)

Company

| | Investments in subsidiary companies £ |
|--------------------------|--|
| COST OR VALUATION | |
| At 1 January 2016 | 1 |
| At 31 December 2016 | <u>1</u> |
| NET BOOK VALUE | |
| At 31 December 2016 | <u>1</u> |
| At 31 December 2015 | <u><u>1</u></u> |

14. DEBTORS

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 512,883 | 392,035 | 510,740 | 370,298 |
| Amounts owed by group undertakings | - | - | 866,939 | 579,087 |
| Other debtors | 436,454 | 279,351 | 358,629 | 215,430 |
| Prepayments and accrued income | 2,118,455 | 2,391,991 | 2,061,880 | 2,391,991 |
| | <u>3,067,792</u> | <u>3,063,377</u> | <u>3,798,188</u> | <u>3,556,806</u> |

15. CASH AND CASH EQUIVALENTS

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 3,098,805 | 3,009,297 | 2,543,664 | 2,759,816 |
| | <u>3,098,805</u> | <u>3,009,297</u> | <u>2,543,664</u> | <u>2,759,816</u> |

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. CREDITORS: Amounts falling due within one year

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 1,651,216 | 1,660,384 | 1,579,882 | 1,659,513 |
| Corporation tax | 3,634 | 1,854 | 3,634 | 1,854 |
| Other taxation and social security | 402,348 | 407,581 | 402,348 | 407,581 |
| Other creditors | 127,202 | 132,283 | 127,202 | 132,283 |
| Accruals and deferred income | 815,921 | 721,016 | 803,871 | 711,016 |
| | <u>3,000,321</u> | <u>2,923,118</u> | <u>2,916,937</u> | <u>2,912,247</u> |

17. FINANCIAL INSTRUMENTS

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| FINANCIAL ASSETS | | | | |
| Financial assets measured at fair value through profit or loss | 3,098,805 | 3,009,297 | 2,543,664 | 2,759,816 |
| Financial assets that are debt instruments measured at amortised cost | 949,337 | 734,721 | 1,736,307 | 1,228,150 |
| | <u>4,048,142</u> | <u>3,744,018</u> | <u>4,279,971</u> | <u>3,987,966</u> |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities measured at amortised cost | (2,184,400) | (2,202,102) | (2,113,066) | (2,201,231) |
| | <u>(2,184,400)</u> | <u>(2,202,102)</u> | <u>(2,113,066)</u> | <u>(2,201,231)</u> |

There is a bad debt expense in the year of £100,000 (2015: £nil).

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, corporation tax, taxation and social security and other creditors.

18. RESERVES

The company's sole reserve is the income and expenditure account, this represents accumulated comprehensive income of the year and prior periods.

LONDON INTERNET EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

19. COMPANY STATUS

The members' liability is limited. Every member of the group undertakes to contribute to the assets of the group 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 group 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.

20. PENSION COMMITMENTS

The group makes contributions to employees' personal pension plans. The assets of the plans are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £274,371 (2015: £252,669). Contributions totalling £41,262 (2015: £97,223) were payable to the fund at the balance sheet date.

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Not later than 1 year | 579,500 | 579,500 | 579,500 | 579,500 |
| Later than 1 year and not later than 5 years | 1,267,483 | 1,846,983 | 1,267,483 | 1,846,983 |
| | <u>1,846,983</u> | <u>2,426,483</u> | <u>1,846,983</u> | <u>2,426,483</u> |

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22. RELATED PARTY TRANSACTIONS

During the year transactions took place with Netconnex Broadband Limited, a company in which director Mr T S A Lahtinen has a significant interest. Sales to Netconnex Broadband Limited totalled £6,899 (2015: £8,460). At the balance sheet date there were no amounts outstanding (2015: £nil) from Netconnex Broadband Limited.

During the year transactions took place with Clear Connect Limited, a company in which director Mr S Wright has a significant interest. Purchases from Clear Connect Limited totalled £21,115 (2015: £24,686). At the balance sheet date there were no amounts outstanding (2015: £nil) with Clear Connect Limited.

During the year transactions took place with WMB Steele (2009) & Co. Limited, a company in which director Mr W M B Steele has a significant interest. Purchases from WMB Steele (2009) & Co. Limited totalled £18,502 (2015: £25,839). At the balance sheet date there no amounts outstanding (2015: £7,455) to WMB Steele (2009) & Co. Limited.

During the year the group made sales to Exa Networks Limited, a company in which director Mr T Mangin has a material interest. Sales to Exa Networks Limited totalled £39,491 (2015: £18,906). At the balance sheet date there were no amounts outstanding (2015: £5,008) from Exa Networks Limited. During the year the company also made purchases from Exa Networks Limited of £17,334 (2015: £18,778). At the balance sheet date there were no amounts outstanding (2015: £Nil) to Exa Networks Limited.

During the year transactions took place with Simwood eSMS Limited, a company in which director Mr S P Woodhead has a significant interest. Purchases from Simwood eSMS Limited totalled £10,110. At the balance sheet date there was £780 outstanding (2015: £nil) to Simwood eSMS Limited. Sales to Simwood eSMS Limited totalled £4,856.