

**LONDON INTERNET EXCHANGE LIMITED**  
**(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**LONDON INTERNET EXCHANGE LIMITED**  
**(A Company Limited by Guarantee)**

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**COMPANY INFORMATION**

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<b>Directors</b>	Mr M A Blanche Mr P W Gilmore (resigned 16 May 2017) Mr L M Hetherington (appointed 16 May 2017) Mr T S A Lahtinen Mr T Mangin Mr J B Souter Mr W M B Steele Mr S P Woodhead Mr S Wright
<b>Company secretary</b>	Mr H J Fisher
<b>Registered number</b>	03137929
<b>Registered office</b>	Trinity Court Trinity Street Priestgate Peterborough Cambridgeshire PE1 1DA
<b>Independent auditors</b>	haysmacintyre 10 Queen Street Place London EC4R 1AG

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**LONDON INTERNET EXCHANGE LIMITED**  
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**LONDON INTERNET EXCHANGE LIMITED**  
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**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 20% increase to over 21 Tb/s by the end of 2017. We maintained the position of showing a small financial surplus and revenue grew by 7%. Additionally, good performance results were achieved across our measurement metrics.

The positive view of the future supported us making another significant reduction in our prices beginning at the start of the next financial year. We also made a significant mid-year price cut at our IXManchester exchange, and this had a small effect of reducing our planned surplus for the year.

Our operational performance was consistently good with network availability statistics exceeding 99.999% over the whole year. This was reflected in another set of good member satisfaction feedback statistics, particularly in respect of our technical management of the exchanges.

**PRINCIPAL RISKS AND UNCERTAINTIES**

An anticipated slight increase of growth of member capacity during 2017 enabled us to stay fairly well within the scope of the budget presented to and agreed by our members.

Whilst there were some small changes in emphasis in the engineering projects undertaken in 2017, overall we were able to meet member demands in our usual responsive way. One of the strengths of LINX is the comparatively intimate relationship with our members, which means that we can seek their co-operation in network planning, and where they respond to this, avoid bottlenecks where demand exceeds our ability to supply.

We have steadily increased the efficiency of our network utilisation, and this - in part has helped us to further reduce our prices for 2018.

We are pressing on with the project to transform our 2nd network in London (referred to as LON2), where the anticipated cost efficiency gain has already been passed on to members in the form of radically reduced port pricing.

The demand for 100Gb ports has strengthened again during 2017, and we entered 2018 with a positive outlook.

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**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**FINANCIAL KEY PERFORMANCE INDICATORS**

The last major LINX price cut was made on 1st August 2016, five months earlier than what an annual schedule would have delivered, and the impact of this was to tighten margins. In the light of this, income during 2017, whilst still growing fairly strongly, was a little below the budget originally envisaged for the year. Most of the shortfall was attributable to what was, with the benefit of hindsight, an over-optimistic forecast for IXManchester, compounded by a further cut in pricing there.

It is worth stressing that IXManchester has out-performed our original projections for it, when first conceived in 2012 - but it is still taking time for the migration of significant traffic to a second location in the UK, mainly because London is so dominant from an interconnect perspective. IXManchester member numbers are beyond our expectations, so we are confident that ports and traffic there will grow in the longer term. We have passed on the benefit of the low cost of running IXManchester, in that hope that this assists that growth.

Our income for 2017 was 4% (£730k) less than budget.

Operational and capital expenditure was tailored to meet the slightly reduced income, with reductions of 4% and 6% respectively being achieved against OPEX and CAPEX budgets. Overall CAPEX was much lower, at £2.5M than the previous trend across the last five years.

With the close matching of income and expenditure, and prudent capital expenditure, we managed our cash liquidity position and it rose to a closing balance of £4.8M

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 (103 in 2017). This financial policy has been explicitly endorsed by a membership vote.

**OTHER KEY PERFORMANCE INDICATORS**

The traffic carried at LINX again grew during the year, and we finished the year with total peak traffic of around 4Tb/sec overall on the exchange (up around 17.5%).

LINX membership growth has again been pleasing, and the number of members was at 780 at the end of 2017. This is a net increase of 38 members from 2016, representing a 5% growth (note: churn rate of member losses to consolidation and cancellation is a little higher than previously). 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 2017, LINX was serving members from 76 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.

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**LONDON INTERNET EXCHANGE LIMITED**  
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**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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This report was approved by the board on

and signed on its behalf.

**Mr W M B Steele**  
Director

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**LONDON INTERNET EXCHANGE LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

**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 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.

**Results**

The surplus for the year, after taxation, amounted to £133,056 (2016 - £225,886).

**Directors**

The directors who served during the year were:

Mr M A Blanche  
Mr P W Gilmore (resigned 16 May 2017)  
Mr L M Hetherington (appointed 16 May 2017)  
Mr T S A Lahtinen  
Mr T Mangin  
Mr J B Souter  
Mr W M B Steele  
Mr S P Woodhead  
Mr S Wright

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**LONDON INTERNET EXCHANGE LIMITED**  
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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 \_\_\_\_\_ and signed on its behalf.

Mr W M B Steele  
Director

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

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**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 2017, which comprise the Group Statement of Income and Retained Earnings, the Group and Company Balance Sheets, the Group Statement of Cash Flows 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 2017 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.

**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.

**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

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

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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.

**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.

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

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**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](http://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.

Jeremy Beard (Senior Statutory Auditor)

for and on behalf of  
**haysmacintyre**

Statutory Auditors

10 Queen Street Place  
London  
EC4R 1AG

Date:

**LONDON INTERNET EXCHANGE LIMITED**  
(A Company Limited by Guarantee)

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Income	4	15,739,668	15,200,020
Distribution costs		(1,727,022)	(1,371,868)
Administrative expenses		(14,062,411)	(13,815,105)
Other operating income	5	191,958	208,842
<b>OPERATING SURPLUS</b>	6	<u>142,193</u>	<u>221,889</u>
Interest receivable and similar income		2,110	6,794
Interest payable and expenses		(37)	-
<b>SURPLUS BEFORE TAX</b>		<u>144,266</u>	<u>228,683</u>
Tax on surplus	10	(11,210)	(2,797)
<b>SURPLUS AFTER TAX</b>		<u><u>133,056</u></u>	<u><u>225,886</u></u>
Retained earnings at the beginning of the year		<u>11,701,469</u>	<u>11,475,583</u>
		11,701,469	11,475,583
Surplus for the year attributable to the owners of the parent		<u>133,056</u>	<u>225,886</u>
<b>RETAINED EARNINGS AT THE END OF THE YEAR</b>		<u><u>11,834,525</u></u>	<u><u>11,701,469</u></u>

The notes on pages 13 to 26 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 2017**

		2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	11	7,491,247	8,535,193
		7,491,247	8,535,193
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	13	1,785,042	3,067,792
Cash at bank and in hand	14	4,881,183	3,098,805
		6,666,225	6,166,597
Creditors: Amounts falling due within one year	15	(2,322,947)	(3,000,321)
		4,343,278	3,166,276
<b>Net current assets</b>		4,343,278	3,166,276
<b>Total assets less current liabilities</b>		11,834,525	11,701,469
<b>Net assets</b>		11,834,525	11,701,469
<b>RESERVES</b>			
Income and expenditure account	17	11,834,525	11,701,469
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY</b>		11,834,525	11,701,469

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

**Mr W M B Steele**  
Director

The notes on pages 13 to 26 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 2017**

		2017 £		2016 £
<b>FIXED ASSETS</b>				
Tangible assets	11	7,440,461		8,459,235
Investments	12	1		1
		7,440,462		8,459,236
<b>CURRENT ASSETS</b>				
Debtors: amounts falling due within one year	13	2,454,666	3,798,188	
Cash at bank and in hand	14	3,978,348	2,543,664	
		6,433,014	6,341,852	
Creditors: amounts falling due within one year	15	(1,833,144)	(2,916,937)	
<b>NET CURRENT ASSETS</b>		4,599,870	3,424,915	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,040,332	11,884,151	
<b>NET ASSETS</b>		12,040,332	11,884,151	
<b>RESERVES</b>				
Income and expenditure account	17	12,040,332	11,884,151	
		12,040,332	11,884,151	

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

**Mr W M B Steele**  
 Director

**LONDON INTERNET EXCHANGE LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus after tax	133,056	225,886
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	3,695,761	3,851,697
Interest paid	37	-
Interest received	(2,110)	(6,794)
Taxation charge	3,634	2,797
Decrease/(increase) in debtors	1,282,748	(4,417)
(Decrease)/increase in creditors	(673,739)	75,422
Foreign exchange movement on subsidiary fixed assets	6,879	(17,766)
Corporation tax (paid)	(7,268)	(1,013)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>4,438,998</u>	<u>4,125,812</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(2,658,693)	(4,043,098)
Interest received	2,110	6,794
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(2,656,583)</u>	<u>(4,036,304)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(37)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(37)</u>	<u>-</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,782,378	89,508
Cash and cash equivalents at beginning of year	3,098,805	3,009,297
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<u>4,881,183</u>	<u>3,098,805</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	4,881,183	3,098,805
	<u>4,881,183</u>	<u>3,098,805</u>

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**LONDON INTERNET EXCHANGE LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 if 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.

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**LONDON INTERNET EXCHANGE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 - 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 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.

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**LONDON INTERNET EXCHANGE LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

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**LONDON INTERNET EXCHANGE LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 turnover by country of destination:

	2017 £	2016 £
United Kingdom	8,797,724	8,427,796
Rest of Europe	4,784,052	4,345,967
Rest of the world	2,157,892	2,426,257
	<u>15,739,668</u>	<u>15,200,020</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**

	2017 £	2016 £
Rents receivable	191,958	208,842
	<u>191,958</u>	<u>208,842</u>

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**6. OPERATING SURPLUS/(DEFICIT)**

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

	2017 £	2016 £
Depreciation of tangible fixed assets	3,674,424	3,888,496
Fees payable to the Group's auditor and its associates for the audit of the company's annual accounts	9,500	9,150
Exchange differences	13,479	105,370
Defined contribution pension cost	303,693	274,371
	<u>3,991,106</u>	<u>4,277,387</u>

**7. AUDITORS' REMUNERATION**

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	9,500	9,150
	<u>9,500</u>	<u>9,150</u>
<b>FEEs PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:</b>		
The auditing of accounts of associates of the Group pursuant to legislation	3,400	3,325
Other services relating to taxation	1,450	1,400
	<u>4,850</u>	<u>4,725</u>

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**8. EMPLOYEES**

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	4,458,811	4,133,461	4,192,101	3,944,325
Social security costs	447,928	441,052	447,928	441,052
Cost of defined contribution scheme	303,693	271,922	303,113	271,922
	<u>5,210,432</u>	<u>4,846,435</u>	<u>4,943,142</u>	<u>4,657,299</u>

The senior management team are considered to be key management personnel. Total remuneration in respect of these individuals is £1,031,371 (2016: £1,017,457).

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

	2017 No.	2016 No.
Administrative staff	61	51
Management staff	7	7
	<u>68</u>	<u>58</u>

**9. DIRECTORS' REMUNERATION**

	2017 £	2016 £
Directors' emoluments	331,567	331,966
Company contributions to defined contribution pension schemes	9,981	14,678
	<u>341,548</u>	<u>346,644</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £182,273 (2016 - £183,580).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,981 (2016 - £14,678).

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**10. TAXATION**

	2017 £	2016 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	(3,634)	2,797
<b>FOREIGN TAX</b>		
Foreign tax on income for the year	14,844	-
	<u>14,844</u>	<u>-</u>
<b>TOTAL CURRENT TAX</b>	<u>11,210</u>	<u>2,797</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>144,266</u>	<u>228,683</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	27,771	45,737
<b>EFFECTS OF:</b>		
Amounts not subject to corporation tax	<u>(16,561)</u>	<u>(42,940)</u>
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u>11,210</u>	<u>2,797</u>

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**11. TANGIBLE FIXED ASSETS**

**Group**

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
<b>COST OR VALUATION</b>				
At 1 January 2017	764,321	39,293,003	282,543	40,339,867
Additions	10,310	2,522,354	97,813	2,630,477
Disposals	-	(22,001,876)	-	(22,001,876)
At 31 December 2017	<u>774,631</u>	<u>19,813,481</u>	<u>380,356</u>	<u>20,968,468</u>
<b>DEPRECIATION</b>				
At 1 January 2017	312,802	31,398,711	93,161	31,804,674
Charge for the year on owned assets	98,393	3,465,757	110,273	3,674,423
Disposals	-	(22,001,876)	-	(22,001,876)
At 31 December 2017	<u>411,195</u>	<u>12,862,592</u>	<u>203,434</u>	<u>13,477,221</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>363,436</u>	<u>6,950,889</u>	<u>176,922</u>	<u>7,491,247</u>
At 31 December 2016	<u>451,519</u>	<u>7,894,292</u>	<u>189,382</u>	<u>8,535,193</u>

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

	2017 £	2016 £
Long leasehold	<u>363,436</u>	<u>451,519</u>
	<u>363,436</u>	<u>451,519</u>

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**11. TANGIBLE FIXED ASSETS (CONTINUED)**

**Company**

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
<b>COST OR VALUATION</b>				
At 1 January 2017	764,321	38,972,135	282,543	40,018,999
Additions	10,310	2,550,569	97,813	2,658,692
Disposals	-	(22,001,876)	-	(22,001,876)
At 31 December 2017	<u>774,631</u>	<u>19,520,828</u>	<u>380,356</u>	<u>20,675,815</u>
<b>DEPRECIATION</b>				
At 1 January 2017	312,802	31,153,801	93,161	31,559,764
Charge for the year on owned assets	98,393	3,468,800	110,273	3,677,466
Disposals	-	(22,001,876)	-	(22,001,876)
At 31 December 2017	<u>411,195</u>	<u>12,620,725</u>	<u>203,434</u>	<u>13,235,354</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u><u>363,436</u></u>	<u><u>6,900,103</u></u>	<u><u>176,922</u></u>	<u><u>7,440,461</u></u>
At 31 December 2016	<u><u>451,519</u></u>	<u><u>7,818,334</u></u>	<u><u>189,382</u></u>	<u><u>8,459,235</u></u>

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

	2017 £	2016 £
Long leasehold	363,436	451,519
	<u><u>363,436</u></u>	<u><u>451,519</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. FIXED ASSET INVESTMENTS**

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
London Internet Exchange Trading Limited	Ordinary	100 %	Marketing and events
LINX USA Incorporated		NIL %	Internet exchange services
LINX America Incorporated		NIL %	Internet exchange services

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.

**Company**

	Investments in subsidiary companies £
<b>COST OR VALUATION</b>	
At 1 January 2017	1
At 31 December 2017	<u>1</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u><u>1</u></u>

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**13. DEBTORS**

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	141,227	512,883	116,253	510,740
Amounts owed by group undertakings	-	-	839,243	866,939
Other debtors	213,349	436,454	127,935	358,628
Prepayments and accrued income	1,430,466	2,118,455	1,371,235	2,061,880
	<u>1,785,042</u>	<u>3,067,792</u>	<u>2,454,666</u>	<u>3,798,187</u>

**14. CASH AND CASH EQUIVALENTS**

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	4,881,183	3,098,805	3,978,348	2,543,664
	<u>4,881,183</u>	<u>3,098,805</u>	<u>3,978,348</u>	<u>2,543,664</u>

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	669,764	1,651,216	662,446	1,579,882
Corporation tax	-	3,634	-	3,634
Other taxation and social security	99,397	402,348	99,397	402,348
Other creditors	565,309	127,202	119,129	127,202
Accruals and deferred income	988,477	815,921	952,172	803,871
	<u>2,322,947</u>	<u>3,000,321</u>	<u>1,833,144</u>	<u>2,916,937</u>

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**16. FINANCIAL INSTRUMENTS**

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
<b>FINANCIAL ASSETS</b>				
Financial assets measured at fair value through profit or loss	4,881,183	3,098,805	3,978,348	2,543,664
Financial assets that are debt instruments measured at amortised cost	364,478	949,337	1,093,331	1,736,307
	<u>5,245,661</u>	<u>4,048,142</u>	<u>5,071,679</u>	<u>4,279,971</u>
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities measured at amortised cost	(1,334,470)	(2,184,400)	(880,972)	(2,113,066)
	<u>(1,334,470)</u>	<u>(2,184,400)</u>	<u>(880,972)</u>	<u>(2,113,066)</u>

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.

**17. RESERVES**

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

**18. 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.

**19. 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 £293,712 (2016: £271,922). Contributions totalling £4,696 (2016: £41,262) were payable to the fund at the balance sheet date.

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**20. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	579,500	579,500	579,500	579,500
Later than 1 year and not later than 5 years	687,983	1,267,483	687,983	1,267,483
	<u>1,267,483</u>	<u>1,846,983</u>	<u>1,267,483</u>	<u>1,846,983</u>

**21. 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 (2016: £6,899). At the balance sheet date there were no amounts outstanding (2016: £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 £14,850 (2016: £21,115). At the balance sheet date there were no amounts outstanding (2016: £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 £11,208 (2016: £nil). At the balance sheet date there were no amounts outstanding (2016: £nil) with 4D Data Centres Limited.

During the year no 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 £nil (2016: £18,502). At the balance sheet date there no amounts outstanding (2016: £nil) 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 £32,540 (2016: £39,491). At the balance sheet date there were no amounts outstanding (2016: £nil) from Exa Networks Limited. During the year the company also made purchases from Exa Networks Limited of £14,852 (2016: £17,334). At the balance sheet date there was £1,485 outstanding (2016: £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 £8,425 (2016: £10,110). At the balance sheet date there was £1,030 outstanding (2016: £780) to Simwood eSMS Limited. Sales to Simwood eSMS Limited totalled £3,828 (2016: £4,856).

