

RIPE NCC

Financial Report 1999

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Amsterdam, February 10, 2000

Letter from the Managing Director

This was another year of transition for the RIPE NCC. Last year marked its first year as an independent association after seven years of operation. This year marks its first year without its founder Daniel Karrenberg as General Manager. As special thank you to Daniel for his years of work and dedication without which the RIPE NCC would not be where it is today.

During this year the membership has grown by more than 1/3 to 1,696 members from 81 countries. The membership has continued to take an active interest and participation in the various RIPE working groups that provide guidance to RIPE NCC operations. The annual general meeting of the association saw constructive discussion and strong support for the association and its board. The process to establish a new governing body for the Internet continued to evolve this year and ICANN is now formally operating. Many details still need to be addressed but a great step forward has been achieved.

The staff has grown to 59 people, a very international group of 20 nationalities and a high level of professional expertise. They have continued to provide the membership with professional services in an impeccably neutral and impartial way.

We close 1999 in a healthy financial position that provides the stability and the continuity that are expected by the membership.

For 2000 we expect that membership growth will be comparable to 1999. Current services will continue and the Test Traffic project will become part of the service portfolio. We will continue to play a role in the formalisation of Internet administrative structures, most notably in global policy development regarding IP address space and related identifiers.

For more details about 1999 please refer to the 1999 RIPE NCC Annual Report published in April. It can be found on our web site at <http://www.ripe.net>.

If you have any further questions, please do not hesitate to contact us.

Kind regards,

Axel Pawlik
Managing Director

BALANCE SHEET (in k EUR)

| ASSETS | 12/31/99 | 12/31/98 |
|----------------------------|--------------|--------------|
| Fixed Assets | | |
| Computers | 299 | 200 |
| Infrastructure | 174 | 448 |
| Office Furniture | <u>75</u> | <u>74</u> |
| Total Fixed assets | 548 | 722 |
| Long Term Receivables | 0 | 60 |
| Current Assets | | |
| Receivables | 3,324 | 2,745 |
| Prepays | <u>230</u> | <u>72</u> |
| | 3,554 | 2,817 |
| Cash & payments in transit | 3,803 | 1,576 |
| | <u>7,905</u> | <u>5,175</u> |
| LIABILITIES | | |
| Capital | | |
| Reserves | 447 | 447 |
| Clearinghouse | 732 | 0 |
| Surplus | <u>1,516</u> | <u>732</u> |
| | 2,725 | 1,209 |
| Current Liabilities | | |
| Creditors | 118 | 169 |
| Unearned revenues | 4,391 | 3,186 |
| VAT payable | 19 | -11 |
| Personnel fund payable | 333 | 368 |
| Miscellaneous payable | <u>319</u> | <u>254</u> |
| | 5,180 | 3,966 |
| | <u>7,905</u> | <u>5,175</u> |

STATEMENT OF INCOME AND EXPENDITURES (in k EUR)

| | 1999 | | 1998 | |
|---|-------------------------|--|-----------------------|--|
| INCOME | | | | |
| Fees | 5,718 | | 3,996 | |
| Other Income | 122 | | 97 | |
| Total Income | <u>5,840</u> | | <u>4,093</u> | |
| EXPENDITURES | | | | |
| Operating expenses | 3,650 | | 2,680 | |
| Depreciation expense | 343 | | 249 | |
| Total Expenses | <u>3,993</u> | | <u>2,929</u> | |
| Surplus before miscellaneous costs | 1,847 | | 1,164 | |
| Miscellaneous costs | | | | |
| Doubtful debts | 0 | | 322 | |
| Personnel fund | 332 | | 152 | |
| Total miscellaneous costs | <u>332</u> | | <u>474</u> | |
| Financial expenses | | | | |
| Banking expenses | 25 | | 15 | |
| Bank interest | -32 | | -29 | |
| Exchange rate differences | 6 | | -28 | |
| Total financial expenses | <u>-1</u> | | <u>-42</u> | |
| NET SURPLUS | <u><u>1,516</u></u> | | <u><u>732</u></u> | |

Notes to the RIPE NCC Balance Sheet as per December 31, 1999

GENERAL INFORMATION

All amounts are expressed in kEUR and all currencies participating in the European Monetary Union are translated at the official rate as set by the European Central Bank on December 31, 1998. Historic costs have been used throughout unless otherwise stated.

Some figures from 1998 have been reclassified to correspond with the current presentation.

| FIXED ASSETS | 12/31/1999 | 12/31/1998 |
|---|-------------------|-------------------|
| Computers | | |
| Purchase costs | 460 | 244 |
| Less: Depreciation | <u>-161</u> | <u>-44</u> |
| Book value 31-12 | <u>299</u> | <u>200</u> |
| Infrastructre | | |
| Purchase costs | 633 | 699 |
| Less: Depreciation | <u>-459</u> | <u>-251</u> |
| Book value 31-12 | <u>174</u> | <u>448</u> |
| Office Furniture & Equipment | | |
| Purchase costs | 99 | 80 |
| Less: Depreciation | <u>-24</u> | <u>-6</u> |
| Book value 31-12 | <u>75</u> | <u>74</u> |
| Total Fixed Assets at book value | <u>548</u> | <u>722</u> |

Assets are valued at historical costs and are depreciated on a straight-line basis, starting in the month after acquisition. Infrastructure and computers are written off in three years, office furniture and equipment in five. All items under 1,000 EUR are expensed.

| CURRENT ASSETS | 12/31/1999 | 12/31/1998 |
|---------------------------------|---------------------|---------------------|
| Receivables | | |
| Receivables December 31 | 3,374 | 3,270 |
| Less: Bad debts/Credit notes | <u>-50</u> | <u>-525</u> |
| | <u>3,324</u> | <u>2,745</u> |

The doubtful debts for 1998 includes amounts that were erroneously invoiced to members in 1997 and 1998 who were no longer in business.

| | 12/31/1999 | 12/31/1998 |
|-------------------------------|-------------------|------------------|
| Prepaid rent & other expenses | 53 | 24 |
| Prepaid pensions & health | 177 | 48 |
| Prepays | <u>230</u> | <u>72</u> |

CAPITAL

The Reserves are the accumulated surpluses of previous years. They are not earmarked for any specific purpose.

The surplus of 1998 has been allocated to the Clearinghouse by a decision of the Executive Board. This amount may be redistributed to members if so decided by the Executive Board. The tax ruling between the RIPE NCC and the Dutch tax authorities allows the RIPE NCC to accumulate up to a maximum of three times the members' annual contributions in the Clearinghouse account. The first year of operation of the Clearinghouse was in 1998.

CURRENT LIABILITIES

Unearned revenues

The Unearned revenues consists of invoices sent in the current calendar year but pertaining to the following accounting year. These will be recognised as income during the next accounting year.

Personnel Fund

The Personnel Fund expense was calculated using the number of people with employment contracts of indeterminate time working at the RIPE NCC as at December 31, 1999. The amount includes allowances for vacation pay, the pension and year end payment as well as the employer's part of social premiums payable. The 1999 contribution to the fund was 332,741 EUR.

| Miscellaneous payables | 12/31/99 | 12/31/98 |
|------------------------------|-------------------|-------------------|
| Accruals | 165 | 34 |
| Accrued vacation | 79 | 65 |
| Wage taxes & social premiums | 75 | 155 |
| | <u>319</u> | <u>254</u> |

CENTR Project

In May 1999 CENTR left the RIPE NCC to set up independent operations in the United Kingdom.

Items not shown on the Balance Sheet

The RIPE NCC rents office space in two buildings and has two separate rental agreements for these. One contract runs from January 1, 1997 for a period of five years. This contract will be automatically renewed for a further five years if notice of intent to vacate has not been given to the owner. The other contract runs from December 1, 1997 for a period of five years with a renewal option of an additional five years.

Two bank guarantees have been issued, both to cover the rent of the Amsterdam office space. The guarantees are valid for the length of the lease agreements plus three months.

Negotiations are currently underway to secure approximately 250 m² of additional office space in the adjoining building.

Notes to the RIPE NCC Statement of Income and Expenditures

All amounts are expressed in kEUR and all currencies participating in the European Monetary Union are translated at the official rate as set by the European Central Bank on December 31, 1998.

The RIPE NCC had 59 employees as at December 31, 1999. Along with temporary personnel, this represents 53.8 FTE's (Full Time Equivalent). Salary and related costs account for more than 65% of Operating Expenses.

Revenues are higher than were budgeted because the rate of growth of Local Internet Registries (LIR) was higher than estimated. Interest revenues come from short-term deposits of working capital. Other income is primarily the RIPE meeting plus service charges and interest on outstanding accounts receivable.

The number of LIRs increased by just under 1.25 per calendar day in 1999, as opposed to the budgeted increase of one per calendar day. At the end of 1999 there were 1,696 Local Internet Registries as compared to 1,263 in 1998.

The Personnel Fund expense was calculated using the number of people with employment contracts of indeterminate time working at the RIPE NCC as at December 31, 1999. The amount includes allowances for vacation pay, the pension and year end payment as well as the employer's part of social premiums payable.

AUDITOR'S REPORT

Introduction

We have audited the 1999 financial statements of Réseaux IP Européens Network Coordination Centre (RIPE NCC). These statements are the responsibility of the management of the association. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the association as at 31 December 1999 and of the result for the year ended in accordance with accounting principles generally accepted in the Netherlands.

Amsterdam, February 10, 2000

Horlings, Brouwer & Horlings
Registeraccountants