



**“Without the internet, the earth will keep on turning, but the world in which we live will, for the most part, come to a standstill”**







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**“SIDN wants to contribute to a sustainable and problem-free digital life”**





## Review of Supervisory Board

The installation of the Supervisory Board on 25 May 2005 formed the final stage of the transfer to the new management structure at SIDN. The Supervisory Board was made up of seven people in 2005.

The setting up of the Supervisory Board emerged from the redesign of the management structure within SIDN. This new structure was necessary in order to provide a more rapid and flexible response to market needs and in order to manage a growing company in a more effective and dynamic manner. With this in mind, a clear separation has been put into place between the executive and supervisory functions. Under the new structure, the verification and supervisory functions are carried out by the Supervisory Board. In his capacity as Managing Director, Roelof Meijer is also the Director of the Foundation. All of the changes have been laid down in the revised Articles of Association.

The role of the Supervisory Board is to supervise the management undertaken by the management team and everyday business within SIDN. The Supervisory Board provides recommendations intended to support management. The particular tasks that form the responsibilities of the Supervisory Board are:

- supervising and verifying the achievement of SIDN's objectives
- supervising and verifying strategy and the risks associated with commercial activities
- supervising and verifying the set-up and effectiveness of the internal risk management and control systems

The Supervisory Board met on four occasions during 2005. The matters approved and/or noted at those meetings included the following:

- the quarterly and bi-annual reports
- the plan to address Corporate Governance
- the principles and best practices for members of the Supervisory Board
- the budget for 2006
- investment requests - DRS 4.0
- the Strategic Plan for 2006-2008

Extensive discussions were held with regard to the DRS 4.0 project and it was decided that the cost of the original project in terms of time and money has been underestimated.

In the opinion of the Supervisory Board, SIDN has made extensive progress during 2005, by transforming itself into a more client-focused company and by enhancing its professionalism. The Supervisory Board would like to thank the Board of Management that was in post until 25 May 2005 for their hard work, expertise and commitment.

Eddy Schuyer  
Chairman of the Supervisory Board



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## Introduction

In the past two decades, the internet has developed from a small, experimental data network to a widespread and essential medium for commerce, communication and for the exchange of information. The social and economic interests of both the internet and the .nl domain have therefore also become immense. This is only going to increase in the coming years.

This development will generate an even stronger demand on the part of key economic players for diversity and flexibility of services and innovation. At the same time, this creates increasingly higher requirements with regard to the robustness and reliability of the architecture.

Against this background, SIDN wants to contribute to a sustainable and problem-free digital life of our customers with high-quality, innovative services. That is why SIDN has set itself the goal of being an optimally performing business that focuses its attentions on the client and offers a modern, secure and safe .nl domain to all of its registrars and end-users. Rigorous efforts to achieve this have been made over the course of the past year.

In the 2004 Annual Report, I dubbed 2005 the year of consolidation and further professionalisation. Much has been done in this field and we are far from being unhappy with what has been achieved. There was an awful lot on the agenda, however, and sometimes we were faced with setbacks too. Our new registration system, DRS4.0, therefore did not become operational in 2005, and will only become operational in mid-2006.

At the same time, we can be proud of the great number of steps towards improvement that have been taken, and of the positive reactions we have received from clients with regard to these. They showed us how to recognise the improvements in actual practice. This strengthens the belief that my colleagues and I share that we are on the right track and we have already come a fair distance.

We have set ourselves an even higher standard for 2006. We intend to continue along the same track, with the commitment and sense of responsibility that are befitting of our social position, and with the pleasure that we take in the relevance of our work to the fascinating world of the internet.

Roelof Meijer  
General Manager SIDN





**‘SIDN has made considerable progress in increasing professionalism’**



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## Developments in the market

### **The importance of the Internet is increasing**

In 2005, the already dynamic working environment of SIDN became more demanding. The importance of the internet has increased sharply worldwide both for private individuals and companies, as well as for government authorities. Millions of people communicate via e-mail, messenger services, weblogs and communities. Companies sell products and online payments are now widely accepted. Organisations present themselves and make information public. Internet has therefore become a crucial factor from a social, economic and political viewpoint. Never before had the world known a medium that lay at the heart of so many processes, and upon which millions were dependent for the exchange of information, social contacts, financial transactions and other commercial transactions. At the same time, the Internet's enormous impact also contributes to vulnerability. Without the internet, the earth will keep on turning, but the world in which we live will, for the most part, come to a standstill. Parties such as SIDN ensure that the immense flow of data via the Internet finds its way to its destination in a stable manner. The greater its importance, the greater the responsibility. SIDN is thoroughly aware of that and is therefore placing increasingly higher requirements on its own professionalism.

### **New Internet domain names**

In the past year, efforts were made worldwide towards the introduction of new top-level domains such as .travel, .jobs and .eu. This is inherent to the growth in number of and the diversity of players on the Internet. Private individuals, companies and government authorities want to be identifiable and locatable on the Internet. For them, specific domain names are one of the opportunities to distinguish themselves from others. SIDN views new domain names as a

logical step in the ongoing development of the Internet. At the same time, SIDN views the advent of such domain names as a challenge to, on the one hand, continue to distinguish itself in a positive sense within the .nl domain, and on the other hand, to discover as much as possible about its own prospects within other domains.

### **Government authorities want to play a more significant role**

The Internet is traditionally a medium that has developed through self-regulation. Government authorities, with the exception of the American Government, therefore hardly played any role. However, the need of the government to become more active in the development of the Internet is growing with the increasing social importance of the Internet.

During the workshop 'Policies in Europe on ccTLD governance', European Commission workgroups therefore focused on their level of involvement with domain name managers. The Working Group on Internet Governance (WGIG) also published a report in which it makes recommendations to governments with regard to management of the internet. During the UN World Summit on the Internet Society (WSIS 2005), the majority of these recommendations were established in the 'Tunis Agenda' in addition to agreements regarding the closure of the 'digital rift' between rich and poor countries.

The Government of the Netherlands regards the continuity of .nl domain names as an important factor; SIDN shares this belief. However, SIDN also believes it can carry out its work best as an independent party. In line with this belief, SIDN and Minister Brinkhorst signed a declaration of intent in February, in which they agreed to dedicate themselves to the continuity of the .nl domain.



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## Developments within SIDN

### Increase in the number of domain names and registrars

In 2005, the total number of .nl domain names increased from 1,332,688 to 1,745,976. That is equal to a growth of 413,288 (31.0 percent) in relation to 2004. The number of changes also increased in 2005: 304,982 compared with 237,528 in 2004. At the end of 2005, 28,614 of the .nl domain names were owned by foreigners. That is also considerably more than in previous years: 14,514 in 2004 and 3,904 in 2003. The number of registrars increased steadily in 2005 to 1,963 compared to 1,830 in 2004, and 1,598 the year before that.

In previous years, SIDN prevented the free issuing of certain domain names. SIDN wants to keep the number of blocked names to a minimum and therefore finally

released 44 of these .nl domain names (such as bv.nl, com.nl, email.nl and europarlement.nl) in 2005. This release took place by means of drawing lots under the supervision of a civil law notary, so as to give everyone an equal opportunity.

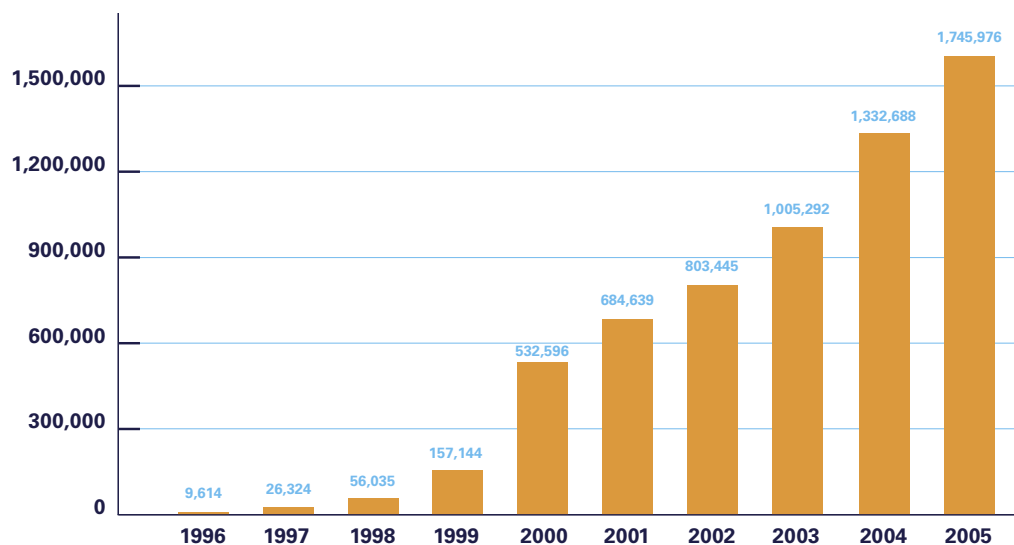
### Focusing on the client

Since April 1996, SIDN has been investing in making a valuable contribution to the development of the Internet and setting up reliable, dependable processes. The attention paid to technical and legal aspects was mostly at the expense of attention to the client. SIDN therefore began a crusade for improvement. In order to find out how the registrars of SIDN experience the service, an independent market agency conducted a registrars' satisfaction survey. 721 respondents completed the questionnaire. A large number of measures were taken on the basis of this research. Some of these measures will be put into effect in the course of 2006 due to their magnitude or radical nature. Where possible, measures were taken in direct response to comments from the registrars' satisfaction survey.

As a consequence, the accessibility of SIDN was considerably improved.

Adjustments to the switchboard and the engagement of additional employees mean that clients now get through to the person the wish to speak to on the phone more quickly. The opening hours have been extended and the time taken to process e-mail messages has been reduced considerably. Because of this, there are no longer any backlogs in responding to queries.

**Figure 1**  
Summary of growth in the number of .nl domain names since 1996.



A comment made by many registrars was that the performance of the Whois service left much to be desired. Consulting the service frequently took up too much time. Despite the sharp increase in the volume of inquiries per 24 hours, everything technically possible was done to keep the performance of the service up to standard. The maximum number of inquiries per connection per day has therefore been limited, which means that this service has been maintained at a reasonable standard. Real improvement, however, can only be achieved with the new domain registration system, DRS 4.0.

Registrars also indicated a need for more regular contact with SIDN, which is why in 2005, SIDN monitored various web forums more intensely and actively responded to statements made in these by entering into discussion with the relevant parties. In this context, SIDN spoke to the originators of the Registrars' petition, amongst others.

### **DRS 4.0 is on the horizon**

Part of the plan for 2005 was the introduction of the new domain name registration system, DRS 4.0. This system is needed to effectively manage the much higher number of registered .nl domain names, and to efficiently process the already large number of transactions, which continues to increase each year. DRS 4.0 offers more possibilities than DRS2. The new system provides a better service to registrars and lays a solid foundation for the implementation of new practices. Registrars and SIDN would prefer to see the introduction take place as soon as possible. It turned out that the introduction of DRS 4.0 was impossible in 2005. Sticking to the plan would have meant that the

system would not deliver the right quality, and so a deliberate decision was made to take a longer, yet precise pathway towards implementation.

Nevertheless, in 2005, huge steps were taken towards the introduction of DRS 4.0. In the first half of the year, contracts were signed with high-quality partners for the infrastructure and construction of DRS 4.0 and the design was completed. The construction of the system was begun in the latter half of the year.

Registrars were involved in the development of DRS 4.0 in the year under review. A feedback group notified SIDN of the impact of the new registration processes, the method of introduction and the implementation. This feedback group was involved in each stage of the system development. All registrars were kept up to date through meetings, newsletters, workshops and announcements on the website.

### **A decisive and transparent organisation**

In January 2005, Roelof Meijer was appointed the new manager of SIDN. At the beginning of 2005, the administrative structure of the organisation was transformed, introducing a clear separation between executive tasks and supervisory work and thus enabling us to work more efficiently and effectively. The manager is now the sole director of the organisation and simultaneously bears full responsibility for all executive tasks. He no longer requires the Board's approval – as was tradition – of decisions regarding the day-to-day operational management of the company. This therefore enhances the decisiveness of the organisation. The Articles of Association have been adapted to the new situation.

A Supervisory Council has been set up to test and monitor the work of the manager. This Council consists of a minimum of six and a maximum of nine persons, all of whom can also offer the manager advice due to their expertise. One of the members was nominated by the Council of Registrars.

In order to further involve the registrars in the daily work, SIDN worked with an Advisory Council of Registrars in 2005. Seven registrar representatives hold a seat on three standing committees which each provide advice with regard to current affairs. There have been several meetings, all of which were well attended.

Dialogue with the registrars has been further enhanced through the establishment of reference groups. The task of getting this dialogue off the ground was undertaken by the reference group for DRS 4.0. SIDN made an appeal to registrars to assist in the planning of the new registration system and a representative group was assembled from the applicants, which can join in discussions right down to the smallest detail. That works as a supplement to the general meeting. SIDN wants to work with reference groups such as these when further changes are made.

### **Work force expansion**

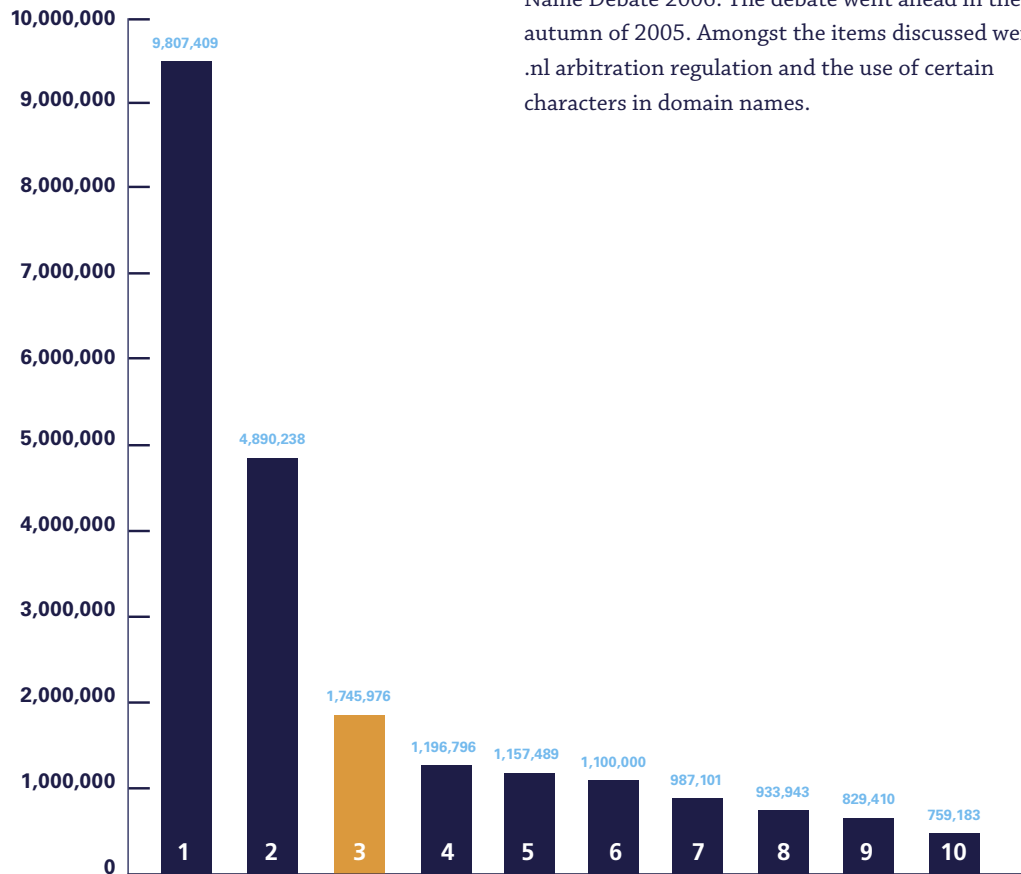
Various new employees joined the company in the year under review. The SIDN team grew from 29 employees in 2004 to 42 employees in 2005. The management team became complete and the number of technical staff was increased. Suitable candidates were not found for a number of positions until a later stage, which meant that some projects were delayed.

The new people had to find their feet within a company that was running in top gear. 2005 was just as challenging for the incumbent employees with the new organisational structure, a crusade for professionalisation and the preparations for the introduction of DRS 4.0. This proves to management once again that SIDN has loyal, committed and expert employees that are the pivot in achieving the organisational goals.

### **(Inter)national representation**

SIDN views meeting domain name managers from other countries for the exchange of experience and for planning developments, as an essential part of operating internationally. SIDN made a substantial contribution to this in 2005, a much more active role than in the year before. SIDN took part in discussions, both administratively and representatively, on various committees in the field of domain registration and Internet governance, such as ICANN, RIPE, IETF and WSIS. In this context, experiences were exchanged and procedures were attuned in the technical, administrative and legal spheres. Policy development also took place, for example with regard to the role that governments play in the field of internet governance.

**Figure 2**  
List of country code top level domains



In November, SIDN organised a successful conference in Amsterdam in connection with CENTR, a European organisation made up of national domain name managers. Over a period of three days, 60 managers from overseas domain name managers exchanged knowledge and experience. SIDN gave a well-attended presentation on the .nl market research. Preparations were also made in 2005 for the Domain Name Debate 2006. The debate went ahead in the autumn of 2005. Amongst the items discussed were the .nl arbitration regulation and the use of certain characters in domain names.

1. .de (Germany)
2. .uk (United Kingdom)
3. .nl (Netherlands)
4. .it (Italy)
5. .ar (Argentina)
6. .cn (China)
7. .us (United States)
8. .br (Brazil)
9. .jp (Japan)
10. .ch (Switzerland)

**Sources:** Domain Tools, IEDR, NIC Argentina, Network World, Q3/Q4 2005, Rregistro.br, Wikipedia, JPRS, VeriSign.





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## Preview 2006

### Providing an efficient and cost-effective service

In 2005, SIDN set off on an ambitious programme. As manager of the .nl domain, SIDN is working hard to become one of the best domain managers in the world. In 2006, SIDN will continue along the same path.

SIDN has set itself the mission “to create domains, using high-quality, innovative services, for a sustainable and problem-free digital life.” Registrars can put their trust in SIDN, which is a professional organisation that stands firmly on its own two feet and puts the client’s needs first.

An important element in SIDN’s service to its clients is the implementation of DRS 4.0. The introduction of 4.0 actually forms an essential link that enables SIDN and its registrars to achieve their future objectives. The system provides greater flexibility to respond rapidly to new developments. The system is both scalable and future-proof and these aspects, in conjunction with the new options the system provides, provide immediate benefits to registrars. In addition, registrars also benefit from the additional facilities that become available in the form of future releases.

### Working in tandem with clients

In 2005, SIDN was seeking to set up more effective forms of consultation and of providing information to registrars. In order to achieve this, a number of new features were incorporated into the consultation structure. One of these was working with fixed working parties within the Registrars Advisory Council (ARD).

Following careful analysis, it appears that the system does not address the needs of registrars and SIDN in the way that was originally thought. For this reason, SIDN will terminate that particular way of working in 2006. At the same time, SIDN increased the extent to which it works with reference groups, as this particular method of consultation has turned out to be very valuable. SIDN will also keep in contact with its clients in other ways.

### Enhanced service

The registrar satisfaction survey and the Registrars’ Petition made it very clear: SIDN registrars wish to see an end to paper-based contracts. With this in mind, SIDN will launch a project in 2006 that is designed to deliver a paper-free registration system. This function will be introduced in one of the future releases of DRS 4.0.

In 2005, SIDN extended its opening hours in order to improve the service it provides to registrars. In 2006, a technical support service is to be set up, enabling registrars to receive a service outside normal working hours.

### New products and services

Within the next few years, SIDN is seeking to expand its services with a new activity. As an example of this, SIDN is currently exploring the possible future applications of ENUM, a promising project that integrates telecom and internet. New activities such as this provide an opportunity to broaden SIDN’s base and to extend the range of services provided to registrars.

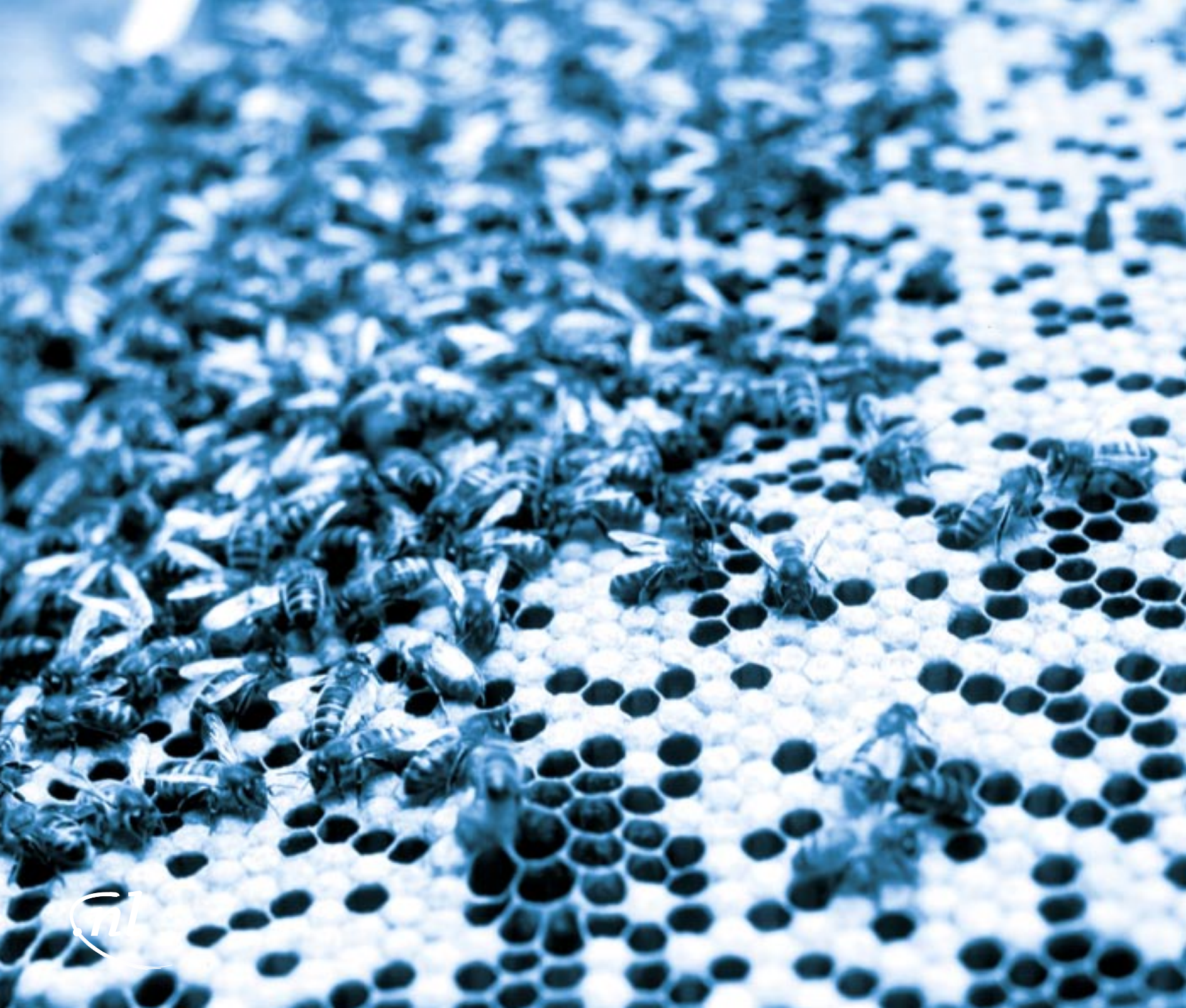
### **Special moments**

Various special moments are planned to take place during 2006. In addition to the tenth anniversary of SIDN and the twentieth anniversary of the .nl domain, SIDN will register the two millionth .nl domain name in mid-2006. The Netherlands is home to around 12 domain names per 100 inhabitants, more than any other country in the world. This only serves to strengthen the position of SIDN and proves the economic and social importance of SIDN as manager of the .nl domain. It is precisely because of this position that SIDN will enter into an even more active dialogue with the managers of other domains at home and abroad, with the government, registrars and with the public at large. This forms the background to a marketing campaign and new communications activities that are to be undertaken in 2006.

### **Employees**

SIDN is one of the best domain managers in the world and wishes to maintain that position. A body of employees of the highest professional calibre are of crucial importance in that regard. For this reason, SIDN will make an even greater investment in its employees in 2006, in the form of training courses, a revised policy towards terms and conditions of employment, monitoring and leadership training. All of these methods will enable SIDN to release the full potential of its employees, whilst rewarding commitment in an appropriate way.





Eni





'...an increase in  
turnover of 26%'



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## Financial summary

Total turnover in 2005 was € 7,162,568 (compared to € 5,675,744 in 2004). Net profits after tax came to € 500,762 (2004: € 825,601). The profits achieved in 2005 will be added to the general reserves during 2006.

On the one hand, the drop in net profits of € 325,000 was due to an increase in turnover by € 1,487,000 (+ 26%) and on the other hand, due to an increase of € 1,991,000 (+43%) in costs, when compared to 2004.

The rise in turnover is a direct result of the increase in the number of registered .nl domain names. In 2005, no changes were implemented to tariffs that were in force during 2004.

Personnel costs rose by € 919,000, particularly as a result of the further extension of the employee base (from 29 employees at the end of 2004 to 42 employees at the end of 2005). Consultancy costs rose by € 733,000, principally as a result of the Domain Name Debate and the DRS 4.0 project. Accommodation expenses rose by € 99,000 as a result of the expansion of office accommodation that took place in 2005, in order to accommodate the increased numbers of employees.

Additional systems costs and connection charges (€ 200,000) are the result of additional security measures and an increase in licences and maintenance contracts. Management costs rose by € 42,000 as a result of the additional work carried out by the former

Board in relation to the new structure and the subsequent payment of management remunerations from previous years.

The increase of € 47,000 in the cost of bad debts was caused by the increase in turnover and the writing off of claims as a result of non-payment.

Publicity costs decreased by € 99,000. The reason for this was the fact that publicity costs in 2004 had been higher, as a result of the 'Wat zou jij doen met 1miljoen?' conference that marked the registration of the one millionth .nl domain name.

A total of € 1,453,000 was invested in the construction of the new DRS 4.0 registration system and the replacement of the technical infrastructure in 2005.

Arnhem, 26 June 2006

## Balance sheet as at 31 December 2005 (for appropriation of profits)

All amounts are in euros.

	2005	2004
<b>FIXED ASSETS</b>		
<b>Tangible fixed assets</b>		
Machines and installations	874	8,195
Other fixed assets	781,121	561,753
Property, plant and equipment under construction	1,661,731	209,000
	2,443,726	778,948
<b>LIQUID ASSETS</b>		
<b>Receivables</b>		
Accounts receivable	871	4,905
Taxes and social security premiums	234,916	261,816
Other receivables	557,331	421,584
	793,118	688,305
<b>Liquid assets</b>	7,173,585	7,570,915
	<b>10,410,429</b>	<b>9,038,168</b>
<b>Equity capital</b>		
General reserve	8,432,804	7,607,203
Profit financial year	500,762	825,601
	8,933,566	8,432,804
<b>Short-term liabilities</b>		
Amounts owing to suppliers	681,454	85,264
Taxes and social security premiums	203,673	46,879
Other debts	591,736	473,221
	1,476,863	605,364
	<b>10,410,429</b>	<b>9,038,168</b>

The Financial Summary is derived from the Annual Accounts for 2005.

The full Annual Accounts and the explanatory notes have been published on SIDN's public website.

## Profit and Loss Account 2005

	2005	2004
<b>Net turnover</b>	7,162,568	5,675,744
<b>Costs</b>		
Wages and salaries	2,911,279	2,116,051
Pension costs	293,799	199,631
Other social costs	134,052	104,759
Depreciation of tangible fixed assets	329,829	296,833
Other operating costs	2,963,563	1,923,864
	6,632,522	4,641,138
<b>Operating result</b>	530,046	1,034,606
Financial income and expenditure	199,503	223,948
Result from normal operations before tax	729,549	1,258,554
Tax	228,787	432,953
<b>Net profit</b>	500,762	825,601

## Cash flow Statement for 2005

	2005	2004
<b>Cash flow from operational activities</b>		
Operating result	530,046	1,034,606
<b>Adjustments for</b>		
Depreciation of tangible fixed assets	329,829	296,833
<b>Changes in working capital</b>		
Receivables	(104,813)	(194,483)
Short-term liabilities	871,499	(551,132)
	766,686	(745,615)
Cash flow from business operations	1,626,561	585,824
Interest received	199,503	223,948
Profits tax paid	(228,787)	(432,953)
	(29,284)	(209,005)
Cash flow from operational activities	1,597,277	376,819
<b>Cash flow from investment activities</b>		
Investments in tangible fixed assets	(1,994,607)	(329,081)
Cash flow from investment activities	(1,994,607)	(329,081)
Increase / (Decrease) in cash funds	(397,330)	47,738



To the Management Board of the Stichting  
Internet Domeinregistratie Nederland

### Auditor 's declaration

#### Assignment

In accordance with your instructions, we have carried out an audit of the Financial Summary of the Stichting Internet Domeinregistratie Nederland in Arnhem that can be found on pages 27 to 30 inclusive of this Annual Report. The Financial Summary is derived from the 2005 annual accounts of Stichting Internet Domeinregistratie Nederland that we ourselves audited. We issued an auditor's declaration approving those annual accounts on 15 March 2006. The Financial Summary has been compiled by and under the responsibility of the Management Board of the Foundation. It is our responsibility to provide an auditor's declaration in relation to the Financial Summary.

#### Activities

Our audit was carried out in accordance with the auditing guidelines generally accepted in the Netherlands. According to those guidelines, our audit must be planned and carried out in such a manner as to provide a reasonable degree of certainty that the Financial Summary has been derived from the annual accounts in an accurate and correct manner. We are of the opinion that our audit forms an adequate baseline for our opinion.

### Opinion

We are of the opinion that the Financial Summary has been correctly and accurately derived from the annual accounts. In order to achieve the degree of insight that is required in order to form a reasoned opinion in relation to the financial position and results of the Stichting and in order to obtain sufficient insight into the extent of our audit, the Financial Summary must be read in conjunction with the full annual accounts from which it is derived and in conjunction with the auditor's declaration issued by ourselves on 15 March 2006, in which the said accounts were approved.

Arnhem, 26 June 2006

PricewaterhouseCoopers Accountants N.V.  
A. Groenenboom RA

## Addendum

### Appointments as at 31 December 2005

#### Managing Director / Director

Roelof Meijer

#### Supervisory Board

Eddy Schuyer, voorzitter

Fred Eisner

Erik Huizer

Rob Matthijssen

Hanneke Slager

Christiaan van der Valk

Michiel Westermann

#### Complaints and Appeals Board

Anja Oskamp, voorzitter

Huib Gardeniers, secretaris

Ronald Eissens

Alfred Meijboom

Hans van Oers

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In the event of discrepancies between the English version and Dutch version of the text, the Dutch version shall prevail.



