

# Financial Report

# 2004



8 March 2005

## **Letter from the Managing Director**

The year 2004 has shown another year with a significant surplus for the RIPE NCC. The surplus for 2004 was 2,698 kEUR and this surplus increases the capital reserve up to a level of approximately one-year of RIPE NCC operating expenses. This level is the level that is set by the RIPE NCC Management and the Executive Board to guarantee the financial stability and operational continuity of the RIPE NCC.

The surplus in 2004 was the result of higher than expected revenues. Despite a considerable fee decrease in 2004, the revenues were only 5% below the level of 2003. The higher than expected revenues were a result of strong membership growth. The total number of members increased to a level of 3,824 (as compared to 3,488 in 2003) which represents a 10% net increase from 2003.

The membership has continued to take an active interest in the RIPE NCC and to participate in the various RIPE Working Groups that provide guidance on the RIPE NCC operations. The RIPE NCC General Meetings saw constructive discussion, with a focus on improvements to the association's operational flexibility and resilience. Members gave their full support to the RIPE NCC, its Executive Board and its Activity Plan for 2004. In addition, members approved the new Standard Service Agreement, which has allowed the RIPE NCC to operate more efficiently and without unnecessary bureaucracy.

The RIPE NCC continued to foster productive co-operation with the other RIRs, focusing efforts through the Number Resource Organization (NRO), to support the RIRs' collective aim for a well-functioning Internet. In 2004, the NRO signed a Memorandum of Understanding (MoU) with ICANN regarding the Address Supporting Organization (ASO). This MoU stipulates how the NRO will fulfil the role, responsibilities, and functions of the ASO as outlined in the ICANN Bylaws. The RIPE NCC and the other RIRs will continue to work together and participate actively in discussions with ICANN and IANA to represent the needs of their members and the Internet community as a whole.

The RIPE NCC and the other RIRs have continued to strongly support AfriNIC in its progress towards being recognised as an RIR by ICANN. As part of the transition process, AfriNIC and the RIPE NCC have been co-evaluating resource requests since 1 September 2004. AfriNIC was provisionally recognised by the Internet Corporation for Assigned Names and Numbers (ICANN) in October 2004 and is expected to become a fully recognised RIR in 2005.

The RIPE NCC staff for the full year consisted of 90.5 Full Time Equivalent (FTEs) versus 97.4 FTEs in 2003. The staff represents an internationally diverse group from more than 20 countries with a high level of expertise.

The revised RIPE NCC billing categories, approved by the members in 2003, have functioned well over the course of 2004, allowing the RIPE NCC service fee to more accurately reflect the services rendered to each member. Due to the stable level of the RIPE NCC reserves and the continuous growth in the membership over 2004, the members approved a decrease in the annual service fees for 2005 at the RIPE NCC General Meeting in September 2004. The RIPE NCC will continue to adjust its activities, reposition its operational focus and modify resource levels to ensure the solid functionality and dependability needed to service the RIPE NCC membership and RIPE community appropriately.

For more details about the financial year 2004, please refer to the RIPE NCC Annual Report 2004. The report can also be found on our web site at <http://www.ripe.net>.

Kind regards,

Axel Pawlik  
Managing Director

## Statement of Income and Expenditure 2004

in KEUR	Actual 2004	Budget 2004	Actual 2003	Difference FY04 vs. Bud FY04		Difference FY04 vs. FY03	
<b><u>Income</u></b>							
Fee	11,997	10,329	12,542	1,668	16%	-545	-4%
RIPE Meeting	289	362	290	-73	-20%	-1	0%
Other income	<u>151</u>	<u>100</u>	<u>241</u>	<u>51</u>	51%	<u>-90</u>	-37%
<b>Total Income</b>	<b>12,437</b>	<b>10,791</b>	<b>13,073</b>	<b>1,646</b>	<b>15%</b>	<b>-636</b>	<b>-5%</b>
<b><u>Expenditures</u></b>							
Personnel	5,676	5,725	5,660	-49	-1%	16	0%
Operational expenses	2,361	2,440	2,156	-79	-3%	205	10%
RIPE Meetings	469	489	509	-20	-4%	-40	-8%
LIR Courses	281	305	228	-24	-8%	53	23%
Depreciation	<u>500</u>	<u>916</u>	<u>904</u>	<u>-416</u>	-45%	<u>-404</u>	-45%
<b>Subtotal expenses</b>	<b>9,287</b>	<b>9,875</b>	<b>9,457</b>	<b>-588</b>	<b>-6%</b>	<b>-170</b>	<b>-2%</b>
Surplus before misc. costs & financial expenses	3,150	916	3,616	2,234		-466	
Miscellaneous costs	691	550	738	141	26%	-47	-6%
Financial expenses	<u>-239</u>	<u>-162</u>	<u>-199</u>	<u>-77</u>	48%	<u>-40</u>	20%
<b>Total expenses</b>	<b>9,739</b>	<b>10,263</b>	<b>9,996</b>	<b>-524</b>	<b>-5%</b>	<b>-257</b>	<b>-3%</b>
<b>Surplus / Deficit</b>	<b><u>2,698</u></b>	<b><u>528</u></b>	<b><u>3,077</u></b>	<b>2,170</b>	<b>411%</b>	<b>-379</b>	<b>-12%</b>

## Balance Sheet as at 31 December 2004

in kEUR	31 DECEMBER 2004	31 DECEMBER 2003
<b><u>ASSETS</u></b>		
<u>Fixed assets</u>		
Computers	388	346
Infrastructure	204	275
Office equipment	<u>113</u>	<u>139</u>
Total fixed assets	705	760
<u>Current assets</u>		
Accounts receivable	3,248	2,885
VAT	35	17
Miscellaneous receivables	<u>474</u>	<u>624</u>
Total current assets	3,757	3,526
<u>Cash on hand</u>	15,123	12,432
Total ASSETS	<u>19,585</u>	<u>16,718</u>
 <b><u>LIABILITIES</u></b>		
<u>Capital</u>		
Reserves	477	477
Clearing House	6,811	3,733
Surplus	<u>2,698</u>	<u>3,077</u>
Total capital	9,986	7,287
 <u>Current liabilities</u>		
Creditors	83	418
Wage taxes & social securities	143	-21
Unearned revenues	8,004	8,287
Personnel fund	330	1
Miscellaneous payables	<u>1,039</u>	<u>746</u>
Total current liabilities	9,599	9,431
Total LIABILITIES	<u>19,585</u>	<u>16,718</u>

# Notes to the RIPE NCC Statement of Income and Expenditure 2004

## General

All amounts are expressed in kEUR. Foreign currencies are converted at the daily exchange rate at the date of transaction or valuation. The balance sheet has been prepared in accordance with the historical cost convention. The accounting principles have been in accordance with previous accounting years, with the exception of the valuation of outstanding vacation days. These have been valued at 122 kEUR.

The financial year 2004 resulted in a surplus of 2,698 kEUR. This positive result is due to a higher than expected income from membership growth and the effective control of expenses. This surplus increases the RIPE NCC reserves almost up to the level equivalent with one year's operating expenses for the RIPE NCC. This target has been set by the Executive Board and the RIPE NCC Management for the financial stability and the continuity of the RIPE NCC.

## Revenues

Revenues were 5% below 2003 and 15% above the budgeted income for 2004. The income from service fees in 2004 was less than in 2003 due to a substantial decrease in fees versus 2003, although there was a countering positive effect due to increased new membership. The total membership increased to 3,824, a 10% growth compared to 2003. The total number of new members applying in 2004 was 635. Due to closed members and applicants that never became full members, the net growth for 2004 was 336 members. The RIPE Meeting fees income was on the same level as in 2003 but well below budgeted income. This is a result of lower than expected attendancy at the RIPE Meetings. Other income contains TTM Service fees and payments of written off accounts from previous years. Due to lower TTM Service fees, other income in 2004 was lower than in 2003.

## Expenditures

Total expenditure in 2004 was 3% less than total expenditure in 2003. The main cause for the decrease in expenditure was a decrease in depreciation expenses due to an efficient, formalised purchase process and a change in the depreciation term for hardware purchases from 2 years to 3 years. Personnel expenses increased slightly from 2003 but were still well below the budget 2004. In 2004 an additional accrued item for outstanding employee vacation days of 122 kEUR is included. For the full year 90.5 FTE were employed compared to 97.4 FTE for the year 2003. Operational expenses increased due to the two Regional Meetings held in 2004, additional postage expenses for the mailing of the Standard Service Agreements and increased ICANN contribution for 2004.

Miscellaneous expenses consist of bad debts and Personnel Fund expenses. Bad debts were 361 kEUR in 2004, almost 50% lower than in 2003 due to fewer closures and lower fees. The liability to the Personnel Fund was 330 kEUR for 2004, substantially higher than 2003 as a result of more employees with indefinite contracts. Financial expenses include bank charges and interest received on the current and deposit accounts. From the larger cash deposits increased interest was received over 2004.

# Notes to the RIPE NCC Balance Sheet as per 31 December 2004

## General Information

All amounts are expressed in kEUR. Foreign currencies are converted at the daily exchange rate at the date of transaction or valuation.

Historic costs have been used throughout unless otherwise stated.

Assets are valued at historical costs and are depreciated on a straight-line basis, starting in the month after acquisition. Computers consist of hardware and activated software. Hardware is written off in three years while software is written off in two years. Infrastructure is written off in three years and office equipment in five years. All items under EUR 1,000 are expensed.

Fixed Assets	Computers	Infrastructure	Office Equipment
Book value 1/1/2004	346	275	139
Purchase costs	278	149	18
Depreciation	236	220	44
Book value 31/12/2004	388	204	113

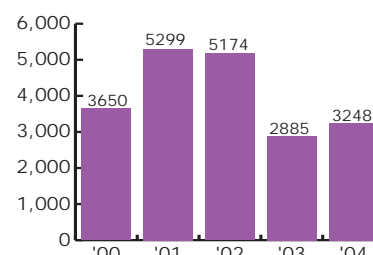
## Current Assets

Accounts receivable increased in comparison with 31 December 2003 due to the increase of new members and the late sending of quarterly- and half-yearly invoices.

In 2004 suspense accounts are stated as accounts receivable. Suspense accounts are payments received from members of which the origin of the payment is not yet clear. Therefore these are corrected versus the accounts receivable.

Miscellaneous receivable include prepayments for rent, equipment, pension, health and deposits for RIPE Meeting venues. Other items listed under miscellaneous receivable are interest receivable, fees to be received, payments in transit and long-term receivables. In addition, miscellaneous receivables includes for 2004 an inventory for the sale of K-root and TTM equipment.

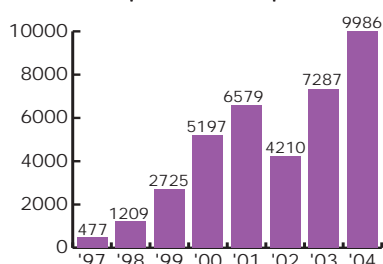
Accounts Receivable



## Capital

Up to 1998, surpluses have been accumulated in the RIPE NCC reserves. In 1998, the RIPE NCC agreed with the Dutch tax authorities on a tax ruling that allows surpluses to be put tax free into a Clearing House. All yearly surpluses since 1998 have been allocated to the Clearing House. In 2004 the Clearing House ruling with the tax authorities was revised so that the Clearing House applied to the members as a group and not individually. This was approved by the General Meeting in May 2004. Currently the maximum reserve in the Clearing House is limited to 3 times the service fees received from the members.

Capital Development



## Current Liabilities

### Unearned revenues

The unearned revenues consist of invoices sent in 2004 but pertaining to 2005. The substantial decrease in Service Fees for the year 2005 has resulted in a moderate decrease even though the membership grew considerably over the year 2004.

Wage Taxes and Social Securities	31/12/2004	31/12/2003
Wage taxes	123	24
Social securities	20	-45
<b>Total wage taxes and social securities</b>	<b>143</b>	<b>-21</b>

Over the course of 2004 the RIPE NCC changed the wage tax filing period from quarterly to monthly. Therefore at year end the December payment was still due.

Miscellaneous Payable	31/12/2004	31/12/2003
Accrued ICANN contribution	447	477
Accrued holiday allowance	171	156
Accrued vacation days	122	-
Other payables	299	113
<b>Total miscellaneous payable</b>	<b>1,039</b>	<b>746</b>

In comparison to 2003, miscellaneous payable includes one additional item, the accrued vacation days for the employees. This is based on the number of outstanding vacation days at 31 December 2004 valued at the December 2004 salary. Other payables include the unearned revenue for African registries of 201 kEUR. Upon receipt of payment the amount will be transferred to AfriNIC in 2005.

### Items Not Shown in Balance Sheet

The RIPE NCC rents office space in two buildings and has four separate rental agreements for these. Four bank guarantees have been issued for an amount of 135 kEUR to cover a quarter of the rent of the office space. Currently all these rental agreements are under negotiation.

# HORLINGS, BROUWER & HORLINGS

Accountants



To the General Meeting and  
Executive Board of the  
RIPE NCC Association  
Singel 258  
1016 AB Amsterdam

## AUDITOR'S REPORT

### Introduction

We have audited the financial statements of Réseaux IP Européens Network Coordination Centre (RIPE NCC), Amsterdam, for the year 2004. These financial 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 misstatement. 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 presentation of the financial statements. 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 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands.

Amsterdam, 8 March 2005

A handwritten signature in black ink, consisting of a vertical line on the left, a horizontal line extending to the right, and a small flourish at the end.

M.H.P. van Winsen  
Registeraccountant