



Trustees' Report & Financial Statements

For the year ended 31 March 2023

26
Years

50
Countries

185
Members

70
Employees

1
Mission

Our Vision

We're creating an internet free from child sexual abuse that is **a safe place** for children and adults to use around the world.

Our Mission

Child sexual abuse images and videos are just as much a weapon as a knife.

We actively search for this imagery and for the past 26 years, we've given people a safe place to report it to us, anonymously, now covering 50 countries.

We assess every report we receive. If it shows the sexual abuse of a child, we make sure the image or video is removed from the internet.

To do this effectively, we develop technology-for-good: We provide bespoke services, products and datasets to our industry Members to prevent the imagery

from re-appearing and make it harder for offenders to find and share.

We care. Our work relies on compassionate and resilient staff members, who are highly trained and carefully looked after.

We encourage others to play their part, whether it is reporting to us, funding us, or collaborating on the best technology and research.

The children in these pictures and videos are real. The suffering captured in this imagery and the knowledge that it could be shared can haunt a victim for life.

That's why it's **our mission** to remove this material for good. And to show **every child** there is someone out there who cares enough to help.

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

Our Members

Members between 1 April 2022 to 31 March 2023

£80,000+		£25,000+		£10,000+			£5,000+		
							£2,500+		
		£20,000+							
£50,000+									
							£1,000+		
		£15,000+							



Welcome from our Chair

I have never been prouder to chair the Internet Watch Foundation. It is a unique organisation, full of the most determined and dogged, yet kind and caring people I have ever known.

It nurtures positive and productive relationships with global technology companies, as well as other types of companies whose core values of protecting children reflect our own.

Never has IWF's membership offering been so valued, and IWF's Members been so great in number.

We provide an unparalleled service to our Members, and our relationships with the UK Government, the incoming UK regulator, Ofcom, and law enforcement, are strong.

Our partners recognise the crucial contribution we make to tackling online child sexual abuse.

We are the only non-law enforcement organisation with access to the national Child Abuse Image Database (CAID) where we have assessed and quality assured over two million images. We share those back with law enforcement to aid their work and also with industry to ensure duplicate images of child sexual abuse are not distributed on their platforms.

As the largest hotline in Europe, contributing 63% of all illegal content items to the Inhope database, our participation and expertise has never been in such demand.

Our challenge, alongside companies providing online platforms and services, is to make the internet as safe and abuse-free as possible. This is no easy task, but one that the whole of the IWF team is up for.

That's why this past year we've embarked on our biggest recruitment drive to date. We've expanded our hotline analyst team, tech team and corporate functions to support those across the organisation. This area of work never stands still. We're creating new services for Members, new ways in which Members can receive our services and bespoke arrangements to support specific requests. It's testament to the quality and granularity of our datasets that they're in such demand.

With the imminent arrival of new legislation, we're proposing the IWF plays a central role, in partnership with Ofcom, to support the regulation of criminal child sexual abuse material online for the UK.

In the year ahead, we're ready to work with Ofcom to look at how best to scale up the deployment of our

services and activities within scope of the UK's Online Safety Bill.

In this, my final year as IWF Chair, I can say that it's been a privilege and I am really going to miss working with both the exemplary Board of Trustees and the IWF team. The executive and whole staff team consistently work hard to meet their enormous mission to eliminate online child sexual abuse.

My overall aim in my final year is to ensure that the Government and Ofcom do the right thing and protect the legacy and crucial work of the IWF in the Online Safety Bill regime.

Andrew Puddephatt OBE
IWF Chair

“With the imminent arrival of new legislation, we’re proposing the IWF plays a central role”



Welcome from our CEO

This has been a year of rapid change – with technology, legislation, and criminal tactics evolving at pace.

At the IWF, we have seen first-hand how there is now not only more child sexual abuse material being discovered online than ever before but that it is also becoming more extreme as criminal gangs seek to profit from the rape and sexual exploitation of children.

It's also heart-breaking to reveal, again, that in 2022 we've seen increases in the number of reports which include images and videos of the sexual abuse of children aged 7-10, many of whom have been coerced into sexually abusing themselves in the supposed 'safe spaces' of their bedrooms.

This is my 12th year leading the IWF and, while I am immensely proud of everything we have achieved, there's absolutely no satisfaction in knowing we are seeing more children being abused and that they are getting younger.

At the IWF we've always been careful not to describe in detail what we see as we don't want to upset people, but the public needs to realise we are talking about serious abuse being inflicted on very young children.

This is why we need to do everything we can as a society to work with partners across the world to stop the abuse happening in the first place.

We believe that this is possible and can be achieved by having three fundamental pillars in place: (i) proper legislation and well-resourced law enforcement, (ii) tech companies doing everything possible to prevent the upload and distribution of images, and (iii) a programme of education and awareness raising for both children and parents/carers.

But we won't get there if we don't work together and put the needs of children first. This is why we are standing in solidarity with our child protection partners to oppose the introduction of end-to-end encryption on platforms without there being the necessary technically-possible child safeguards in place.

Likewise, we have been working closely with colleagues across the UK Government to ensure that the Online Safety Bill does what it sets out to do and makes the UK a safer space to be online.

Empowering children, and those who care for them, is an absolute priority, and after the first full year of operating Report Remove with our NSPCC partners, we've seen

how boys, many aged 16-17, are most often reporting sexual images of themselves to us. Cases of sexually coerced extortion are rising among this group. Report Remove is clearly needed by young people and it has immense potential to be replicated in other countries.

Our staff always go the extra mile to do whatever they can to stop these images being circulated.

We won't stop until every single image has been removed from the internet because children need to know we are out there fighting their corner.

Susie Hargreaves OBE
IWF CEO

“Empowering children, and those who care for them, is an absolute priority.”



Welcome from our Funding Council Chair

As the IWF's data this year has shown, the scale of the threat posed by child sexual abuse imagery online poses an unprecedented challenge.

To all of us who want to see an internet safe for all, which offers opportunities and support to those who need it, the spread of this harmful imagery is something we must tackle together.

Never before has the need for collaboration, team-work, and solidarity been more apparent. The IWF and its allies are showing what can be done – with more criminal material being discovered, blocked, and removed than ever before.

As Chair of the IWF Funding Council, I bring the expertise of the tech industry and the IWF together.

The IWF's Funding Council is where Members can work together to make sure they agree on the rights and responsibilities they share in relation to IWF services. It helps us understand how we can help their charitable mission to make the internet a safer place.

When we look at the global spread of child sexual abuse material on the internet, we know the

problem is far too large, and far too complicated to defeat without key allies working together. And the IWF Funding Council is a mechanism to enable just that.

The criminals who would exploit children know no global boundaries, and our response needs to be joined up as well.

Now, with regulation under the UK's Online Safety Bill on the horizon, we will all be looking for ways to help make sure we are doing everything we can to make the internet a safer place.

Matthew Eltringham
*Funding Council Chair
& BBC Executive Editor*

“The IWF and its allies are showing what can be done – with **more criminal material being discovered, blocked, and removed than ever before.**”



Caring for our people

In 2022, the IWF grew more than at any other time in our 26-year history.

At the beginning of the year, we embarked on our biggest ever recruitment drive, with appointments to new roles across our organisation. We have grown from 50 staff on 1 January 2022, to 70 staff by 31 December 2022.

Given the sensitive nature of the work we do at IWF, we took our responsibilities to the IWF's mission, and the staff who help us achieve it, incredibly seriously.

New recruits must have the kind of steely resilience and determination necessary to accurately and efficiently process some of the most extreme and upsetting content on the internet. They must also be kind, compassionate, and have the drive to protect and help children as their core motivator.

This is something everyone at the IWF has in common. It's a rare set of qualities, and we know the importance of getting it right.

Looking after our staff once they are here is a full time responsibility. The welfare of the people doing this internationally important work is paramount, and we are always

looking at ways we can make our already exemplary support system even better.

Following our response to Covid, where we split our workforce between those who work in the office and those who can work remotely, we had additional challenges to maintain a sense of unity among our various teams. We've needed to re-think how we create that feeling and culture of one "IWF family". The opening of new office space and the availability of newly refurbished areas of the IWF means those who work from home can now explore new ways to divide their time and collaborate with colleagues.

When we speak publicly about our work, we often get asked about the welfare provisions for our staff, how we recruit the right people, and how we manage to maintain such high staff retention.

We work hard as a team to ensure that those who dedicate their working lives to our mission are, in turn, looked after. At the end of 2022 we welcomed four independent experts who carried out our Hotline Audit, which had been delayed by a year due to the Covid pandemic.

As part of this audit, Dr Georgina Clifford, Specialist Clinical and Research Psychologist and Director of London Trauma Specialists, inspected our welfare provision. The independent auditors found our Gold-standard welfare programme to be an: "excellent, carefully considered and ever-evolving welfare package...[with] a trauma-informed approach to assessing the suitability of new staff for the role, with a comprehensive and rigorous interview and induction process."

Heidi Kempster
IWF Deputy CEO & COO

“The welfare of the people doing this internationally important work **is paramount**”

Our Senior Leadership Team



Susie Hargreaves OBE

CEO

Susie joined the Internet Watch Foundation in September 2011 as Chief Executive. She has worked in the charity sector for more than 30 years in a range of senior positions. She is the lead spokesperson for the IWF, regularly appears in the national media, TV and an experienced presenter and conference chair at events around the globe.

Susie sits on a number of boards and groups such as the NCA CEOP Command Strategic Governance Group, the UK Council for Internet Safety (UKCIS), the Crown Prosecution Service Child Sexual Abuse Stakeholder Forum, the World Economic Forum, WePROTECT Global Threat Assessment as well as other groups.

Susie represented the IWF as a Core Participant on the internet part of the Independent Inquiry into Child Sexual Abuse (IICSA).

Susie was awarded an OBE in the Queen's Birthday Honours in 2016 for 'Services to Child Online Safety'.



Heidi Kempster

Deputy CEO & COO

Heidi directs IWF's business activities. She is a detail-orientated, strategic thinker devoted to creating a caring and supportive environment for all. She is responsible for deputising for the CEO and she ensures the operations of IWF run smoothly and efficiently.

Heidi oversees all finance, HR, legal and statutory compliance, including managing performance and risk. She manages the IWF Development Team, and is also responsible for maintaining and developing 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. Before joining IWF in June 2013 she was part of the Senior Management Team of one of the first large secondary Academy Trusts, overseeing operations for both children, adults and the wider community.



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.

Emma is a Chartered Member of the Chartered Institute of Public Relations (CIPR) where she holds a public relations diploma. She is a primary school governor, has a multi-media journalism degree and is a qualified senior reporter.

Emma is also a Co-Director of the UK Safer Internet Centre.



Chris Hughes

Hotline Director

Chris joined the IWF in February 2012 as Hotline Manager, running a team of five analysts. He has overseen the expansion of the hotline which now boasts 30 analysts – and growing – including a Hotline Manager, Deputy Hotline Manager and a team of Senior Analysts.

Chris is responsible for the running of the hotline, training of analysts, and the provision of datasets and services to IWF's Members. He is the IWF's key contact with Law Enforcement bodies around the world, and he sits on several advisory groups.

Chris started his career in Hospitality and Catering before moving into the IT Training Sector. He has previously had roles as a Training Director and Business Manager overseeing the delivery of the DWP Work Programme, across three sites in the East of England.



Dan Sexton

Chief Technology Officer

Dan joined IWF in February 2021. He is responsible for Information Technology, Cybersecurity and Software Development leading the in-house technical and compliance teams.

He leads our software engineering work which includes the creation of world-leading technologies, such as IntelliGrade and Report Remove, to support the hotline and our technology Members.

Dan has over 20 years' experience in IT, working across a range of environments including local government, the academic sector and in commercial software development.

Dan has a degree in Media, Culture and Society and a Master's in Computer Science.

Reference & Administrative Details

Trustees' Report

Charity Registration Number
1112398

Company Registration Number
03426366

Chief Executive Officer
Ms S E Hargreaves

Senior Management Personnel

- Ms S E Hargreaves
- Ms H Kempster
- Ms E Hardy
- Mr C Hughes
- Mr D Sexton

Board of Trustees

- G S Balasubramanian
Resigned 31 August 2022
- Claire Bassett
- Laurelle Brown
Resigned 13 February 2023
- Sinead Coogan Jobs
Appointed 4 June 2022
- Giles Crown
- Terry Downing
- Elizabeth Kanter
Resigned 1 May 2023
- C M Lilley
Resigned 3 June 2022
- Sherry Malik
- Bronagh McCloskey
- John Parkinson
- Andrew Puddephatt
- Andrew Campling
Appointed 6 December 2022

**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

Investment Managers

CCLA
One Angel Lane
London
EC4R 3AB

Bankers

Barclays Bank UK PLC
Abacus House
Castle Park
Castle Hill
Cambridge
CB3 0AX

Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2023. 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.

2021-2025 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.

375,230

reports were assessed in 2022.

361,062 assessed in 2021



255,588

of these reports were confirmed to contain child sexual abuse imagery.

252,194 confirmed in 2021



As each report contains at least one, and sometimes thousands of images, **this equates to millions of criminal images** removed from the internet.



1 +

By the end of 2022, we had created **1,663,106 unique hashes** to share with technology companies.

four in five



'self-generated'

We continue to see an exponential increase in what is termed **'self-generated'** child sexual abuse content, created using webcams or smartphones and then shared online via a growing number of platforms.

Of the 255,588 webpages actioned during 2022, four in five (**199,363 or 80%**) were assessed as containing 'self-generated' imagery.

We have seen a **1,058%** increase in the number of webpages showing images and videos of 7-10 year olds who have been groomed/coerced/exploited online.

1,058%

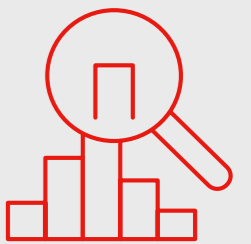


Since 2020, reports that include child sexual abuse imagery showing UK Category A content (rape, sexual torture and inclusion of sexual activities with animals) have increased **by 100%**.



137%

rise in imagery featuring boys compared to 2021.



2.6bn

We've given 2.6bn people a safe place to report child sexual abuse material, anonymously.

On 31 December 2021 we had 50 staff and we recruited for **25 positions** from January - December 2022.

IWF's Impact: Our Theory of Change

Our Theory of Change and values guide our work.

The desired outcomes in our Theory of Change form the objectives of our business plan, which in turn translate into detailed activities to guide our work.

Everyone at IWF is set personal objectives which relate to those activities and objectives which helps us move as one force towards our vision of an internet free from child sexual abuse that is a safe place for children and adults to use around the world.



IWF's Impact: Examples of Our Activities

Activity 1.

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

In 2022, we identified a new way in which child sexual abuse material is being distributed which increases the risk of internet users stumbling across this criminal material.

These "invite child abuse pyramid" sites, or ICAP sites for short, incentivise users to share links to child sexual abuse sites far and wide in a "scattergun" approach with spams links on a variety of platforms such as social media and chatrooms among others.

The criminals running the sites benefit from increased web traffic and additional income with offenders potentially buying further videos of child sexual abuse and creating their own links to spam to others.

We first identified these sites in July 2022. Thousands of reports have now been received by our hotline which are linked to this method of distribution.

What can we do about this?

We've been briefing law enforcement, our sister hotlines and technology companies to alert them to this new way of distributing child sexual abuse material which puts internet users at greater risk. We've

also been notifying hosting companies where their services are being abused as part of the distribution of this content, in order to get it removed from the internet. We will continue to monitor this closely through 2023/24.

Activity 2.

Carrying out and disseminating world leading information and trends analysis.

We publish snapshot studies and focused papers on nuanced areas of online child sexual abuse. In 2022, we took a deep dive to help us, and our stakeholders, understand more about child sexual abuse imagery distributed via forums, Operation Makedom and our role in disrupting the distribution of one offender's activities, and a paper on Category A child sexual abuse material of a 'self-generated' nature.

The impact

By sharing our knowledge, it supports the wider online safety ecosystem which supports our impacts: People know about CSAM and know the part they can play in its prevention and removal and we share knowledge around our model of best practice.

Activity 3.

Working collaboratively, transparently yet influentially, in the online safety space, always innovating, developing and evaluating impact.

To support young people to remove sexual images or videos of themselves online, the IWF and NSPCC developed the world-first **Report Remove** tool.

The NSPCC's Childline service ensures that the young person is safeguarded and supported throughout the process and the IWF assesses the reported content and takes action if it meets the threshold of illegality. The content is given a unique digital fingerprint (**a hash**) which is then shared with internet companies to help prevent the imagery from being uploaded or redistributed online.

The impact

In 2022, we received 187 reports through the Report Remove tool.

We were able to take action on 101 reports. Children and young people now have a service in the UK to report sexual images and videos of themselves that they have in their possession or know have been uploaded online. This is a world-first and we are seeing increasing usage as more and more young people become aware that this exists.

Activity 4.

Generating income, delivering value for money services and activities which contribute to a robust and sustainable and accountable business model.

Underpinning our world-leading work finding and removing sexual imagery of children, and the datasets which are created for companies to do the same, is a sustainable business model. As a not-for-profit, we reinvest to meet our mission.

A record number of companies now support IWF, including those from outside the tech sector. In 2022, the global hotel chain, Marriott International became a Member in order to support their industry-leading work tackling human rights issues in the hotel industry.

IWF's Impact: 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 2022 alone, our team:

- Assessed 375,230 reports (4% increase from 2021):
- Secured the removal of child sexual abuse images from 255,588 webpages (1% increase from 2021). Each webpage could contain one, tens, hundreds or even thousands of individual child sexual abuse images or videos.
- Produced briefing papers offering a deeper dive into: The distribution of child sexual abuse on forums; our work on Operation Makedom, and Category A child sexual abuse material where the offender was remote from the child.

- Increased the analysis that we publish around domains, to include a geographical view of domain abuse.
- Worked in partnership with safety tech companies to develop new tools and software to help keep children safer online.
- Worked on some of the toughest technical challenges - and published our progress - to help us become more efficient at dealing with a particular form of child sexual abuse image we encounter online.

IWF's Impact: 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 own 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.

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.

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".

In 2022, we welcomed four independent inspectors into IWF at the request of our Board. Led by retired High Court Judge Sir Mark Hedley, they were asked to:

- Comment on whether the Hotline and Administrators' Manuals are fit for purpose and whether the procedures are complied with by staff.
- Quality check active child sexual abuse URLs and hash images for consistency of decision-making and managerial oversight.
- Sample previous child sexual abuse content screen captures for consistency of decision-making and managerial control mechanisms.
- Review and comment on administration in discharging content assessment complaints.
- Consider Internet Content Analysts' training requirements to enable them to undertake their roles confidently and accurately.
- Sample work of the Quality Assurance team to ensure adequate, objective and representative testing and reporting mechanisms.
- Review Hotline security arrangements and conformance with ISO/IEC 27001.
- Review and comment on Hotline welfare arrangements including recruitment processes,

counselling arrangements and general support mechanisms comparing with other models of good practice in law enforcement and other professions.

They concluded that:

“The IWF is an extremely professional and well-managed organisation led by a strong but caring and compassionate leadership team.

The mission is clearly understood by all staff members who are committed to protecting children from the serious harms that can be inflicted by the perpetrators of online child sexual abuse.”

Keith Niven QPM, National CAID IT Implementation Lead, Norfolk Constabulary

The full report is published on the [IWF website](#).

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 2022 this figure was just 0.25%.

We took action on 640 webpages hosting images and videos in the UK in 2022 (an increase of 68% from 2021). In 465 cases, the criminal content had already been removed by the time we received authorisation from the police to instigate its removal or it had moved hosting country already, leaving us with 175 URLs to take action on. We issued 32 takedown notices against these 175 URLs. 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 2022, the List was sent across all seven continents. There were 230,922 unique URLs included on the List in 2022, compared to 203,234 in 2021 (a 14% increase). On average, 1,029 new URLs were added each day (1,001 in 2021), the List averaged 11,488 URLs per day (a 108% increase from 5,526 in 2021).

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 2022, the list contained hashes relating to 1,663,106 individual images since 2016 (at the end of 2021 we had created 1,004,611 unique hashes). Of these, 411,458 (24.7%) related to Category A images, the worst forms of abuse - images of rape or sexual torture of children. This is an increase from the end of 2021, where 316,269 hashes related to the worst forms of abuse.

Keywords List

Offenders 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 2022, the Keywords List held 5,247 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 2022 we processed 77 reports alleging child sexual abuse images hosted within newsgroups. After monitoring newsgroups, we recommended our Members do not carry 219 newsgroups (as of 31 December) containing child

Our Services

sexual abuse images and videos. This resulted in 176 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.

In 2022, we took action on 285 reports of non-photographic child sexual abuse imagery (a 22% increase from 2021). However, after our assessment, none of these were confirmed as UK-hosted content.

At the end of 2022, 324 unique URLs of non-photographic child sexual abuse imagery were included on the list.

Review of Activities and Successes

The 2022/23 year has been one of strong growth and development as we conducted our biggest recruitment drive ever and broadened the expert services that we offer to partner organisations. These moves bolstered our business aims while helping us to maintain the exceptionally high standards and levels of engagement in our work.

We continue to make crucial contributions to tackling online child sexual abuse. Highlights from the past year include:

- Our Policy Team have engaged closely with colleagues across government as well as with the incoming UK regulator, Ofcom, to ensure that the soon-to-be-introduced Online Safety Bill does what it sets out to do and makes the UK a safer space to be online. Critical work is also ongoing to support similar proposed legislation in the EU to prevent and combat online child sexual abuse.



- We launched a campaign with Microsoft to help children with special educational needs or disabilities (SEND), and their parents and educators, to understand more about sexual abuse online and better protect themselves. SEND children are three times more likely to become victims of the crime.

- The IWF joined forces with MTN, Meta, ICMEC and Child Helpline International to increase public awareness of the impact of child sexual abuse material, help prevent its spread in Africa and set up a new Africa Portal for reporting instances of child sexual abuse online.
- We gained two significant plaudits last year, the IWF was awarded Not for Profit of the Year at the British Data Awards 2022, which celebrates the organisations and people that are deeply passionate about data, and our Chief Executive, Susie Hargreaves OBE, was announced as one of Computer Weekly's top 50 most influential women in UK technology in 2022.
- Alongside our partners at Stop it Now! the IWF unveiled a first-of-its-kind chatbot, launched on Pornhub UK, designed to stop potential offenders searching for pictures and videos of child sexual abuse online and encourage them to seek help for their behaviour.
- After the Hotline saw a significant leap in cryptocurrency payments for child sexual abuse material, we launched a new 'crypto-unit' to source vital intelligence on the criminal activity and support partner and law enforcement organisations in their investigations.

Membership Drive

Our Development Team worked hard to bring 23 new companies into membership with the IWF:

- Anti-Human Trafficking Intelligence Initiative (AHTII)
- Bumble Inc
- CleanDNS Inc
- Education Scotland (Glow Connect)
- Fastvue PTY LTD
- G.Network Communications
- Ineqe Safeguarding Group
- IQ Global AS
- Jamf Software, LLC
- KYC AVC UK Ltd (trading as VerifyMy)
- Marriott International Inc
- MediaLab AI Inc
- Niantic
- Qoria Limited (was Family Zone Cyber Safety Ltd)
- SafeToNet Limited
- Segregated Payments Ltd. (Segpay)
- StrawberrySocial Ltd
- Verafin Solutions ULC
- Vigil AI Ltd
- Visa Inc
- Webistics Holdings Ltd (DBA VPNWholesaler.com)
- WeChat International Pte. Ltd.
- Wildanet Limited

Income

Our principal funding is received via membership fees from industry.

Total income for the year at £6,011,992 (2021/22 £5,495,269) 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 2022/23 the IWF had 184 Members (2021/22 175). Retaining and developing membership is critical to being able to fund our activities. We received grants from Nominet (£959k), Home Office (£384k), Thorn (£214k) The Global Fund to End Violence Against Children (£210k) and from the EU Commission (£31k). In 2021/22 we received grants from the EU Commission (£473k), Home Office (£350k), Thorn (£294k), Nominet (£274k), The Global Fund to End Violence Against Children (£172k) and Department for Culture Media and Sport (£105k).

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. We have also created a new team of Internet Content Assessors, whose job it is to assess, grade and hash content from the CAID Police database.

Our expanded Tech Team have continued to develop cutting edge technology to detect content more efficiently during this financial year. Total expenditure of charitable activities at £4,913,399 (2021/22 £4,074,548) represented an increase of 20% from the previous year.

Reserves

IWF ended the year with reserves of £5,457,525 in 2022/23 of which £4,805,413 are free reserves, (2021/22 total reserves £4,409,062). IWF target free reserves are £4,731,415. 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 which are at least equivalent to the minimum core costs of running the Hotline and support required for the next 12 months. This is the minimum service that the IWF would need to undertake to meet its charitable obligations.

The Trustees have designated £700,000 as designated funds split between a Technical Fund of £350,000 and a Premises Fund of £350,000. These two designated funds are for future investments as there is continued uncertainty around the impact on IWF of the "Online Harms Bill" which the Trustees wish to fully resolve before over committing on the spending of the reserves. Reserves are invested to maintain their value to IWF, minimising risk and not specifically to generate ongoing income. The £48k negative fund is the agreed costs for the 2 grants where the grant funds will be received next year.

Investments

IWF's objective is to maintain the value of its investments after inflation. Rathbones Investment Management Ltd continue to manage a portfolio containing £1,028,924 on our behalf (2021/22 £1,073,239). 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.

The portfolio has almost performed in line with the targets set with the exception of this financial year which saw significant turmoil in the financial markets. The return on investment since inception, which is just less than the target 5 year time horizon, is showing a total average annual return of 2% against an average annual target of 6%.

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 2023/24 continues primarily 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 03426366). 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 took 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, each documented with official minutes.

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 relevant 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 continued operation of the IWF.
- 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 an 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](#).

Structure, Governance & Management

Remuneration of key management personnel

The key management personnel are the Trustees; the Chief Executive Officer, the Chief Operating Officer/Deputy Chief Executive Officer, the Chief Technical Officer, the Hotline Director 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.

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 relevant standards and best practice.
- 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 business 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:

5. Consideration of alternative and additional funding streams. Our dedicated Development Team are exploring the various avenues available to us.
6. Maintenance of our Information security resilience and to keep pace with change, and regular staff training.
7. Active engagement with government regarding the Online Safety Bill with a dedicated Head of 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.
8. 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) meets regularly to maintain and continually improve the ISMS. 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.

Structure, Governance & Management

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 Trustees to prepare financial statements for each financial year. Under that law the Trustees 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 Trustees 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 Trustees 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

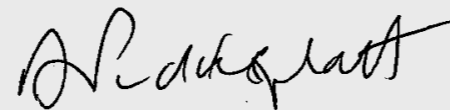
In so far as the Trustees are aware:

- 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 19th October 2023 and signed on its behalf by:



Andrew Puddephatt, OBE

Independent Chair

Our Board of Trustees



Andrew Puddephatt, OBE

Independent Chair

Andrew Puddephatt OBE is Chair of the Internet Watch Foundation. He 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. Specific skills include:

- Policy analysis, evaluation and advice on projects concerned with communications, human rights and democracy internationally.
- Expert in international human rights, with a specific focus on freedom of expression and access to information.

Previous work includes strategic policy analysis, scoping exercises, evaluation of programmes, needs assessments, and the development and delivery of capacity-building programmes. He has worked with experts and governments in Europe, the United States, the Middle East, sub-Saharan Africa, and Latin America.

Our Board of Trustees



Claire Bassett

Independent Vice-Chair

Claire is a Non-Executive Director of the Serious Fraud Office, Solicitors Regulation Authority and Chartered Insurance Institute. Until May 2022 she was Deputy Director General of the Independent Office for Police Conduct.

Prior to this Claire was Chief Executive (Designate) of the Shadow Trade Remedies Authority, and Chief Executive of the Electoral Commission, the UK's independent elections watchdog and regulator of party and election finance during the EU Referendum.

Previously, Claire was Chief Executive of two other government arm's length bodies: the Parole Board and the Criminal Cases Review Commission.

Earlier in her career, Claire was a Director of Nacro - the crime reduction charity, Chief Executive of Connexions Milton Keynes, Oxfordshire and Buckinghamshire. She also held various roles at the Legal Services Commission. She began her career as a management trainee in the construction industry.



Bronagh McCloskey

Industry Vice-Chair

Bronagh McCloskey is Head of Public Affairs and Corporate Responsibility at TalkTalk, where she works with Government and industry stakeholders on public policy issues. Her experience includes working on telecommunications infrastructure projects and online safety initiatives.

Prior to joining TalkTalk, she worked in a consultancy providing communications and policy advice to businesses and charities, where she completed a number of secondments. She began her career working in Parliament.



Sinead Coogan Jobs

Industry Trustee

Sinead is Head of Policy at Sky where she leads on policy work relating to telecommunications and digital issues, including online safety initiatives.

Prior to joining Sky, she worked at Virgin Media O2 where she was similarly involved in the company's public affairs and policy work on online safety, and in public affairs consultancy advising a number of companies on technology, media and telecoms policy issues.

Our Board of Trustees



Giles Crown

Independent Trustee

Giles was appointed in September 2019.

Giles is a 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.

Our Board of Trustees



Terry Downing

Independent Trustee

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

Currently, Terry is the Group CFO for a fintech start-up, Centtrip Ltd, and a founding partner and investor in a sports and media focused investment fund. Prior to this, Terry held senior executive roles with FOX, Warner Bros and Chime Communications.

Terry has held a large number of Board roles including being the Audit Chair and NED for the Wandsworth NHS where he completed two terms.

Terry is a graduate of Massey University in New Zealand and qualified with Deloitte.



Sherry Malik

Co-opted Trustee

Sherry Malik is passionate about social care and social justice. Her signature strength is in enabling change & transformation, working with individuals, organisations, boards and partnerships. She has over 30 years of experience of leading & managing a diverse portfolio in large complex, political settings in public (Local & Central Govt. and the NHS), voluntary & commercial settings, both in executive and non-executive roles.

She was the former Director of children's services at NSPCC, DCS and DASS at LB Hounslow and held exec roles at Cafcass and GSCC. She is currently the Chair of Nottingham CityCare Partnership, a non-executive Director at Dimensions UK, a Trustee at the Social Awards and a Staff College Associate.

Our Board of Trustees



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.



Andrew Campling

Co-opted Trustee

Andrew Campling is passionate about social justice and lifelong learning. He has over thirty years of experience in a wide range of increasingly senior roles in technology, marketing, stakeholder management and public policy, coupled with significant leadership experience. He has managed large, distributed teams of professionals, bringing with him considerable experience in team creation, team down-sizing, coaching and culture change.

In addition to his work as an IWF Trustee, Andrew runs 419 Consulting Ltd, a public policy and public affairs consultancy focused on the tech and telecoms sectors and is the Chair of Governors at Ormiston Park Academy, a secondary school within the Ormiston Academy Trust. Andrew is involved in the development of Internet standards, with much of his current activity in this area captured in blogs and podcasts on his company website.

Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2023 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 2023, 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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.

The trustees are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 included in the trustees' 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 trustees' 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 on page 24, 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.

Auditor's responsibilities for the audit of the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the charitable company and how it operates and considered the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. This included those regulations directly related to the financial statements. In relation to the charity this included GDPR, health and safety, employment law and financial reporting.

Auditors' Report Continued



Independent Auditors' Report to the Members
of Internet Watch Foundation for the year ended 31 March 2023

Auditor's responsibilities for the audit of the financial statements (continued)

We communicated the identified laws and regulations with the audit team and remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

- agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiries of management including those responsible for key regulations;
- enquires of management about GDPR compliance and reviewing register of any GDPR breaches in the year;
- reviewing minutes of Trustee Board meetings, minutes of Audit Committee meetings and correspondence with the Charity Commission;
- in addressing the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness, and
- reviewing the risk management processes and mitigating actions in place.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial

statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

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: 15 November 2023

Statement of financial activities



Statement Of Financial Activities (Including Income and Expenditure Account) For the year ended 31 March 2023

	Note	Unrestricted £	Restricted £	2023 Total £	2022 Total £
Income					
Donations	2	19,142	-	19,142	99,598
Charitable activities	3	4,088,896	1,835,306	5,924,202	5,303,984
Other trading activities	4	11,990	-	11,990	83,814
Investment income	5	56,658	-	56,658	7,873
Total income		4,176,686	1,835,306	6,011,992	5,495,269
Expenditure					
Charitable expenditure:	6	(2,503,694)	(2,409,705)	(4,913,399)	(4,074,548)
Total expenditure		(2,503,694)	(2,409,705)	(4,913,399)	(4,074,548)
Net Gain / (Loss) on investments		(50,130)	-	(50,130)	27,025
Net income/ (expenditure) in the year		1,622,862	(574,399)	1,048,463	1,447,746
Transfers between funds					
Transfers between unrestricted & restricted	18a	(90,003)	90,003	-	-
Transfers from designated to restricted	18b	(300,000)	300,000	-	-
Net movement in funds		1,232,859	(184,396)	1,048,463	1,447,746
Reconciliation of funds:					
Total funds brought forward		4,272,554	136,508	4,409,062	2,961,316
Total funds carried forward		5,505,413	(47,888)	5,457,525	4,409,062

All amounts relate to continuing activities of the company.

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

The attached notes on pages 36 to 48 form part of these financial statements.

Company Balance Sheet



Internet Watch Foundation | Registered Company Number: 03426366
Company Balance Sheet for the year ended 31 March 2023

	Note	2023 £	2022 £
Fixed Assets			
Tangible assets	12	455,412	125,293
Investments	14	1,028,926	1,073,241
Total Fixed Assets		<u>1,484,338</u>	<u>1,198,534</u>
Current Assets			
Debtors	15	1,398,940	1,229,491
Cash at bank and in hand		6,049,044	4,412,696
Total Current Assets		<u>7,447,984</u>	<u>5,642,187</u>
Liabilities			
Creditors: amounts falling due within one year	16	(3,474,797)	(2,431,659)
Net Current Assets		<u>3,973,187</u>	<u>3,210,528</u>
Total Net Assets		<u>5,457,525</u>	<u>4,409,062</u>
Funds Of The Charity:			
Unrestricted funds:			
General funds	18	5,505,413	3,272,554
Restricted funds	18	(47,888)	1,136,508
		<u>5,457,525</u>	<u>4,409,062</u>

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

The attached notes on pages **36 to 48** form part of these financial statements.

The financial statements were approved by the Board of Trustees on 19th October 2023 and signed on their behalf by:

Andrew Puddephatt, OBE
Independent Chair

Statement of Cash Flows



Internet Watch Foundation | Registered Company Number: 03426366
Statements of Cash Flows for the year ended 31 March 2023

	Note	2023 £	2022 £
Cash Flows from Operating Activities			
Net cash used in operating activities	20	2,430,019	1,424,694
Cash Flows from Investing Activities			
Dividends and interest from investment		13,470	7,181
Purchase of investments		(750,616)	(306,342)
Investment disposal proceeds		317,849	230,949
Purchase of property, plant and equipment		(417,563)	(86,705)
Bank interest received		43,188	692
Change in cash and cash equivalents in the reporting period		<u>1,636,347</u>	<u>1,270,469</u>
Cash and cash equivalents at the beginning of the reporting period		4,412,696	3,142,227
Cash and cash equivalents at the end of the reporting period	21	<u>6,049,044</u>	<u>4,412,696</u>

The attached notes on pages **36 to 48** form part of these financial statements.

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)) 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.

The financial statements were not consolidated with the charity's subsidiary, Internet Watch Limited on the basis of materiality and significance, further detailed in note 13.

b) 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.

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 charity is limited by guarantee. Each member has guaranteed an amount, not exceeding £1, towards the charity'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 charity 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 they meet the SORP criteria for income recognition.

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.

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 each asset down to its estimated off the cost

on a straight line basis over their expected useful economic lives 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

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

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	2023	2022
	£	£
Donations	19,142	99,598
	<u>19,142</u>	<u>99,598</u>

All donations received in 2023 and 2022 relate to unrestricted funds.

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

3. Income from Charitable Activities	2023	2022
	£	£
Subscription fee income	4,001,524	3,597,869
EU grant income	29,470	472,726
Protech grant income	1,639	-
UNICEF grant income	-	7,576
Nominet grant income	428,451	143,660
EVAC Chatbot grant income	210,379	164,786
Thorn grant income	214,073	293,876
Strategic partnerships	109,045	30,733
DCMS	-	104,500
HO	384,116	350,000
Nominet UKSIC	519,241	130,758
Miscellaneous income	11,000	7,500
Portals	15,264	-
	<u>5,924,202</u>	<u>5,303,984</u>

Income from charitable activities was £5,924,203 (2022 - £5,303,984) of which £1,835,307 (2022 - £1,783,408) was attributable to restricted and £4,088,896 (2022 - £3,520,576) was attributable to unrestricted funds.

4. Other trading activities	2023	2022
	£	£
Project contributions	11,990	77,293
Other	-	6,521
	<u>11,990</u>	<u>83,814</u>

Included within trading income in 2023 is £Nil of restricted funds (2022: £77,293).

5. Investment Income	2023	2022
	£	£
Bank interest	56,658	7,873
	<u>56,658</u>	<u>7,873</u>

All investment income received in 2023 and 2022 relates to unrestricted funds.

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

6a. Analysis of expenditure by activity	Direct Costs £	Support Costs £	2023 Costs £
Charitable activities:			
Minimise criminal internet content	3,199,046	1,714,353	4,913,399
	<u>3,199,046</u>	<u>1,714,353</u>	<u>4,913,399</u>

6b. Analysis of expenditure by activity	Direct Costs £	Support Costs £	2022 Costs £
Charitable activities:			
Minimise criminal internet content	2,736,523	1,338,025	4,074,548
	<u>2,736,523</u>	<u>1,338,025</u>	<u>4,074,548</u>

Included within expenditure above is £2,503,694 (2022: £1,776,294) in relation to unrestricted funds and £2,409,705 (2022: £2,298,254) in relation to restricted funds.

7. Analysis of support costs	2023 £	2022 £
Finance and legal	40,106	86,420
Human resources	1,171,402	923,650
IT	120,409	25,602
Premises	162,533	141,383
General office costs	160,654	113,120
Other	10,407	496
Governance (note 8)	48,842	47,353
	<u>1,714,353</u>	<u>1,338,025</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	2023 £	2022 £
Audit fees	8,800	12,800
Accountancy fees paid to auditor	2,475	2,000
Chair fees	32,025	31,725
Board expenses	966	
Board strategy day	3,948	
Trustee recruitment and training	628	828
	<u>48,842</u>	<u>47,353</u>

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

9. Analysis of staff costs and key management personnel	2023 £	2022 £
Wages and salaries	2,569,181	1,906,611
Social security costs	287,660	204,799
Pension	345,127	270,202
	<u>3,201,968</u>	<u>2,381,612</u>

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £32,025 (2022: £31,725) 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, other than the Chair, a total of £Nil (2022: Nil) Trustees were paid in respect of their duties and these amounted to a total of £Nil (2022: £Nil).

In 2023, 7 Trustees (2022 – Nil) received reimbursements of expenses for travel and subsistence amounting to £966 (2022: £Nil).

The charity considers its key management personnel to comprise of 9 people. During the year, the total employment benefits of these 9 key management personnel, including social security and pension was £928,179 (2022: £532,427).

The average monthly head count was as follows:

	2023 Number	2022 Number
Charitable activities	<u>67</u>	<u>51</u>

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

	2023 Number	2022 Number
£60,000 - £70,000	3	2
£70,001 - £80,000	2	1
£80,001 - £90,000	1	1
£90,001 - £100,000	-	1
£110,001 - £110,000	2	-
£120,000 - £130,000	1	1
	<u>9</u>	<u>6</u>

£14,510 (2022 - £13,792) was paid into a defined contribution pension scheme on behalf of the above higher paid employee.

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 £345,127 (2022: £270,202). There were Nil outstanding contributions payable to the pension fund at the balance sheet date (2022: £Nil).

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

11. Net income	2023	2022
	£	£
Net income is ated after charging:		
Depreciation of charitable assets owned by group	87,240	52,019
Loss on disposal of fixed assets	204	-
Auditors remuneration:		
- for audit services	8,800	12,800
- for non-audit services	2,475	2,000
Operating lease costs for land and buildings	251,988	245,538
Operating lease costs for equipment	4,097	3,798

12. Tangible fixed assets

	Leasehold Improvements	Office Equipment	Computer Equipment	Total
	£	£	£	£
Cost:				
At 31 March 2022	250,857	41,889	398,071	690,817
Additions	87,904	72,028	257,631	417,563
Disposals	-	-	(419)	(419)
At 31 March 2023	338,761	113,917	655,283	1,107,961
Depreciation:				
At 31 March 2022	250,857	26,959	287,708	565,524
Charge for the year	2,064	16,655	68,521	87,240
Disposals	-	-	(215)	(215)
At 31 March 2023	252,921	43,614	356,014	652,549
Net book value:				
At 31 March 2022	-	14,930	110,363	125,293
At 31 March 2023	85,840	70,303	299,269	455,412

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

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 (2022: £nil).

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2022: £2).

14. Investments

	2023	2022
Investment in dormant subsidiary company at cost	2	2
Investment portfolio	1,028,924	1,073,239
Net assets	1,028,926	1,073,241

	2023	2022
	Total	Total
	£	£

Investment portfolio

Market value at 1 April	1,073,239	544,093
Additions	750,616	306,342
Disposal proceeds	(317,849)	(230,949)
Net investment (losses) / gains	(50,130)	27,025
Cash movement	(426,952)	426,728
Market value at 31 March	1,028,924	1,073,239

Historical cost	1,019,749	1,009,833
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Analysed as follows:

	2023	2022
	£	£
UK Fixed Interest Securities	313,412	85,686
Quoted UK Equities	234,100	153,763
Quoted Overseas Equities	241,118	220,032
Alternative markets	223,262	169,772
Cash	17,032	443,986
	1,028,924	1,073,239

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

15. Debtors	2023	2022
	£	£
Trade debtors	904,690	496,118
Prepayments and accrued income	494,250	733,373
	<u>1,398,940</u>	<u>1,229,491</u>

16. Creditors: amounts falling due within one year	2023	2022
	£	£
Trade creditors	147,248	43,592
Other tax and social security	104,119	69,940
Accruals and deferred income	3,223,430	2,318,127
	<u>3,474,797</u>	<u>2,431,659</u>

Deferred income	2023	2022
	£	£
Deferred income at 1 April	2,196,212	2,249,957
Income deferred during the year	3,032,487	2,196,212
Amounts released from previous years	(2,196,212)	(2,249,957)
	<u>3,032,487</u>	<u>2,196,212</u>

Deferred income relates to subscriptions and license fees.

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

17. Leases

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

	Land and buildings	Equipment	Equipment
	2023	2022	2022
	£	£	£
No later than one year	174,667	245,538	672
Later than one year and no later than five years	734,784	266,000	0
	<u>909,451</u>	<u>511,538</u>	<u>672</u>
			<u>1,547</u>

18a. Funds analysis - current year

	Balance at	Income	Expenditure	Transfers	Gains /	Balance at
	01/04/2022				(Losses)	31/03/2023
	£	£	£	£	£	£
Unrestricted funds						
General funds	3,272,554	4,176,686	(2,503,694)	(90,003)	(50,130)	4,805,413
Total general funds	<u>3,272,554</u>	<u>4,176,686</u>	<u>(2,503,694)</u>	<u>(90,003)</u>	<u>(50,130)</u>	<u>4,805,413</u>
Designated funds						
Technical fund	500,000	-	-	(150,000)	-	350,000
Premises fund	500,000	-	-	(150,000)	-	350,000
Total designated funds	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>700,000</u>
Total unrestricted funds	<u>4,272,554</u>	<u>4,176,686</u>	<u>(2,503,694)</u>	<u>(390,003)</u>	<u>(50,130)</u>	<u>5,505,413</u>
Restricted funds						
EU SIC UK VI	-	29,470	-	(29,470)	-	-
Technical Project 1	-	136,562	(139,579)	3,017	-	-
Technical Project 2	-	291,889	(291,889)	-	-	-
Thorn	136,508	214,073	(354,139)	3,558	-	-
EVAC Chatbot	-	210,379	(210,379)	-	-	-
Home Office	-	384,116	(398,213)	14,097	-	-
EU ProTech	-	1,639	(7,656)	-	-	(6,017)
UKSIC Nominet Core	-	519,241	(917,242)	398,001	-	-
UKSIC Nominet Enhancements	-	11,000	(11,800)	800	-	-
Oak Foundation	-	-	(41,871)	-	-	(41,871)
Miscellaneous	-	36,937	(36,937)	-	-	-
Total restricted funds	<u>136,508</u>	<u>1,835,306</u>	<u>(2,409,705)</u>	<u>390,003</u>	<u>-</u>	<u>(47,888)</u>
Total funds	<u>4,409,062</u>	<u>6,011,992</u>	<u>(4,913,399)</u>	<u>0</u>	<u>(50,130)</u>	<u>5,457,525</u>

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

18b. Funds analysis - prior year

	Balance at 01/04/2021 £	Income £	Expenditure £	Transfers £	Gains / (Losses) £	Balance at 31/03/2022 £
Unrestricted funds						
General funds	2,894,686	3,711,861	(1,776,294)	(1,584,724)	27,025	3,272,554
Total general funds	2,894,686	3,711,861	(1,776,294)	(1,584,724)	27,025	3,272,554
Designated funds						
Technical fund	-	-	-	500,000	-	500,000
Premises fund	-	-	-	500,000	-	500,000
Total designated funds	-	-	-	1,000,000	-	1,000,000
Total unrestricted funds	2,894,686	3,711,861	(1,776,294)	(584,724)	27,025	4,272,554
Restricted funds						
EU SIC UK V	-	-	-	-	-	-
EU SIC UK VI	-	354,738	(784,488)	429,750	-	-
EU SIC UK Childnet	-	117,988	(117,988)	-	-	-
UNICEF	-	7,577	(33,932)	26,355	-	-
Technical Project	-	143,660	(143,660)	-	-	-
Nominet UKSIC	-	130,758	(261,515)	130,757	-	-
CSSF	-	-	-	-	-	-
Thorn	66,630	293,875	(221,859)	(2,138)	-	136,508
EVAC Chatbot	-	164,786	(164,786)	-	-	-
Special Project	-	108,026	(108,026)	-	-	-
DCMS	-	104,500	(104,500)	-	-	-
Home Office	-	350,000	(350,000)	-	-	-
Miscellaneous	-	7,500	(7,500)	-	-	-
Total restricted funds	66,630.00	1,783,408	(2,298,254)	584,724	-	136,508.33
Total funds	2,961,316	5,495,269	(4,074,548)	-	27,025	4,409,062

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

18c. Funds analysis - description of funds

Restricted funds

EU SIC UK V V1 – The funds represent a grant from the European Union in respect of assistance in meeting the costs of running the Hotline. There are no unfulfilled conditions relating to amounts recognized during the year.

EU SIC UK VI Childnet – These funds represent a grant from the European Union in respect of assistance in meeting UK Safer Internet Day and supporting schools to ensure that all children are educated around online safety.

Technical Projects 1 and 2 – These funds represent a grant from Nominet in respect of developing technologies to assist IWF in the detection and removal of child sexual abuse material. A transfer was made from unrestricted funds to ensure that the grant fund does not go into deficit.

Thorn – These funds represent a grant from Thorn to employ a dedicated taskforce to undertake the hashing of two million images in the UK Home Office owned Child Sexual Abuse Database (CAID). A transfer was made from unrestricted funds to ensure that the Thorn grant did not go into deficit. There are no unfulfilled conditions relating to amounts recognized in the year.

EVAC Chatbot – These funds represent a grant from the End Violence Against Children Fund to support the development of a chatbot aimed at internet users at risk of viewing CSAM. This project is a partnership between IWF and The Lucy Faithful Foundation. The chatbot will engage individuals

searching for CSAM online and encourage them to seek help to change their behavior.

DCMS – The funds represent a grant from DCMS for child online safety work relating to the UKSIC, specifically to assist in the mission to promote the safe and responsible use of technology for young people.

UNICEF Grant – These funds represent a grant from United Nations International Children's Emergency Fund in respect of the End Violence Against Children grant.

Home Office – These funds represent a grant from the Home Office to undertake the hashing of images in the UK Home Office owned Child Sexual Abuse Database (CAID). A transfer was made from unrestricted funds to ensure the grant did not go into deficit.

EU Protech – These funds represent a grant from the European Union's Internal Security Fund (ISF), where IWF is working as part of a consortium to prevent and reduce child sexual abuse material use through on-device technology.

UKSIC Nominet – These funds represent a grant from Nominet in respect of assistance in meeting the costs of running the Hotline, as part of the UKSIC. A transfer was made unrestricted funds to ensure that the Nominet UKSIC grant funds did not go into deficit. There are no unfulfilled conditions relating to amounts recognized in the year.

Oak Foundation – These funds represent a grant from the Oak Foundation in respect of developing an evidence base of new and existing research to reduce production and distribution

of self-generated child sexual abuse material. This project is a partnership between IWF and the Policing Institute for the Eastern Region (PIER).

Miscellaneous – These funds represent a grant from the Home Office to conduct research into online advertising supporting child sexual abuse material.

Designated funds

Technical Fund – These funds represent a designated fund generated to meet future technical IT developments and requirements.

Premises Fund – These funds represent a designated fund generated to meet future changing demands of business accommodation.

Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended 31 March 2023

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 £84,000. Some Trustees also work for Member companies but do not have any direct influence on transactions undertaken with Internet Watch Foundation.

The Chair received £32,025 (2022: £31,725) during the year in respect of his duties in office.

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

	2023 £	2022 £
Net (expenditure) / income for the reporting period (as per the statement of financial activities)	1,048,463	1,447,746
Adjustments for:		
Depreciation charges	87,240	52,019
Loss on disposal of fixed assets	204	-
Losses / (Gains) on investments	50,130	(27,025)
Decrease / (Increase) in debtors	(169,450)	439,013
(Decrease) / Increase in creditors	1,043,138	(52,458)
Bank interest received	(43,188)	(692)
Dividends received from investments	(13,470)	(7,181)
Cash account movement	426,952	(426,728)
Net cash provided by operating activities	2,430,019	1,424,694

21. Net Debt Reconciliation

	Balance at 31/03/2022	Cash Movement	Balance at 31/03/2023
Cash in hand	4,412,696	1,636,348	6,049,044
Investments - short term deposits	-	-	-
Total cash and cash equivalents	4,412,696	1,636,348	6,049,044

22. Capital commitments

Total capital commitments are as follows:

	2023 £	2022 £
	<u>240,706</u>	<u>-</u>



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