



TRUSTEES' REPORT & FINANCIAL STATEMENTS.

For the year ended 31 March 2020.

The Internet Watch Foundation

Internet Watch Foundation

Overview

| | |
|---|----------------------------------|
| 2 | Our Members |
| 4 | Welcome from our Chair |
| 5 | Welcome from our CEO |
| 6 | Funding Council Chair's Foreword |
| 7 | Caring for our people |
| 8 | Our Senior Leadership Team |

An incorporated charity, limited by guarantee.
 Registered in England.
Charity No. 1112398
Company Reg. 03426366
Registered office: Discovery House
 Chivers Way
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 CB24 9ZR
 United Kingdom

Trustees' Report

| | |
|---------|---|
| 10 | Reference & administrative Details |
| 11 | Objectives & activities |
| 12 | Our year at-a-glance |
| 14 | IWF's impact |
| 18 | Review of activities and achievements & services |
| 19 | Successes |
| 20 | Financial Review |
| 21 | Structure, governance & management |
| 24 | Our Board of Trustees |
| 28 | Independent Auditors' Report to the Members & Trustees of Internet Watch Foundation |
| 30 | Statement of financial activities |
| 31 | Company balance sheet |
| 32 | Statement of cash flows |
| 33 - 43 | Notes to the financial statements |



Find out more about what's happening globally to tackle child sexual abuse images and videos online and see the latest IWF data in our [Annual Report 2019](#).

Our Members

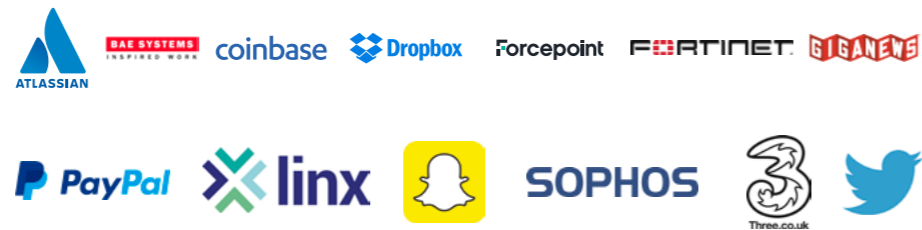
£81,185+



£39,000+



£27,060+



£16,245+



£5,305+



£2,705+



Members who provide in kind support

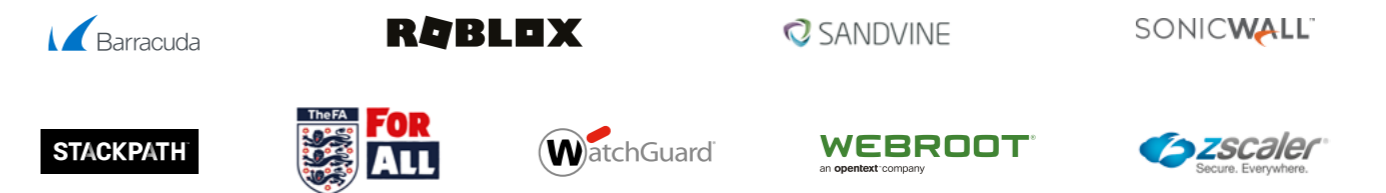


IWF Members at 31 March 2020

£50,000+



£21,660+



£10,830+



£1,085+



Forewords

Welcome from our Chair

This year we have really seen the importance of the IWF coming to the fore. Eliminating child sexual abuse material from the internet is at the heart of our mission, and everyone who comes to work here knows just what we are up against when it comes to making the internet a safer place.

For me, the IWF is in exactly the right place to bridge the gap between cutting edge technology and policy. We know the rights of the children have to be paramount, and we know that, while there is a lot going on in the world at the moment, we must never lose sight of protecting our most vulnerable children.

In 2019 the UK Government published its Online Harms White Paper, with the goal of making the UK the safest place in the world to be online. It proposes the introduction of a new Regulator to oversee online harms.

We are pleased with the way the Government has worked with us to make sure children are protected during the coronavirus crisis, and whilst we know there is a busy government agenda, it is important that legislation is now brought forward, and that there is clarity about the future of the legislative environment.

We know the threat is real, and we fear it may have been exacerbated by the lockdown. Along with three of our Members, we saw nearly nine million attempts to access known child sexual abuse material online made by UK users alone within one month.

We must face up to the domestic demand there appears to be in the UK for criminal material of children suffering sexual abuse. It is not a victimless crime.

Because of this, the IWF wants to prevent as much abuse as possible, which is why we want children and parents to be aware of the potential dangers which lurk online.

We are also committed to working with our Members to be more transparent and accountable so that people are aware of what they, as companies, are currently doing – and what more they could do – to ensure that their platforms are free of online child sexual abuse. This may involve us in difficult conversations, but conversations we don't shy away from.

We must face up to the domestic demand there appears to be in the UK for criminal material of children suffering sexual abuse. It is not a victimless crime.



Andrew Puddephatt OBE
IWF Chair

Welcome from our CEO

It is almost a decade since I took over as CEO of the Internet Watch Foundation. In all that time, I have seen our incredible team grow from 16 staff to 45. I have watched them adapt to new technologies and move to stay one step ahead of some of the worst criminals in one of the fastest moving technological environments there has ever been. I have always been proud of their unwavering commitment.

And this year, we have faced yet another unique challenge as the global coronavirus pandemic swept the world, forcing millions to work from home, and putting many, many more children in the way of potential harm.

2019 was a record-breaking year for us, and our analysts removed a staggering 132,700 webpages which included millions of images and videos of real children suffering real sexual abuse.

But since the coronavirus lockdown began, we have noticed a pronounced increase in public reports of child sexual abuse material, with the IWF hotline processing 50% more reports than the same period the year before.

We have warned about the potential for a "perfect storm", with more children and, potentially, more predators spending longer at home online. We see the tragic results of children being coerced and groomed into making videos and images of themselves.

Our analysts have really stepped up to the challenge. They know that, in every image, there is a real child suffering. They know the abuse is real, and they know removing the images from the internet is the only way some of them will be able to move on and begin to recover from that abuse.

This is why we have kept the hotline running throughout the coronavirus crisis and done everything we can to make our hotline safe for our staff to continue their vital work. The Government has been at our side throughout this, and our staff were designated key workers in recognition of their immense efforts to keep children safe.

Our analysts are incredible people. People with families, and stories, and pets, and lives. Lives which have been put on hold as we all deal with this new crisis. They deal with some of the most horrific content imaginable on the internet.

But their determination to keep children safe, and to make the internet, which has such enormous positive potential for us all, a safer place, gives me immense pride.

2019 was a record-breaking year for us, and our analysts removed a staggering 132,700 webpages which included millions of images and videos of real children suffering real sexual abuse.



Susie Hargreaves OBE
IWF CEO

Forewords

Welcome from our Funding Council Chair

As Chair of IWF Funding Council, I work with industry Members and bring an important industry perspective to help support the IWF's work and make them as effective as they can be in what is an incredibly fast paced environment.

All of us want to see an end to the evil that is child sexual abuse and eradicating it from the internet is an important step in stopping its global spread. But none of us can act alone in doing this.

The Funding Council is a space where Members can come together to agree the rights and responsibilities we share, in relation to the services we take from the IWF and contribute to their charitable mission to make the internet a safer place.

A major part of our role is to bring industry together to consider policy issues around the elimination of online images of child sexual abuse.

Keeping children safe is everyone's priority, and the best way to ensure this is to bring together all of our collective experience and knowledge. New legislation is also hotly discussed, and it is important to make sure any new laws are the best they can be. Part of our role is to make sure the tech industry assists the IWF in responding to proposed changes.

We also regulate ourselves using a "Notice and Takedown" procedure. Every relevant Member agrees to take down a criminal image or video, if notified by the IWF.

Our role is a broad one and, while making sure good governance procedures are followed, and that best practice is always adhered to, we are also very keen to help champion the IWF's message.

A safer internet is something we are all committed to fighting for. Working together and bringing as much experience to bear as possible is the only way to do this, and to make sure the technology built to enhance all our lives is also working to keep the most vulnerable among us safe from harm.

All of us want to see an end to the evil that is child sexual abuse and eradicating it from the internet is an important step in stopping its global spread. But none of us can act alone in doing this.



Matthew Eltringham
Funding Council Chair & BBC Executive Editor

Caring for our people

We know the people at the IWF are what makes the difference, and I am absolutely committed to making sure our staff are well looked after and cared for.

I'm in charge of our staff welfare programme and it is my job to make sure that our staff, some of whom have some of the most demanding jobs in the world, love coming in to work every day.

Our Internet Content Analysts continue to perform a vital service. They view some of the most extreme and upsetting content of children suffering sexual abuse on the internet. We all owe them thanks for helping to keep the internet safe and free from this harmful material.

We always make sure we have the right people for the job. While our analysts often say it can be the most rewarding job, it is certainly not suited to everyone. We make sure they have the emotional resilience and intellectual capacity to deal with the often-distressing imagery they'll be required to assess daily.

On top of this, we make sure they have regular breaks and attend mandatory counselling sessions. The welfare of our staff comes first, and we know we could not do what we do without them.

But, of course, 2020 has got off to a very challenging start, with the coronavirus pandemic forcing a very different approach to how we work. In March, we decided our hotline, whatever happened, had to stay open. There is simply no way we were going to turn our backs on children's online safety.

While a lot of our staff are able to work from home, our hotline analysts, for security and safety reasons, are not able to do their jobs anywhere but in the IWF office.

We have gone to great lengths to make the office safe, to ensure social distancing, and to keep all our staff healthy and happy throughout.

Our non-hotline staff have also been brilliant – and we, as an organisation, have made sure everyone has regular support and help, as well as regular staff meetings so no one is left out or isolated in these strange times.

We don't know what the rest of the year will hold, or how the future may look. But we believe wholeheartedly in our staff and will always do the right thing when it comes to looking after their welfare.

Our Internet Content Analysts continue to perform a vital service. They view some of the most extreme and upsetting content of children suffering sexual abuse on the internet.



Heidi Kempster
Deputy CEO & COO

Our Senior Leadership Team

Susie Hargreaves OBE

CEO



Susie has led the IWF since 2011 and brings passion, energy and a strong vision to create an internet free from child sexual abuse imagery.

Susie brings over 20 years' senior management experience in the not-for-profit sector.

Susie is a Director of the UK Safer Internet Centre and represents IWF on several boards and groups including the NCA CEOP Command Strategic Governance Group and the UK Council for Internet Safety (UKCIS).

Among her achievements, Susie was awarded an OBE in the Queen's Birthday Honours in 2016 for 'Services to Child Online Safety'. Susie was a finalist in the Executive of the Year 2017 category in the internet's most prestigious industry awards in the UK, the ISPA Awards; and was a finalist for a European Woman of Achievement Award in 2004 and is a Clore Leadership Fellow. Susie is Trustee of SOS Children's Villages.

Susie discusses IWF's participation at the Independent Inquiry into Child Sexual Abuse

"We applied for Core Participant status at this Inquiry because we felt we had something to offer Professor Alexis Jay – the Chair – and her panel – and we're on a mission to learn and to improve, and ultimately to give hope to victims and survivors across the world."

[Read more.](#)

Fred Langford

Deputy CEO & CTO



Fred directs IWF's technical and hotline operational work. He is a technical and security expert with a long and successful cross-sector career.

Fred represents IWF on several boards and groups including the UK Home Office Child Abuse Image Database Strategic Group and the National Crime Agency (NCA) Prevent Strategic Board.

Additionally, Fred is President of the International Hotline Association (INHOPE).

Fred is a Chartered Director (ChDir) and Fellow of the Institute of Directors (FIoD) and a Certified Information Security Professional (CISSP). Fred was a finalist for Digital Leader of the year, and runner-up for New Chartered Director of the Year in 2017. Fred is also a Visiting Professor of Safeguarding Technology at the University of Suffolk and a Visiting Professional Fellow at Aston University school of Law.

He received an Honorary Doctorate in 2019 from the University of Suffolk and is a non-Executive Director of the Video Standards Council (VSC).

Read Fred's blog on the issues around new encryption tech: DNS over HTTPS

"The IWF exists to eradicate the spread of online child sexual abuse imagery. It should not exist to remind tech companies of their responsibilities to their users. Unfortunately for this issue, it seems, those at the forefront of developing the technology were not joined up with those working in public policy and online safety."

[Read more.](#)

Heidi Kempster

Deputy CEO & COO



Heidi directs IWF's business activities and along with the CTO, Heidi deputises for the CEO.

She is a detail-orientated, strategic thinker devoted to creating a caring and supportive environment for all. She is responsible for ensuring the IWF is run efficiently, with the right resources and facilities to meet the challenges.

Heidi oversees all finance, HR, legal and statutory compliance, including managing performance and risk. She also manages and develops the IWF's gold-standard welfare programme for staff.

Heidi started her career in local government finance and has worked in a number of positions and departments in education, audit and property organisations. Heidi joined IWF in June 2013.

Hear more from Heidi as she talks about 'Celebrating the people that make IWF great'

"Every one of our analysts has a different story to tell and they are all extraordinarily resilient and compassionate mothers, husbands, grandparents, party-goers, gamers, cat lovers – simply a mix of ordinary people like you and me."

[Read more.](#)

Emma Hardy

Communications Director



Emma directs all IWF's communications functions with energy and enthusiasm, and ensures all communications are consistent, timely and in line with IWF's values.

She oversees reputation management, awareness raising, campaigns, media relations and the public affairs functions.

Emma started her career as a journalist, writing for a newspaper and magazine before taking internal communications and press office roles at a police force and in local government.

She has a Multi-Media Journalism degree, is a qualified senior reporter and holds a Public Relations Diploma from the Chartered Institute of Public Relations (CIPR), where she is an Accredited Member. Emma joined IWF in April 2011.

Read more from Emma's Communications Team on key IWF issues throughout 2019-20

- 'Significant breakthrough' as IWF analysts crack code used by predators to share child sexual abuse material online. [Read more.](#)
- New figures reveal 300,000 people in the UK could pose sexual threat to children. [Read more.](#)
- IWF 'at the heart' of national response to fighting indecent images of children, report says. [Read more.](#)

Trustees' Report

Reference & Administrative Details

Charity Registration Number
1112398

Company Registration Number
03426366

Chief Executive Officer
Ms S E Hargreaves

Senior Management Personnel

- Ms S E Hargreaves
- Mr F Langford
- Ms H Kempster
- Ms E Hardy

Board of Trustees

- Claire Bassett
- Giles Crown
Joined 1 September 2019
- Helen Dent
Term expired 31 August 2019
- Terry Downing
Joined 1 January 2020
- Jonathan Drori
Term expired 31 August 2019
- Becky Foreman
Resigned on 17 March 2020
- Uta Kohl
- Jonathan Lea
- Claire Lilley
Joined 4 June 2019
- Bronagh McCloskey
Joined 4 June 2019
- Jacquie Mellor
Term expired 04 June 2019
- Katie O'Donovan
Term expired 30 April 2019
- John Parkinson
- Sue Pillar
Term expired 31 December 2019
- Andrew Puddephatt
- Ganapathi Subramaniam
Joined 1 September 2019
- Henry Turnbull
Joined 18 March 2020

Principal/Registered Office

Discovery House
Chivers Way
Histon
Cambridge
CB24 9ZR

Independent Auditors

Price Bailey LLP

Chartered Accountants & Statutory Auditors

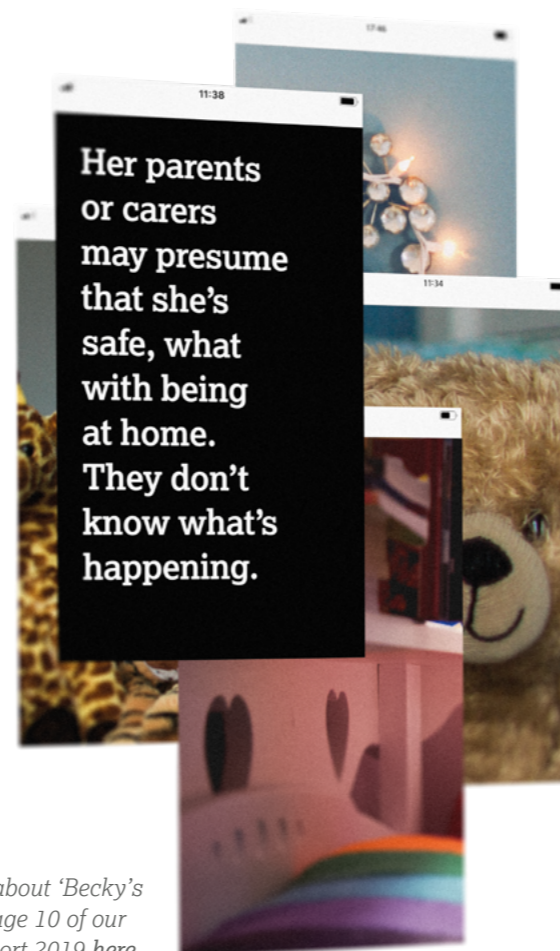
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Investment Advisors

Rathbones Brothers Plc
8 Finsbury Circus
London
EC2M 7AZ

Bankers

Barclays Bank Plc
Mortlock House
Vision Park
Cambridge
CB24 9DE



Hear more about 'Becky's Story' on Page 10 of our Annual Report 2019 [here](#).

Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2020. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity.

Public Benefit

We are confident that the IWF continues to meet the public benefit requirements and that we have paid due regard to the published guidance from the Charity Commission. Our specific objects as a company are set out in our Articles of Association. Our aims as a charity continue to be to promote the protection and welfare of the public, particularly children, by working to minimise the availability of illegal content on the internet.

Remit

To remove online child sexual abuse content hosted anywhere in the world and to remove non-photographic child sexual abuse content hosted in the UK.

2016-2020 Strategy

Online child sexual abuse imagery is a global problem, which demands a global solution. The internet does not respect geographical borders, so we work in close cooperation with partners worldwide.

It is our continued aim to use the expertise of the IWF's team and work with partners to:

- Disrupt the availability of child sexual abuse content hosted anywhere in the world.
- Protect children who are victims of sexual abuse from repeat victimisation and public identification.
- Prevent internet users from accidentally stumbling across child sexual abuse content.
- Remove any non-photographic child sexual abuse content that is found to be hosted in the UK.

How we do this:

- Identify, assess, report and remove illegal child sexual abuse imagery.
- Provide a world class Hotline for anyone to securely and anonymously report child sexual abuse imagery.
- Use our intelligence to actively search for child sexual abuse images and videos on the public internet.
- Work with industry partners worldwide to remove images of child sexual abuse as quickly as possible and prevent them from being spread further.
- Develop technical solutions and services using innovative tactics to disrupt and remove illegal content.
- Research, analyse and disseminate relevant trends data.
- Share our expertise and play an active role in the UK Safer Internet Centre.
- Promote best-practice welfare for staff who are working to eliminate child sexual abuse imagery and provide a caring and safe environment for all of our staff.

The main focus of our strategy has been to deliver excellence in our core operations, particularly the Hotline and in the technical services we deliver.

We have also carried out a number of projects during this financial year and continue to develop our project work in line with our strategy. These projects and much more will contribute to our 2021-2025 Strategy.

Our year at-a-glance

Total number of reports

260,426 reports were assessed by IWF in 2019.

132,730 reports were confirmed as containing child sexual abuse imagery or UK-hosted non-photographic child sexual abuse imagery. This is a 25% increase from 2018.

In 2019, we assessed a webpage every two minutes.

Every four minutes, that webpage showed a child being sexually abused.



Child sexual abuse imagery reports 2019

| Where all our reports came from | No of Reports assessed* | % of total | No of reports actioned** | % of total | Total actioned** | % actioned** |
|---------------------------------|-------------------------|------------|--------------------------|------------|------------------|--------------|
| IWF analysts' proactive search | 147,450 | 57% | 114,119 | 86% | 114,119 | 86% |
| Public | 108,773 | 42% | 14,910 | 11% | | |
| Police | 3,672 | 1.4% | 3,466 | 3% | | |
| IWF Members (see p38) | 266 | <1% | 128 | <1% | | |
| INHOPE Hotlines | 260 | <1% | 105 | <1% | | |
| Other Agencies | 5 | <1% | 2 | <1% | | |
| Total | 260,426 | | 132,730*** | | | |

The table on the left shows the sources of reports into IWF, and how many of those were assessed as containing child sexual abuse material. Please be aware that not all reports we assess are found to contain criminal imagery within our remit.

*These figures include reports of nonphotographic child sexual abuse imagery.

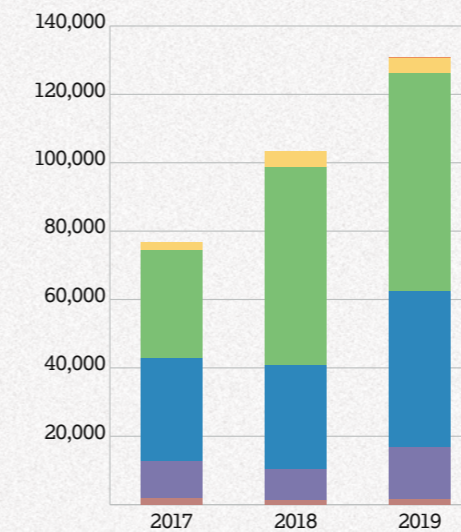
**These figures include reports "actioned" for containing child sexual abuse imagery – found on URLs and newsgroups.

***This figure is 132,676 URLs of child sexual abuse material plus 54 newsgroups showing child sexual abuse material. No UK-hosted non-photographic child sexual abuse material was found.

Statistics refer to Jan - Dec 2019.

Number of children appearing to be aged 0-17 by year

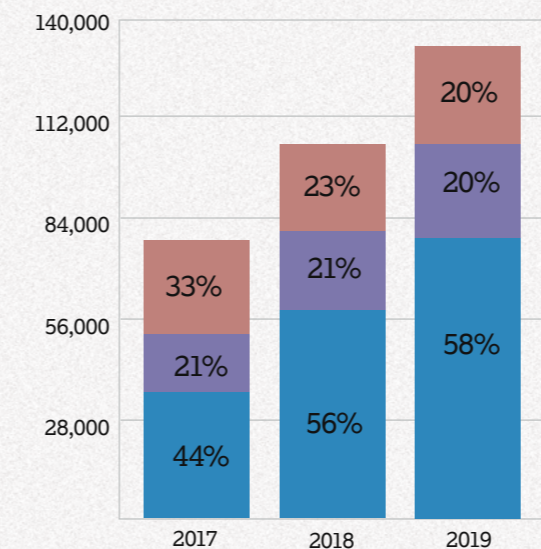
These charts and data tables provide more information on the age and sex of children depicted in the imagery, and the severity of the abuse we saw in 2019.



| Age | 2017 | 2018 | 2019 |
|-------|--------------|--------------|--------------|
| 0-2 | 1,760 (2%) | 1,347 (1%) | 1,609 (1%) |
| 3-6 | 10,912 (14%) | 9,080 (9%) | 15,119 (11%) |
| 7-10 | 30,217 (38%) | 30,156 (29%) | 45,744 (34%) |
| 11-13 | 31,517 (40%) | 58,007 (56%) | 63,533 (48%) |
| 14-15 | 2,249 (3%) | 4,732 (5%) | 4,450 (3%) |
| 16-17 | 284 (0.4%) | 207 (0.2%) | 460 (0.3%) |

Severity of child sexual abuse & sex of victims

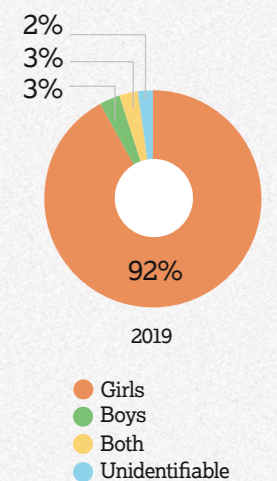
Severity of abuse



- Category A:** % showing sexual activity between adults and children including rape or sexual torture including self-penetration.
- Category B:** % of images involving non-penetrative sexual activity.
- Category C:** % of indecent images of children not falling within category A or B.

Note: Percentages may contain a small variable due to URLs linking to child sexual abuse websites.

Sex of Victims



Self Generated Content

2019 saw a significant increase in "self-generated" child sexual abuse content, created using webcams and then shared online. In some cases, children are groomed, deceived or extorted into producing and sharing sexual imagery of themselves. Almost a third of the content we actioned in 2019 was assessed as containing self-generated imagery.

Find out more

Our 2019 Annual Report provides a full overview of IWF's activities in 2019. [Find out more online.](#)

IWF's Impact

1. Our Purpose

Child sexual abuse has a devastating impact on people's lives. Online child sexual abuse is increasing globally as more people gain access to super-fast broadband. Criminals use technology to evade detection by law enforcement. Survivors suffer repeated exploitation every time an image or video of their abuse is viewed, shared or sold online. The internet can be unsafe for children and adults who may accidentally see this criminal content – unintentionally breaking the law and leading to mental health problems.

The IWF exists to facilitate a global internet free from imagery of child sexual abuse. We work in partnership with government, law enforcement, the technology industry and other non-profit organisations to disrupt and ultimately stop the victimisation and exploitation of those who have been sexually abused in childhood through the online distribution of images and videos of their abuse.

We provide valuable tools to the internet and tech sector allowing them to keep their networks and platforms clear of criminal imagery and stop people uploading known child sexual abuse imagery in the first instance. We work unrelentingly to keep these tools on the cutting-edge of technology and relevant for our member organisations.

What impact do we want to have?

1. **Globally, less child sexual abuse imagery on the internet.**
2. **A safer internet for children and adults.**
3. **To retain the UK's position as the most hostile country in the world to host child sexual abuse imagery.**
4. **Increased impact and global reach through innovative and bold ways of working.**
5. **To retain our position as the recognised model of best practice around the world.**



2. Our Aims

1. To reduce demand for, and availability of, child sexual abuse through use of innovative technology.
2. To ensure the public are aware of, and informed about, child sexual abuse online and the role they can play in combatting it. Specifically, reporting suspected online child sexual abuse to the IWF.
3. To communicate the reality of online child sexual abuse to the public, government, law enforcement, the tech industry and other key stakeholders.
4. To proactively share the highest quality information, advice and resources with our partners and the public.
5. To provide evidence that the IWF approach works and to share this widely.
6. To have strong, effective and collaborative relationships with all our stakeholders including member organisations and funders, without compromising our independence.
7. To ensure a safe and caring environment for the IWF team.

3. Our Activities

IWF activities are guided by our annual business plan which is guided by our Theory of Change. The Theory of Change helps ensure everything we do works towards an internet free of child sexual abuse imagery.

Our key activities are:

1. Work to prevent, disrupt and remove child sexual abuse material from the internet.

For example: Our team of front-line Internet Content Analysts spends each and every day assessing public reports and proactively searching for images and videos of child sexual abuse online. Where the content breaks UK law, we work with a host of international partners to have it taken down. The data taken from these reports feeds into world-leading tools and services taken by the internet and tech industries to stop this type of content on their networks and platforms.

2. Carry out and disseminate world leading trends analysis.

For example: In 2019, our team saw a disturbing trend in the increase of 'self-generated' child sexual abuse content. This is imagery that has been generated by a child using a computer or connected device after being coerced or groomed into sexual acts over webcam. Of the 132,676 webpages our team actioned in 2019, almost a third was assessed as containing self-generated imagery. We share information on trends like these and others with key partners to understand how we can reduce and prevent an increase in this type of imagery. For example, we are in conversation with a number of hardware manufacturers discussing how our services can be used to increase the safety of connected devices they produce.

3. Work effectively, transparently and supportively in cooperation with leading partners.

For example: We agreed a transatlantic data sharing agreement with The USA's National Centre for Missing and Exploited Children (NCMEC). This landmark example of partnership and collaboration allows us to pool hashes of child sexual abuse imagery making them available to organisations in the US and further afield. At this time, the 'NGO Sharing Platform' contains over 3.5 million hashes of known child sexual abuse imagery, representing a huge step forward in the fight to stop those who've been abused in childhood from being revictimised each time images and videos of their abuse are seen online.

Find out more

Find out more about IWF activities, with further examples, on our [website](#).

IWF's Impact

4. Our Results

The IWF is recognised globally as one of the leading organisations tackling child sexual abuse online. Our reports and data are trusted and utilised by law enforcement, government, NGOs and the tech/internet industry.

In 2019 alone, our team of 45 people:

- Assessed more than 260,000 reports of suspected child sexual abuse. 132,730 were confirmed as containing child sexual abuse imagery – a 25% increase from 2018. Each of these reports contained child sexual abuse of varying degrees from indecent 'Category C' imagery to 'Category A' imagery showing the rape or sexual torture of children of all ages.
- In 2019, we launched Reporting Portals in Nepal, Liberia, The Gambia and Comoros Islands taking our portal programme to a total of 29 nations worldwide. These portals allow citizens to anonymously report child sexual abuse images and videos they may have seen accidentally online. It's a simple and low-cost mechanism for those nations who may not have the infrastructure in place to launch such a facility alone.
- We continue to develop technical solutions to allow us to be more efficient and to protect the welfare of our team. Our Intelligent Crawler uses hashes of known child sexual abuse content to automatically search the web for duplicate images allowing us to have them removed and find new content alongside. In 2019, it crawled almost 72 million webpages and two thirds of a billion images.
- Services to our member organisations continue to be improved and developed. In 2019, 129,000 unique URLs showing child sexual abuse were distributed to our Members allowing them to block this content on their networks while we work to have it removed.

Since IWF began in 1996, we have human-assessed more than 1.2 million webpages and removed child sexual abuse imagery from over 560,000 globally. This equates to millions of images which is something we're very proud of but equally something we're not complacent about. We know there's a lot more to do and IWF's work will not stop until we've reached our mission of a safer internet for everyone free from child sexual abuse imagery.

Find out more about IWF's results in our Annual Report 2019, [here](#).

5. Our Evidence

As a data driven organisation working on behalf of people who've been sexually abused as children, we understand that it's vitally important for us to perform our work in an impeccable, accurate and transparent manner. As such, we ensure our workflows, procedures and working methods are independently scrutinised to guarantee we are working to the very highest standards and providing the most precise data. All key data, trends and developments are published in our Annual Report which is publicly available on our [website](#). We actively encourage third parties to scrutinise our work and use our statistics to inform their work.

In order to ensure we are confident in the data we produce; we have developed a bespoke report management system which allows us to track every aspect of what we do. Under continual development, the system is constantly improved by our in-house Tech Team ensuring the highest levels of accuracy and security. This is independently verified through our annual ISO audit allowing us to retain our ISO 27001 accreditation in information security management.

We have a dedicated team of Quality Assurance Officers who act as 'critical friends' to our frontline Hotline analysts. They randomly sample the work and assessments of the team every day to ensure accuracy and aid development.

In 2019, our Hotline operations were independently audited and the team, led by High Court Judge Sir Mark Hedley, concluded: *"We have observed a small efficiently-run organisation with a highly dedicated and skilled workforce doing a job that is both vital and very stressful. We were impressed by the good relationships between staff at all levels and the essential determination to maintain a high quality of work and relationships."*

As a member of INHOPE we are also subject to their independent review. At their most recent audit by the INHOPE team they reported that the IWF *"maintains exceptional standards in all areas and its practices can be recommended to new or existing hotlines wishing to develop or expand their services"*.

The UK's Independent Inquiry into Child Sexual Abuse said *"the IWF sits at the heart of the national response"* and the latest DCMS safety tech report said *"the IWF have helped to radically reduce the volume of child sexual abuse content hosted in the UK, and continue to lead the fight."*

6. Our Lessons Learned

We work iteratively. That means that we observe, we uncover trends in data and challenges to achieving our mission; we understand the context of our work in the wider world – not just the technical but the political and policy environment – and learn in order to make our work better.

Five things we have learned this year:

1. The importance of prevention

If we only find and remove images and videos of child sexual abuse, we will not solve the problem. We need to work to prevent the creation of the images and videos in the first place. That's why we've been focusing on a campaign to help prevent the creation of self-generated child sexual abuse imagery by reaching girls and their parents and carers.

2. IWF cannot do this alone

Whilst we've always known that we need strong partnerships to enable us to work towards our mission, a core element of our work, particularly as we grow, is about harnessing others' technical knowledge and creativity to help us meet our goal. That's why we not only forge partnerships with other organisations and bodies, but we hold events such as hackathons to find talented people who can help us build new technology.

3. Our staff matter and so their welfare is a top priority

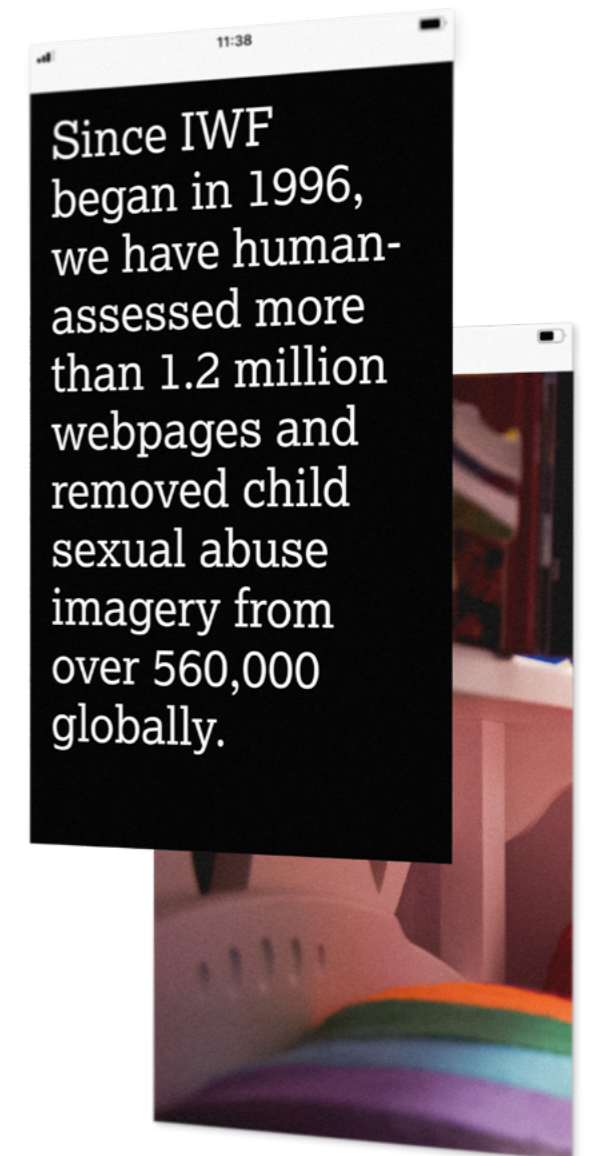
The independent inspection of our Hotline processes and practices made clear that whilst our welfare programme was "exemplary", it was also an "absolute necessity". As we look to develop new technology we aim to help reduce the burden on our staff of seeing the abuse images.

4. We can't underestimate legal and administrative challenges

Working globally means that we have to ensure that we have regard to legal processes not just in the UK, but other countries. These can be challenging to navigate, particularly when developing new services such as our portals, or forging new partnerships which means the sharing of data, like the hash sharing agreement. It takes time, patience and determination in order to do the best for our mission.

5. We have to do all we can to encourage the public to report

It impacts negatively across the organisation if we receive reports from the public which are out of our remit. It uses vital resources and risks the welfare of our analysts who have to view material which they can do nothing about. That's why we reviewed our reporting process, updated it, and made it an aim of one of our core campaigns to increase the number of on-remit, and decrease the number of off-remit, reports.



Review of activities and achievements

At the point at which we prepare our report we're operating in wholly unprecedented times, but we remain steadfast to our aims and committed to successfully delivering our 2016-2020 Strategy.

It's been an exceptionally busy year across the IWF:

- Our technical team have been working on innovative tools – image classifiers, our intelligent web crawler and refining technical solutions for our Hotline as well as working collaboratively with strategic partners.
- The policy team have continued to engage and further develop relationships with political stakeholders and government departments to maintain our position as an expert independent authority in the field of online child protection.
- Our international work has continued apace with yet more new portals being established.
- Our communications team have conducted several highly successful campaigns and have really galvanised our social media influence.

Services

Notice and Takedown

The most effective way to eliminate online child sexual abuse content is to remove it at source. The UK hosts a small volume of online child sexual abuse content and remains an incredibly hostile territory in this respect. When we started in 1996, the UK hosted 18% of the global total – in 2019 this figure was just 0.1%.

We took action on 158 webpages hosting images and videos in the UK in 2019 (an increase of 266% from 2018) and issued 46 takedown notices. We might send one notice for several webpages and content may

have already been removed by the time we get authorisation from the police.

URL List

We provide a list of webpages (URLs) with child sexual abuse content hosted abroad to companies who want to block or filter them for their users' protection, and to prevent repeat victimisation. We update the list twice a day, removing and adding URLs. During 2019, the list was sent across all seven continents. There were 129,111 unique URLs included on the List in 2019, compared to 100,682 in 2018.

Hash List

Each image can be given a unique code, known as a hash. A hash is like a digital fingerprint of an image. The IWF list of hashes can be used to find duplicate images. At the end of 2019, the list contained hashes relating to 471,239 individual images, an increase of 125,278 hashes over the course of the year. Of these, 105,178 related to the worst forms of abuse. This means that in 2019, our analysts reviewed 9,637 images each, alongside reviewing public reports and actively searching for child sexual abuse images and videos.

Keywords List

Paedophiles often create their own language – codes – for finding and hiding child sexual abuse images online. To help counter this, each month we give our Members a list of keywords that are used by people looking for child sexual abuse images online. This is to improve the quality of search returns, reduce the abuse of their networks and provide a safer online experience for internet users. In December 2019, the Keywords List held 453 words associated with child sexual abuse images and videos.

Newsgroups

We are one of only a handful of

hotlines in the world that processes reports on newsgroups. Our Hotline team monitors the content of newsgroups and issues takedown notices for individual postings of child sexual abuse imagery. We also provide a Newsgroup Alert to Members, which is a notification of child sexual abuse content hosted on newsgroup services so they can be removed. In 2019 we processed 117 reports alleging child sexual abuse images hosted within newsgroups. After monitoring newsgroups, we recommended our Members do not carry 260 newsgroups containing child sexual abuse images and videos. This resulted in 2,843 postings being removed from public access.

Alerts

We also provide various alert services to Members, such as Domain Alerts. These are issued to companies in the domain registration sector when illegal content is found on domains registered through them. The other alert services are for payment brands, virtual currency use and 'Simultaneous' alerts for our US Members.

NPI List

The NPI List is comparable to our standard URL List but features URLs showing images and videos of non-photographic child sexual abuse.

These could include cartoons, drawings, computer-generated imagery (CGI) and other non-photographic representations of child sexual abuse. The URLs provided are those deemed at the time of assessment to potentially breach UK legislation, specifically Sections 62 to 69 of the Coroners and Justice Act 2009. IWF Members can request access to the list enabling them to block webpages featuring this type of content - further protecting their users and contributing to the overall fight against child sexual abuse online.

Successes

The IWF has had significant success in 2019-20 including the following:

Independent Inquiry into Child Sexual Abuse

We had Core Participant status and provided evidence at the Independent Inquiry into Child Sexual Abuse (IICSA). Our CEO, Susie Hargreaves OBE, spent two weeks at the enquiry and offered the panel the top three things we feel should be delivered for victims of sexual abuse:

- A national 'Prevent' campaign
- To progress our technical projects
- Address IWF resource issues

In its report IICSA said "The IWF sits at the heart of the national response to combating the proliferation of indecent images of children. It is an organisation that deserves to be publically acknowledged as being a vital part of how, and why, comparatively little child sexual abuse material is hosted in the UK." [Read more.](#)



Award Wins

We picked up two prestigious awards:

- Civil Society Charity Awards - Children & Youth Category Winner
- 2019 ISPA Awards - Best PR Campaign Award

[Read more.](#)



IWF at the Charity Awards

International Reporting Portal Development

In partnership with the Global Fund to End Violence Against Children we launched five new International Reporting Portals in:

- The Gambia
- Comoros
- Sierra Leone
- Zimbabwe
- Ukraine
- Pakistan

Each of these nations now has a dedicated online resource for anonymously reporting child sexual abuse imagery. [Read more.](#)



The Portal round-table in Zimbabwe

Landmark data sharing agreement

We signed a historic agreement to share our hashes of child sexual abuse imagery (digital fingerprints) with internet companies in the United States and beyond, through a platform hosted by the National Center for Missing & Exploited Children.

This is a giant step forward in the continuing effort to provide internet companies around the world with greater access to a larger pool of hashes to stop the upload, sharing and storage of this criminal imagery on their platforms. [Read more.](#)



Deputy CEO awarded an Honorary Doctorate

The University of Suffolk honoured our Deputy CEO & CTO, Fred Langford, with an Honorary Doctorate for his child protection work.

The University of Suffolk announcement recognised Fred for "becoming an internationally respected authority on cybersecurity, internet policy, child protection, online crime prevention and effective regulation."

[Read more.](#)



MPs and Peers set out concerns over DNS over HTTPS

Nineteen of our Parliamentary Champions and supporters wrote an open letter to the Secretary of State at the Department for Digital, Culture, Media and Sport (DCMS) setting out deep concerns about the adoption of a new form of encryption online.

[Read more.](#)



Financial Review

Income

Our principal funding is received via subscriptions from industry Members and the European Union via their Safer Internet Programme. We also received a grant from The Global Funds to End Violence Against Children for our International Portals, as well as a grant for Technical developments from Nominet.

Total income for year at £3,362,133 (2018/19 £3,143,580) was increased from the previous year, due to an increase in the value of memberships subscriptions as well as additional grant funding. At the end of 2019/20 the IWF had 152 Members (2018/19 145). Retaining and developing membership is critical to being able to fund our activities. We currently receive grants from the EU Commission (£466k) and The Global Fund to End Violence Against Children (£100k), Nominet Grant (£41k) and Self-Gen income (£83k).

Expenditure on charitable activities

Our key objective is running the Hotline in the most efficient and beneficial way so as to maximise our removal of illegal child sexual abuse content.

Our expanded technical team have continued to develop cutting edge technology to detect content during this financial year. Total expenditure of charitable activities at £3,699,037 (2018/19 £2,954,565) represented an increase of 25% over the previous year.

Reserves

IWF ended the year with reserves of £2,058,105 in 2019/20 (2018/19 £2,403,024). IWF's policy is to maintain a level of reserves which takes into account unexpected changes in income or operations, fluctuations in cash flow and the timescales and commitments in the event of winding up our operations. The Trustees deem it appropriate to maintain unrestricted general

funds equivalent to 50% of the expected annual running costs of IWF. 50% expenditure for 2019/20 was £1,834,519 Reserves are invested to maintain their value to IWF, minimising risk and not specifically to generate ongoing income.

Investments

IWF's objective is to maintain the value of its investments after inflation. Rathbones Investment Management Ltd continue to manage a portfolio containing £471,905 on our behalf (2018/19 £506,830). An assessment of attitude to risks has been undertaken and as a result the appropriate investment strategy has been determined as Cautious Growth (Rathbones SAAC3). Key parameters of the mandate are:

- A return reference of CPI+2%.
- An expected time horizon of 5+ years.
- An exposure of up to 65% in equity and equity-correlated risks with the balance in liquid and diversifying assets.
- Income will be reinvested in the portfolio.

Fundraising

The charitable company understands its duty to protect the public, including vulnerable people, from unreasonably intrusive or persistent fundraising approaches and undue pressure to donate. The IWF has not proactively fundraised from the public currently, nor does it use any internal fundraisers or external fundraising agencies for either telephone or face-to-face campaigns. No complaints regarding fundraising were received during the year.

The fundraising strategy for 2020/21 continues to be on securing income from corporates through membership and strategic partnerships, and grants from trusts, foundations and the government. The improvements made to the online donation process have resulted in a greater number of donations from private households

however no targeted approaches have been made, nor will be made directly to the public in the year ahead.

Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Structure, Governance & Management

Constitution

The Internet Watch Foundation is an independent registered charity (number 1112398) and is also a company limited by guarantee (registered company number 3426366). The company was incorporated on 29 August 1997 and charitable status was gained on 16 December 2004. The IWF is governed by its Memorandum and Articles of Association as approved on 16 December 2004. These have been regularly reviewed, and an update of the Articles will take place in 2020/21

The Board

We are governed by a Board of 11 Trustees who are led by an Independent Chair. The rest of the Board comprises six independent Trustees, three industry Trustees and one co-opted Trustee. Changes to the Board membership during the year are documented at the beginning of the Report.

The Board elects two Vice-Chairs from within its membership – one from industry and one independent. The independent Trustee in this case also carries out the role of Senior Independent Director. The Board monitors, reviews and directs the IWF's remit, strategy, policy and budget to help us achieve our objectives and delegates operational management to the CEO.

The Board governs via a regular cycle of Board meetings, the minutes of which are published on our website.

Our Independent Board members are chosen by an open selection procedure following national advertising. No Trustee may serve more than six years.

Funding Council

In addition, we operate a Funding Council who not only provide funding but also support the Board with expert advice from their respective industries. All of our Members have the opportunity to nominate

representatives to the Funding Council.

The Funding Council elects three of its Members to represent industry views on the Board and the Council meets six times per year.

Its role is to:

- Consider policy issues affecting the IWF in order to brief the Board representatives with Members' views.
- Contribute to funds and ensure renewal of funds for the operation of the IWF.
- Advise on the annual IWF budget, significant changes and the use of material unbudgeted surpluses.
- Select three Members for the IWF Board.
- Advise on and approve the Members' code of practice.
- Review and follow their Funding Council Constitution which describes how the Council conducts its business.

Vetting

All of our Trustees are subject to the IWF vetting policy procedure and their responsibilities are described in the Board Members' Handbook.

We continue to monitor our governance to ensure that we not only maintain relevant documentation and our independent status, but that we also remain up to date with current legislation.

Method of appointment or election of Trustees

Independent Board members are appointed by the Board through a fair and open selection procedure managed by the Board Executive Committee.

This Committee comprises the Chair, the two Vice-Chairs and an Independent person. In making a selection, the Committee will ensure that the Board has an appropriate balance of skills and experience. All recommendations of the Committee

for Board appointments are subject to Board approval.

The Independent Chair is appointed by the Board through an open selection procedure managed by the Nominations Committee, comprising the two Vice-Chairs and independent person.

Policies adopted for the induction and training of Trustees

All new Board members undergo an induction process and training to enable them to understand the role of the IWF and their role as Trustees.

Organisational structure and decision making

In order to facilitate a better understanding of issues and to enable more effective decision making, the Board operates a Finance Committee. The Finance Committee has no delegated power and all major decision are made by the Board of Trustees.

IWF's organisational structure can be found on our website here.

Remuneration of key management personnel

The key management personnel are the Trustees; the Chief Executive Officer, the Chief Technical Officer/Deputy Chief Executive Officer, the Chief Operating Officer/Deputy Chief Executive and the Communications Director. The Board undertakes regular reviews of salaries of key management personnel, drawing upon market data available for the charity sector and will continue to monitor and review salaries as necessary.

Section 6 of the Memorandum of Association of the IWF permits payments to a maximum of three Trustees attending each Board meeting. During the year, no Trustee was paid in respect of their duties. The Chair was however remunerated for his role and further details can be found in note 9 of these accounts.

Structure, Governance & Management

Related party relationships

All major decisions are made by the Board of Trustees. The industry Members of the charity are members of the Funding Council as described previously. The IWF works in partnership with representatives from the UK internet industry, police, government departments and partner hotlines overseas in order to minimise the availability of child sexual abuse content found online.

Risk management

Risk management is an integral part of the planning, budget, forecasting and management cycle of the IWF and takes into account:

- Variations in income streams and expenditure, which is addressed through budgeting and expenditure controls.
- Potential liabilities that have been identified through appropriate insurances.
- Information security, hardware and operational risks to comply with the ISO27001 Standard.
- Property and assets where IWF has audited procedures in place.
- Relevant legislation changes

The systems of internal controls utilised to support our risk management are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include a strategic plan, an annual plan, an annual budget approved by the Trustees, regular consideration by the Trustees of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews, delegation of authority and segregation of duties, and an audited Information Security Management System (ISMS).

The Finance Committee, comprising Board and SLT representatives, lead our risk management activities,

regularly monitoring and reviewing risks via a dedicated Risk Register.

Principal risks and uncertainties include:

1. Funding sustainability
2. Cyber-attack or system failure
3. Positioning the IWF in a potentially changing regulatory landscape
4. Threat posed by DNS over HTTPS encryption

Mitigation:

1. Consideration of alternative and additional funding streams. Our dedicated Development team are exploring the various avenues available to us.
2. Maintenance of our ISO27001 resilience and to keep pace with change, and regular staff training.
3. Active engagement with government regarding the Online Harms White Paper with a dedicated Policy & Public Affairs Manager leading on this. Although published April 2019, this proposed change in legislation was known of, and being prepared for, during the financial year.
4. Engaging government with the support of a number of our parliamentary Champions to raise this issue given its potential to significantly undermine our work and be detrimental to the welfare of victims.

An Information Security Forum (ISF), that includes the Deputy CEO, meets regularly to maintain and continually improve the ISMS which underpins our compliance to ISO27001. Accreditation to this recognised quality Standard remains a top priority and in February 2020 we successfully passed our re-certification external audit. The IWF also ensures all staff understand the

principles of risk management and remain vigilant when it comes to the security of our information.

A Quality Assurance team works daily within the Hotline to independently review assessments. The Hotline is externally audited biennially by an independent team chaired by Independent Inspector Sir Mark Hedley, an esteemed High Court Judge.

In the ever-changing technological environment in which the IWF operates, monitoring and managing risk and maintaining pace with change are recognised by the Board as critical to continued successful operation.

Statement of Trustees' Responsibility

The Trustees (who are also directors of Internet Watch Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the directors are required to:

1. Select suitable accounting policies and then apply them

consistently;

2. Observe the methods and principles in the Charities SORP 2019 FRS102;
3. Make judgments and accounting estimates that are reasonable and prudent;
4. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
5. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

In so far as the Trustees are aware:

There is no relevant audit information of which the charitable company's auditor is unaware; and

The Trustees have taken all steps that they ought to have taken to make

themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Board recommends at the AGM that Price Bailey LLP should continue to be engaged as auditors for the forthcoming financial year.

This report, which has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

This report was approved by the Board on 08.10.2020 and signed on its behalf by:



Andrew Puddephatt, OBE
IWF Chair

Our Board of Trustees

Andrew Puddephatt, OBE

Independent Chair



Andrew was appointed in January 2018, succeeding Sir Richard Tilt as Chair.

Andrew has worked to promote human rights for 20 years with specific expertise in freedom of expression, transparency, and the role of media and digital communications in promoting human rights.

Andrew's other roles include chairing the Danish based NGO International Media Support and serving on the board of both the Sigrid Rausing Trust and the European Council for Foreign Relations.

He is an entrepreneur, having founded two social enterprises.

Andrew brings a wealth of experience and knowledge to the IWF, more of which is detailed [here](#) on our website.

Claire Bassett

Independent Vice-Chair



Claire was appointed in January 2018.

Claire is Director of the Trade Remedies Investigations Directorate in the Department for International Trade and Chief Executive designate of the Trade Remedies Authority.

Previously, Claire was Chief Executive of the Electoral Commission, Chief Executive of the Parole Board and before this was CEO of the Criminal Cases Review Commission.

As Services Director of Nacro, the crime reduction charity and Chief Executive of NCE, Nacro's housing association, she was responsible for a wide range of services delivered across England and Wales.

Henry Turnbull

Industry Vice-Chair



Henry was appointed in March 2020 as Industry Trustee.

Henry is Head of Public Policy for the UK & Nordics at Snap Inc., leading Snap's public policy and government relations work in those countries.

Prior to joining Snap, Henry worked as a civil servant in the UK Home Office, where he held a number of roles covering counter-terrorism, borders and international policy.

Giles Crown

Independent Trustee



Giles was appointed in September 2019.

Giles is Joint Managing Partner at law firm Lewis Silkin. He specialises in intellectual property, media, data & privacy and regulatory work. His clients include famous brands, major marketing communications agencies, tech & telecoms companies and media & entertainment organisations.

He was previously in-house counsel at an advertising agency and before that a media barrister. He has also held trustee and advisory positions in the charitable and tech sectors, including as Chair of Westminster Citizens Advice, and is an accredited mediator.

Terry Downing

Independent Trustee



Terry was appointed in January 2020 as Independent Trustee.

Terry has over 30 years' experience in the international media and telecoms sectors, holding C-suite roles in both public and privately owned businesses.

Currently, Terry is the interim CFO of the Global Sales Group of EndemolShine where he is helping them complete their merger with Banjiay, the French media group. Prior to this Terry held senior roles with FOX, Warner Bros and Chime Communications Plc. Terry was also Audit Chair and NED for the Wandsworth NHS, completing two terms. Terry is a graduate of Massey University in New Zealand and qualified with Deloitte. He is married with 3 children and currently lives in South London.

Uta Kohl

Co-opted Trustee



Uta was appointed as Human Rights co-opted Trustee in August 2014.

She is a Professor of Commercial Law at Southampton Law School and a qualified barrister and solicitor. Uta has published extensively on internet governance questions, particularly on the transnational challenges of the online world, the role of intermediaries as quasi-regulatory vehicles and online child protection.

Her current interest lies in the opportunities as well as the ethical and legal problems arising from the data-driven personalisation in the spheres of politics, markets and law. She frequently presents papers on these issues at international conferences and has been a Visiting Professor in Poland, the Czech Republic, Italy and Hungary.

Born in East Germany, Uta studied in Leipzig and Glasgow before completing a BA/LLB at the University of Tasmania and obtained her PhD at the University of Canberra.

Our Board of Trustees

Jonathan Lea

Independent Trustee



Jonathan was appointed in November 2015.

Jonathan has broad international experience as a Finance Director in both the private and not-for-profit sectors. He was previously the Group Finance Director of a FTSE 250 business, Coats Plc and CFO of the Waste and Resources Action Programme (WRAP).

He is a Fellow of the Chartered Institute of Management Accountants. He is also Treasurer of the Galapagos Conservation Trust.

Jonathan is currently Chair of the Finance Committee.

Claire Lilley

Industry Trustee



Claire was appointed as Industry Trustee in June 2019.

Claire is a Policy Specialist at Google, with responsibility for the creation of policies to combat child sexual abuse across Google's products. She had previously been the global lead for children and families in Google's Government Affairs and Public Policy team.

Prior to working at Google, Claire was Head of Child Safety Online at the NSPCC, where she led a multi-disciplinary team responsible for the charity's strategy and related programme of work in relation to child safety online. She started her working life as a secondary school teacher. Claire is currently completing her Doctorate; her research is about the use of technology by police to manage those who have been convicted of looking at child abuse images online.

Bronagh McCloskey

Industry Trustee



Bronagh was appointed as Industry Trustee in June 2019.

Bronagh McCloskey is Head of Public Affairs and Corporate Responsibility at TalkTalk, where she is responsible for building constructive relationships with Government and industry stakeholders on public policy issues. She focuses on telecommunications infrastructure projects and online safety policy, as well as TalkTalk's wider corporate responsibility programmes.

She is a member of the Board of Directors of Internet Matters, the internet safety charity, and is also a school governor. Prior to joining TalkTalk, she worked in a consultancy providing communications and policy advice to businesses and charities. She began her career working in Parliament.

John Parkinson, OBE

Independent Trustee



John was appointed in January 2018.

He is a former UK Chief Constable with experience of leading investigations into major and serious crime and counter terrorism. He was the founding head of the NE Counter Terrorism Unit and as UK Senior National Coordinator Counter Terrorism oversaw many national and international counter terrorism operations.

He was awarded the OBE for his services to Policing and Counter Terrorism in 2011 and is a Visiting Scholar at Cambridge University.

John is the Chair of CENTRIC (Centre of Excellence for Research into Terrorism, Resilience, Intelligence & Organised Crime) and the former Chair of a Modern Slavery and Anti-Trafficking Network. He has wide international experience as a strategic policy advisor for security and terrorism issues.

Ganapathi Subramaniam

Independent Trustee



Ganapathi was appointed in September 2019 as Independent Trustee.

Ganapathi Subramaniam works for UPS leading the Information Security function for Europe and ISMEA. Cyber Security and Privacy (including GDPR) are some of his core competence domains.

With around 29 years of industry experience, he has held leadership roles in various companies both in India and the UK managing global teams. His previous employers include Microsoft India (as its Chief Security Officer), Accenture, PricewaterhouseCoopers, Ernst & Young and Flipkart, where he was hired to run its Information Security function. He has delivered and overseen the implementation of a number of security technology and transformation initiatives.

Further information about IWF Trustees can be found on our website here.

Independent Auditors' Report to the Members & Trustees of Internet Watch Foundation

For the year ended 31 March 2020

Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2020 which comprise the Statement of Financial activities, the Balance Sheet, The Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2020, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent

otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment

obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out in the trustees' report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of this Report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no

other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Helena Wilkinson BSc FCA DChA
(Senior Statutory Auditor)

for and on behalf of
PRICE BAILEY LLP

Chartered Accountants
Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date: 12/11/2020

Statement of financial activities (including income and expenditure account)

For the year ended 31 March 2020

| | Note | Unrestricted £ | Restricted £ | 2020 Total £ | 2019 Total £ |
|--|------|--------------------|--------------------|--------------------|--------------------|
| INCOME | | | | | |
| Donations | 2 | 4,996 | - | 4,996 | 3,370 |
| Charitable activities | 3 | 2,630,927 | 611,673 | 3,242,600 | 3,116,249 |
| Other trading activities | 4 | 20,541 | 82,500 | 103,041 | 19,786 |
| Investment income | 5 | 11,496 | - | 11,496 | 4,175 |
| Total income | | 2,667,960 | 694,173 | 3,362,133 | 3,143,580 |
| EXPENDITURE | | | | | |
| Charitable expenditure: | 6 | (2,377,518) | (1,291,519) | (3,669,037) | (2,954,565) |
| Total expenditure | | (2,377,518) | (1,291,519) | (3,669,037) | (2,954,565) |
| Net (Loss) / Gain on investments | | (38,015) | - | (38,015) | 7,942 |
| Net income/ (expenditure) in the year | | 252,427 | (597,346) | (344,919) | 196,957 |
| Transfers between funds | 18a | (597,346) | 597,346 | - | - |
| Net movement in funds | | (344,919) | - | (344,919) | 196,957 |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | 2,403,024 | - | 2,403,024 | 2,206,067 |
| Total funds carried forward | | 2,058,105 | - | 2,058,105 | 2,403,024 |

All amounts relate to continuing activities of the company.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes to the accounts are shown on pages 33 to 43.

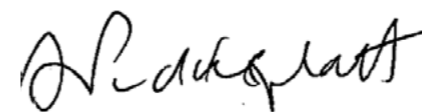
Company balance sheet For the year ended 31 March 2020

| | Note | 2020 £ | 2019 £ |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 45,239 | 25,060 |
| Investments | 14 | 471,907 | 506,832 |
| TOTAL FIXED ASSETS | | 517,146 | 531,892 |
| CURRENT ASSETS | | | |
| Debtors | 15 | 863,810 | 1,294,066 |
| Cash at bank and in hand | | 2,603,368 | 2,640,950 |
| TOTAL CURRENT ASSETS | | 3,467,178 | 3,935,016 |
| LIABILITIES | | | |
| Creditors: amounts falling due within one year | 16 | (1,926,219) | (2,063,884) |
| NET CURRENT ASSETS | | 1,540,959 | 1,871,132 |
| TOTAL NET ASSETS | | 2,058,105 | 2,403,024 |
| FUNDS OF THE CHARITY: | | | |
| Unrestricted funds: | | | |
| General funds | 18 | 2,058,105 | 2,403,024 |
| Restricted funds | 18 | - | - |
| | | 2,058,105 | 2,403,024 |

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The attached notes on pages 10 to 21 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 08/10/2020 and signed on their behalf by:



Statement of cash flows

For the year ended 31 March 2020

| | Note | 2020 £ | 2019 £ |
|---|------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Net cash used in operating activities | 20 | 57,844 | (276,112) |
| Cash Flows from Investing Activities | | | |
| Dividends and interest from investment | | 7,814 | 205 |
| Purchase of investments | | (266,407) | (515,081) |
| Investment disposal proceeds | | 202,461 | 14,875 |
| Purchase of property, plant and equipment | | (42,985) | (21,610) |
| Bank interest received | | 3,692 | 4,176 |
| Change in cash and cash equivalents in the reporting period | | (37,581) | (793,547) |
| Cash and cash equivalents at the beginning of the reporting period | | 2,640,950 | 3,434,497 |
| Cash and cash equivalents at the end of the reporting period | 21 | 2,603,369 | 2,640,950 |

The attached notes on pages 33 to 43 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2020

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation and consolidation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements are prepared on a going concern basis and are presented in sterling, which is the functional currency of the charity.

These financial statements are rounded to the nearest £.

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

b) Going Concern

The trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has had to adapt working practices and routines due to the Covid 19 pandemic, but has managed to maintain the Hotline operation throughout, with employees in the office. There has also been some impact on income through membership and donations due to Covid 19, but this has been limited and future grant funding has been secured. For this reason they continue

to adopt the going concern basis in preparing the financial statements.

c) Legal status of the Charity

The charitable company number and registered office address are included on the reference and administration page of these accounts. There is no share capital as the company is limited by guarantee. Each member has guaranteed an amount, not exceeding £1, towards the company's liabilities in the event of a winding up, provided that a member has not ceased to be a member one year prior to any winding up order. The company is registered in the United Kingdom (England and Wales).

d) Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. The aim and purpose of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Subscription fee income represents amounts receivable based upon

the services provided. When their economic benefit is probable, it can be measured reliably and the charity has control over the item.

Voluntary income – donations are accounted for as received. Gifts in kind to the charity are included at the value specified by the donor or, if this is not available, at estimated cost to the charity. Donated facilities and donated professional services are recognised in income at their fair value.

Fair value is determined on the basis of the value of the gift to the charity. For example the amount the charity would be willing to pay in the open market for such facilities and services. A corresponding amount is recognised in expenditure.

Grants – Grants are included as income when these are receivable.

Income from trading activities includes income earned from activities to raise funds for the charity. Income is received in exchange for supplying goods and services in order to raise funds and is recognised when entitlement has occurred.

The charity receives government grants in order to pursue its charitable objects and minimise criminal content on the internet. Income from government and other grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

f) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, It is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis.

Notes to the financial statements (continued)

For the year ended 31 March 2020

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

g) Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised at their historical cost when purchased.

Depreciation is provided on all tangible fixed assets at rates calculated to write down the cost on a straight line basis over the expected useful economic lives of the assets as follows:

- Leasehold improvements over the life of the lease
- Office equipment 33.33% straight line
- Computer equipment 33.33%-40% straight line
- Assets are reviewed for any indications of impairment at each balance sheet date.

h) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year. The charity does not enter into put options, derivatives or other complex financial instruments. The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Investments in subsidiaries are measured at cost less provision for impairment.

i) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Accrued income and tax recoverable is included at the best estimate of the amounts receivable at the balance sheet date.

j) Cash at bank and In hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

k) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due. Concessionary loans received at below market rates are received in order to further the charitable objects of the organisation and are therefore included at the amount received and are not discounted.

l) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Fixed assets are recorded at depreciated historical cost. All other assets and liabilities are recorded at cost which is their fair value and investments are recorded at the closing market value and details of unrealised gains and losses are included within note 14.

m) Pensions

Employees of the charity are entitled

to join a defined contribution pension scheme. The charity contribution is restricted to the contributions disclosed in note 10.

n) Operating leases

Operating leases are recognised over the period of which the lease falls due.

o) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

p) Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

2. Donations

| | 2020 £ | 2019 £ |
|-----------|--------------|--------------|
| Donations | 4,996 | 3,370 |
| | <u>4,996</u> | <u>3,370</u> |

All donations received in 2020 and 2019 relate to unrestricted funds.

3. Income from Charitable Activities

| | 2020 £ | 2019 £ |
|----------------------------|------------------|------------------|
| Subscription fee income | 2,630,927 | 2,466,055 |
| EU grant income | 466,017 | 505,478 |
| UNICEF grant income | 100,484 | 108,930 |
| Business Energy Efficiency | 4,006 | - |
| Miscellaneous income | 41,166 | 35,786 |
| | <u>3,242,600</u> | <u>3,116,249</u> |

Income from charitable activities was £3,242,600 (2019 - £3,116,249) of which £611,673 (2019 - £650,194) was attributable to restricted and £2,630,927 (2019 - £2,466,055) was attributable to unrestricted funds. During the year a grant of £466,017 was received from the EU, further details of the amounts spent during the year and carried forward at the year end are included in note 18a.

4. Other trading activities

| | 2020 £ | 2019 £ |
|-----------------------|----------------|---------------|
| Rent | 3,542 | 4,195 |
| Project contributions | 82,500 | - |
| Other | 16,999 | 15,591 |
| | <u>103,041</u> | <u>19,786</u> |

Included within trading income in 2020 is £82,500 of restricted funds (2019: £nil).

5. Investment Income

| | 2020 £ | 2019 £ |
|---------------|---------------|--------------|
| Bank interest | 11,496 | 4,175 |
| | <u>11,496</u> | <u>4,175</u> |

All investment income received in 2020 and 2019 relates to unrestricted funds.

Notes to the financial statements (continued)

For the year ended 31 March 2020

6a. Analysis of expenditure by activity

| | Direct Costs £ | Support Costs £ | 2020 Costs £ |
|------------------------------------|----------------------|-----------------------|--------------------|
| Charitable activities: | | | |
| Minimise criminal internet content | 2,352,051 | 1,316,986 | 3,669,037 |
| | <u>2,352,051</u> | <u>1,316,986</u> | <u>3,669,037</u> |

6b. Analysis of expenditure by activity

| | Direct Costs £ | Support Costs £ | 2019 Costs £ |
|------------------------------------|----------------------|-----------------------|--------------------|
| Charitable activities: | | | |
| Minimise criminal internet content | 1,926,764 | 1,027,801 | 2,954,565 |
| | <u>1,926,764</u> | <u>1,027,801</u> | <u>2,954,565</u> |

Included within expenditure above is £2,352,051 (2019: £1,926,764) in relation to unrestricted funds and £1,316,986 (2019: £1,027,801) in relation to restricted funds.

7. Analysis of support costs

| | 2020 £ | 2019 £ |
|----------------------|------------------|------------------|
| Finance and legal | 214,952 | 96,028 |
| Human resources | 640,115 | 540,110 |
| IT | 79,904 | 37,245 |
| Premises | 144,801 | 150,107 |
| General office costs | 161,626 | 132,491 |
| Other | 8,830 | 6,142 |
| Governance | 66,758 | 65,678 |
| | <u>1,316,986</u> | <u>1,027,801</u> |

Support costs have been allocated to activities as a fixed percentage basis consistent with use of the resources and staff costs have been allocated based upon time spent on each activity.

8. Analysis of governance costs

| | 2020 £ | 2019 £ |
|----------------------------------|---------------|---------------|
| Audit fees | 6,350 | 6,350 |
| Accountancy fees paid to auditor | 2,084 | 2,210 |
| Other fees paid to auditor | - | 3,398 |
| Cost of Trustees' meetings | 13,536 | 15,200 |
| Chair fees | 27,500 | 31,250 |
| Trustee recruitment and training | 17,288 | 7,270 |
| | <u>66,758</u> | <u>65,678</u> |

9. Analysis of staff costs and key management personnel

| | 2020 £ | 2019 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,619,701 | 1,478,129 |
| Social security costs | 173,725 | 162,386 |
| Pension | 236,306 | 174,619 |
| | <u>2,029,732</u> | <u>1,815,134</u> |

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £27,500 (2019: £31,250) during the year in respect of his duties in office. This sum is included within governance costs.

Section 6 of the Memorandum of Association of Internet Watch Foundation permits payments to a maximum of 3 Trustees attending each board meeting. During the year, a total of £Nil (2019: Nil) Trustees were paid in respect of their duties and these amounted to a total of £Nil (2019: £Nil).

In 2020, 7 Trustees (2019 – 5) received reimbursements of expenses for travel and subsistence amounting to £7,745 (2019: £5,866).

The charity considers its key management personnel to comprise of 5 people. During the year, the total employment benefits of these 5 key management personnel, including social security and pension was £460,792 (2019: £414,751).

The average monthly head count was as follows:

| | 2020 Number | 2019 Number |
|-----------------------|----------------|----------------|
| Charitable activities | 42 | 38 |

The number of employees whose total employee benefits excluding pension contributions earning over £60,000, classified within bands of £10,000 is as follows:

| | 2020 Number | 2019 Number |
|---------------------|----------------|----------------|
| £60,000 - £70,000 | 1 | - |
| £70,001 - £80,000 | - | 1 |
| £80,001 - £90,000 | 1 | - |
| £90,001 - £100,000 | 1 | 1 |
| £110,001 - £120,000 | 1 | - |
| £120,001 - £130,000 | - | 1 |
| | <u>4</u> | <u>3</u> |

10. Pension costs

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. Contributions payable by Internet Watch Foundation amounted to £236,306 (2019: £174,619). There were no outstanding contributions payable to the pension fund at the balance sheet date (2019: £Nil).

Notes to the financial statements (continued)

For the year ended 31 March 2020

11. Net income

| | 2020 | 2019 |
|--|--------------|--------------|
| | £ | £ |
| Net income is stated after charging: | | |
| Depreciation of charitable assets owned by group | 22,807 | 66,922 |
| Auditors remuneration: | | |
| - for audit services | 6,350 | 6,350 |
| - for non-audit services | 2,084 | 5,608 |
| Operating lease costs for land and buildings | 242,045 | 203,625 |
| Operating lease costs for equipment | <u>2,841</u> | <u>2,588</u> |

12. Tangible fixed assets

| | Leasehold Improvements | Office Equipment | Computer Equipment | Total |
|---------------------|---------------------------|---------------------|-----------------------|----------------|
| | £ | £ | £ | £ |
| Cost: | | | | |
| At 31 March 2019 | 250,857 | 22,240 | 213,198 | 486,295 |
| Additions | - | 2,083 | 40,903 | 42,986 |
| At 31 March 2020 | <u>250,857</u> | <u>24,323</u> | <u>254,101</u> | <u>529,281</u> |
| Depreciation: | | | | |
| At 31 March 2019 | 250,857 | 17,027 | 193,351 | 461,235 |
| Charge for the year | - | 2,743 | 20,064 | 22,807 |
| At 31 March 2020 | <u>250,857</u> | <u>19,770</u> | <u>213,415</u> | <u>484,042</u> |
| Net book value: | | | | |
| At 31 March 2019 | - | 5,213 | 19,847 | 25,060 |
| At 31 March 2020 | <u>-</u> | <u>4,553</u> | <u>40,686</u> | <u>45,239</u> |

13. Investment in Trading Subsidiary

Internet Watch Limited is incorporated in England and Wales (company number 03257468) and is a wholly owned subsidiary of Internet Watch Foundation (company number 03426366). The company has been dormant since 2017 and has £nil net assets (2019: £nil).

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2019: £2).

14. Investments

| | 2020 | 2019 |
|--|----------------|----------------|
| | £ | £ |
| Investment in dormant subsidiary company at cost | 2 | 2 |
| Investment portfolio | 471,905 | 506,830 |
| Net assets | <u>471,907</u> | <u>506,832</u> |
| | 2020 | 2019 |
| | Total | Total |
| | £ | £ |
| Investment portfolio | | |
| Market value at 1 April | 506,830 | - |
| Additions | 266,407 | 515,081 |
| Disposal proceeds | - 202,461 | - 14,875 |
| Net investment (losses) / gains | - 38,063 | 6,624 |
| Cash movement | - 60,808 | - |
| Market value at 31 March | <u>471,905</u> | <u>506,830</u> |
| Historical cost | 471,905 | 500,226 |
| Analysed as follows: | | |
| | 2020 | 2019 |
| | £ | £ |
| UK Fixed Interest Securities | 36,451 | 12,687 |
| Quoted UK Equities | 133,286 | 147,546 |
| Quoted Overseas Equities | 116,281 | 117,544 |
| Alternative markets | 87,287 | 69,645 |
| Cash | 98,600 | 159,408 |
| | <u>471,905</u> | <u>506,830</u> |

15. Debtors

| | 2020 | 2019 |
|--------------------------------|----------------|------------------|
| | £ | £ |
| Trade debtors | 670,747 | 905,858 |
| Other debtors | 3,247 | 107,077 |
| Prepayments and accrued income | 189,816 | 281,131 |
| | <u>863,810</u> | <u>1,294,066</u> |

Notes to the financial statements (continued)

For the year ended 31 March 2020

16. Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|--------------------------------------|-------------------|-------------------|
| Trade creditors | 88,921 | 72,789 |
| Accruals and deferred income | 1,837,298 | 1,991,095 |
| | <u>1,926,219</u> | <u>2,063,884</u> |
| Deferred income | 2020 £ | 2019 £ |
| Deferred income at 1 April | 1,345,458 | 1,340,643 |
| Income deferred during the year | 1,705,698 | 1,345,458 |
| Amounts released from previous years | (1,345,458) | (1,340,643) |
| Deferred income at 31 March | <u>1,705,698</u> | <u>1,345,458</u> |

Deferred income relates to subscriptions, license fees and car park rentals.

17. Leases

Total future minimum lease payments under non-cancellable operating leases are as follows

| | Land and Buildings | | Equipment | Equipment |
|--|--------------------|------------------|--------------|--------------|
| | 2020 £ | 2019 £ | 2020 £ | 2019 £ |
| No later than one year | 242,045 | 203,625 | 2,841 | 2,588 |
| Later than one year and no later than five years | 757,076 | 831,469 | 5,304 | 5,176 |
| | <u>999,121</u> | <u>1,035,094</u> | <u>8,145</u> | <u>7,764</u> |

18a. Funds analysis - current year

| | Balance at 01/04/2019 £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) £ | Balance at 31/03/2020 £ |
|----------------------------|-------------------------------|------------------|--------------------|------------------|--------------------------|-------------------------------|
| Unrestricted funds | | | | | | |
| General funds | 2,403,024 | 2,667,960 | (2,377,518) | (597,346) | (38,015) | 2,058,105 |
| Total general funds | <u>2,403,024</u> | <u>2,667,960</u> | <u>(2,377,518)</u> | <u>(597,346)</u> | <u>(38,015)</u> | <u>2,058,105</u> |
| Restricted funds | | | | | | |
| EU SIC UK IV | - | 16,199 | - | (16,199) | - | - |
| EU SIC UK V | - | 449,818 | (899,636) | 449,818 | - | - |
| UNICEF | - | 100,484 | (148,969) | 48,485 | - | - |
| Special Project | - | 41,166 | (41,166) | - | - | - |
| Business Energy Efficiency | - | 4,006 | (16,023) | 12,017 | - | - |
| Self Gen Campaign | - | 82,500 | (185,725) | 103,225 | - | - |
| Total restricted funds | <u>-</u> | <u>694,173</u> | <u>(1,291,519)</u> | <u>597,346</u> | <u>-</u> | <u>-</u> |
| Total funds | <u>2,403,024</u> | <u>3,362,133</u> | <u>(3,669,037)</u> | <u>-</u> | <u>(38,015)</u> | <u>2,058,105</u> |

18.b Funds analysis - prior year

| | Balance at 01/04/2018 £ | Income £ | Expenditure £ | Transfers £ | Balance at 31/03/2019 £ |
|------------------------|-------------------------------|------------------|--------------------|------------------|-------------------------------|
| Unrestricted funds | | | | | |
| General funds | 2,206,067 | 2,529,172 | (1,934,599) | (397,616) | 2,403,024 |
| Total general funds | <u>2,206,067</u> | <u>2,529,172</u> | <u>(1,934,599)</u> | <u>(397,616)</u> | <u>2,403,024</u> |
| Restricted funds | | | | | |
| EU SIC UK IV | - | 400,260 | (648,041) | 247,781 | - |
| EU SIC UK V | - | 105,218 | (210,435) | 105,217 | - |
| UNICEF | - | 108,930 | (161,490) | 52,560 | - |
| Total restricted funds | <u>-</u> | <u>614,408</u> | <u>(1,019,966)</u> | <u>405,558</u> | <u>-</u> |
| Total funds | <u>2,206,067</u> | <u>3,143,580</u> | <u>(2,954,565)</u> | <u>7,942</u> | <u>2,403,024</u> |

Notes to the financial statements (continued)

For the year ended 31 March 2020

18c. Funds analysis - description of funds

Restricted funds

EU SIC UK V Grant – These funds represent a grant from the European Union in respect of assistance in meeting the costs of running the Hotline. A transfer was made from unrestricted funds to ensure that the EU SIS UK V grant fund does not go into deficit. There are no unfulfilled conditions or contingencies relating to amounts recognised during the year.

UNICEF Grant – These funds represent a grant from United Nations International Children's Emergency Fund in respect of assistance to End Violence Against Children. A transfer was made from unrestricted funds to ensure that the UNICEF grant does not go into deficit. There are no unfulfilled conditions or contingencies relating to amounts recognised during the year.

Special Project – These funds represent a grant from Nominet in respect of developing an image classifier, notify and horizon scanning. There are no unfulfilled conditions or contingencies relating to amounts recognised during the year.

Business Energy Efficiency – These funds represent a grant from the European Union in respect of assistance in the supply and installation of LED lighting. A transfer was made from unrestricted funds to ensure that the EU grant does not go into deficit. There are no unfulfilled conditions or contingencies relating to amounts recognised during the year.

19. Related party transactions

Internet Watch Foundation works in partnership with the UK internet industry, police, government departments and Hotlines in other countries in order to minimise the availability of specific illegal content found online. Member companies subscribe to the Internet Watch Foundation with subscription levels ranging from £1,000 to in excess of £75,000. Some Trustees also work for Member companies but do not have any direct influence on transactions undertaken with Internet Watch Foundation.

There were no other related party transactions in the year other than those described in note 9.





20. Reconciliation of net expenditure to net cash flows from operating activities

| | 2020 | 2019 |
|---|------------------|------------------|
| | £ | £ |
| Net (expenditure) income for the reporting period (as per the statement of financial activities) | (344,919) | 196,957 |
| Adjustments for: | | |
| Depreciation charges | 22,807 | 66,922 |
| Losses / (Gains) on investments | 38,063 | (6,625) |
| Decrease / (Increase) in debtors | 430,256 | (734,670) |
| (Decrease) / Increase in creditors | (137,665) | 205,684 |
| Bank interest received | (3,692) | (4,175) |
| Dividends received from investments | (7,814) | (205) |
| Cash account movement | 60,808 | - |
| Net cash provided by operating activities | 57,844 | (276,112) |

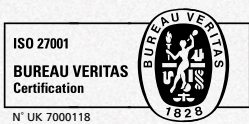
21. Net Debt Reconciliation

| | Balance at 31/03/2019 | Cash Movement | Balance at 31/03/2020 |
|--|--------------------------|------------------|--------------------------|
| Cash in hand | 2,428,881 | (39,076) | 2,389,805 |
| Investments - short term deposits | 212,069 | 1,495 | 213,564 |
| Total cash and cash equivalents | 2,640,950 | (37,581) | 2,603,369 |

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