Annual report.2007

The Internet, meeting place for
people and businesses

SIDN

Nine out of ten users in the Netherlands now say they couldn't do without the Internet.

SIDN

Contents

Supervisory Board's
report 2007

Established on 25 May 2005, the Supervisory Board continued to have seven members throughout 2007.

The role of the Supervisory Board is to review the policy pursued by the Executive Board and the general running of SIDN, as well as to advise the Executive Board whenever appropriate. More specifically, the Supervisory Board has the following duties:

· *To review and monitor realisation of SIDN's objectives*
· *To review and monitor the strategy and the risks associated with business activities*
· *To review and monitor the design and working of the internal risk management and control systems*

In 2007, the Supervisory Board met four times.

At these meetings, the following matters were approved and/or adopted:

· *Annual accounts for 2006*

· *Annual plan and budget for 2007*

· *Release of DRS 4.1*

· *Reappointment of F Eisner and*

  M Westermann

· *Inflation-linked adjustment of charges by*

  2 per cent from 1 January 2008

· *Financial strategy*

· *Strategic plan 2007 - 2009*

The Supervisory Board believes that in 2007 SIDN made major progress with the expansion and further professionalisation of its services. Examples included the use of registrar pre-testing prior to the rollout of DRS 4.1 and the creation of a separate Whois specifically for registrars. The progress made was reflected in the fact that a survey revealed a higher level of customer satisfaction.

Eddy Schuyer – Chairman of the Supervisory Board

Four out of ten users in the Netherlands are active on social networking sites.

Introduction

A notable statistic came out of the 2007 pan-European Mediascope Study: nine out of ten Internet users in the Netherlands say they could no longer live without the Internet. What is more, 81 per cent of the Dutch population goes on line every week, with the average person spending a total of twelve hours connected to the net. These figures put Internet use in the Netherlands well above the European average. Last year saw further substantial growth in the percentage of women and older people going on line. And 2007 was the first year in which young people spent more time on line than watching TV – a fact that was not attributable only to the continuing popularity of gaming.

The Internet makes knowledge and information accessible, plays a leading role in purchasing processes and is the driving force behind the digitisation of society. That is only part of the story, however: the Internet puts people in contact with one another. No less than 40 per cent of Internet users in the Netherlands visit social networking sites. The only on-line activities that score better are looking up information and communicating by e-mail. Leading players in this remarkable social development – in which the medium shapes the relationship – include MSN, Hyves, Twitter, Blue Chip Expert and LinkedIn.

Speed, convenience and the very low cost of obtaining and publishing information have been the catalysts of the Internet's worldwide growth. With more than a hundred million websites and ten

billion publicly accessible pages, the Internet is a phenomenon of unprecedented scale. Indeed, its expansion may be expected to continue, driven by growth in the world's emerging economies.

The Internet is also a platform on which the worlds of television, radio, telephony and data are brought together. In 2007, the number of VoIP (Voice over IP) users doubled in the Netherlands. The concept of Internet-based on-demand viewing – watching television programmes, films and video clips wherever and whenever the user wishes – also made ground. Further technological convergence continues to increase the possibilities. So, for example, it will shortly become possible in the Netherlands to link conventional telephony to Internet media, such as e-mail, VoIP and instant messaging.

SIDN is establishing itself as a world leader in the field of unique identifier management. It provides services, on the basis of which information providers can be traced at any time and from anywhere in the world by means of a unique label. SIDN currently uses its knowledge and expertise mainly to ensure the functionality of the dot-NL Internet domain, which accounts for roughly 70 per cent of the Dutch domain name market. Last year saw further growth in the number of registered dot-NL domain names, to stand at 2,695,454 by 31 December. A notable feature of the growth pattern was the increasing proportion of domain names being registered by private individuals. In this respect, too, the Nether-

lands appears to be acting as a trendsetter within Europe. The increasing number of private internet sites is closely related to individualisation of the Internet. A personal website linked to a distinct personal domain serves primarily as a statement of individual identity. As this trend gathers momentum, so the significance of unique identifier management continues to grow.

In this dynamic and open environment, characterised by the increasing involvement of international players in the Netherlands, SIDN is recognised as one of the world's top top-level domain (TLD) registries. SIDN intends to build on this position in order to continue fulfilling its mission: the provision of high-quality innovative services to support the creation of domains for use in sustainable, problem-free lifestyles. Naturally, these high-quality services are provided in connection with the dot-NL domain and made available to users through the registrar network. By introducing new services and continuing its product-level diversification, SIDN expects to enter a new phase in 2008. Unique identifier management will nevertheless remain the core competence, on which all new products and services are founded.

The quality of the services provided to registrars and registrants is and will remain the organisation's top priority. In 2007, implementation of a new release of the domain registration system and further maximisation of system availability and reliability enabled SIDN to achieve higher levels of

customer satisfaction. Still greater customer focus is expected to further enhance the regard in which SIDN is held.

On the international stage, SIDN is involved in image-defining forums in fields such as Internet governance, Internet security and ICT. Where cyber crime and security are concerned, SIDN is committed to seeking the best possible balance between the desire for openness and the need for security. SIDN accordingly began using an anycast service in order to further reinforce its ability to resist distributed denial of service (DDoS) attacks. SIDN also initiated the international quality benchmarking of TLDs, in recognition of its responsibility to ensure a continuously accessible, stable and secure dot-NL domain for its direct clients – the registrars that act as intermediaries between SIDN and its registrants – and for the end users.

A prominent feature of the international scene in the years ahead will be a substantial increase in the number of TLDs. At the same time, SIDN expects to see the consolidation of registries and registrars. Only players such as SIDN, which are able to provide the quality that a mature yet expanding market expects, will be able to take advantage of the new opportunities and potential that arise, in the Netherlands and around the world.
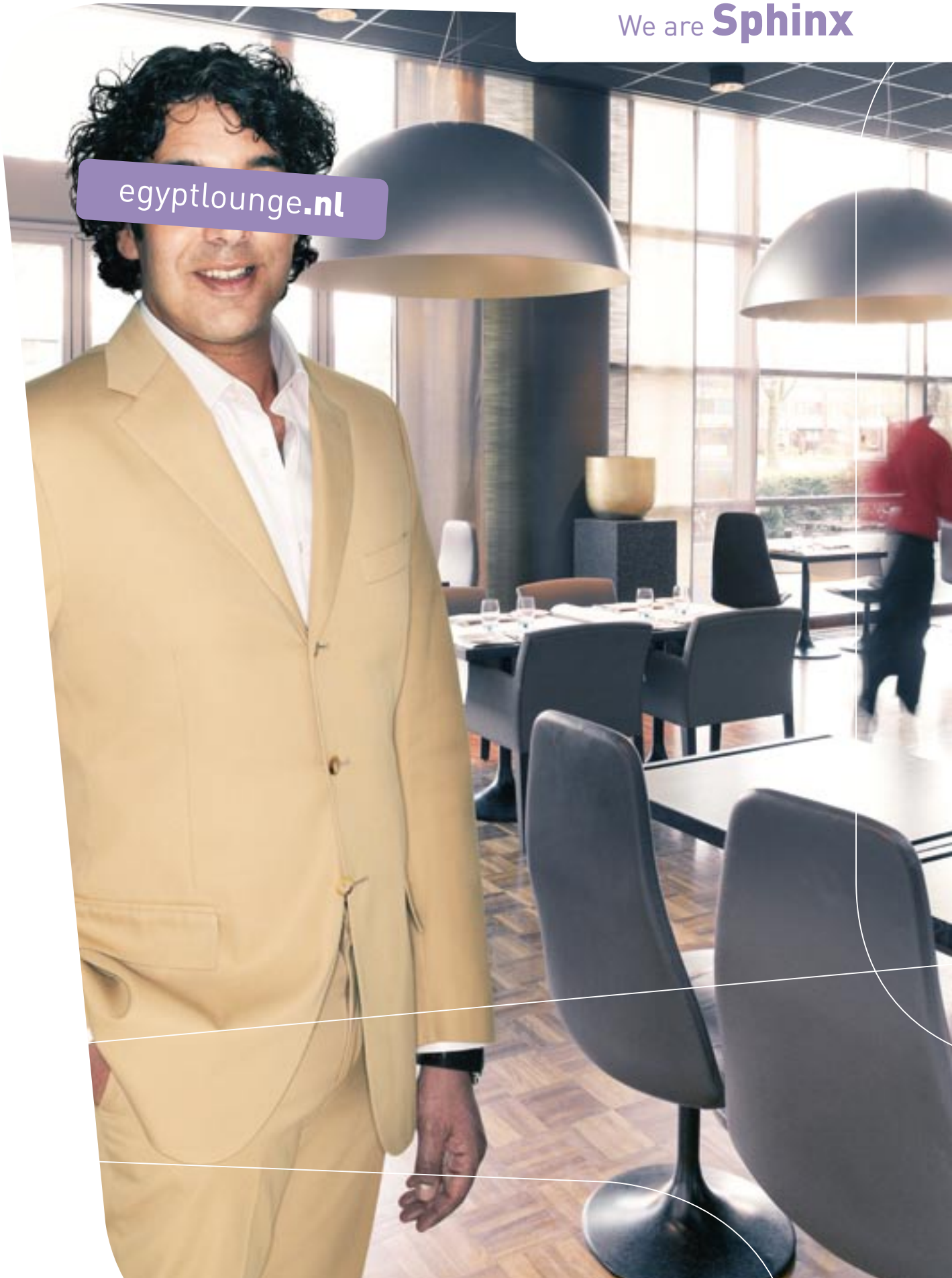
Roelof Meijer – CEO, SIDN

The dot-NL domain is now a familiar
part of the global Internet landscape.

sphinx**.nl**

We are **Sphinx**

egyptlounge**.nl**

We are **Sphinx**

Sphinx, the well-known producer of bathroom fittings and sanitary ware, has no ties with the similarly named lounge bar in Amsterdam. Nor is it related to the security firm Sphinx. The unique and separate identity of each business is not apparent from its name. It is, however, clear from its URL. Thanks to SIDN and its business partners.

Profile of SIDN

Unique identifier management

SIDN has been operating the dot-NL domain since 1996. The organisation now enables roughly 1.5 million registrants to communicate and provide information globally, using about 2.7 million unique dot-NL domains. SIDN's primary role is ensuring that the relevant domain names are always available and traceable. Reliability, stability, operational transparency and the development of innovative services are SIDN's guiding principles.

Business model

SIDN markets its services through more than 2,100 registrars, who in turn serve SIDN's registrants. In many cases, registrars offer dot-NL domain registration as part of a package of services, which may also include hosting, broadband Internet access, VoIP and so forth. The dot-NL registrant community is made up of organisations active in all sectors of the economy and, increasingly, of private individuals. For end users, the dot-NL domain is a familiar part of the global Internet landscape.

Services

SIDN ensures the functionality of unique dot-NL domain names. To this end, it registers names, monitors the quality of the registration process and promotes coordination and standardisation of the dot-NL domain at the national and international levels. In the course of 2008, SIDN will also be offering ENUM domain registration services. ENUM technology makes it possible to link traditional telephony and the Internet at the individual user level.

Mission and core values

SIDN provides high-quality innovative services to support the creation of domains for use in sustainable, problem-free lifestyles. SIDN seeks distinction by endeavouring to excel in terms of reliability, stability, service innovation and operational transparency. Five core values underpin SIDN's activities: professionalism, reliability, innovation, client focus and impartiality. SIDN's services are positioned primarily on the basis of quality and performance.

The maximisation of profit is not SIDN's objective; rather, SIDN strives for operational efficiency as a means of maximising the opportunities for delivering added value to the local Internet community. SIDN accordingly initiates, encourages and sponsors initiatives that enhance the

security of the Internet, that promote its application and utilisation and that discourage misuse.

National and international position

SIDN wants to be one of the best registries in the world and plays a leading role in international forums, such as ICANN (the Internet Corporation for Assigned Names and Numbers) and CENTR (Council for European National Top-level Registries). Within the Netherlands, SIDN occupies the position of market leader.

For the first time ever, young people are
spending more time on line than watching TV.

Executive Board's report
Social and market developments

The Internet, a public domain

The Internet has become a major influence on the way we live and even the way we think. It has created a global community founded on the easy exchange of information. Members of that community make use of computers and applications, which communicate on the basis of certain technical agreements.

No one owns the Internet; it belongs to us all. Anyone may use it, as a consumer and/or as a producer. And, as the number of content producers rises, more and more of the information in use exists in digital form.

Forecasts suggest that, in another ten years, more than a quarter of all information will be recorded and available only on digital media. This trend is likely to gather momentum as the generation that has grown up with the Internet enters the labour market.

Social phenomenon

The extent to which the Internet has become part of the fabric of modern life was emphasised recently by the European Mediascope Study, which was referred to in this report's introduction. The Netherlands has the highest level of Internet penetration in Europe, with more than 80 per cent of the population regularly on line. Internet use has grown by 11 per cent amongst women and people over the age of fifty-five.
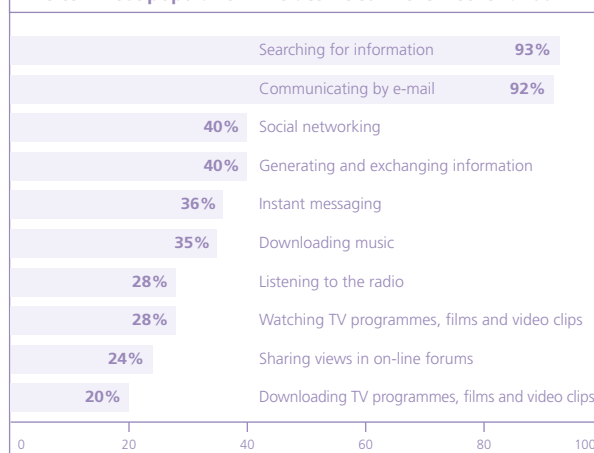
No less 92 per cent of Internet users said they couldn't get by without the Internet any more, while 51 per cent reported being reliant on e-mail (compared with the European average of 32 per cent). What is more, young people reported spending more time using the net last year than watching TV.

In 2007, social networking became the third most popular Internet activity. People are moving away from on-line anonymity and telling the world about themselves. The use of weblogs is also contributing to the personalisation of the Internet.

Meanwhile, consumers visiting sites increasingly assess not only the information or goods on offer, but also the suppliers or providers. The consumer is becoming the controller and director of the acquisition process. Where media consumption is concerned, consumers have for years had the upper hand, but now their influence is starting to shape the content as well.

In due course, Internet use is expected to receive further impetus from the rise of mobile access, aided by increasing platform uniformity and falling costs.

The ten most popular on-line activities in the Netherlands

	Searching for information	**93%**
	Communicating by e-mail	**92%**
40%	Social networking	
40%	Generating and exchanging information	
36%	Instant messaging	
35%	Downloading music	
28%	Listening to the radio	
28%	Watching TV programmes, films and video clips	
24%	Sharing views in on-line forums	
20%	Downloading TV programmes, films and video clips	

0   20   40   60   80   100

(Source: Mediascope Study, EIAA 2007)

Major content providers are also moving towards the combination of existing interactive content to create new applications. Google Earth and Photosynth are among the early examples.

All these developments demand the existence of structures, so that information remains traceable, e.g. through the

use of convenient labels. It is also important that the infrastructure becomes more robust, so as not to be overwhelmed by burgeoning use. Finally, tighter rules are required to protect the on-line consumer.

Domain name-based structuring
Structuring of the Internet by the use of domain names began back in the 1980s, when seven labels – the generic top-level domains (TLDs) dot-com, dot-edu, dot-gov, dot-int, dot-mil, dot-net and dot-org – were introduced. From around the turn of the millennium, country-code TLDs (of which dot-NL was one of the first) began to take off. Through its influential position within ICANN, SIDN is closely involved with developments in the organisation and issue of domain names around the world.

The Netherlands: a leading Internet nation
With seventeen domain names for every hundred people, the Netherlands has the highest domain name density in the world. However, the growth of other country-code domains and the continued development of territorial domains such as dot-EU and dot-Asia will inevitably result in the dot-NL domain ultimately finding a level in global league table that is more consistent with the size of the Dutch economy and population.

Growth in the number of registered dot-NL domains is not expected to slow in the foreseeable future, however. Demand from private registrants will be among the strongest drivers in the period ahead. SIDN intends to use the lead that it has established to continue developing products and services that provide added value for registrars, registrants and end users.

Development of sectoral structures

Economic globalisation will certainly increase the signifi-
cance of top-level domains. ICANN's Board of Directors
has already allowed the creation of sponsored top-level
domains (sTLDs), such as the successful dot-mobi for
mobile Internet access (e.g. using PDAs). The sTLDs
each represent a distinct community and their existence
therefore contributes to the structuring of the Internet
at a global level. As the number of TLDs increases, the
ccTLD registries will need to become more innovative
and more competitive. New opportunities will be created
through, for example, the introduction of domains
such as dot-Berlin and dot-NYC (for New York City). As
competitive pressures increase, there will ultimately be
room in the market only for registries that establish
themselves among the global elite and offer a range of
high-grade services.

Robustness and security

As use of the Internet increases, so does the importance
of a robust and stable primary architecture. Strong
growth in the Asian and South American economies
may be expected to bring enormous usage growth. The
demand for domain names will multiply and with it the
number of IP addresses required, accelerating the global
introduction of IPv6, the new version of the Internet
protocol.

Technological convergence

Data transmission and connectivity have become com-
modities. Users obtain information from the Internet,
make phone calls over the Internet, watch TV or listen
to the radio on line, and download music films and
videos from websites. For them, it is logical that the
various technologies are brought together. One new

development in this field is ENUM technology, which uses phone numbers as the basis for web addresses.

Internet governance

The Internet has its own protection rules and is also regulated by national legislation. As it becomes more firmly embedded in the social and economic life of the community, so further steps will need to be taken to protect the consumer. The Internet is an open, global medium, which facilitates understanding of other cultures, values, standards and religions. This may lead to greater government involvement in the form of super-vision, as well as legislative and regulatory control. The Dutch government's preference is for self-structuring and self-regulation by the Internet community.

I am **Jan Jansen**

zangerjantje**.nl**

jansenfashion**.nl**

I am **Jan Jansen**

Jan Jansen the veteran car and motorbike enthusiast is a stranger to the young singer Jan Jansen. And he bears no resemblance to Jan Jansen the designer. The unique and separate identity of each person is not apparent from his name. It is, however, clear from his URL. Thanks to SIDN and its business partners

Executive Board's report
Developments within SIDN

In 2007, SIDN made important progress in the further optimisation of its services. As well as increasing the stability and currency of the infrastructure, greater emphasis on client-centred trading helped to consolidate relations with our registrars. In addition, establishment of the ENUM platform and operationalisation of the ENUM register laid the foundations for the launch of ENUM in the Netherlands.

Registrar consultation on DRS 4.1 proves successful

By involving registrars and keeping them fully informed about the development and testing of DRS 4.1, SIDN was able to ensure that introduction of the new version of the system in September went smoothly. The decision to prioritise quality and dependability over early delivery proved to be the right one. As well as being more stable than its predecessor, the new version of the system has increased functionality. Preparations were made to spread production across two locations, either of which is capable of handling the entire production load if necessary. In this way, continuity can be maintained even in the event of a major incident.

Work on the creation of an Extensible Markup Language (XML) interface, which would enable registrars to further automate and standardise their application and register amendment processes, was not completed in 2007. It was decided to prioritise the continued development of a professional management and test organisation on the basis of ITIL

procedures and other protocols, thus increasing quality assurance to the level sought by SIDN.

Zone file update frequency increased from once to twelve times a day

As planned, the propagation frequency of dot-NL zone file updates was initially increased from once a day to twice a day. Shortly afterwards, SIDN took the step of raising the update frequency to twelve times a day, so that newly registered domains now go live after an average of just an hour.

Incident Monitor reinforces customer focus

Service quality enhancement was given further impetus by the introduction of an incident monitoring system to track and trace all incoming phone and e-mail enquiries. As well as enabling follow-up actions and lead

times to be checked, the system increases insight into the needs and concerns of registrars and end users.

Separate Is/Whois for registrars

A public Is/Whois service is available at www.sidn.nl: the Is for checking whether a dot-NL domain name is still available, and the Whois for looking up the details of a registration. During 2007, a separate and more powerful Is/Whois service was introduced, exclusively for registrars. There is no limit on the number of Is queries that can be made using the new service and the limit on Whois queries has been lifted considerably.

Contact Days and consultation

The closer relationship that SIDN has been fostering with its registrars found expression at two Contact Days, which were well received by those in attendance.

Increased focus on the needs and wishes
of registrars and end users

A combination of plenary sessions and parallel workshops provided a setting for in-house experts and guest speakers to provide useful and interesting information about marketing, trends, ICT and legal matters. In the summer of 2007, a small-scale telephone survey revealed a rise in client satisfaction levels, which have been raised further by the consultative approach taken to the introduction of DRS 4.1 and future releases. Towards the end of the year, Millward Brown was commissioned to carry out a survey of businesses that have dot-NL domain names. The results are due for publication shortly, and should provide useful pointers both for SIDN and for the registrar community. A customer satisfaction survey of registrars detected a definite increase in the level of satisfaction with SIDN and its services.

Phasing out of third-level domain names

One of the conclusions of the 2006 Domain Name Debate organised by SIDN was that third-level domain names should be phased out. Only a small number of these names, which were introduced to allow private individuals to register their own domains, were still in use. As recommended, good transitional arrangements were made to minimise the inconvenience to registrants, and the plans implemented in the course of 2007.

Sunrise period for numeric domain names

Numeric domain names are names made up entirely of numeric characters or numeric characters and hyphens. Numeric naming enables phone numbers, dates of birth and so on to be used as domain names. Ahead of the move to allow such names in the dot-NL domain, trademark and trading name rights holders were given

the chance to claim the corresponding numeric domain names during a 'sunrise period' in the first half of December 2007. The purpose of this approach was to minimise the risk of names being registered that infringed the rights of others.

ENUM: ready for introduction
At the end of 2006, SIDN secured the delegation for the Dutch ENUM domain. Then, in 2007, an ENUM covenant was agreed with the Dutch Ministry of Economic Affairs and a separate legal entity, ENUM NL, was created to handle ENUM-related activities.

SIDN decided that ENUM should be introduced to the Netherlands on a participative basis. To this end, all interested market players were invited to join the ENUM Netherlands Innovation Platform, which was tasked with coordinating the introduction of ENUM and promoting the development and use of ENUM-based applications.

The platform is facilitated by ECP.nl (the Platform for eNetherlands), ISOC NL (the Netherlands Internet Society) and ENUM NL. Three consultation meetings were organised in 2007, leading to practical recommendations regarding the organisation and introduction model and regarding the technical infrastructure design.

International activities
Top-level international representation is necessary for realisation of SIDN's objective of remaining one of the world's leading registries. SIDN therefore plays a prominent role in organisations such as ICANN and CENTR.
At the end of June 2007, a milestone was reached, when SIDN and ICANN signed an Accountability Frame-

work Agreement, formalising the relationship that has developed between the two organisations over the years. Around the same time, SIDN organised a meeting of the Legal & Regulatory Group within CENTR: the organisation through which the managers of European country-code top-level domain (ccTLD) registries exchange knowledge and experience. As an expert partner within CENTR, SIDN contributes to the interoperability, robustness and security of the Internet.

Professionalisation training for SIDN personnel

Market dynamism demands high levels of knowledge, expertise and customer focus from SIDN's personnel. In 2007, SIDN therefore invested a great deal in good employment practices, knowledge acquisition, education and training, the formulation and evaluation of personal development plans, competence and team

process management and the creation of a varied and challenging working environment. About 10 per cent of SIDN's gross wage bill was invested in education and training. The findings of the 2007 Staff Satisfaction Survey indicated that SIDN scored better than the employers' national average. The statistics encourage SIDN to maintain its existing HRM policies. In the second half of the year, many of the posts that had been vacant for some time were filled.

Domain name count passes 2,500,000

In 2007, there were about 1,760 new dot-NL domain names registered every day, resulting in net average daily growth of around 1,420 names. In August, the number of registered names passed the 2,500,000 mark. By the end of the year, the domain had recorded 23 per cent growth, with the total number of dot-NL domain names standing at 2,695,454.

ENUM will have a profound effect on the way we communicate.

Combating misuse

During the year, SIDN again played an active role in keeping the public informed about negative developments. Warnings were issued concerning the activities of parties that approached dot-NL registrants offering to 'secure' their domain names under other extensions. The 'poaching' of newly released popular domain names was also discouraged by the introduction of a quarantine period.

In addition, SIDN was strategically active at the national and international levels in the prevention of cyber crime and the promotion of Internet security and reliability.

.net   .info   .org   .biz   .eu   other

.com

.nl
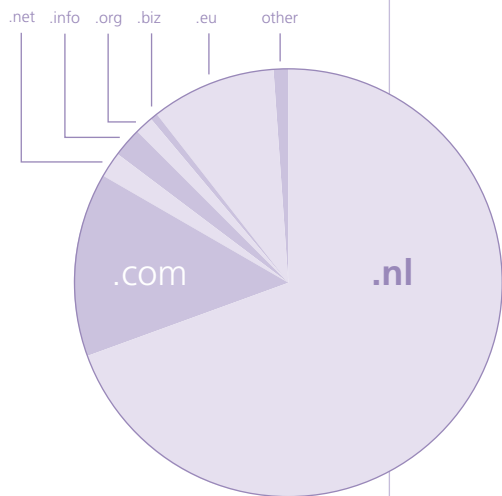
Number of Internet users: Netherlands heads the European league table in 2007
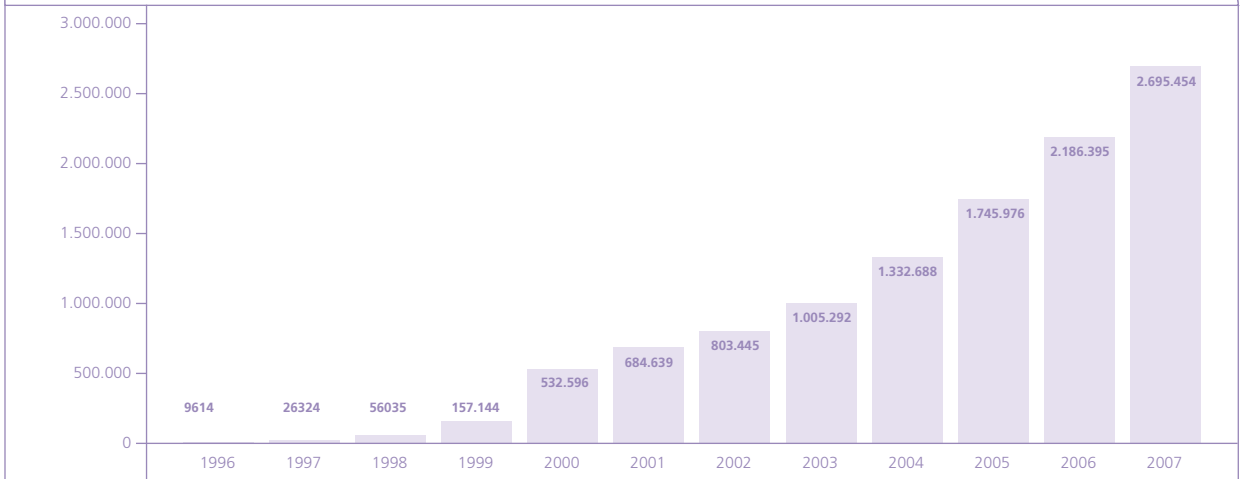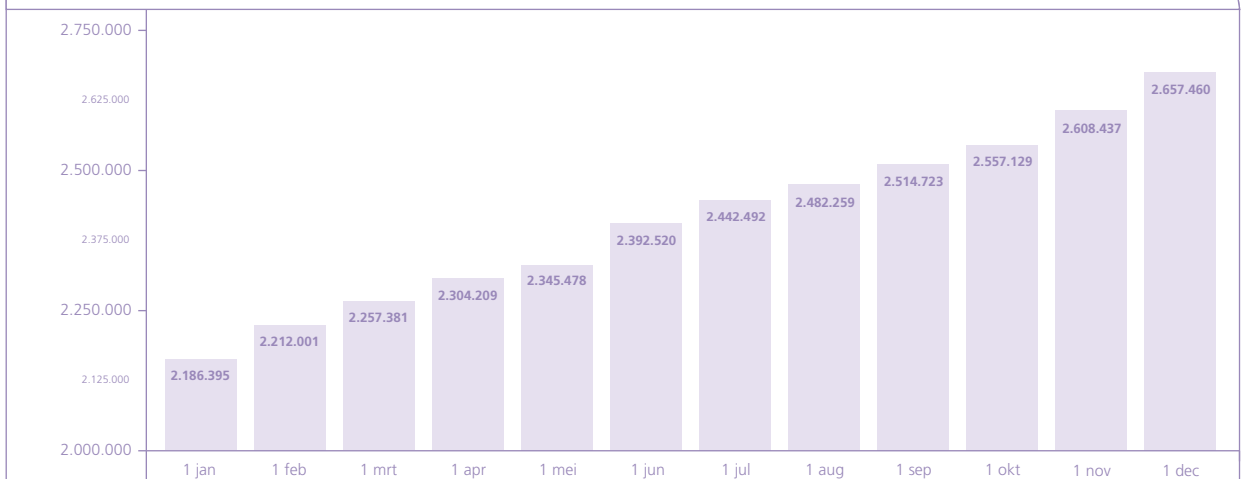
Country	%
Netherlands	81%
Norway	78%
Sweden	74%
Belgium	66%
Denmark	65%
UK	63%
Germany	61%
France	58%
Europe	57%
Spain	51%
Italy	37%
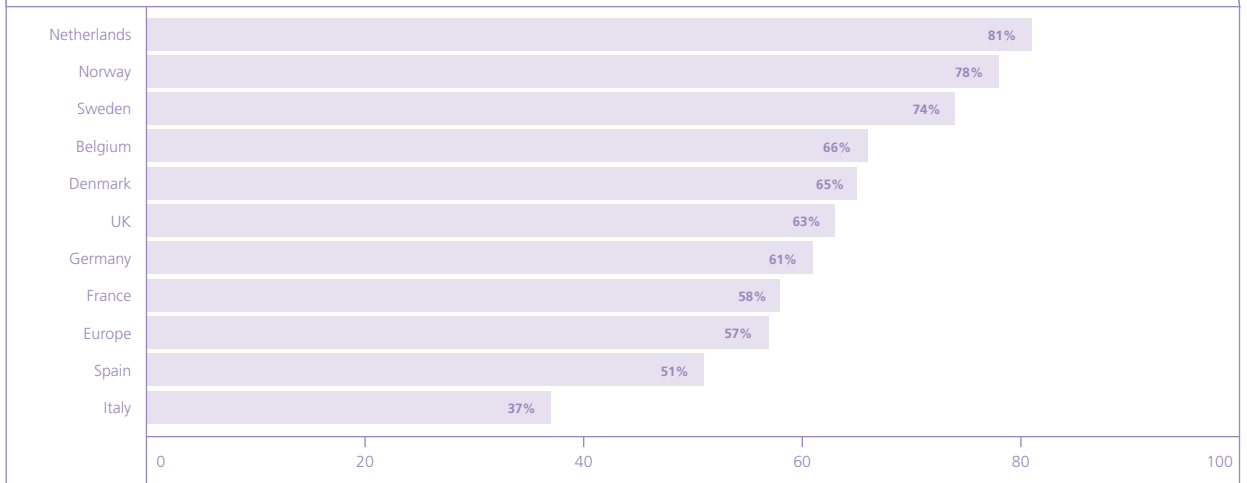
Growth in the number of registered dot-NL domain names, 1996-2007

Year	Number
1996	9614
1997	26324
1998	56035
1999	157.144
2000	532.596
2001	684.639
2002	803.445
2003	1.005.292
2004	1.332.688
2005	1.745.976
2006	2.186.395
2007	2.695.454

Total number of dot-NL domain names, 2007

Date	Number
1 jan	2.186.395
1 feb	2.212.001
1 mrt	2.257.381
1 apr	2.304.209
1 mei	2.345.478
1 jun	2.392.520
1 jul	2.442.492
1 aug	2.482.259
1 sep	2.514.723
1 okt	2.557.129
1 nov	2.608.437
1 dec	2.657.460

On 31-12-07, the zone file contained 2,695,454 dot-NL domain names.

sparta-rotterdam.**nl**

We are **Sparta**

engarde-leiden**.nl**

weightliftclub.**nl**

We are **Sparta**

Sparta, the Rotterdam football club, is unrelated to the fencing club Sparta. Nor is it linked to the weightlifting group that has the same name. The unique and separate identity of each club is not apparent from its name. It is, however, clear from its URL. Thanks to SIDN and its business partners.

Executive Board's report
Prospects for 2008

In 2008, SIDN intends to concentrate on improving the efficiency and effectiveness of the organisation as a whole. By doing so, SIDN aims both to raise service quality still further and to facilitate the introduction of activities that will increase the independence of the successful dot-NL domain. Ample capacity and resources will be assigned to the core activities of a top-class registry.

SWOT analysis (summary)

SIDN has established a strong market position as the registry for the dot-NL domain. SIDN communicates openly with registrars and is increasingly market and customer focused. It also has an expert and ambitious workforce and utilises state-of-the-art, but proven technology, constantly reducing its reliance on the expertise of external consultants.

SIDN has a sound financial basis for further development and innovation. However, the organisation's modest size means that there is limited personnel capacity available for major projects. This has implications for the rate of progress that can be made, and therefore for time-to-market and quality-to-market, leading ultimately to sub-optimal service provision. Labour market shortages, particularly in the IT sector, and the relatively low level of familiarity with SIDN make it difficult to recruit people with the necessary expertise. Nevertheless, a number of long-standing vacancies were successfully filled in the second half of 2007. Although the saturation point appears to be some way off, SIDN's home market is inherently finite. SIDN therefore has the challenge of developing or penetrating new markets.

SIDN's global reputation in the field of registration and naming policy affords opportunities to develop new markets and products through its growing contact network. The infrastructure built up around DRS 4 is also a valuable resource that can be used in the exploitation of opportunities. Within the Netherlands, further growth in the number of dot-NL domains is anticipated, partly as a result of internationally active ISPs and hosting companies entering the Dutch market. Because of its good relations with the government, SIDN is recognised as a reliable organisation and has been able to secure the ENUM delegation.

Efficiency and effectiveness of the organisation as a whole

Creation of a clear distinction between the project and process organisations, coupled with a concentration on the core tasks can increase the efficiency and effectiveness of the organisation. An integrated operating plan has been adopted as a basis for optimising the realisation of human and material resources. Non-core tasks, such as office automation, are to be contracted out. In addition, the archiving and purchasing processes will be digitised.

On the purchasing side, explicit specifications, result commitments and the assurance of auditability are being incorporated into supply contracts. Competence management and continued expertise enhancement, partly through the transfer of knowledge from advisers to in-house personnel, will be needed to build upon SIDN's position as a centre of excellence. In 2008, another benchmarking study is planned to establish how SIDN compares to other players in its dynamic and competitive marketplace.

Further service quality improvements

Primary and follow-up training, control procedures for the processing of incoming telephone and e-mail traffic and after-sales support are all expected to further enhance the quality of and satisfaction with SIDN's registration and service processes in 2008.

Proactive management of the dot-NL domain will be given added impetus by the introduction of Advanced Monitoring, while the arrival of a document manage-ment system that features digital archiving should make information immediately accessible. The improvements within SIDN may also be expected to enable registrars to raise their own service levels. In consultation with the registrar community, SIDN intends to develop a framework of standards based on industry norms in 2008, with a view to taking the first steps towards the introduction of an accreditation system before the end of the year.

The impact of the further service optimisation will be assessed by another client satisfaction survey of registrars in 2008.

New dispute resolution system and mediation

In 2008, SIDN is to adopt a Uniform Dispute Resolution Policy (UDRP) to replace the existing arbitration system. During the year, SIDN also plans to develop a mediation service. This high-grade specialised service will be designed to enable disagreements to be resolved before they become formal disputes.

Introduction of ENUM to the Netherlands

Following extensive preparations, successful discus-

sions in the context of the ENUM Netherlands Innova-tion Platform and completion of the technical and organisational infrastructure within SIDN, ENUM is to be introduced to the Netherlands early in 2008. ENUM links a phone number to a unique Internet domain name, thus opening the way for a variety of new user-centred communications options. The ENUM user decides whether incoming communications of all kinds are received as text messages, e-mails or voice in e-mail, regardless of how they are sent. So, for example, the user can choose to have communications from key clients routed to his/her mobile phone, while other traffic is delivered to his/her e-mail box. The ENUM concept could also be used to route voice calls via a VoIP provider, no matter which telecom provider one's discussion partner uses.

All you need is someone's ENUM-enabled phone number to send a text or e-mail, to call via a voice-over-Internet service or to visit the person's website, even if you don't know its URL. ENUM will have a profound effect on the way individuals, businesses and other organisations communicate. The mode of receipt will be determined not by the contact-initiator's communi-cation medium, but by the recipient's preference. The new service will be offered to the Dutch public through selected registrars.

DRS development and functionality
Further improvements to the DRS are planned for 2008. Attention will also be paid to the content-quality of the underlying database. By the end of the year, the XML/EPP interface will be made available to registrars as well.

The quality of the services provided for and
by registrars will be enhanced.

Continuity assurance through distributed processing

During the year ahead, SIDN will complete its migration to distributed processing. A third location will be added, which will serve as a command and control centre for both the existing production locations, even if a major incident results in the loss of all normal communication channels. In this way, all single points of failure will be eliminated.

Additional protection for DNSs

With a view to reducing vulnerability to DDoS attacks still further, SIDN will begin using a second anycast service in 2008. Such a service enables a single domain name server (DNS) to be represented by numerous servers, all with the same name and IP address. Each incoming dot-NL query is then routed to the nearest or most readily available server within the network. Such a set-up will mean that the growing dot-NL domain is

more secure and that queries are dealt with more quickly. During the year, SIDN's other DNSs will be prepared for the new Internet protocol, IPv6, which will become the universal norm within a few years.

Increased emphasis on security at various levels

Use of the public Is/Whois facility is already restricted with a view to minimising the scope for domain poaching and the harvesting of e-mail addresses for spamming. During the year ahead, SIDN will carefully monitor developments in attitudes towards and regulations on the protection of personal data. The security of electronic communication with registrars will also be increased to SIDN's high target level.

SIDN will additionally seek international exposure for its approach to and resolution of security issues through CENTR. Representation on NEN's SC27 standard

committee underscores SIDN's commitment to making the Internet a more secure environment for users.

Continued growth of the dot-NL domain to be promoted

SIDN wishes to maintain the strong growth seen in the number of dot-NL domain names in recent years. To this end, SIDN will work to increase familiarity with the product on the retail market. A publicity campaign is one of the strategies planned for 2008.

Numeric domain names

On 28 February 2008, SIDN began registering purely numeric domain names. In the first thirty hours, nearly fifteen thousand names based on phone numbers, dialling codes, birthdays and other memorable or interesting number combinations were registered.

Clear communication

New, simplified general terms and conditions for registrars and for registrants will be introduced in 2008. During the year, SIDN also plans to launch fully redesigned, straightforward and user-friendly websites for registrars and for the general public. When the redesigned sites come on line, information will be much easier to access and the Is/Whois facility will take on a new look and feel.

Ethical trading

SIDN is committed to promoting positive use of the Internet and deterring misuse, in the Netherlands and internationally. In 2008, SIDN therefore plans to sponsor the Digibewust (Digital Awareness) campaign, to participate in international meetings devoted to Internet security and to support a variety of private initiatives.

In partnership with the University of Tilburg, SIDN will also continue making jurisprudential information available on the professionally edited website www. domjur.nl, thus helping to enhance legal clarity for registrars and registrants.

As an innovative organisation, SIDN will continue to use its investigative and creative skills in the realisation of additional product lines to supplement the dot-NL domain and ENUM. To this end, SIDN will make use of its strong and growing national and international contact networks. In support of its drive for optimisation, SIDN also plans to commission a benchmark study of the charges applied by other registries. The results of this study may be used as a basis for differentiation of the existing product range. Thus, against a backdrop of increasing competition, SIDN will pursue various

strategies with a view to consolidating its position as a top-class registry responsible for the dot-NL domain and continuing to provide added value for the local and global Internet communities.

The Netherlands has the highest domain name density in the world.

SIDN

Financial summary

SIDN closed 2007 with a positive result of € 1,100,374 after taxation (2006: loss of € 215,757). The surplus is to be allocated to the general reserve, thus increasing SIDN's equity capital to € 9,818,183 at the end of 2007, compared with € 8,717,809 at the end of 2006. The equity capital serves as a financial buffer, which helps to assure the organisation's continuity.

The surplus achieved in 2007 was the result of strong growth in the operating result, up by € 1,730,000 on 2006. As anticipated, turnover rose by roughly € 1,833,000 (+21 per cent), while the rise in expenditure was restricted to a little over € 100,000 (+1 per cent).

The annual turnover growth of 21 per cent was attributable almost entirely to the increase in the number of registered domain names. At the end of 2007, there were approximately 2,678,000 billed registrations, compared with 2,186,000 twelve months earlier.

Personnel costs increased by € 567,000 (+15 per cent). The main drivers behind the rise were higher temporary staff costs (+ € 168,000) and a higher wage bill (+ € 203,000). The average size of the workforce rose to forty-two in 2007, having been forty in 2006. The number of people in service at the close of the year was forty-six, up from forty-two at the end of 2006. SIDN also incurred higher staff training costs and higher recruitment and selection costs.

A year-on-year fall of more than € 150,000 was recorded in depreciation costs. There was in fact a € 385,000 rise in depreciation on the major investment in DRS 4.0 during 2006. The relevant assets entered use part way through 2006, so that less than a full year's depreciation was booked to 2006.

However, this was more than offset by a € 535,000 reduction in depreciation costs due to changes to the tax regulations. From 1 January 2007, production systems (including the DRS) and office machinery have to be written down over a period of at least five years, rather than three years as before. SIDN decided to reflect the regulatory change in its business accounting practices.

SIDN's other operating expenses fell by approximately € 370,000. This fall was a result of the fact that in 2006 had incurred considerable costs in connection with the introduction of DRS 4.0. The corresponding item in 2007 was € 570,000 lower. This was partially offset by a € 200,000 increase in other consultancy costs, mainly attributable to technical and functional optimisation of the management organisation.
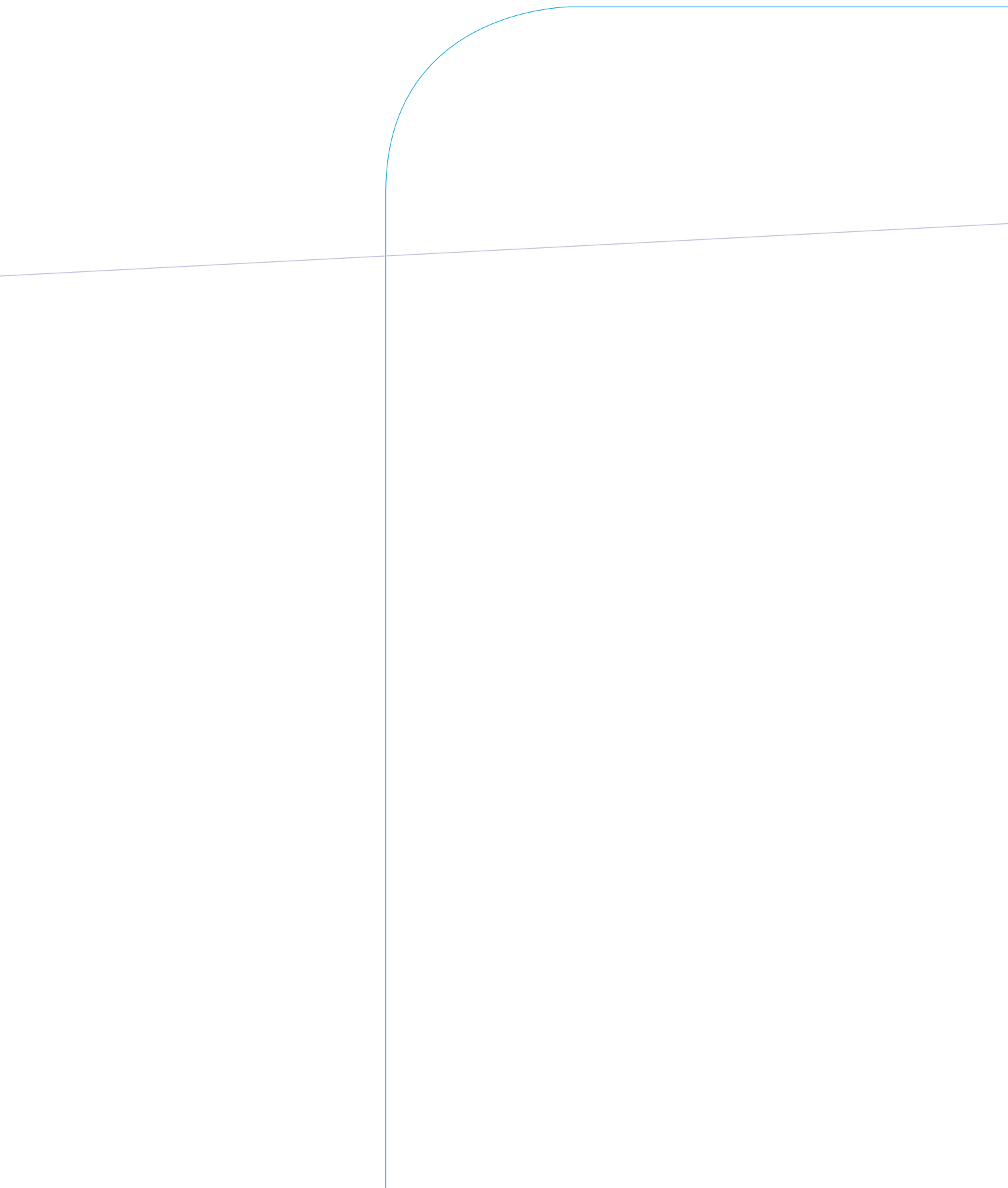
Cash-flow statement for 2007

	Ref.	2007	2007	2006	2006
		€	€	€	€
Cash flow from operating activities					
Operating result			1.228.706		(501.397)
Adjustments for					
Depreciation of tangible fixed assets		802.751		955.471	
Movement in provisions		(19.085)		27.000	
			783.666		982.471
Movement in working capital					
Receivables		287.010		(560.382)	
Short-term liabilities		(49.632)		322.202	
			237.378		238.180
Operating cash flow			2.249.750		242.894
Interest received		242.434		173.902	
Corporation tax (paid) / received		(370.766)		111.738	
			(128.332)		(285.640)
Cash flow from operating activities (to carry forward)			2.121.418		528.534

Cash-flow statement for 2007

	Ref.	2007 €	2007 €	2006 €	2006 €
Cash flow from operating activities (carried forward)			2.121.418		528.534
Cash flow from investment activities					
Investments in tangible fixed assets		(406.231)		(1.367.532)	
Long-term lending		(921)		(35.450)	
Cash flow from investment activities			(407.152)		(1.402.982)
Increase / (decrease) in funds			1.714.266		(874.448)
Movement in funds					
Funds as at 1 January			6.299.137		7.173.585
Increase / (decrease) in funds			(1.714.266)		(874.448)
Funds as at 31 December			8.013.403		6.299.137

Assets as at 31 December 2007 (before appropriation of profit)

	31 December 2007			**31 December 2006**	
	Ref.	€	€	€	€
Fixed assets					
Tangible fixed assets	4				
Machinery and equipment		1.737.004		2.120.427	
Other fixed business assets		712.063		725.160	
Tangible fixed assets in production		10.200		10.200	
			2.459.267		2.855.787
Financial fixed assets	5		36.371		35.450
Current assets					
Receivables					
Debtors	6	4.532		543.213	
Taxes and social security contributions	7	160.630		122.134	
Other receivables	8	901.328		688.153	
			1.066.490		1.353.500
Liquid assets	9		8.013.403		6.299.137
			11.575.531		10.543.874

Liabilities as at 31 December 2007 (before appropriation of profit)

	Ref.	31 December 2007 €	€	31 December 2006 €	€
Equity capital	10				
General reserve		8.717.809		8.933.566	
Annual result		1.100.374		(215.757)	
			9.818.183		8.717.809
Provisions	11		7.915		27.000
Short-term liabilities					
Liabilities to suppliers		842.427		1.019.427	
Taxes and social security contributions	12	300.412		317.538	
Other liabilities	13	606.594		462.100	
			1.749.433		1.799.065
			11.575.531		10.543.874

Profit-and-loss account for 2007

	Ref.	2007 €	2007 €	2006 €	2006 €
Net turnover	15		10.538.773		8.706.225
Expenditure					
Wages and salaries	16)	4.373.832		3.806.651	
Pension charges		331.909		276.909	
Other social costs		223.199		222.798	
Depreciation of tangible fixed assets		802.751		955.471	
Other operating expenses	17)	3.578.376		3.945.793	
			9.310.067		9.207.622
Operating result			1.228.706		(501.397)
Financial income and expenditure			242.434		173.902
Result from ordinary operations before taxation			1.471.140		(327.495)
Taxes			(370.766)		111.738
Net result			1.100.374		(215.757)

Auditor's report

Respective responsibilities of
Executive Board and auditors

As instructed, we have examined the 2007 financial summary of the Foundation for Internet Domain Registration in the Netherlands (SIDN), of Arnhem, as presented on pages 61 to 68 of this annual report. We have concluded that the said summary accurately reflects the 2007 annual accounts of SIDN, which we have previously audited, and regarding which we issued an unqualified auditor's report on 12 March 2008. The Executive Board of SIDN was responsible for production of the financial summary in accordance with the accounting principles used for preparation of SIDN's annual accounts for 2007; it has been our responsibility to form an independent opinion of that summary.

Basis of audit opinion

We conducted our audit in accordance with Dutch law.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial summary was an accurate reflection of the annual accounts.

We are satisfied that the information and explanations we obtained provide an adequate and appropriate basis for our opinion.

Opinion

It is our opinion that the financial summary is consistent in all material respects with the annual accounts upon which it is based.

Qualification

With a view to obtaining a true and fair view of SIDN's

financial position and of the result secured, and for-
ming a proper understanding of the scope of our audit,
we recommend that the financial summary be read in
conjunction with the annual accounts upon which it is
based and with the unqualified auditor's report that we
issued on 12 March 2008. This qualification does not
detract from our opinion in any way.

Arnhem, 16 April 2008

PricewaterhouseCoopers Accountants N.V.

A. Groenenboom RA

Directors and officers

Directors and officers
as at 31 December 2007

Chief Executive Officer
Roelof Meijer

Supervisory Board
Eddy Schuyer, Chairman
Fred Eisner
Erik Huizer
Rob Matthijssen
Hanneke Slager
Christiaan van der Valk
Michiel Westermann

Complaints & Appeals Board
Madeleine de Cock Buning - Chairman
Dirk van Roode
Remy Chavannes
Wapke Veldhuijzen van Zanten
Bert-Jaap Koops
Huib Gardeniers – Secretary

Colophon

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