RIPE NCC

Financial Report 1998

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Amsterdam, March 10, 1999

Letter from the General Manager

The last year has been a transition year for the RIPE NCC. Although 1998 marked the seventh year of RIPE NCC operations it was also the first year of its existence as an independent association.

During this year the membership has grown by more than one third to 1,263 members from 76 countries. The membership has continued to take an active interest and participation in the various RIPE working groups that provide guidance to NCC operations. The general meeting of the association saw constructive discussion and strong support for the association and its board.

The staff has grown to 50 people, a very international group of 18 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.

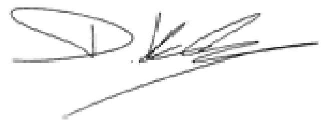
We close 1998 in a healthy financial position that provides the stability that is expected by the membership.

For 1999 we expect that membership growth will be comparable to 1998. Current services will continue and the test traffic project will turn into a service. We will also have to do our part in the formalisation of Internet administrative structures, most notably the structure of global policy development regarding address space and related identifiers.

For more details about 1998 please refer to the 1998 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



Daniel Karrenberg
General Manager

BALANCE SHEET (in k XEU)

ASSETS

Fixed assets	31.12.1998		31.12.1997	
Infrastructure	448		416	
Computers	200		0	
Office furniture	74		0	
		722		**416**
Long term receivable		**60**		**0**
Current assets				
Receivables	2.745		1.769	
Prepayments, accrued income and miscellaneous receivables	72		34	
TERENA current account	0		-12	
		2.817		**1.791**
Cash in bank and on hand		**1.576**		**809**
		5.175		**3.016**

BALANCE SHEET (in k XEU)

LIABILITIES

Capital	**31.12.1998**	**31.12.1997**		
Reserves	477	983		
Net surplus Clearinghouse		-506		
	732			
			1.209	**477**

Current liabilities				
Creditors	169	58		
1998/9 Invoices issued	3.186	2.130		
VAT	-11	16		
Personnel fund	368	215		
Miscellaneous payables	253	120		
	1	0		
CENTR project payable				
			3.966	**2.539**
			5.175	**3.016**

STATEMENT OF INCOME AND EXPENDITURES (in k XEU)

	1998		1997	
INCOME				
Fees	3,996		2,244	
Other income	95		19	
Total income		**4,091**		**2,263**
EXPENDITURE				
Operating costs	2,678		2,093	
Depreciation	249		52	
Total expenses		**2,927**		**2,145**
Surplus before miscellaneous costs		**1,164**		**118**
Miscellaneous costs				
Doubtful debtors/Credit notes	322		245	
Personnel fund	152		315	
Moving expense	0		60	
Total miscellaneous costs		**474**		**620**
Financial expenses				
Bank interest	-29		-9	
Exchange rate differences	-28		5	
Banking expenses	15		8	
Total financial expenses		**-42**		**4**

NET SURPLUS	**732**	**-506**

Notes to the balance sheet as per December 31, 1998 of the RIPE NCC

GENERAL INFORMATION

All amounts are expressed in XEU. The principle foreign currency, the Dutch guilder, was converted at a rate of .453 for the year. On December 31, 1998 the XEU was replaced by the EUR using the same rate. Historic cost was used throughout unless otherwise stated.

Some figures from 1997 have been restated to correspond with the slightly modified presentation in 1998.

FIXED ASSETS

	12/31/98	12/31/97
Infrastructure		
Purchase costs	699	468
Less: Depreciation	-251	-52
Book value 31-12	**448**	**416**
Computers		
Purchase costs	244	0
Less: Depreciation	-44	0
Book value 31-12	**200**	**0**
Office Furniture & Equipment		
Purchase costs	80	0
Less: Depreciation	-6	0
Book value 31-12	**74**	**0**
Total Fixed Assets at book value	**722**	**416**

Assets are valued at historical cost 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 XEU are expensed.

LONG TERM RECEIVABLE

The long term receivable consists of the contribution of the owner of the building towards the renovation costs of that building. The entire amount of 175,300 NLG (79,275 XEU) was used to reduce the value of the infrastructure assets.

CURRENT ASSETS

	12/31/98	12/31/97
Receivables		
Receivables 31 December	3,270	2,014
Less: Bad debts/Credit notes	-525	-245
	2,745	**1,769**

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

	12/31/98	12/31/97
Prepayments & miscellaneous receivables		
Prepayments, accrued income, etc.	24	32
Prepaid pensions and advances	48	2
	72	**34**

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. This was the first year of operation for the Clearinghouse.

CURRENT LIABILITIES

1998/9 Invoices issued

1998/9 Invoices issued consists of invoices sent in the current calendar year but pertaining to the following accounting year. This 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, 1998. 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 1998 contribution to the fund was 152,232 XEU.

Miscellaneous payables	12/31/98	12/31/97
Accruals	34	83
Social premiums, wage taxes payable	155	0
Health insurance, accrued vacation, etc.	64	37
	253	**120**

CENTR Project	12/31/98	12/31/97
Total invoiced	83	0
Total expenses	-82	0
Total payable to CENTR	**1**	**0**

The RIPE NCC has agreed to support the CENTR project until June 1999 at the latest. At that time, any difference between what has been invoiced and the expenses incurred will be paid to/by CENTR. As at December 31, 1998 the RIPE NCC had invoiced 1,421 XEU more than had been spent.

ITEMS NOT SHOWN ON 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.

The second rental agreement has a provision for a contribution from the building's owner towards the renovation costs. Discussions are underway with the lessor to determine what the amount will be. The entire amount of the contribution will be used to reduce the value of the infrastructure assets.

Notes to the Statement of Income and Expenditure of RIPE NCC

All amounts are expressed in XEU. The principle foreign currency, the Dutch guilder, was converted at a rate of .453 for the year. On December 31, 1998 the XEU was replaced by the EUR using the same rate.

The RIPE NCC had 53 employees as at December 31, 1998. Along with temporary personal, this re-presents 49.9 FTE's (Full Time Equivalent). Salary and related costs account for more than 60% of Total Expenses.

Revenues are higher than were budgeted because the number of MEDIUM and LARGE 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 LIR's has continued to grow at approximately one per calendar day. At the end of 1998 there were 1,263 Local Internet Registries as compared to 905 in 1997.

The Doubtful Debtors expense will clear out all outstanding debts for all previous years and a large part of 1998 thought to be uncollectible. Any debtors whose debt has been written off will first have to pay all existing debts, a new sign-up fee as well as the annual fee in advance if they wish to use the RIPE NCC services in the future. A debt collection policy has been implemented in the second half of 1998 and it is expected that this amount will be reduced to the budgeted amount in the future.

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, 1998. The amount includes allowances for vacation pay, the pension and year end payment as well as the employer's part of social premiums payable.

HORLINGS, BROUWER & HORLINGS
Registeraccountants
NEXIA INTERNATIONAL

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

AUDITOR'S REPORT

Introduction

We have autited the 1998 financial statements fo Reseauz IP Europeens Network Co-ordination Centre (RIPE NCC). These financial statements are the responsibility of the management f the association. Our responsibility is to express an opnion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with audition 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 accointing principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe tat 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 1998 and of the result for the year ended in accordance with accounting principles generally accepted in the Netherlands.

Amsterdam, March 10, 1999

M.H.P. van Winsen
Registeraccountant