



» FINANCIAL REPORT

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Cover Design: De Case
Layout: RIPE NCC
Photography: Chris van Houts (pages 3, 4, 7, 21)

>> Availability

The RIPE NCC Annual Report 2005 can be found online at:
<http://www.ripe.net/info/ncc/ar.html>

Letter from the Managing Director

2005 was another year that showed a significant surplus for the RIPE NCC. The surplus for 2005 of 2,684 kEUR increased the capital reserve above the level equivalent to one-year's operating expenses for the RIPE NCC. This level is set by the RIPE NCC Executive Board and the management to guarantee the RIPE NCC's financial stability and continuity of operations.

This surplus was the result of lower than expected expenses and higher than expected revenues. Expenses were 3% lower in 2005 than in 2004, making this year the lowest in terms of expenses since the 2001 financial year. Despite a considerable decrease of fees in 2005, revenues were only 3% below 2004. The higher than expected revenues were a result of strong membership growth. The total number of members increased during 2005 to 4,210, compared to 3,824 in 2004, representing a 10% net increase on 2004.

The number of staff employed by the RIPE NCC for the full year was 90.6 full time equivalents (FTEs), compared to 90.5 FTEs in 2004.

The RIPE NCC membership continued to take an active interest in the organisation in 2005 and actively participated in the RIPE NCC Services Working Group, providing guidance on RIPE NCC operations, services and activities. At the RIPE NCC General Meetings (GM) in 2005, members gave their full support to the RIPE NCC, its Executive Board and its Activity Plan and Budget for 2006. The RIPE NCC will continue to adjust its activities, reposition its operational focus and modify resource levels to ensure that the organisation functions as required by the RIPE NCC membership and the RIPE community.

Due to the stable level of the RIPE NCC's financial reserves and the continuous growth of membership over 2005, a decrease in the annual service fees for 2006 was proposed and approved by the members at the GM in October 2005.

The RIPE NCC also continued to cooperate with the other Regional Internet Registries (RIRs), focusing efforts through the Number Resource Organization (NRO), to support the RIRs' collective aim for fair and equitable distribution of Internet resources. The RIRs aim to incorporate the NRO in Uruguay in 2006.

In April 2005, AfriNIC became the fully functional RIR for the African region and, as of 31 December 2005, the RIPE NCC ended the membership of all members from the African continent. The RIPE NCC offered substantial support to AfriNIC throughout its set-up as an RIR and continues to offer its full support to ensure the stability of the global RIR system.

For more details about the 2005 financial year, please see the RIPE NCC Annual Report 2005. The report can be found online at:

<http://www.ripe.net/info/ncc/ar.html>

Kind regards,



Axel Pawlik

RIPE NCC Managing Director



Axel Pawlik,
RIPE NCC Managing Director

>> STATEMENT OF INCOME AND EXPENDITURE 2005

in kEUR	Actual Year 2005	Budget 2005	Actual Year 2004	Difference FY05 vs Bud FY05		Difference FY05 vs FY04	
<u>Income</u>							
Fee	11,789	10,872	11,997	917	8%	(208)	-2%
RIPE Meeting	243	184	289	59	32%	(46)	-16%
Other income	72	150	151	(78)	-52%	(79)	-52%
Total Income	12,104	11,206	12,437	898	8%	(333)	-3%
<u>Expenditures</u>							
Personnel	5,857	6,130	5,676	(273)	-4%	181	3%
Operational expenses	2,327	2,988	2,247	(661)	-22%	80	4%
RIPE Meetings	455	279	469	176	63%	(14)	-3%
LIR courses	269	281	281	(12)	-4%	(12)	-4%
Regional meetings	54	112	114	(58)	-52%	(60)	-53%
Depreciation	468	633	500	(165)	-26%	(32)	-6%
Subtotal expenses	9,430	10,423	9,287	(993)	-10%	143	2%
Surplus before misc. costs & financial expenses	2,674	783	3,150	1,891		(476)	
Miscellaneous costs	263	550	691	(287)	-52%	(428)	-62%
Financial expenses	(273)	(269)	(239)	(4)	-2%	(34)	-14%
Total expenses	9,420	10,704	9,739	(1,284)	-12%	(319)	-3%
Surplus / Deficit	2,684	502	2,698	2,182	435%	(14)	-1%

>> BALANCE SHEET as at 31 DECEMBER 2005

in kEUR

ASSETS

Fixed assets

	31 DECEMBER 2005		31 DECEMBER 2004
Computers	883		388
Infrastructure	173		204
Office equipment	79		113
Total fixed assets	1,135		705

Current assets

Accounts receivable	2,761		3,248
VAT	23		35
Miscellaneous receivables	609		474
Total current assets	3,393		3,757

Cash on hand

	17,300		15,123
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Total ASSETS

	21,828		19,585
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LIABILITIES

Capital

Reserves	477		477
Clearing House	9,509		6,811
Surplus	2,684		2,698
Total capital	12,670		9,986

Current liabilities

Creditors	416		83
Wage taxes & social securities	141		143
Unearned revenues	7,767		8,004
Personnel fund	(161)		330
Miscellaneous payables	995		1,039
Total current liabilities	9,158		9,599

Total LIABILITIES

	21,828		19,585
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» Notes to the RIPE NCC Statement of Income and Expenditure 2005

General Information

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 were in accordance with the previous accounting year.

The financial year 2005 resulted in a surplus of 2,684 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 above the level that is equivalent to one year's operating expenses for the RIPE NCC. This target was set by the RIPE NCC Executive Board and the RIPE NCC Management for the financial stability and the continuity of the RIPE NCC. For 2006, the level of reserves has been budgeted to decrease towards a level equivalent with one year's operating expenses.

Revenues

Revenues were 3% below 2004 and 8% above the budgeted income for 2005. The income from service fees in 2005 was less than in 2004 due to a substantial decrease in fees, even though there was a positive effect from the increased number of members.

The total membership increased to 4,210, a 10% growth compared to 2004. The total number of new members applying in 2005 was 684. Due to closed members and applicants that never became members, the net growth for 2005 was 386 members.

Compared to 2004, income from the service fee includes the revenues received from late payments for previous years and late payment charges. In previous years, these items were listed as 'Other Income'.

The RIPE Meeting fee income was less than 2004, but well above budgeted income. This is a result of the change from holding three RIPE Meetings per year to two RIPE Meetings per year in 2005. The attendance at the two RIPE Meetings in 2005 was substantially higher than expected. 'Other Income' contains Test Traffic Management (TTM) Service fees, DNSMON income and EU VAT reclamations from 2004 that were submitted in 2005, and a revaluation of the Internet Corporation for Assigned Names and Numbers (ICANN) accrual.

Expenditures

Total expenditure in 2005 was 3% less than total expenditure in 2004. The main reason for the decrease in expenditure was a decrease in 'Miscellaneous Costs' caused by a repayment from the RIPE NCC Personnel Fund. Personnel expenses increased slightly from 2004, but were still well below the 2005 budget. For the full year, 90.6 FTEs were employed compared to 90.5 FTEs for the year 2004 and 92.5 FTEs budgeted for 2005. The number of FTEs is calculated on the basis of the number of days (as defined by social security benchmarks) worked by employees. Operational expenses increased due to additional postage expenses and the increased ICANN contribution for 2005.

RIPE Meeting expenses increased from the budget as a result of the high number of attendees at both RIPE Meetings in 2005. Only one Regional Meeting was held in 2005 compared with two in 2004 and budgeted for 2005.

Miscellaneous costs consist of bad debts and RIPE NCC Personnel Fund expenses. Bad debts were 423 kEUR versus 361 kEUR in 2004. In 2005, the liability to the Personnel Fund was -161 kEUR for 2005, substantially lower than 2004, as a result of a decrease in the number of employees with indefinite contracts.

Financial expenses include bank charges and interest received on current and deposit accounts. Due to the RIPE NCC's new online payment system, bank charges increased as credit card charges are now charged to the RIPE NCC and are accounted as an expense. With the increased cash deposit level, the interest received from deposit accounts increased over 2005.

>> Notes to the RIPE NCC Balance Sheet as per 31 December 2005

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 cost 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.

Current Assets

Accounts receivable decreased in comparison with 31 December 2004, due to the timely sending of quarterly and half-yearly invoices and due to the decrease in service fees for 2006. In 2005, in contrast to previous years, a re-statement was made for all extra payments or over payments by members to the RIPE NCC. This amounts to 163 kEUR and is reported as 'creditors'.

Suspense accounts are stated as accounts receivable. Suspense accounts are payments received from members where the origin of the payment is not yet clear.

Miscellaneous receivables include pre-payments for rent, equipment, pension, health and deposits for securing RIPE Meeting venues. Other items listed under miscellaneous receivables are interest receivable, fees to be received, payments in transit and long-term receivables. In addition, miscellaneous receivables for 2005 include a small inventory for the sale of K-root equipment and TTM equipment.

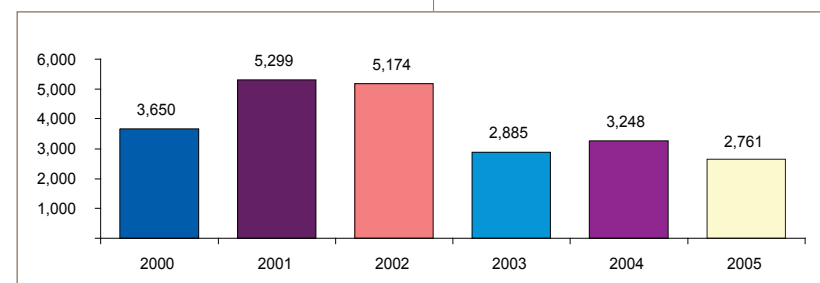
Capital

Until 1998, surpluses were 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 deposited 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 all members as a group and not as individuals. This was approved at the RIPE NCC General Meeting in May 2004. Currently, the maximum reserve in the Clearing House is limited to three times the service fees received from the members.

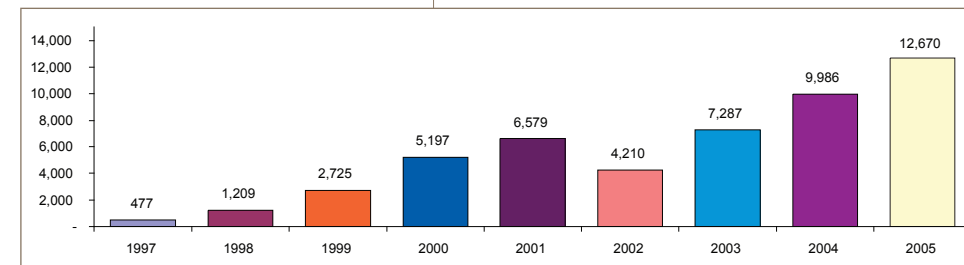
>> Fixed Assets

	Computers	Infrastructure	Office equipment
Book value 1/1/2005	388	204	113
Purchase costs	543	86	11
Depreciation	48	117	45
Book value 31/12/2005	883	173	79

>> Accounts Receivable



>> Capital Development



>> Current Liabilities

Wage taxes and social securities	31/12/05	31/12/04
Wage taxes	128	123
Social Securities	13	20
Total wage taxes and soc. sec.	141	143

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7 kEUR is restated from the creditors to the accounts receivable at 31 December 2005. This refers to credit notes receivable from creditors. The unearned revenues consist of invoices sent in 2005 but pertaining to 2006. The substantial decrease in service fees for the year 2006 has resulted in a moderate decrease in unearned revenues, even though the membership grew considerably over the year 2005, from 3,824 to 4,210 members.

In 2004, the RIPE NCC changed the wage tax filing period from quarterly to monthly. Therefore, at year-end 2005, only the December payment was still due.

Miscellaneous payable	31/12/05	31/12/04
Accrued ICANN contribution	633	447
Accrued holiday allowance/ vacation days	295	293
Other payables	67	299
Total miscellaneous payable	995	1,039

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Miscellaneous Payables

The miscellaneous payables include accrued holiday allowance and accrued vacation days. This amount is based on the number of outstanding vacation days at 31 December 2005 and valued at the December 2005 salary. In comparison to 2004, miscellaneous payables exclude the unearned revenue for African members. This was included in "Other Payables" in 2004. At year-end 2004, this amounted to 201 kEUR. In the course of 2005, the payments received were transferred to the Regional Internet Registry (RIR) for the African region, AfriNIC.

Items Not Shown in Balance Sheet

The RIPE NCC rents office space in two buildings and has two separate rental agreements for these. Two bank guarantees have been issued for an amount of 131 kEUR to cover a quarter of the rent of the office space. These rental agreements were re-negotiated in 2005 and were extended until December 2008 and 2009.

Currently, the RIPE NCC has no liabilities or obligations towards the Number Resource Organization (NRO) and all items were settled at year-end 2005. There is no material interest in the NRO that needs to be noted in the financial statements.



Auditors' report

Introduction

In accordance with your instructions, we have audited the financial statements of Réseaux IP Européens Network Coordination Centre (RIPE NCC), Amsterdam for the year 2005 as set out on pages two to eight. 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.

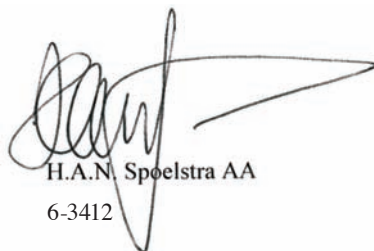
Opinion

In our opinion, the financial statements give a view of the financial position of the company as at 31 December 2005 and of the result for the year then ended as is required in this case in accordance with the accounting policies as defined to the financial statements.

Furthermore we have established to the extent of our competence that the Letter from the Managing Director is consistent with the financial statements of the association.

Amstelveen, 22 March 2006

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