

**ASIA PACIFIC NETWORK
INFORMATION CENTER**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 1997
TOGETHER WITH AUDITORS' REPORT**

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To the Board of Directors
Asia Pacific Network Information Center

We have audited the accompanying balance sheet of Asia Pacific Network Information Center as of December 31, 1997, and the related statement of revenues and expenses for the year then ended, expressed in U.S. dollars. Our audits were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, expressed in U.S. dollars present fairly the financial position of Asia Pacific Network Information Center as of December 31, 1997, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Tokyo, Japan
January 21, 1998

Asia Pacific Network Information Center
Balance Sheet
As of December 31, 1997

	U.S. dollars
	<u>1997</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 416,921.84
Accounts receivable	
Membership dues	108,211.48
Less allowance for doubtful accounts	(3,814.69)
Cash advance	7,934.60
APRICOT advance	4,596.93
Prepaid expenses	67.72
Total current assets	<u>533,917.88</u>
Furniture and equipment:	
Computer equipment - others	44,002.79
Less accumulated depreciation	(10,085.96)
	<u>33,916.83</u>
Intangible asset:	
Telephone rights	2,039.73
Total assets	<u>\$ 569,874.44</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 17,060.17
Advance receipt	30,000.00
Total current liabilities	<u>47,060.17</u>
Net assets	
Restricted	1.00
Unrestricted	522,813.27
Total net assets	<u>522,814.27</u>
Total liabilities & net assets	<u>\$ 569,874.44</u>

Asia Pacific Network Information Center
Statement of Revenues and Expenses
For the Year ended December 31, 1997

	U.S. dollars
	<u>1997</u>
Revenues	
Membership services	\$ 721,560.92
Non-member service	16,192.00
Start-up fees	105,000.00
Interest income	7,432.54
Other income	698.28
Balance brought forward from the prior period	393,507.54
	<u>1,244,391.28</u>
Expenses and losses	
Selling, general and administrative expenses (Note 3)	635,281.98
Apricot underwrite (Note 4)	86,296.03
	<u>721,578.01</u>
Increase in net assets	<u><u>\$ 522,813.27</u></u>

Asia Pacific Network Information Center
Notes to Financial Statements
December 31, 1997
(Continued)

1. Summary of organization.

Asia Pacific Network Information Center (the APNIC) was founded in April 30, 1996 in Japan.

APNIC is a non-profit association engaging in or performing all or any act.

The association is established for such objects as follows,

- To provide the service of allocating and registering internet resources for the purpose of enabling communications via open system network protocols and to assist in the development and growth of the internet in Asia and Pacific Rim region;
- To assist the Asia and Pacific Rim Internet community in the development of procedures, mechanisms, and standards to efficiently allocate Internet resources as a service to the community as a whole;
- To provide educational opportunities to further Members' technical and policy understanding of the industry;
- To develop public policies and public positions in the best Interest of the members and to seek legislative and regulatory consideration of issues of general benefit to the Members, where and when appropriate;
- To serve as the administrative, managerial and operations arm of APNIC, and to transact all activities, functions and affairs on behalf, and in the name, of the association.

2. Summary of significant accounting policies

The accompanying financial statements of Asia Pacific Network Information Center are prepared in accordance with accounting principles generally accepted in Japan as summarized below.

Fixed assets

Depreciation is computed by the declining balance method based on Japanese tax regulations of six years for all furniture and equipment. Expenditures for maintenance and repairs are expensed when incurred.

Allowance for doubtful accounts

Notes and accounts receivable are valued by providing the maximum amount for possible losses in respect of doubtful receivable which could be charged to income under the income tax law in Japan and an estimated amount of probable bad debts for questionable customers on a specific identification basis.

Asia Pacific Network Information Center
Notes to Financial Statements
December 31, 1997
(Continued)

3. Administrative expenses

Administrative expenses for the year ended December 31, 1997 were as follows:

	U.S. dollars
	<u>1997</u>
Payroll expense	\$ 242,844.48
Entertainment	566.87
Moving expense	
Travel	18,913.80
Transportation	104,034.28
Meeting expenses	6,378.83
Communication expense	5,046.63
Books and Periodicals	25,198.93
Bank Service charge	361.63
	6,582.64
Computer expenses	
Office furniture and supplies	20,376.51
Depreciation expense	5,856.86
Repairs	8,268.13
	157.43
Domain name registration	
Licenses and permit	301.68
Professional development	162.50
Professional fees	4,436.07
Service fees	132,504.41
	50,000.00
Miscellaneous	
	3,290.30
	<u>\$ 635,281.98</u>

Asia Pacific Network Information Center
Notes to Financial Statements
December 31, 1997
(Concluded)

4. Apricot underwrite

Asia Pacific regional Internet conference on operational technologies, which is, called "Apricot " for short. APRICOT '97 was held during January 27 to 30 in Hong Kong. Apricot underwrite is net loss to deduct any expenditure from sponsor ship fees.

Apricot underwrite for the year ended December 31, 1997 were as follows:

	<u>U.S. dollar</u> <u>1997</u>
Receipt:	
Balance from 1st APRICOT	\$ 15,067.41
Sponsor	119,896.74
Registration Fee	96,770.51
	<u>231,734.66</u>
Expenditure:	
Vendor	209,112.16
Speaker payment	106,015.48
Miscellaneous	2,903.05
	<u>318,030.69</u>
Apricot underwrite	<u><u>\$ 86,296.03</u></u>