



# SIDN Annual Report 1999



## **Directors, managers and officers**

### **Management Board**

B Nederkoorn, Chair  
Dr RJT. Lindgreen, Secretary  
PAM Oude Ophuis, Treasurer  
P Beertema  
PW Morée  
NA Vermeulen  
JR Koolhaas

### **Council of Participants**

H Bennink, Chair

### **Appeals Board**

G Roethof, Chair  
GJ van de Graaf, independent adviser  
Meester PEC Ancion-Kors, Director of the Advertising Code Foundation  
Meester RMR van Leeuwen, lawyer, Trenité Van Doorne  
JCM van Oers, entrepreneur, K.D.N. Holdings B.V., M.D.S. B.V.  
RJ Clason, Secretary

### **Office**

Meester B Boswinkel, Director  
J Akkerhuis, Technical Adviser  
C Driessen, Office Manager

### **External advisers**

Belksma.SB.advies  
Houthoff Buruma  
Kema N.V.  
PricewaterhouseCoopers N.V.  
Q-Ray  
Tunix Open Systems Consultants B.V.



## Introduction

The year 1999 was another eventful one for the Foundation for Internet Domain Registration in the Netherlands (SIDN). Spectacular growth was seen in the number of registered domain names: from 56,035 at the end of 1998 to 157,144 by 31 December 1999. In the same period, the number of participants rose from 301 to five hundred. The foundation's total income was NLG 7,775,000 and its expenditure NLG 5,560,000. After taxation a positive result of NLG 1,521,000 was recorded. With effect from 1 July 1999, the quarterly registration maintenance fee payable for second and subsequent domain names was reduced from NLG 15 to NLG 5.

On 1 April 1999, new regulations came into effect. In line with the provisions of the new regulations an independent Appeals Board was established and the scrutiny policy was further liberalised. During 1999, the organisation was also restructured. With a view to the further professionalisation of service provision, the SIDN Office was created in the summer of 1999.

The Management Board met five times in 1999. With effect from 22 May the Management Board reappointed Piet Beertema for a period of three years. Following his nomination by the Council of Participants, Peter Morée was reappointed to the Management Board for a period of three years, starting on 22 June.

The Council of Participants met twice in 1999. During the year under review, Wilbert Stikkelbroek stepped down as Chair of the Council of Participants; he was succeeded by Hans Bennink in December 1999.

All parties concerned (the Management Board, the Office and the external advisers) had to work hard to enable the foundation to respond appropriately to developments in the year under review.

At the end of the year under review, the membership of the Management Board was as follows (with the year in which term of office ends in brackets):

- Boudewijn Nederkoorn (2001)
- Ted Lindgreen (2001)
- Peter Oude Ophuis (2000)
- Piet Beertema (2002)
- Peter Morée (2002)
- Nick Vermeulen (2001)
- Jasper Koolhaas (2001)



## **Review of the year**

Changes to the regulations on the registration of domain names were introduced with effect from 1 April 1999. These changes were the culmination of developments initiated in 1998, when the www.MagDieNaam.nl congress took place. At the congress, the Foundation's regulations were assessed against the expectations of a large group of bodies directly involved in the naming of domains in the Netherlands. In line with the revised regulations, an independent appeals board was set up in the summer of 1999. The board's working practices and composition and the appeals procedure were laid down in a special set of rules. In addition, the policy on the assessment of domain name applications was further liberalised to reflect the new regulations. As a result, many previously blocked domain names were released by SIDN.

With regard to liberalisation, it is clear that the present situation is merely temporary. A vision of the future submitted to the Council of Participants meeting in December 1999 by the Management Board concluded that complete liberalisation was inevitable. The Council of Participants endorsed this conclusion unanimously. Further revision of the regulations is anticipated to reflect this consensus.

After consulting the Council of Participants and other interested parties, the Management Board also decided during 1999 to allow private individuals to register domain names. This will also require amendment of the regulations.

### **Day-to-day operations**

The year under review saw enormous growth in registration volumes, partly in response to the regulatory changes. The number of registered domain names almost tripled to reach nearly 160,000. On 8 September 1999, SIDN registered its hundred thousandth domain name: 'hetkaasboerinnetje.nl'.

One of the most striking features of the growth seen during the year was the rise in the number of registrations accounted for by second or subsequent domain names. At the start of the year, 14 per cent of all domain names registered were second or subsequent names. By the end of the year, this figure had gone up to 39 per cent.

Other transactions (domain name changes and name transfers and moves) increased in line with the growth in the number of registered domain names.

To cater for this growth, the Operational Division run by KEMA took on additional staff in the course of 1999.

### **New domain registration system**

In June 1999, KEMA N.V., Tunix Open Systems Consultants B.V. and Q-Ray began the development and construction of a new registration system (DRS2). Over the remainder of the year, a great deal of work was done on the new system, which at the time of writing (May 2000) is now in use.

### **New website**

The SIDN website is the Foundation's most important communication channel. In view of visitors' changing information requirements, the Management Board decided that the web site should be completely redesigned. A project was accordingly started during the year under review. The redesigned web site came on line at the same time as the new DRS2 registration system. The year also saw the development of a new and more contemporary house style commissioned.



### **Charges**

SIDN's charges were left unchanged at the start of 1999. This was because a number of important developments – including creation of the SIDN Office and development of the new registration system – were in progress, whose exact financial implications could not be confidently predicted. However, on 1 July 1999, SIDN reduced the quarterly contribution payable for a second or subsequent domain name (from NLG 15 to NLG 5).

In 1999, the Council of Participants (CoP) was promised that a medium-term financial analysis would be carried out. This analysis resulted in the formulation of a vision of the future, which the Management Board presented to the Council at the latter's meeting in December 1999. In its vision, the Board indicated that it expected further charge reductions in the years ahead. Against this background, the Board asked the CoP for its views on a proposed reduction in charges. The meeting responded by accepting the Board's proposal to cut the charges with effect from 1 January 2000.

### **Council of Participants**

The Council of Participants continued to play a major role in decision-making within SIDN. Members were, for example, closely involved in discussions regarding the move to allow private individuals to register domain names. The Council also provided a great deal of input in connection with its own expansion and the future of SIDN, as outlined in the Management Board's vision.

### **Review by Hans Bennink, Chair of the CoP**

1999 will be remembered as the year in which the domain name made its definitive breakthrough in the Netherlands. The number of .nl domain names tripled during the year, to stand at more than 150,000 by the close. This growth is attributable not only to further liberalisation, but also to the business community apparently recognising that the registration of one's own domain name was not something that any organisation could afford to put off.

During the year, the number of SIDN participants rose by two hundred, to reach the five hundred mark. One of the drivers for the rise was the recognition by organisations other than the traditional Internet service providers that they could benefit from managing their own domain name registrations. This development is welcome and can only enhance SIDN's democratic status.

The growth of the .nl domain is most unlikely to falter this year. Full liberalisation and increasing public awareness are likely to place considerable pressure on participants and on the Foundation itself. Indeed, the year 2000 has started well. By March, the number of domain names had already risen to a quarter of a million. Together, therefore, we have to be ready to register pretty much every other word in the dictionary as a domain name.

In 1999, the Council of Participants also said goodbye to Wilbert Stikkelbroek who stepped down from the chair. We are all very grateful for everything he has done for our Council and wish him well in his new role.

As the CoP's new Chair, I intend to work with all participants in the year ahead to ensure that the momentum of reform and improvement is maintained. There is a lot to be done, and the input of participants is vital. If I may count on them for support, they may count on me to make the processes of reform and improvement as smooth as I possibly can.

### **The SIDN Office: an introduction**

As part of the ongoing process of professionalising the Foundation's management and information activities, the SIDN Office was created during the year under review. The new body was set up to take over various executive tasks from the Management Board. The Office's primary role is supervising the operational process. However, it also supervises the various innovative projects commissioned with a view to optimising service quality and securing other objectives.



In addition, the SIDN Office is responsible for preparing and implementing Management Board policy. Other tasks include representing SIDN on the national and international stages and communicating with parties with an interest in SIDN's work, including Internet providers, special interest groups and government.

**Publicity and contacts with wider society**

During the year under review, the SIDN Office maintained intensive contacts with a wide range of groups interested in the issue of Internet domain names in the Netherlands. In many cases, these contacts revolved around the proposal to allow private individuals to register domain names. So, for example, meetings were held with the Consumers' Association and the Registration Office. The SIDN Office also held talks with the Independent Post and Telecommunications Authority (OPTA), the Netherlands Competition Authority (Nma), the Internet Society of the Netherlands, various ministries and members of parliament. Among the topics of discussion were the rapid growth in the number of domain names and the implications of this growth, liberalisation, preparations for introduction of a new registration system and personal domain names.



## **Congress: Recht en Onrecht op het Internet**

On 9 June 1999, the Foundation organised a congress at the Beurs van Berlage under the title 'Recht en onrecht op het Internet' ('Rights and Wrongs on the Internet'). The theme of the congress was the influence of international developments on the registration of domain names in the Netherlands. The event proved very popular, particularly with lawyers, government officials and members of the Council of Participants. The written media were also well represented.

The aim of the congress was to clarify the relationship between ongoing international developments and developments in the Netherlands. The topics explored included the structure of the domain name registration regime, the policy of registering organisations, the introduction of new top-level domains and issues surrounding trademark law and intellectual property rights.

Central to the discussions was the desire to retain a system based as far as possible on self-regulation, which respects all parties' interests. At the same time, congress-goers considered it important that the regulations provided the best possible protection against illegitimate practices, such as 'cyber-squatting' and 'warehousing'.

Those attending the congress predominantly supported the practice, increasingly common in other countries, of allowing private individuals the same domain registration rights as businesses and other organisations. In response to the conclusions of the congress, a proposal designed to enable the registration of domain names by private individuals is currently under development.



## International developments

In the international arena, developments continued apace in the year under review. Several global and regional organisations were set up, in which SIDN is now an active participant.

On the global stage, the Internet Corporation for Assigned Names and Numbers (ICANN) came into being. ICANN is a not-for-profit organisation established under Californian law in the USA. Through ICANN, numerous organisations have a platform for discussion and participation in the worldwide development of the Internet.

Emphasising the importance that the Foundation attaches to the creation of ICANN, SIDN was the first ccTLD body to make a financial contribution to the new organisation. USD 25,000 was contributed to ICANN in July 1999.

Regionally, the year under review saw the creation of the Council of European National Top Level Domain Registries (CENTR). CENTR is a not-for-profit organisation set up under English law and based in Oxford. In the course of 1999, the number of members shot up until by the end of the year all registries within the European Union were affiliated to CENTR.

CENTR seeks to strengthen its members' position within ICANN as far as possible. CENTR also serves as an important platform for the exchange of information on policy-related and operational issues concerning the registration of domain names. Finally, the new organisation represents the national registries at EU level.

SIDN contributed EUR 30,000 to CENTR in 1999.

In the year under review, the European Union announced its intention to work towards the creation of a new '.eu' top-level domain.





## Annual accounts 1999

### Balance sheet as at 31 December 1999

		1999		1998
<b>Fixed assets</b>				
Tangible fixed assets				
Machinery and equipment		431,995		41,689
<b>Current assets</b>				
<i>Receivables</i>				
Debtors	588		0	
Receivables	11,515		0	
Prepayments and accrued income	2,246,869		548,106	
		2,258,972		548,106
<i>Liquid assets</i>		2,735,765		2,129,393
		<b>5,426,732</b>		<b>2,719,188</b>

		1999		1998
<b>Equity capital</b>				
General reserve		3,559,167		2,038,547
<b>Provisions</b>				
Provisions for special operating risks		300,000		300,000
<b>Short-term liabilities</b>				
Liabilities to suppliers	1,204,496		191,912	
Taxes	103,978		170,222	
Other liabilities	259,091		18,507	
		1,567,565		380,641
		<b>5,426,732</b>		<b>2,719,188</b>

### Profit and loss account 1999

		1999		1998
<b>Net turnover</b>		7,774,935		2,895,909
<b>Expenditure</b>				
Operator costs	3,985,947		1,954,345	
Personnel costs	300,443		0	
Depreciation of tangible fixed assets	92,649		38,657	
Other operating expenses	1,180,932		211,404	
		<b>5,559,971</b>		<b>2,204,406</b>
<b>Operating result</b>		2,214,964		691,503
Interest received		88,297		79,720
Result from ordinary operations before taxation		2,303,261		771,223
Taxes		782,641		275,849
<b>Net result</b>		<b>1,520,620</b>		<b>495,374</b>



## General Explanatory Notes

### General

The Foundation for Internet Domain Registration in the Netherlands was established on 30 January 1996.

The foundation's objectives can be described as follows:

- responsible issue and registration of domain names in Internet addresses in the Netherlands, including coordination and adjustment thereof on a national and international level, at cost-neutral rates, at the request of providers for parties connected to the Internet;
- promotion of cooperation between service providers in the area of Internet domain registration on a national and international level;
- all matters directly or indirectly related or conducive thereto, in the broadest sense of the word.

### Principles of Valuation and Determination of Result

#### *General*

The principles of valuation are explained hereunder in the explanatory notes to the separate balance sheet items; if there are no notes, valuation was done at nominal value.

#### *Determination of Result*

All items in the profit and loss account are accounted for in the amounts to be attributed to the year under review.

#### *Taxes*

The company tax owed is calculated on the basis of the result, taking into account exempted profit constituents. The difference between the taxes thus calculated and the taxes payable in the short term is expressed in the provision for latent tax liabilities. This provision is calculated at the applicable rate.



## Notes on the Balance Sheet

### Tangible assets

Tangible assets are valued at historical cost, less linear depreciation over time. The following depreciation rates are applied:

- inventory 20%
- computer hardware and software 33%

The mutations in tangible assets can be specified as follows:

<b>Machinery and equipment</b>	
1 January 1999	
Purchase price	115,971
Cumulative depreciation	<u>74,282</u>
<b>Book value</b>	<b>41,689</b>
<b>Movement</b>	
Investments	482,955
Depreciation	<u>-92,649</u>
	<b>390,306</b>
<b>Position as at 31 December 1999</b>	
Purchase price	598,926
Cumulative depreciation	<u>166,931</u>
<b>Book value</b>	<b>431,995</b>

### Receivables

#### *Prepayments and accrued income*

The prepayments and accrued income may be itemised as follows:

	1999	1998
Interest receivable fourth quarter of previous financial year	20,617	76,414
Billable for previous year's fourth-quarter register transactions	2,188,035	475,760
Advance payments	<u>38,217</u>	<u>0</u>
	<b>2,246,869</b>	<b>548,106</b>

### Equity capital

#### *General reserve*

The movement in the general reserve may be itemised as follows:

	1999	1998
Position as at 1 January	2,038,547	1,543,173
Appropriation of result	<u>1,520,620</u>	<u>495,374</u>
Position as at 31 December	<b>3,559,167</b>	<b>2,038,547</b>



## Provisions

### Provisions for special operating risks

Provision has been made for expenditure on legal services in connection with a number of important legal procedures. The foundation's Management Board anticipates that this provision will prove necessary and sufficient.

### *Taxes and social security contributions*

The taxes may be itemised as follows:

	1999	1998
Turnover tax	-384,643	-103,156
Corporation tax	433,690	273,378
Wages tax	29,558	0
Social security contributions	25,373	0
Position as at 31 December	103,978	170,222

### *Sundry debts*

The item sundry debts can be specified as follows:

	1999	1998
Forward payments received	11,621	0
Other liabilities	247,470	18,507
	259,091	18,507

## Off-balance sheet commitments

### *Rental commitments*

The foundation has a property rental contract, under which it is committed to pay third parties a total of 23,028 a year. The contract has a term of six months and is subject to tacit renewal.

### *Lease commitments*

The foundation has various vehicle lease contracts, under which it is committed to pay third parties a total of NLG 33,500 a year.



## Notes on the Profit and Loss Account

### Net turnover

All of the net turnover was realized in the Netherlands, according to the following specification:

	1999	1998
Participants' contributions (NLG 2,500 per year)	717,700	498,300
New domain names: initial registration fees	3,071,610	915,000
Existing domain names: registration maintenance fees	3,608,405	1,303,840
Existing domain names: register amendment fees	375,060	174,270
Other income	2,160	4,499
	<b>7,774,935</b>	<b>2,895,909</b>

### Personnel costs

The personnel costs may be itemised as follows:

	1999	1998
Wages and salaries	207,612	0
Social security contributions	47,323	0
Other personnel costs	45,508	0
	<b>300,443</b>	<b>0</b>

### Miscellaneous Data

#### *Staff members*

The foundation did not employ any staff during the year 1999.

#### *Board members*

Board members did not receive any remuneration during the year 1999.



## **Auditor's Report**

### **Assignment**

We have audited the 1999 annual accounts of the Foundation for Internet Domain Registration in the Netherlands at Amsterdam. The annual accounts were prepared at the responsibility of the foundation board. It is our responsibility to issue an auditor's report relating to the annual accounts.

### **Activities**

Our audit was conducted in accordance with generally accepted auditing guidelines. These guidelines require our audit to be scheduled and performed in such a manner as to provide adequate certainty that the annual accounts do not contain any significant errors.

An audit includes an examination by means of partial observations of information in support of the financial figures and the explanatory notes to the annual accounts. Moreover, an audit comprises an assessment of the financial reporting principles used in the preparation of the annual accounts and of important estimates made by the operational management for this purpose, as well as an evaluation of the overall impression of the annual accounts. We are of the opinion that our audit provides a sound basis for our judgment.

### **Judgment**

In our judgment the annual accounts are a true reflection of the size and composition of the capital and reserves on 31 December 1999 and of the result achieved in 1997 in accordance with generally accepted financial reporting principles; hence, they are in compliance with legal requirements regarding the annual accounts as included in Titel 9 BW2.

Arnhem, 1 May 2000

PricewaterhouseCoopers N.V.

## **Miscellaneous Data**

### **Appropriation of result**

#### **Profit appropriation according to Articles of Association**

Article 3, subsection 1, of the Articles of Association reads:

- The foundation's capital is made up of all contributions, subsidies, donations, bequests and testamentary dispositions received, as well as other assets.

#### **Result appropriation**

The board decided to add the result achieved in 1999 to the general reserve