RIPE NCC

RIPE NETWORK COORDINATION CENTRE

FINANCIAL REPORT 2018

EXECUTIVE BOARD REPORT

Introduction to the RIPE NCC Financial Report

Remco Van Mook

RIPE NCC Executive Board Treasurer

Around the world, the Internet has become a crucial part of all aspects of our lives. With it, it has become target of ever closer scrutiny, regulation, coordination and international cooperation, both inside and outside the technical community that incubated it. It is of vital importance for the RIPE community, and the RIPE NCC as its supporting organisation, to help inform these discussions, facilitate and participate in them and build best practices based on policy and regulation to keep growing a sustainable Internet. I believe in the value that the RIPE NCC activities are providing – not just to the RIPE community, but to all stakeholders, now and in the future.

The foundation for all of this is the Registry role of the RIPE NCC, not just to ensure uniqueness of Internet number resources but also ro maintain the accurate and up-to-date information about resource holders. But just maintaining and aggregating information is not enough – it needs to be shared and explained to fulfil its role, and the RIPE NCC does that by providing training, outreach and research from its unique central and neutral position.

Because of this, stability and sustainability are key terms in the governing principles for the RIPE NCC, and from that follows its approach to the organisation's finances.

The RIPE NCC objectives are being secured by a healthy accounting position. In the financial year 2018, the RIPE NCC membership grew by 3,023 LIRs, bringing the total to just over 20,624 LIR accounts by year end. The total income for the year was 38,953k EUR, which was 13% more than budgeted and 7,132k EUR higher than 2017. Over 2018 we gave back 28% of our income and this trend approximates the 22% rise in income from new member sign-up fees. As a result, our end of year income was reduced from 38,953k EUR to 28,095k EUR.

The RIPE NCC's financial outlook remains positive and we are well positioned for the years ahead:

- **Sustainable and strong relations with our members**
  IPv4 runout (Q4 2019) will have a consolidation effect starting in 2020 but we are confident that we can manage the consequences for our income because of merging LIRs;

- **Prudent cost management**
  The total expediture for 2018 was 1% below budget at 28,089 kEUR. Despite the additional workload, costs remained within budget thanks to efforts to make internal processes more efficient.

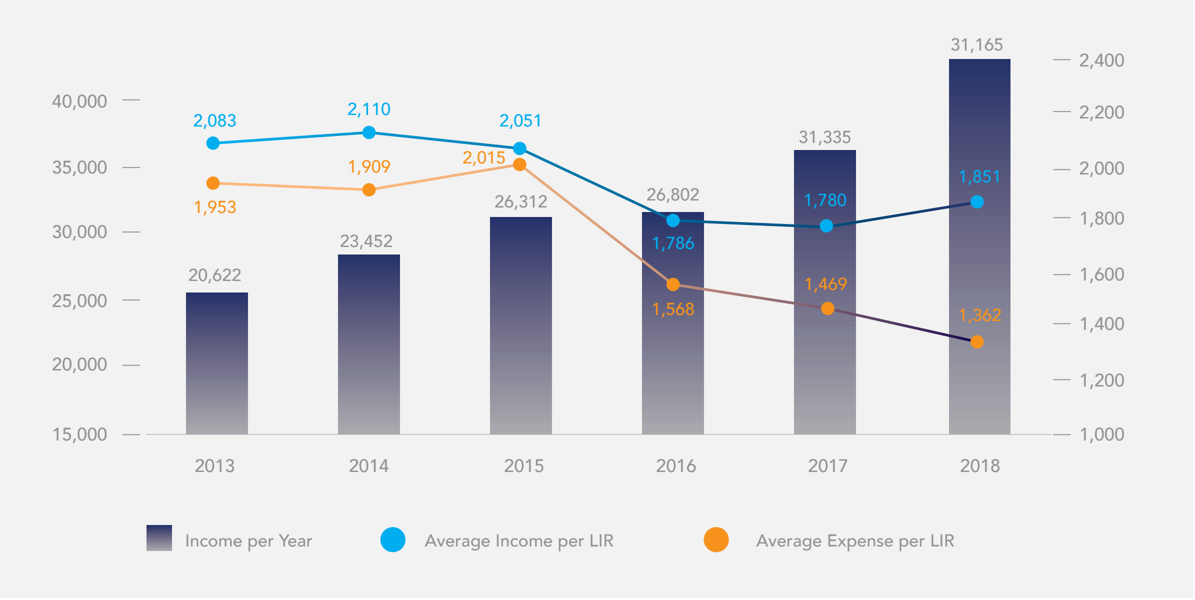
- **Sound capital and liquidity management**
  Our balance sheet has been very stable over the last years: investment portfolio matches long-term strategy and diversification principles as set out in the Treasury Statute;

- **Transparency in financial operations**
  In December 2018, we published a tax governance paper and every year the RIPE NCC produces a very detailed Annual Report and Activity and Budget Plan.

Sustainable and strong relations with our members

The RIPE NCC's funding strategy aims to generate sufficient income so that we can fulfil the obligations to our members in a stable and predictable way. There will be volatility and consolidation on the income side as a consequence of the IPv4 runout in Q4 of this year, but we are confident that this will not have an immediate impact on our financial position. A large part of our growth can be explained by the continued allocation of IPv4 space, but we see another trend in the background. New sectors (banking, gaming, automotive, fashion) value their autonomy on the Internet and stakeholders outside the technical community are searching for neutral information provided by the RIPE NCC. In 2015, the RIPE community introduced a 24-month waiting period for the final /22 allocations. From the beginning of 2016, 30% of all new LIRs were additional accounts. This additional income is sensitive to consolidation effects but future charging schemes will be considerate of these changes.

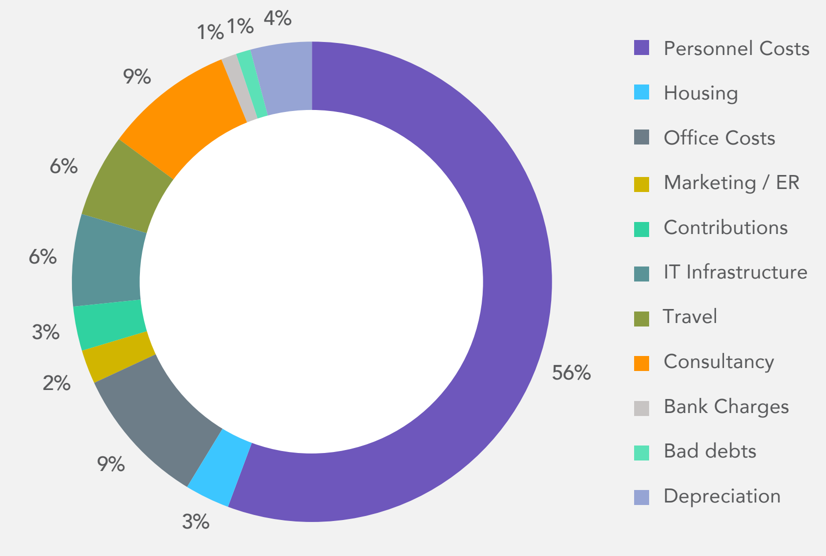
In the financial year 2018, the RIPE NCC membership grew by 3,023 LIRs, bringing the total to 20,624 LIR accounts by year end. The total income for the year was 38,954 kEUR, which was 13% more than budget and 7,132 kEUR higher than 2017. At the RIPE NCC General Meeting October 2018, members voted in favour of redistributing the 2018 fiscal surplus back to the membership. This surplus amounted to just over 10,859 kEUR.



Prudent cost management

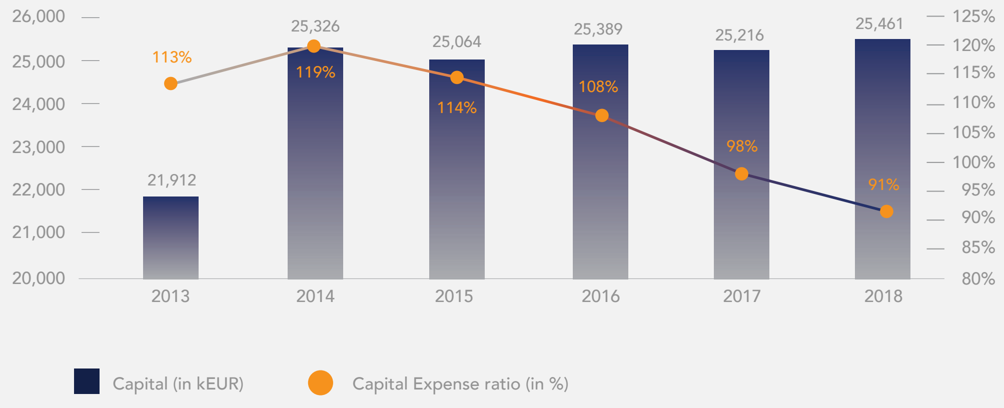
The total expenditure for 2018 was 1% below budget at 28,089 kEUR. Despite the additional workload from the increase in LIRs, mergers and acquisitions, and Internet number resource transfers over the year, our personnel costs remained within budget thanks to efforts to make internal processes more efficient. We supported several "Good of the Internet" initiatives including the Rob Blokzijl Foundation, the RIPE NCC Community Projects Fund and a contribution towards IETF sustainability as part of a long-term commitment.

Efficiency gains are important because we want to balance the quality of our service with our cost levels. In 2018, the average expense per LIR decreased to EUR 1,362 (from EUR 1,469 in 2017). To create more efficiency, we plan to improve several processes (billing, transfers) and reduce the complexity for our members. We also see that our activities are becoming larger in scale. This trend is structural and caused by our response to the changing Internet landscape. In 2019, we expect our costs to rise to 32.7 million EUR to strengthen due diligence processes, risk management in general and to execute the increased workload as a consequence of the growth in members / LIRs. We're also investing a significant sum to implement community proposals such as the abuse-c policy.



Sound capital and liquidity management

The RIPE NCC continues to implement a conservative investment strategy to minimise risk for the RIPE NCC reserves. We have a Clearing House buffer of EUR 25 million to respond to uncertainties during the upcoming transition period. The Treasury Statute describes how the RIPE NCC wants to minimise risks for its investment portfolio, including the asset mix spread, and is monitored carefully by the Executive Board and reviewed yearly. Although the RIPE NCC is solvent, we will continue to look at our capacity to meet our longer-term financial obligations.



EXECUTIVE BOARD REPORT

Risks and Uncertainties

The RIPE NCC aims to contribute to a strong global and regional Internet registry system and we want to ensure its accountability, transparency and resilience. In response to the growing need for Internet number resources and the increased complexity around the run out of IPv4 address space, the RIPE NCC implemented a company-wide control framework to allow adaptation to the changing landscape and to reduce the risks within our remit. With this exercise, the RIPE NCC Executive Board has followed its promise to report back to the RIPE NCC membership on how it views these risks and the high-level results will be shared at the RIPE NCC General Meetings.

Our Risk Management approach enables us to exercise adequate control throughout the organisation, but it also serves a broader purpose. The identification of company boundaries and risk exposures unleashes more focused innovation initiatives from employees, so we can better respond to the evolving needs of our stakeholders. The expansion of the Internet created an increased need for accurate registry data and secure routing and we want to stimulate initiatives to seek out new opportunities and create more value for our community.

We do not want to expose ourselves to excessive risk and we do not want to invite behaviours that can damage the integrity of the RIPE NCC. Cyber security threats and information security are a growing concern for the RIPE NCC's technical services, so increased resources and attention have been directed towards the mitigation of these risks. The main financial risk for the RIPE NCC is a future imbalance between an increased volume and complexity of workload (with associated operational costs) and a falling membership growth rate (which reduces income).

Risk culture

Our reputation is built on trust and we find it extremely important that our stakeholders comprehend our organisational purpose, direction and operating procedures. We operate according to the policies and guidelines as set out by the RIPE community and our members endorse our activities through a yearly Activity Plan and Budget cycle.

Risk profile

As part of our long-term strategy, we are committed to maintaining a low-risk profile. We actively manage our financial position looking at the relevant Internet developments that have a direct impact on our work and we continuously consider the needs and requirements of our community. We will link our risk mitigation plans to our funding needs so that we can continue to fulfil our obligations in a stable and predictable manner. The RIPE NCC continues to maintain stable operations in a complex and changing environment. From a financial and organisational governance perspective, the RIPE NCC is in a strong position and well equipped to face challenges in the years to come.

Balance Sheet 31 December 2018 (in kEUR)

Before Allocation of Deficit (in kEUR)

	2018		2017	
ASSETS				
Tangible Fixed Assets				
Hardware	2,253		2,342	
Infrastructure	815		1,062	
Office Equipment	231		285	
Total Tangible Fixed Assets		**3,299**		**3,689**
Financial Fixed Assets				
	13,305		14,039	
Total Financial Fixed Assets		**13,305**		**14,039**
CURRENT ASSETS				
Current Receivables				
Accounts Receivable	33		717	
Value Added Tax (VAT)	288		270	
Miscellaneous Receivables	1,222		1,136	
Total Current Receivables		**1,543**		**2,123**
Cash at bank and in hand		**22,531**		**16,012**
TOTAL ASSETS		**40,678**		**35,863**
CAPITAL AND LIABILITIES				
Capital				
Clearing House	25,216		25,389	
Surplus/Deficit after Taxation	245		(173)	
Total Capital		**25,461**		**25,216**
Current Liabilities				
Trade Creditors / Suppliers	843		825	
Taxes and Social Security Contributions	742		707	
Accruals and Deferred Income	13,632		9,115	
Total Current Liabilities		**15,217**		**10,647**
TOTAL CAPITAL AND LIABILITIES		**40,678**		**35,863**

Statement of Income and Expenditure 2018 (in kEUR)

Income	Actual 2018	Budget 2018	Actual 2017
Annual Fees	**29,315**	**28,288**	**24,970**
Sign-up Fees	8,850	5,500	6,366
RIPE Meetings	277	235	192
Sponsorship Income	464	315	348
Other Income	48	50	(54)
Re-distribution of Member Fees	(10,859)		(5,932)
Total Income	**28,095**	**34,388**	**25,890**
Expenditures			
Salary Components - Personnel	10,145	10,747	9,720
Secondary Benefits - Personnel	2,768	2,582	2,537
Miscellaneous - Personnel	2,729	2,581	2,537
Housing	847	878	767
Office Costs	2,636	2,526	2,188
Marketing / ER	641	701	570
Contributions	838	908	907
IT Infrastructure	1,743	2,004	1,615
Travel	1,564	1,447	1,574
Consultancy	2,448	2,261	2,008
Bank Charges	292	253	222
Bad Debts	277	250	212
Depreciation	1,161	1,350	991
Total Expenses	**28,089**	**28,488**	**25,848**
Surplus / Deficit Before Financial Result	**6**	**5,900**	**42**
Result on Interest Income	251	350	336
Result Exchange Differences	7	-	-
Result Revaluation Government Bonds	(19)	-	(551)
Financial Income and Expense	**239**	**350**	**(215)**
Surplus / Deficit before Taxation	**245**	**6,250**	**(173)**
Income Taxes	**-**		**-**
Net Surplus / Deficit	**245**		**(173)**

Cash Flow Statement 2018 (in kEUR)

The cash flow has been drawn up using the indirect method

	2018		2017	
Cash Flow from Operating Activities				
Operating Profit/Loss	**6**		**42**	
Depreciation and Amortisation	1,161		991	
Adjustments for:				
Changes in Working Capital				
Movements in Trade Receivables	684		(30)	
Movements in Amounts Receivables	(104)		(2)	
Movements in Trade Creditors	18		(458)	
Movements in Current Liabilities	4,553		2,366	
Cash Flow from Business Operations		**6,318**		**2,909**
Result Exchange Differences	7		-	
Interest Paid	(19)		(551)	
Interest Received	251		366	
		239		**(215)**
Cash Flow from Operating Activities		**6,557**		**2,694**
Cash Flow from Investing Activities				
Additions to Tangible Fixed Assets	(779)		(949)	
Disposals of Tangible Fixed Assets	7		4	
Increase in Other Securities	-		(5,827)	
Decrease in Other Securities	734		2,232	
Cash Flow from Investing Activities		**(38)**		**(4,540)**
Movement in Cash at Bank and in Hand		**6,519**		**(1,846)**

Accounting Policies Used in Preparing the Financial Statements

Réseaux IP Européens Network Coordination Centre (RIPE NCC) is a not-for-profit membership association under Dutch law, registered with the Netherlands Chamber of Commerce under number 40539632, located at Stationsplein 11, 1012 AB Amsterdam, the Netherlands.

The RIPE NCC administers Internet number resources for its members. The RIPE NCC maintains several technical elements vital to the Internet infrastructure, including the public RIPE Database and K-root service. As secretariat to the RIPE community, the RIPE NCC carries out a number of support functions such as running RIPE Meetings and facilitating the RIPE Policy Development Process.

The accounting principles applied by the RIPE NCC are in accordance with Dutch law and accounting standards on recognition and measurement. This financial report has been prepared in accordance with Dutch Accounting Standards (RJ640 non-profit organizations). The financial statements were prepared on 15 March 2019.

Judgements and Estimates

The RIPE NCC's management makes various judgments and estimates when applying the accounting policies and rules for preparing financial statements. The principal judgments and estimates, including underlying assumptions, are the provision of bad debts. The provision of bad debts is an assumption based on the experience from past years that approximately 1% of existing members will not pay their membership fee.

Assets and liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and;
- The firm intention is to settle the assets and liabilities on a net basis or simultaneously.

Balance Sheet

Tangible Fixed Assets are depreciated for the period of economic use. If the depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimates. A Tangible Fixed Asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising from the disposal is booked to the Statement of Income and Expenditure. Tangible Fixed Assets in use by the organisation are carried at the cost of acquisition, net of accumulated depreciation and, where applicable, accumulated impairment losses. Tangible Fixed Assets carried at cost do not include capitalised interest charges.

Hardware, Infrastructure and Office Equipment are written off after five years and depreciated on a straight-line basis. Fixed assets with a total value of under EUR 500 are expensed.

Tangible Fixed Assets are depreciated on a straight-line basis over their estimated useful economic lives, taking the residual value into account.

Financial fixed assets consists of government bonds and Exchange-Traded Funds (ETFs.) The fair values of these quoted securities are based on price quotations at the reporting date. Changes in the fair value are directly recognised in the Statement of Income and Expenditure.

Current receivables are initially recognised at fair value plus transaction costs and subsequently stated at amortised cost based on the effective interest method net of a provision for doubtful debts when necessary.

Cash on Hand includes petty cash and cash held in bank accounts. It also includes deposits if these are at the RIPE NCC's free disposal. Cash on Hand that is not expected to be at the RIPE NCC's free disposal within 12 months is classified under Financial Fixed Assets.

On initial recognition, current liabilities are carried at fair value less directly attributable transaction costs. After initial recognition, current liabilities are carried at amortised cost. This is usually the face value for current liabilities.

Assessing whether an agreement contains a lease depends on the substance of the agreement. An agreement is regarded as a lease if its fulfillment depends on the use of a specific asset, or if the lease contains the right of use for a specific asset. The RIPE NCC has no financial lease agreement or agreements in which it acts as lessor. For operating leases, the lease payments are charged to the Statement of Income and Expenditure on a straight-line basis over the term of the lease.

Statement of Income and Expenditure

Income relates to the proceeds from membership fees, sponsorships and the delivery of services after deducting taxes on sales. If the result of a transaction relating to one of these can be reliably estimated and the income is likely to be received, the income relating to that service is recognised in proportion to the service delivered.

RIPE NCC members determine annually whether to adjust fees that members have to pay for the year by adopting a redistribution scheme for the current year regarding excess contribution paid.

Expenses are determined with due observance of the accounting policies mentioned in this report and are allocated to the financial year to which they relate. Obligations (foreseeable and otherwise) and potential losses arising before the end of the financial year are recognised if they are known before the financial statements are prepared, provided that all other conditions for forming provisions are met. Project funding expenses are recognised in the year in which the agreements with the funding recipient were signed and announced.

Wages, salaries and social security charges are recognised in the Statement of Income and Expenditures according to the terms of employment to the extent that they are due to either employees or the tax authorities.

The RIPE NCC recognises an obligation if it has demonstrably committed to paying a termination benefit or transition payment. If the termination is part of a reorganisation, the organisation includes the costs of a termination benefit or transition payment in a provision

Pension contributions payable to the pension scheme administrator are recognised as an expense in the Statement of Income and Expenditure. Contributions payable or prepaid contributions at year-end are recognised under accruals and prepayments respectively.

A provision is formed for liabilities other than the contributions payable to the pension scheme administrator if the RIPE NCC has a legal or constructive obligation towards the pension plan administrator and its own employees, and settlement of these liabilities will likely entail an outflow of resources at the Balance Sheet date.

This is provided that a Interest income is recognised pro rata in the Statement of Income and Expenditure, considering the effective interest rate for the asset concerned provided the income can be measured and there is a reasonable level of certainty it will be received. Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognised in the Statement of Income and Expenditure with the amortised cost of the liabilities recognised in the Balance Sheet. Period interest charges and similar charges are recognised in the year in which they are due.

The average number of staff in (FTEs) employed by the organisation in 2018 was 151 (145 in 2017).

Notes on the Cash Flow Statement for the Year Ended 2018

The Cash Flow statement is prepared in accordance with the indirect method. Cash and cash equivalents consist of cash in the bank and in hand. Financial fixed assets can be converted into cash without restriction and subject to an insignificant risk of decreases in value as a result of the transaction.

Cash flows in foreign currencies are translated at estimated average rates. Cash exchange differences are reported under Cash Flow from Operating Activities as well as from Financing Activities.

Interest received and paid and profits tax are included under Cash Flow from Operating Activities.

Transactions for which no cash or cash equivalents are exchanged, including finance leases, are not included in the Cash Flow statement. Lease payments under finance leases are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from Operating Activities to the extent that they relate to interest payments.

Events After the Balance Sheet Date

No significant events occurred after the Balance Sheet date.

Breakdowns of Items in the Balance Sheet

Assets

Tangible Fixed Assets

	2018	2017
Hardware	2,243	2,342
Infrastructure	815	1,062
Office Equipment	231	285
	3,299	3,689

The investments during the year mainly relates to hardware. In 2018, an amount of 152 kEUR was disposed. This mainly relates to laptops disposed, which also led to a loss in sale of 7 kEUR.

	Hardware	Infrastructure	Office Equipment	Total
Carrying Amount as of 1 January 2018	2,342	1,062	285	3,689
Addition	737	21	21	779
Disposals / Retirements	(152)	-	-	(152)
Depreciation Disposals	145	-	-	145
Depreciation	(819)	(268)	(75)	(1,162)
Carrying Amount as of 31 December 2018	**2,253**	**815**	**231**	**3,299**
Cost	5,863	1,350	486	7,699
Depreciation	(3,610)	(535)	(255)	(4,400)
Carrying Amount as of 31 December 2018	**2,253**	**815**	**231**	**3,299**

Financial Fixed Assets

	2018	2017
Fixed Financial Assets	13,305	14,039

The RIPE NCC's investments are managed in accordance with the RIPE NCC Treasury Statute. At 31 December 2018, the RIPE NCC held 10 different government bonds and securities in four different currencies: EUR, CAD, AUD and USD. In 2018, no new investments were made and one investment has been disposed during the year.

The expansion of the government portfolio meets the asset mix aimed for in the RIPE NCC Treasury Statute, assuring a minimal risk strategy for the RIPE NCC's reserves.

Current Receivables

	2018	2017
Account Receivable	33	717
Taxes and Social Security Contributions	288	270
Miscellaneous Receivables	1,222	1,136
	1,543	2,123

Account Receivables

	2018	2017
Debtors	33	719
Provision for Doubtful Debts	-	(2)
	33	717

A provision for doubtful debts is not deemed necessary. An amount of 195 kEUR has been overpaid by debtors and will be repaid (2017: 174 kEUR). This amount has been restated to the Creditors – an amount of 771 kEUR related to 239 new applicants (867 kEUR due to 280 new applicants in 2017). This decrease is attributed to debtors paying more quickly.

Taxes and Security Contributions

	2018	2017
VAT	288	270

The VAT to be received is in line with prior years and mainly consists of the VAT return of November and December in the Netherlands as well as VAT to be received from the Hungarian and French tax authorities for local VAT charged at RIPE Meetings. This section also includes VAT related to the private use of goods and services bought for business purposes by the RIPE NCC but used for private purposes (e.g. lease cars).

Miscellaneous Receivables

	2018	2017
Interest Receivable	19	125
Prepayments	980	827
Other Receivables	222	184
	1,222	1,136

Interest Receivable decreased with 33 kEUR due to decreasing interest rates compared to prior year.

Prepayments consist of costs related to 2019 that were prepaid in 2018. The main prepayments relate to the office rent in Q1 2019, the RIPE Meeting in Iceland on 20-24 May 2019 and IT service contracts.

Other Receivables is 38 kEUR higher mainly because of more credit cards in transit per year end due to the membership growth.

Cash at Bank and in Hand

	2018	2017
ABN AMRO Bank N.V.	5,593	618
Rabobank	10,095	10,310
ING Bank N.V.	6,826	5,066
National Bank of Abu Dhabi	16	17
Cash in Hand	1	1
	22,531	16,012

The cash is at free disposal under the conditions set out in the Articles of Association and the Treasury Statute.

Capital and Liabilities

Capital

	2018	2017
	25,461	25,216

Capital consists of the RIPE NCC Clearing House and the surplus or deficit for the year. Capital increased with 245 kEUR to 25,461 kEUR at 31 December 2018. In the overview below, the surplus of 2018 is not included in the Clearing House.

By 2018, the Capital Expense ratio decreased from 98% to 91%. This is sufficient to cover the RIPE NCC's operational costs for one year. The Capital Expense ratio is a key indicator used by the RIPE NCC to weigh the extent of Capital in relation to Expenses.

Clearing House

	2018	2017
Balance as of 1 January	25,389	25,064
Addition of the Result Year Prior	(173)	325
Balance as of 31 December	**25,216**	**25,389**

Current Liabilities

	2018	2017
Trade Creditors / Suppliers	843	825
Taxes and Social Security Contributions	742	707
Accruals and Deferred Income	13,362	9,115
	15,217	**10,647**

Trade Creditors / Suppliers

	2018	2017
Creditors	843	825

The amount payable to creditors is in line with previous years.

Taxes and Social Security Contributions

	2018	2017
Wage Taxes and Social Securities	742	707

The wage tax increased by 5% and is in line with the salary growth in 2018. There were six more FTEs as of December 2018 compared to December 2017. The wage tax also includes the work-related costs (WKR) payable of 54 kEUR.

Accruals and Deferred Income

	2018	2017
Unearned Revenues	471	878
Accruals	1,034	799
Payable Employee Expenses	55	77
Miscellaneous Payable Wage Components	1,037	1,165
Redistribution of Members Fees	11,035	6,196
	13,632	**9,115**

The unearned revenues consist of the following:

- Invoices for the service fee of 2018 from existing members for which payment was not received in 2018
- Invoices for the service fee which relates to 2019 and payment is received in 2018

The accruals mainly relate to the ICANN contribution, NRO expenses, bonuses, severance accrual and the RIPE NCC Community Projects Fund. The increase compared to the previous year is explained by the increase of severance and bonus accruals.

The miscellaneous payable wage tax components include holiday allowance and holiday days for employees. The decrease mainly relates to the decrease in outstanding holiday days. More holiday days were taken by the end of the year compared to the previous year.

The Redistribution of Member Fees increase is due to the increase of member growth in 2018, resulting in an excess contribution for 2018. We also refer to the disclosure in the Statement of Income and Expenditures.

Arrangements and Commitments Not Shown in the Balance Sheet

Office Lease

The rental agreement of the office expires on 30 June 2026. A bank guarantee for the value of 204 kEUR was issued for this office. The rental amount due for 2019 is 617 kEUR. In 2018, an amount of 154 kEUR was paid. The remaining total obligation for this agreement is 3,880 kEUR.

Lease Agreements

Additional lease agreements (lease cars and copiers) have a total obligation of 141 kEUR towards third parties for the next three years. The lease agreements all have different set terms ranging from two to three years and have fixed annual lease payments.

Other Commitments Not Shown in the Balance Sheet

On 31 December 2018, the RIPE NCC had no other financial liability or obligation towards any other party that is not reflected in the Balance Sheet. There was no capital or financial interest in any other organisation that had an impact on this financial statement.

Breakdowns of Items in the Statement of Income and Expenditure

Income (Total 2018 kEUR 28,095)

Annual Fees

	2018	Budget 2018	2017
Fees Existing Members	24,534	24,640	20,916
Independent Resource Fees	1,060	1,065	1,076
Fees New Members	3,493	2,383	2,630
Re-opening Fees	228	200	348
	29,315	28,288	24,970

The fees for existing members are in line with the budget and are in line with the fees of existing members plus the fees of new members from 2017. The RIPE NCC's membership grew by 3,023 Local Internet Registry (LIRs) accounts in 2018 compared to 2,593 LIR accounts in 2017. The number of LIR accounts increased from 17,601 at end of 2017 to 20,624 LIR accounts at end of 2018. The annual fee per LIR account is EUR 1,400 (EUR 1,400 in 2017). The average income per LIR in 2018 is EUR 1,851 (EUR 1,780 in 2017).

Sign-up Fees

	2018	Budget 2018	2017
Sign-up Fees	8,850	5,500	6,366

The sign-up fee for each LIR account is EUR 2,000 and relates to new LIR accounts during the year. In 2018, we saw a record increase in the number of RIPE NCC members, which accounts for the unforeseen increase in budget.

RIPE Meetings

	2018	Budget 2018	2017
RIPE Meetings	277	235	192

In 2018, two RIPE Meetings were held: RIPE 76 in Marseille, France from 14-18 May 2018 and RIPE 77 Amsterdam, the Netherlands from 15-19 October 2018. More people attended the meetings compared to previous years which lead to an increase of attendance fees received.

Sponsorship Income

	2018	Budget 2018	2017
Sponsorship Income	464	315	348

The sponsorship income increased by 33% compared to last year and increased by 47% compared to budget. The increase is explained by intensified marketing activities related to sponsoring. The sponsorship income relates mostly to RIPE Atlas, RIPE Meetings and RIPE NCC Regional Meetings.

Redistribution of Member Fees

	2018	Budget 2018	2017
Re-distribution of Member Fees	(10,859)	-	(5,932)

The redistribution was approved by the RIPE NCC General Meeting in October 2018. The redistribution includes the RIPE NCC 2018 surplus, which will be redistributed to the eligible members on their 2019 invoices. The amount of the redistribution applied to each LIR account is based on the annual membership fee paid in 2018. Sign-up fees and/or re-activation fees are excluded from the calculation.

Expenditures (Total 2018 kEUR 28,089)

Expenses: Staff Costs

Salary Components - Personnel

	2018	Budget 2018	2017
Salary Components - Personnel	10,145	10,747	9,720

The Salary Components – Personnel increased by 4% compared to last year, this is due to the average FTE increase of six and the increase of salary due to inflation correction. Salary components were below budget by 6%. This drop is explained by an increase in the time needed to fill vacancies due to a shortage in the labour market as well as staff turnover.

Secondary Benefits - Personnel

	2018	Budget 2018	2017
Secondary Benefits - Personnel	2,768	2,582	2,537

The Secondary Benefits - Personnel increased by 9% compared to last year, this is mostly due to an increase in pension cost and an increase in severance payment expenses. Pension costs are calculated using age scaling, the increase is due to the aging of staff as well as an increase in staff members. The increase in severance payment expenses is due to the termination of employment contracts for some employees.

Miscellaneous Personnel

	2018	Budget 2018	2017
Miscellaneous Personnel	2,729	2,581	2,537

The Miscellaneous - Personnel costs increased by 8% compared to last year, largely due to an increase in employer taxes and one-off personnel payments. This is in line with the increase in FTEs and accounts for the 6% increase over budget.

The RIPE NCC Executive Board does not receive remuneration or a fixed expense reimbursement. Board members are reimbursed for travel expenses incurred while attending board meetings, RIPE Meetings, RIPE NCC Regional Meetings and other Internet coordination meetings. In 2018, these costs decreased from 160 kEUR in 2017 to 137 kEUR in 2018.

Other Operating Expenses

Housing

	2018	Budget 2018	2017
Housing	847	878	767

Housing increased by 10% compared to last year, mostly due to rising utilities costs and the effect of the year-end utilities bill for 2017 (which was accounted for in 2018).

Office Costs

	2018	Budget 2018	2017
Office Costs	2,636	2,526	2,188

Office Costs increased by 20% compared to last year, mostly due to an increase in temporary agency, postage and external catering. Both postage and temporary agency costs increased following the unexpectedly high influx of new members. Catering costs increased due to higher attendance at RIPE Meetings.

Marketing / ER

	2018	Budget 2018	2017
Marketing / ER	641	701	570

Marketing/ER costs increased by 12% compared to 2017, largely attributable to an increase in PR/outreach activities such as the RACI and RIPE Fellowship programmes as well as costs related to the preparation of RIPE NCC Member Survey. This increase is also due to more support provided by the RIPE NCC to key industry events. Compared to budget, the marketing/ER costs decreased by 9%. We expected higher printing costs than budgeted.

Contributions

	2018	Budget 2018	2017
Contributions	838	908	907

Contributions decreased by 8% compared to last year and 8% compared to budget. The RIPE NCC Community Projects Fund allocated funding of 227 kEUR, lower than the 250 kEUR budgeted for. In 2017, the total award amount was 295 kEUR.

IT Infrastructure

	2018	Budget 2018	2017
IT Infrastructure	1,743	2,004	1,615

IT infrastructure increased with 8% compared to last year, mostly accountable to an increase of investments in software and IT support and maintenance. Next to this, a decrease of hardware purchases of hardware and lower connectivity costs is noticeable.

Travel

	2018	Budget 2018	2017
Travel	1,564	1,447	1,574

Travel costs are in line compared to the year before. Compared to the budget, the travel costs increased by 8%. This increase is caused by higher costs per trip compared to the budget. The number of trips were within the budgeted number.

Consultancy

	2018	Budget 2018	2017
Consultancy	2,448	2,261	2,008

Consultancy costs increased by 22%, attributed to HR and Integrated Risk Management consultancy. Next to this, the RIPE NCC started the transition to a new organisation structure, resulting in additional consultancy compared to 2017. These factors are also accountable for the increase of 6% compared to the budget of 2018.

Bank Charges

	2018	Budget 2018	2017
Bank Charges	292	253	222

Bank Charges increased by 32% compared to 2017, in line with the increase in members. In 2018, more invoices were sent and more payments were received from members, which lead to an increase in bank charges. Compared to the budget, Bank Charges increased by 15%. This is explained by the high growth in membership.

Bad Debts

	2018	Budget 2018	2017
Bad Debts	277	250	212

Bad Debts increased by 31% compared to 2017, in line with the gain in memberships. This increase is about 1% of the total debtors. Compared to the budget, the Bad Debts increased by 11%, explained by the high growth in membership.

Depreciation

	2018	Budget 2018	2017
Depreciation	1,161	1,350	991

Depreciation increased by 17% compared to last year, explained by an investment in hardware of 736 kEUR. Compared to the budget, the depreciation decreased by 14%. The RIPE NCC anticipated investing more in hardware and infrastructure.

Net Surplus / Deficit (Total 2018 kEUR 245)

Financial Income and Expense

Result on Interest Income

	2018	Budget 2018	2017
Result on Interest Income	251	350	336

The interest income mainly relates to the interest income on the bank accounts and this is caused by the decrease in interest percentage.

Result Exchange Differences

	2018	Budget 2018	2017
Exchange Results	7	-	-

In 2017, the exchange results were classified under Other Income.

Result on Interest Expenses

	2018	Budget 2018	2017
Result Revaluation Government Bonds	19	-	(551)

These results are generated for the government bonds held in the RIPE NCC's portfolio. In 2018, the revaluation of government bonds was negative due to negative exchange rate fluctuations. However, compared to previous year, the market circumstances didn't affect the revaluation of government bonds as much.

Income Taxes

Since 1 January 2015, the RIPE NCC has been subject to corporate income tax. Any surplus or deficit will be submitted for taxation. The RIPE NCC has a tax ruling with the Dutch tax authorities that excludes the Clearing House reserve and any capital gains in the Clearing House reserve for corporate income taxation.

No deferred tax assets are recognised for temporary differences between the valuation for tax and financial reporting purposes and carry-forward losses as it is not probable that future taxable profit will be available for set-off.

The fiscal result of 2018 is 0 EUR (zero), so no corporate income tax payable is recognised in the balance sheet and the statement of income and expenditure.

Independent Auditor's Report

To: the members and directors of Réseaux IP Européens Network Coordination Centre

Report on the audit of the financial statements 2018 included in the financial report

Our opinion

We have audited the financial statements 2018 of Réseaux IP Européens Network Coordination Centre, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Réseaux IP Européens Network Coordination Centre as at 31 December 2018, and of its result for 2018 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The profit and loss account for 2018
- The cash flow statement for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Réseaux IP Européens Network Coordination Centre in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

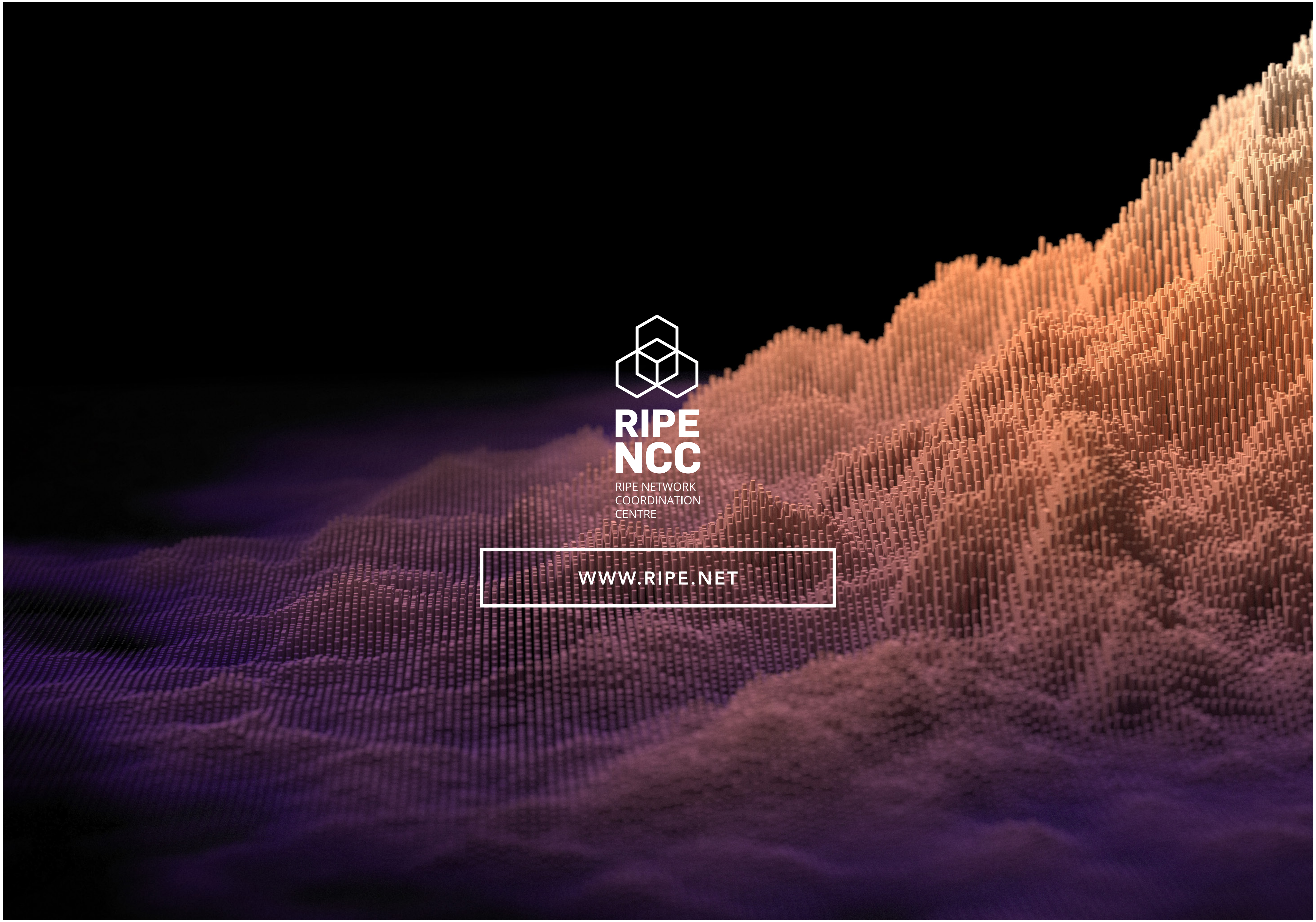
We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the executive board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 15 March 2019

Ernst & Young Accountants LLP



RIPE NCC

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