

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors

Mr M A Blanche
Mr L M Hetherington
Mr T S A Lahtinen
Mr J B Souter (resigned 31 December 2019)
Mr W M B Steele (resigned 1 February 2019)
Mr S P Woodhead
Mr S Wright
Mr M S A Hutty
Mr K E J Lindqvist
Mr R Petrie
Mr N McRae (appointed 30 May 2019)
Mr P Knook (appointed 1 December 2019)
Mr M Holt (appointed 1 January 2020)

Registered number

03137929

Registered office

Trinity Court
Trinity Street, Priestgate
Peterborough
Cambridgeshire
PE1 1DA

Independent auditors

Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

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LONDON INTERNET EXCHANGE LIMITED
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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 during the 2019 financial year the company has continued the trend of past years' good performance. Connected capacity grew by 19% to almost 31Tb/s by the end of the year (26Tb/s; 2018). High performance results were achieved across other operational measurement metrics, with network availability consistently exceeding 99.99% (99.99%; 2018) and member satisfaction statistics remaining high.

The positive view of the future supported making significant reductions to our service prices from the beginning of 2019. As a result we anticipated a £0.9m deficit for 2019, which was well covered by our available cash reserves. However, with services growing and revenues strengthening towards the end of the year, matched with careful management of our expenditure, we reduced the envisaged deficit by 40% to £0.5M. With the better than expected results our cash reserves consequentially increased by £1.7M.

We have reduced prices again at the beginning of 2020 based on long term sustainability modelling, and taking account of our cash reserves. However, we are planning to make a small surplus for the 2020 financial year, supported by the continuing strong demand for high capacity 100G ports.

Governance

The company board consists of the independent Non-Executive Chairman, six Elected Non-Executive Directors, and four Executive Directors. The Board is committed to maintaining high standards of corporate governance and has established policies and procedures appropriate to the size and nature of the company. During 2019 the following changes to the composition of the Board took place:

- Murray Steele resigned as Non-Executive Chairman on 1 February 2019.
- Simon Woodhead acted as Non-Executive Chairman between 1 February 2019 and 1 December 2019.
- Neil McRae was elected as a Non-Executive Director on 30 May 2019 by the membership at the Annual General Meeting, following the resignation of Thomas Mangin on 3 September 2018.
- Pieter Knook was appointed Non-Executive Chairman on 1 December 2019, ratified by the membership at the Extraordinary General Meeting on 25 February 2020.
- John Souter retired as Chief Executive Officer and resigned on 31 December 2019.
- Kurtis Lindqvist was appointed as Chief Executive Officer having previously held the role of Chief Marketing Officer, and already being an Executive Director from 18 May 2018.
- Malcolm Holt, the Chief Financial Officer, was duly appointed to the Board on 1 January 2020.

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The business has a robust and tested approach towards risk, with the regular updating and review of a comprehensive risk register that encompasses both operational and financial risks.

The business sector in which the company resides is very competitive. It is rewarding that in such a challenging environment our membership continued to grow with 95 new member applications received during 2019 (95; 2018). Our membership totalled 842 at the end of the year (821; 2018), and they were widespread across 81 countries.

The changing interconnection environment continues to put pressure on our prices but, despite significant price reductions, we returned overall financial results which were considerably better than the budget endorsed by our members. This result was underlined by the continuing demand for our largest capacity 100Gb/s ports which recorded a 32% increase in related connections. The continuing demand enabled us to start 2020 in a strong position.

Providing a good level of service is an important factor in retaining existing, and gaining new revenue streams. Our network availability and resilience remained very high and our close relationship with our members enabled us to satisfy their demands, with resulting positive feedback in our membership surveys.

A revised approach towards managing, supporting and building our networks has resulted in significant reductions in the related expenditure. The cash reserves that have resulted from this approach has helped to support the further reduction in our prices at the beginning of 2019, and again at the beginning of 2020.

Since the beginning of 2020 Covid-19 (the Coronavirus) has spread rapidly around the world with increasingly drastic effects on society and the economy. While the full consequences are impossible to foresee, the general effects on the economy and society are negative. The company has assessed that the short-term financial impact of the virus on the company is likely to be minimal, taking into account the anticipated continuing demand for our services, together with a high degree of operational capability still available when staff are working remotely, or from home. However, in the mid-long term impact could be to reduce demand for our services as well as weakening the cashflow, creditworthiness and viability of our members.

Financial key performance indicators

As per our strategy of reducing prices, without additional demand, our annual revenues in 2019 would have fallen by £2M. However, demand for additional services increased towards the end of the year and our revenues reduced by just over £700K compared to 2018.

Focus was maintained over expenditure and the close control exercised resulted in our expenditure being much lower than budgeted, and £0.4M less than the expenditure in 2018. As part of this expenditure management, we opted not to renew the lease on our London offices and move to more cost effective and flexible working arrangements. As a consequence, we will no longer have rents receivable from our previous Monument sub-let offices as other operating income.

The net result of a deficit of £0.5M was a considerable improvement compared with budgeted expectations of a £0.9M deficit. We are expecting that the continuing demand for our services will result in a small surplus for 2020, despite a further reduction in our service prices at the beginning of 2020.

The directors consider that they have maintained an appropriate balance in retaining a strong financial position alongside a policy of reducing prices. This approach is vindicated by continuing inflow of new membership applications, the growth of services to existing members and the policy of continuing to reduce prices which has been explicitly endorsed by a membership vote.

LONDON INTERNET EXCHANGE LIMITED
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GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Other key performance indicators

Connected capacity at LINX again grew during the year (up by 19%), as did membership (up by 3%).

The number of members at the end of 2019 was 842 (2018; 821) . While the growth in member numbers has not continued at the rate of previous years, primarily due to consolidation activities within a number of our market sectors, we continue to see expansion in the services taken by those members. The continuing growth in our membership increases the number of peering opportunities available to members, 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. Additionally, towards the end of 2019 a new internet exchange we are supporting in Saudi Arabia became operational, and we are hoping that this venture will be a model that LINX can replicate in other regions.

LINX's reach is wide and in our services sector we are a key facility. We continue to attract new worldwide members who are based in Europe, the Middle East, Asia, Africa, the Americas and Australasia.

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 internet exchange point 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 _____ and signed on its behalf.

Mr K E J Lindqvist
Director

LONDON INTERNET EXCHANGE LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were:

Mr M A Blanche
Mr L M Hetherington
Mr T S A Lahtinen
Mr J B Souter (resigned 31 December 2019)
Mr W M B Steele (resigned 1 February 2019)
Mr S P Woodhead
Mr S Wright
Mr M S A Huddy
Mr K E J Lindqvist
Mr R Petrie
Mr N McRae (appointed 30 May 2019)
Mr P Knook (appointed 1 December 2019)

Results and dividends

The loss for the year, after taxation, amounted to £484,336 (2018 - profit £137,266).

Future developments

Future developments are covered in the Strategic Report.

Post balance sheet events

Post balance sheet events have been disclosed in note 23 of the financial statements.

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 they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss 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 to 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.

LONDON INTERNET EXCHANGE LIMITED
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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Auditors

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

This report was approved by the board on

and signed on its behalf.

Mr K E J Lindqvist
Director

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF LONDON INTERNET
EXCHANGE LIMITED**

Opinion

We have audited the financial statements of London Internet Exchange Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of Income and Retained Earnings, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent 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.

LONDON INTERNET EXCHANGE LIMITED
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF LONDON INTERNET EXCHANGE LIMITED (CONTINUED)

Emphasis of matter: COVID-19

We draw attention to note 23 in the financial statements, which describes the directors' assessment of the current and future effects of the COVID 19 pandemic on the company. As stated in note 23, they note that they have been able to set up working remotely and have been able to continue their normal service levels, and have sufficient cash resources so that they consider that the short-term financial impact will be minimal. However, the effects of COVID19 are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF LONDON INTERNET
EXCHANGE LIMITED (CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 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.

Paul Cullen FCCA (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants
Statutory Auditors

Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date:

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover		15,185,614	15,827,050
Cost of sales		(4,073,402)	(3,828,680)
Gross profit		<u>11,112,212</u>	<u>11,998,370</u>
Administrative expenses		(11,732,975)	(12,070,319)
Other operating income		104,151	195,607
Operating (loss)/profit		<u>(516,612)</u>	<u>123,658</u>
Interest receivable and similar income		48,805	19,240
(Loss)/profit before tax		<u>(467,807)</u>	<u>142,898</u>
Tax on (loss)/profit		(16,529)	(5,632)
(Loss)/profit after tax		<u><u>(484,336)</u></u>	<u><u>137,266</u></u>
Retained earnings at the beginning of the year		11,971,791	11,834,525
(Loss)/profit for the year attributable to the owners of the parent		(484,336)	137,266
Retained earnings at the end of the year		<u><u>11,487,455</u></u>	<u><u>11,971,791</u></u>

The notes on pages 17 to 31 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 2019**

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	3,594,692	4,704,820
		3,594,692	4,704,820
Current assets			
Debtors: amounts falling due within one year	14	1,798,876	2,749,763
Cash at bank and in hand	15	7,772,806	6,103,989
		9,571,682	8,853,752
Creditors: amounts falling due within one year	16	(1,674,935)	(1,586,781)
		7,896,747	7,266,971
Net current assets		7,896,747	7,266,971
Total assets less current liabilities		11,491,439	11,971,791
Provisions for liabilities			
Net assets		11,491,439	11,971,791
Capital and reserves			
Foreign exchange reserve	18	3,984	-
Profit and loss account	18	11,487,455	11,971,791
		11,491,439	11,971,791

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

Mr K E J Lindqvist

Director

The notes on pages 17 to 31 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 2019**

	Note		2019 £	2018 £
Fixed assets				
Tangible assets	12		3,569,635	4,664,545
Investments	13		1	1
			3,569,636	4,664,546
Current assets				
Debtors: amounts falling due within one year	14	2,651,943	3,433,483	
Cash at bank and in hand	15	7,029,807	5,399,092	
		9,681,750	8,832,575	
Creditors: amounts falling due within one year	16	(1,450,060)	(1,276,023)	
Net current assets			8,231,690	7,556,552
Total assets less current liabilities			11,801,326	12,221,098
Net assets			11,801,326	12,221,098
Capital and reserves				
Profit and loss account brought forward	18	12,221,098	12,040,332	
Loss/(profit) for the year		(419,772)	180,766	
Profit and loss account carried forward			11,801,326	12,221,098
			11,801,326	12,221,098

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

Mr K E J Lindqvist
Director

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 January 2019	-	11,971,791	11,971,791
Comprehensive income for the year			
Loss for the year	-	(484,336)	(484,336)
Currency translation differences	3,984	-	3,984
Other comprehensive income for the year	3,984	-	3,984
Total comprehensive income for the year	3,984	(484,336)	(480,352)
At 31 December 2019	<u>3,984</u>	<u>11,487,455</u>	<u>11,491,439</u>

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss account £	Total equity £
At 1 January 2018	11,834,525	11,834,525
Comprehensive income for the year		
Profit for the year	137,266	137,266
Total comprehensive income for the year	<u>137,266</u>	<u>137,266</u>
At 31 December 2018	<u><u>11,971,791</u></u>	<u><u>11,971,791</u></u>

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Profit and loss account	Total equity
	£	£
At 1 January 2019	12,221,098	12,221,098
Comprehensive income for the year		
Loss for the year	(419,772)	(419,772)
	<u>(419,772)</u>	<u>(419,772)</u>
Total comprehensive income for the year		
	<u>11,801,326</u>	<u>11,801,326</u>
At 31 December 2019	<u><u>11,801,326</u></u>	<u><u>11,801,326</u></u>

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss account £	Total equity £
At 1 January 2018	12,040,332	12,040,332
Comprehensive income for the year		
Profit for the year	180,766	180,766
	<hr/>	<hr/>
Total comprehensive income for the year	180,766	180,766
	<hr/>	<hr/>
At 31 December 2018	<u>12,221,098</u>	<u>12,221,098</u>

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(484,336)	137,266
Adjustments for:		
Depreciation of tangible assets	2,863,194	3,662,302
Interest received	(48,805)	(19,240)
Taxation charge	16,529	5,632
Decrease/(increase) in debtors	950,887	(971,852)
Increase/(decrease) in creditors	85,159	(732,036)
Corporation tax (paid)	(16,703)	(2,632)
Net cash generated from operating activities	3,365,925	2,079,440
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,745,913)	(875,874)
Interest received	48,805	19,240
Net cash from investing activities	(1,697,108)	(856,634)
Net increase in cash and cash equivalents	1,668,817	1,222,806
Cash and cash equivalents at beginning of year	6,103,989	4,881,183
Cash and cash equivalents at the end of year	7,772,806	6,103,989
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,772,806	6,103,989
	7,772,806	6,103,989

The notes on pages 17 to 31 form part of these financial statements.

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 Group's accounting policies (see note 3).

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 following principal accounting policies have been applied:

2.2 Basis of consolidation

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

LONDON INTERNET EXCHANGE LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation 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 Consolidated Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Income and Retained Earnings within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Rendering of services

Revenue 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 revenue 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.

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2. Accounting policies (continued)

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Income and Retained Earnings 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

Interest income is recognised in the Consolidated Statement of Income and Retained Earnings using the effective interest method.

2.7 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 Consolidated 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.

2.8 Taxation

Tax is recognised in the Consolidated 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.

2.9 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

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.

Depreciation is provided on the following basis:

Leasehold property improvements	- 5 years straight line
Plant and machinery	- 3-4 years straight line
Computer equipment	- 2-4 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 in the Consolidated Statement of Income and Retained Earnings.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.12 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.

2.13 Creditors

Short term creditors are measured at the transaction price.

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2. Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated Statement of Income and Retained Earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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 Consolidated Statement of Income and Retained Earnings.

3. Judgements 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. Turnover

The whole of the turnover 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.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	8,557,490	8,906,523
Rest of Europe	4,669,815	4,809,940
Rest of the world	1,958,309	2,110,587
	<u>15,185,614</u>	<u>15,827,050</u>

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5. Other operating income

	2019 £	2018 £
Rents receivable	104,151	195,607
	104,151	195,607
	104,151	195,607

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	2,863,194	3,662,302
Exchange differences	97,332	25,409
Other operating lease rentals	415,960	541,432
Defined contribution pension cost	333,917	340,477
	2,710,403	4,570,620
	2,710,403	4,570,620

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	10,000	9,800
	10,000	9,800
	10,000	9,800

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	4,500	3,540
Accountancy services	2,500	-
Taxation compliance services	1,500	1,500
	8,500	5,040
	8,500	5,040

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8. Employees

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	4,609,188	4,506,045	4,398,817	4,279,493
Social security costs	497,581	469,671	494,190	465,586
Cost of defined contribution scheme	333,917	340,477	326,899	332,660
	<u>5,440,686</u>	<u>5,316,193</u>	<u>5,219,906</u>	<u>5,077,739</u>

The senior management team and executive directors are considered to be key management personnel. Total remuneration in respect of these individuals is £935,372 (2018: £1,110,987).

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

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Administrative staff	57	54	57	54
Management staff	7	7	7	7
	<u>64</u>	<u>61</u>	<u>64</u>	<u>61</u>

9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	867,050	824,797
Company contributions to defined contribution pension schemes	54,620	45,756
	<u>921,670</u>	<u>870,553</u>

During the year retirement benefits were accruing to 4 directors (2018 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £240,881 (2018 - £192,100).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,375 (2018 - £11,068).

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10. Interest receivable

	2019 £	2018 £
Other interest receivable	48,805	19,240
	48,805	19,240
	48,805	19,240

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	-	4,522
	-	4,522
Foreign tax		
Foreign tax on income for the year	16,529	1,110
	16,529	1,110
Total current tax	16,529	5,632
Taxation on profit on ordinary activities	16,529	5,632

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	(467,807)	142,898
	(467,807)	142,898
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(88,883)	27,151
Effects of:		
Amounts not subject to corporation tax	105,412	(21,519)
	105,412	(21,519)
Total tax charge for the year	16,529	5,632

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NOTES TO THE FINANCIAL STATEMENTS
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11. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Tangible fixed assets

Group

	Leasehold property improvements £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2019	777,328	20,575,836	491,178	21,844,342
Additions	21,057	1,648,544	76,312	1,745,913
Exchange adjustments	-	(22)	-	(22)
At 31 December 2019	<u>798,385</u>	<u>22,224,358</u>	<u>567,490</u>	<u>23,590,233</u>
Depreciation				
At 1 January 2019	575,829	16,086,944	476,749	17,139,522
Charge for the year on owned assets	85,022	2,755,729	22,443	2,863,194
Exchange adjustments	-	(7,175)	-	(7,175)
At 31 December 2019	<u>660,851</u>	<u>18,835,498</u>	<u>499,192</u>	<u>19,995,541</u>
Net book value				
At 31 December 2019	<u>137,534</u>	<u>3,388,860</u>	<u>68,298</u>	<u>3,594,692</u>
At 31 December 2018	<u>201,499</u>	<u>4,488,892</u>	<u>14,429</u>	<u>4,704,820</u>

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Long leasehold	137,534	201,499
	<u>137,534</u>	<u>201,499</u>

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12. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2019	777,328	20,266,422	491,178	21,534,928
Additions	21,057	1,648,544	76,312	1,745,913
At 31 December 2019	<u>798,385</u>	<u>21,914,966</u>	<u>567,490</u>	<u>23,280,841</u>
Depreciation				
At 1 January 2019	575,829	15,817,805	476,749	16,870,383
Charge for the year on owned assets	85,022	2,733,358	22,443	2,840,823
At 31 December 2019	<u>660,851</u>	<u>18,551,163</u>	<u>499,192</u>	<u>19,711,206</u>
Net book value				
At 31 December 2019	<u>137,534</u>	<u>3,363,803</u>	<u>68,298</u>	<u>3,569,635</u>
At 31 December 2018	<u>201,499</u>	<u>4,448,617</u>	<u>14,429</u>	<u>4,664,545</u>

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	1
At 31 December 2019	<u>1</u>

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13. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
London Internet Exchange Trading Limited	Ordinary	100%
LINX USA Incorporated	Ordinary	-%
LINX America Incorporated	Ordinary	-%

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.

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
London Internet Exchange Trading Limited	(111,502)	(54,485)
LINX USA Incorporated	(132,563)	(11,600)
LINX America Incorporated	(65,823)	-

14. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	136,754	87,129	128,101	63,411
Amounts owed by group undertakings	-	-	999,696	813,336
Other debtors	66,753	166,201	14,076	125,971
Prepayments and accrued income	1,595,369	2,496,433	1,510,070	2,430,765
	<u>1,798,876</u>	<u>2,749,763</u>	<u>2,651,943</u>	<u>3,433,483</u>

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15. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	7,772,806	6,103,989	7,029,807	5,399,092
	<u>7,772,806</u>	<u>6,103,989</u>	<u>7,029,807</u>	<u>5,399,092</u>

16. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	638,007	327,811	627,190	305,796
Corporation tax	2,826	3,000	1,826	2,000
Other taxation and social security	272,787	170,524	203,838	132,963
Other creditors	179,799	380,880	39,440	147,388
Accruals and deferred income	581,516	704,566	577,766	687,876
	<u>1,674,935</u>	<u>1,586,781</u>	<u>1,450,060</u>	<u>1,276,023</u>

17. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through profit or loss	7,772,806	6,103,989	7,029,807	5,399,092
Financial assets that are debt instruments measured at amortised cost	112,676	253,330	1,051,042	1,002,718
	<u>7,885,482</u>	<u>6,357,319</u>	<u>8,080,849</u>	<u>6,401,810</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(1,325,560)	(1,149,636)	(1,174,383)	(894,129)

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

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

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NOTES TO THE FINANCIAL STATEMENTS
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18. Reserves

Foreign exchange reserve

Represents accumulated foreign exchange differences arising from the consolidation of wholly owned foreign subsidiaries during the period and prior periods.

Profit and loss account

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

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 they are a member, or within one year after they cease to be a member, for payments of the debts and liabilities of the group contracted before they cease 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 operates a defined contributions pension scheme. The assets of the scheme 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 £333,917 (2018 - £340,477). Contributions totalling £120,308 (2018 - £91,048) were payable to the fund at the balance sheet date and are included in creditors.

21. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	384,797	581,284	384,797	581,284
Later than 1 year and not later than 5 years	507,408	105,053	507,408	105,053
	<u>892,205</u>	<u>686,337</u>	<u>892,205</u>	<u>686,337</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 £4,992 (2018 - £4,992). At the balance sheet date there were no amounts outstanding (2018 - £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. Sales from Clear Connect Limited totalled £15,948 (2018 - £15,430). At the balance sheet date there were no amounts outstanding (2018 - £Nil) with Clear Connect Limited.

During the year transactions took place with 4D Data Centres Limited, a company in which director Mr S Wright has a significant interest. Sales to 4D Data Centres Limited totalled £ (2018 - £10,284). At the balance sheet date there were no amounts outstanding (2018 - £Nil) with 4D Data Centres 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 £55,255 (2018 - £7,376). This year's total includes director's fees and travel expenses dating back to 2018. At the balance sheet date there were no amounts outstanding (2018 - £Nil) from to eSMS Limited. Sales to Simwood eSMS Limited totalled £10,966 (2018 - £5,428).

During the year transactions took place with Sipcentric Limited, a company in which director Mr S P Woodhead has a significant interest. Sales to Sipcentric Limited totalled £1,200 (2018: £1,200). At the balance sheet date there were no amounts outstanding (2018: £nil) from Sipcentric Limited.

During the year transactions took place with European Internet Exchange Association, a company in which director Mr K E J Lindqvist has a significant interest. Purchases from European Internet Exchange Association totalled £8,276 (2018: £8,276). At the balance sheet date there was £44 (2018: £44) due from European Internet Exchange Association as a result of an overpayment due to foreign exchange movements.

During the year transactions took place with various companies within the Pulsant Group Limited, a company in which director Mr P C Knook has a significant interest. Purchases from Pulsant Group Limited totalled £40,426 (2018: £Nil). At the balance sheet date there were no amounts outstanding (2018: £Nil) to Pulsant Group Limited.

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23. Post balance sheet events

This statement was written shortly after the UK government moved the Coronavirus (Covid-19) preparation from the "Contain" phase to the "Delay" phase.

Since the beginning of 2020 the Coronavirus has spread rapidly around the world with increasingly drastic effects on society and the economy. At the time of writing the full consequences are impossible to foresee, and new restraining actions are being developed on a day to day basis.

Whilst the general effects on the economy and society are negative, we have assessed that, as far as can be known, the short-term financial impact of the virus on LINX's business is likely to be minimal.

We base this assessment on the following factors:

- LINX's core interconnect services are communications infrastructure serving businesses operating Internet networks. As such we are not exposed to the same immediate-term consumer demand reduction as, for example, a hotel or retailer.
- We estimate that the Coronavirus will likely not materially affect demand for LINX's interconnect services in the short to medium term, and that if it does it would be likely to stimulate additional demand, rather than depress it.
- LINX can implement work from home policies, with very limited access to the premises for only essential work, and in doing so we can continue ordinary business operations, with minimal disruption to routine work. A work from home policy is now already in place.
- LINX can continue all essential services, on which our core revenues depend, without any access to the premises except for essential maintenance to rectify faults.
- LINX can continue all essential services without interruption even should a substantial portion of the staff be unavailable due to being sick.

This assessment also recognises longer term negative impacts, including:

- Overall LINX cannot continue to be shielded from the negative impacts of the Coronavirus.
- While routine business operations can continue in a work from home scenario, such working conditions will hinder the delivery of projects designed to improve overall efficiency and productivity, and will significantly impede new business development.
- If the outcome of the Coronavirus causes significant economic damage in the wider economy, that could, in the long run, reduce demand for our services and may also weaken the cashflow, creditworthiness and viability of our members.