

Trustees' Report & Financial Statements

For the year ended 31 March 2019

Internet Watch Foundation

A child's innocence
is precious.
That's why it must
be protected.



Internet Watch Foundation

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An incorporated charity, limited by guarantee.

Registered in England.

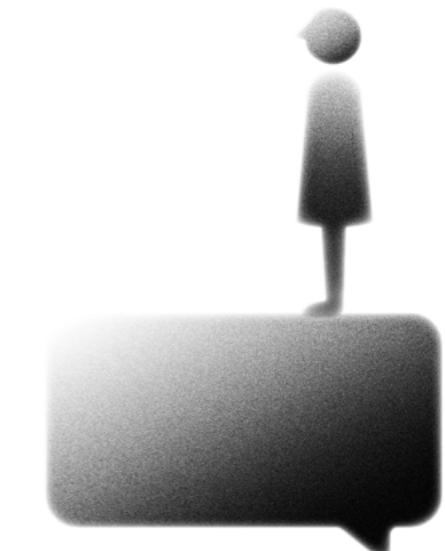
Charity No. 1112398

Company Reg. 03426366

Registered office: Discovery House
Chivers Way
Vision Park
Histon
Cambridge
CB24 9ZR
United Kingdom

Trustees' Report

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Our Members

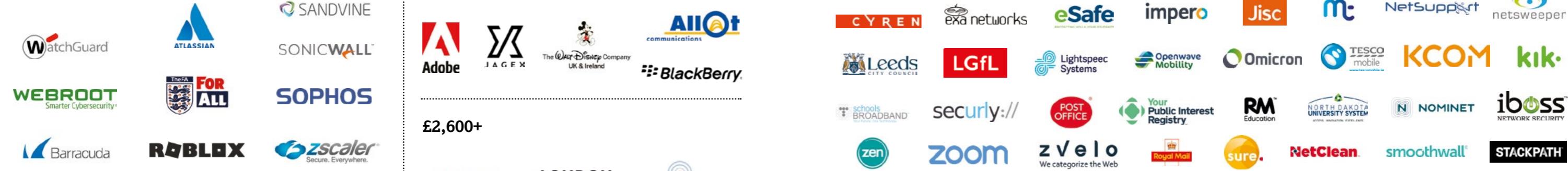
£78,030+



£52,020+



£20,810+



£5,200+



IWF Members at 31 March 2019

Welcome

Welcome from our Chair

Since joining the IWF as Independent Chair in 2017 I can truly say how impressed I have been at the dedication and level of expertise our team demonstrate in seeking out, assessing and arranging for the removal of images and videos of child sexual abuse on the internet. I can say with confidence that our analysts are the best in the world at what they do and lead the fight against this horrific material online.

2018 saw our team complete more than 220,000 reports of suspected child abuse imagery online which resulted in 105,047 webpages confirmed as containing criminal material – each of these pages could show hundreds or thousands of images and videos. This is by far the most reports IWF has ever handled in a 12-month period and although we can be proud of the steadfast work of our analysts, it also reflects the growing scale of the problem we're dealing with.

As technology evolves and becomes ever more sophisticated, abusers who would seek to exploit this for their own criminal gains increasingly use new platforms and applications to share, and even profit from, the proliferation of highly explicit images and videos showing the sexual abuse of children and young people. Our team at the IWF are constantly innovating and developing tech-for-good to tackle this evolving threat, often in partnership with leading tech organisations from around the globe who make up our enthusiastic group of Members.

We continue to look ahead and anticipate new challenges which present themselves for the IWF. The UK government is proposing legislation to prevent online harms in all their forms including child sexual abuse. Although a worthy objective, it's one fraught with both practical and technical difficulties. Our senior team, led by CEO Susie Hargreaves, is engaging closely with government ministers to help shape the future of any regulatory framework in the UK. Above all, we want to ensure the legislation is doing the right thing online for victims of child sexual abuse and will not throttle the brilliant work the IWF has been doing for the past 23 years.

From the National Crime Agency, we understand that approximately 100,000 people in the UK regularly try to access images or videos of children being sexually abused. This brings in to sharp focus the importance of a global approach to a global problem. Although the IWF has managed to bring the percentage of the world's child sexual abuse imagery hosted in the UK down from 18% in 1996 to less than 0.4% today, we still have a major problem with people seeking and accessing this material which demands commitment from everyone across government, law enforcement, big tech, civil society and NGOs. There's a clear need to focus on identified problems rather than general definitions and not expect companies to be solely responsible for fixing complex problems whose solutions have eluded offline human governance for years.



Andrew Puddephatt, OBE
IWF Chair

While technology can exacerbate, amplify and facilitate the circulation of abusive images of children, it does not cause it. That lies in the behaviour of individuals who wish to exploit and abuse children. And ultimately, we can only fix this problem if we can identify why these people act in this way and learn how to prevent such behaviour in the future.

Welcome from our CEO

This year we took a brave decision and it's paying off. Together with our Board, we looked at how we could increase our impact on our mission.

IWF is recognised as a world leader at tackling child sexual abuse material, but the scale of this issue must not be underestimated. Our police partners recently summed it up when they told me that terrorism and knife crime content online were dwarfed by the amount of imagery of children being sexually abused. It's incredibly sad that our internet – something we all now rely on for everyday tasks – has become such a cruel and criminal place. The sheer scale of the issue demands a different approach.

We know that we can do more, but the fact is, we need more money to do it. This year, we've addressed it and made some big internal changes to increase our effectiveness.

We spent time understanding our Theory of Change to learn more about the impact we could make. Since this exercise, we've restructured our teams and invested in more people who bring the kind of unique skills we need. We've been building on our strengths and focusing our energy and resources to have a bigger effect.

We're now more resilient, more relevant, and able to create more of those vital partnerships upon which our work relies.

It's not enough to be a leader in this field – we must all strive to have a greater impact and build on our good work. Ultimately, we want to do

everything we can to prevent people from accessing child sexual abuse material, but this alone isn't enough. We must also look to address the demand for this content. Now that the building blocks for this work are in place, that's exactly what we'll be doing.

We had some notable successes in 2018:

- We were granted Core Participant status on the **Independent Inquiry into Child Sexual Abuse (IICSA)** Internet Investigation. This gave us an opportunity to share our vast expertise with the inquiry and allowed us to talk about what we believe should be delivered for victims of sexual abuse: A national campaign to prevent young men accessing criminal imagery; to progress our technical projects' collaboration with the Home Office's Child Abuse Image Database (CAID), and to investigate how we can increase IWF resource and capability for the benefit of victims of child sexual abuse.
- Our partnership with the **Royal Cayman Islands Police Service (RCIPS)** to assess suspected illegal content. Thanks to the expertise of our analysts, the RCIPS was able to secure the conviction of a criminal who had more than 100,000 child sexual abuse images in his possession.



Susie Hargreaves, OBE
IWF CEO

Funding Council Chair's Foreword

As Chair of IWF Funding Council, I work with industry Members and their representatives to support the IWF and provide advice from an industry perspective. In 2018, we had more than 140 Members from diverse areas of both tech and internet industries, who work with us to tackle the abhorrent issue of child sexual abuse images and videos being shared globally online.

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

Our work falls into five important areas:

First and foremost, our role is to bring industry together to consider policy issues around the elimination of online images of child sexual abuse. This is a critical topic and one which is being hotly debated across government, industry and NGOs. For example, the Funding Council assisted the IWF team in compiling a response to the government's Online Harms White Paper to ensure we're all doing the right thing online for victims of child sexual abuse.

Secondly, we regulate ourselves using a procedure known as Notice and Takedown. This is part of our Code of Practice and every relevant Member agrees to take down a criminal image or video, if notified by the IWF. We provide best practice recommendations for issues like splash pages and self-certification, together with a whole host of

other measures which regulate our corporate behaviour in relation to the IWF's work.

Thirdly, we provide representatives to the IWF Board of Trustees and by doing so, we supply an important channel of communication through which the Funding Council, the Board and the IWF can collaborate on matters of policy and oversight. By sharing good governance practices, we make sure that checks and balances operate effectively, particularly where there could be pressure from external influences.

Fourthly, we help the IWF and the Board by providing examples of industry 'best practice' and by contributing both our experience and expertise to IWF reports and consultations.

Finally, we help get the message across, by championing the work of the IWF to our internal staff and our external customers and stakeholders.

Since the IWF launched in 1996, the world in which the charity operates has changed dramatically. I have no doubt this will continue and funding, government policies and emerging technologies will continue to raise challenges for the IWF. This is probably truer today than ever before, but that won't change our commitment to the fight against the spread of evil child sexual abuse imagery online. That is our driving force and as IWF Members we are committed to that cause.



Matthew Eltringham
Executive Editor, BBC

Caring for our people

I'm passionate about creating a caring environment for every person who works at IWF. As Chief Operating Officer, I'm honoured to lead our welfare programme which has been created, developed and informed by years of experience and leading expertise.

We have a dedicated team of Internet Content Analysts who have one of the hardest jobs in the world. They view and assess images and videos online which are suspected to show the sexual abuse of children. If our analysts confirm that the imagery is criminal, they arrange for its removal from the internet. The boys and girls shown in the imagery can be of any age from teenagers down to toddlers and babies suffering rape and torture.

Our people are crucial to effectively achieving our mission, so it's of the utmost importance that we look after them.

It's vital that we carefully recruit for analysts ensuring that candidates have the emotional resilience and intellectual capacity to deal with the often-distressing imagery they'll be required to assess daily. In addition, we need to ensure that we employ people with the right motivations and support networks.

Candidates must complete a detailed application form. If successful, they'll have their first interview with members of IWF's senior team. Here candidates can discuss their strengths and what they feel would make them a good fit for the role.

If they're successful, they'll be interviewed by a trained counsellor

to examine their personal life and emotional resilience.

Finally, candidates are shown progressively more extreme criminal images and videos of children being sexually abused. At any point the candidate can ask for the process to stop. We then give them some time, normally over a weekend, to reflect on what they've seen and consider how they feel about a career at IWF. IWF counsellors are on hand during this period.

Analysts' working hours are strictly monitored. They can only work their timetabled hours and they have to take regular breaks away from viewing the imagery. Everyone at IWF has a shorter working day and analysts are not allowed to work from home or do overtime. We want to ensure that everyone has a positive work/life balance and can do their job to the incomparable standard that IWF is renowned for.

Each month every analyst has to attend counselling and annually they have a psychological assessment. In fact, everyone who works for us is offered counselling support if they want it regardless of their role.

Our office location in a leafy part of the outskirts of Cambridge was deliberately chosen to encourage a positive and calming atmosphere. During a typical day you'll often find our staff enjoying their breaks with a (somewhat noisy) game of table-tennis in our chill-out room or feeding the ducks at the tranquil pond just a stone's throw from the office.

We go the extra mile for our staff, because they go the extra mile for victims of child sexual abuse.



Heidi Kempster
IWF COO

Our Senior Leadership Team



Susie Hargreaves, OBE
CEO

Susie leads IWF with passion, energy and a strong vision to create an internet free from child sexual abuse imagery. She brings over 20 years' senior management experience in the not-for-profit sector.

Susie represents IWF on several boards and groups including the NCA CEOP Command Strategic Governance Group; the UK Council Internet Safety (UKCIS), and the WePROTECT Global Alliance International Advisory Board.

Among her achievements, Susie was awarded an OBE in the Queen's Birthday Honours in 2016 for 'Services to Child Online Safety' and was a finalist in the Executive of the Year 2017 category in the internet's most prestigious industry awards in the UK, the ISPA Awards.

Susie has led IWF since September 2011 and is also a Director of the UK Safer Internet Centre.



Fred Langford
Deputy CEO & CTO

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

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

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

Fred is a Chartered Director (ChDir) and Fellow of the Institute of Directors (FIoD) and a Certified Information Security Professional (CISSP). Fred was a finalist for Digital Leader of the year, and

runner-up for New Chartered Director of the Year in 2017. He received an Honorary Doctorate in 2019 from the University of Suffolk.

Susie joined IWF in December 2004.



Heidi Kempster
Chief Operating Officer

Heidi directs IWF's business activities and along with the CTO, Heidi deputises for the CEO. She is a detail-orientated, strategic thinker devoted to creating a caring and supportive environment for all.

She is responsible for ensuring the IWF is run efficiently, with the right resources and facilities to meet the challenges.

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

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

Heidi joined IWF in June 2013.



Emma Hardy
Communications Director

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

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

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

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

Emma joined IWF in April 2011.



Emma Douglas
Development Director

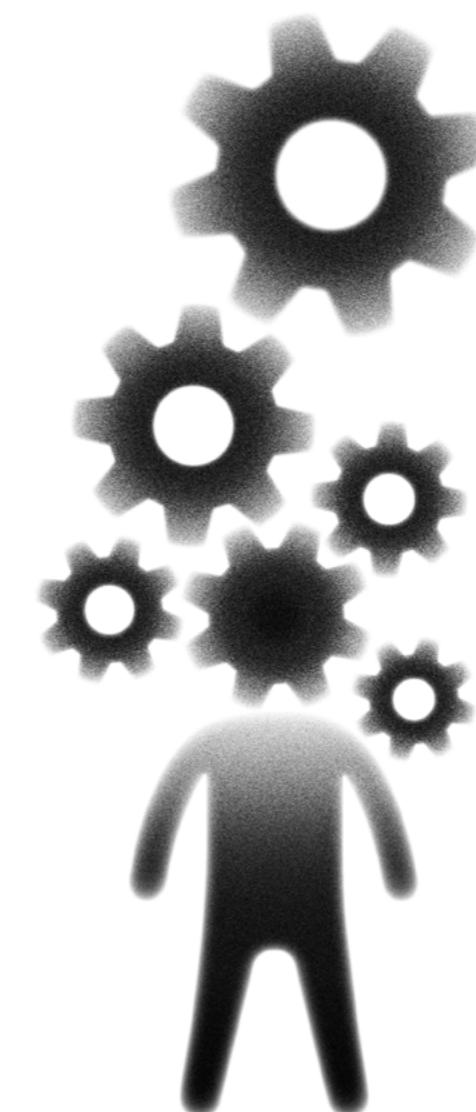
Emma directs IWF's membership and income generation activities with passion and dynamism, and with a strong vision to diversify the funding of IWF.

She is responsible for ensuring IWF is well funded to help it fulfil its goal of an internet free from child sexual abuse material.

Emma oversees the development of IWF's corporate partnerships, public giving and gifts in kind.

She has a degree in marketing and has worked in fundraising and development roles for charities in different sectors including health, disability and the environment.

Emma joined IWF in September 2018.



Trustees' Report

Reference & Administrative Details

Charity Registration Number
1112398

Company Registration Number
03426366

Chief Executive Officer
Ms S E Hargreaves

Senior Management Personnel

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

Board of Trustees

- Claire Bassett
- Giles Crown
Joined 1 September 2019
- Helen Dent
Term expired 31 August 2019
- Jonathan Drori
Term expired 31 August 2019
- Becky Foreman
- Uta Kohl
- Jonathan Lea
- Claire Lilley
Joined 4 June 2019
- Bronagh McCloskey
Joined 4 June 2019
- Jacquie Mellor
Term expired 04 June 2019
- Katie O'Donovan
Term expired 30 April 2019
- John Parkinson
- Sue Pillar
- Andrew Puddephatt
- Ganapathi Subramaniam
Joined 1 September 2019

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

Bankers

Barclays Bank Plc
Mortlock House

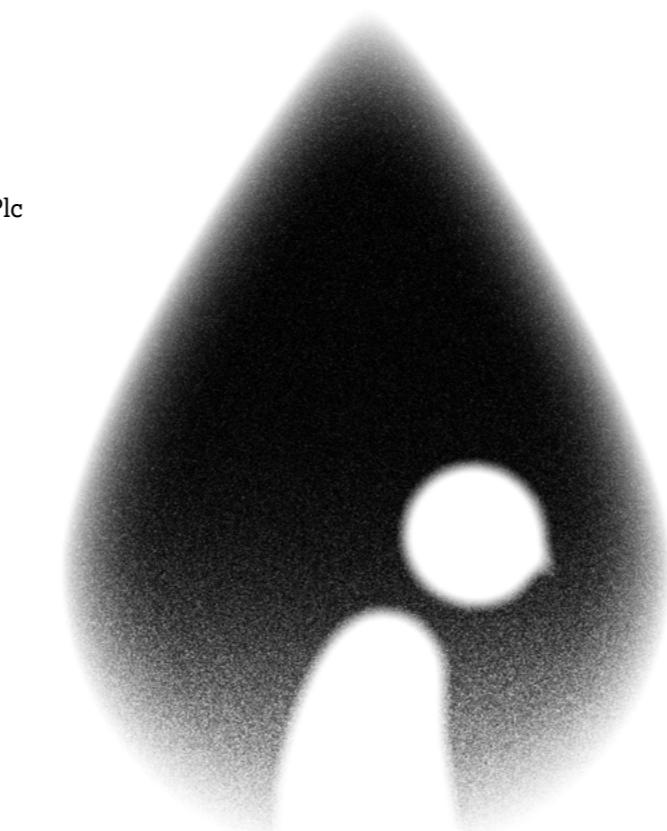
Vision Park
Cambridge

CB24 9DE

Investment Advisors

Rathbones Brothers Plc
8 Finsbury Circus
London

EC2M 7AZ



Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2019. 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 and the prevention of crime relating to offences involving exposure to illegal content on the internet. In coming months, we will be publishing an Impact Report to further demonstrate our effectiveness.

Remit

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

2016-2020 Strategy

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

It is our 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 future strategy is 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.

Our year at-a-glance

We assessed a webpage every 2 minutes. Every 5 minutes, that webpage showed a child being sexually abused.

4 in every 5 times the public chose to report anonymously.

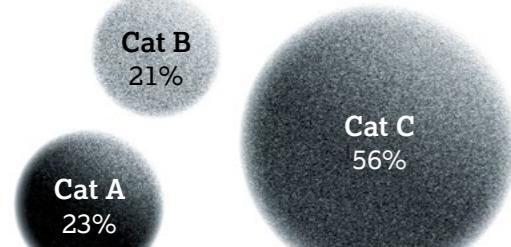
2 in every 7 public reports were accurate. (28%)

229,328

reports assessed

105,047

webpages confirmed as child sexual abuse images or videos



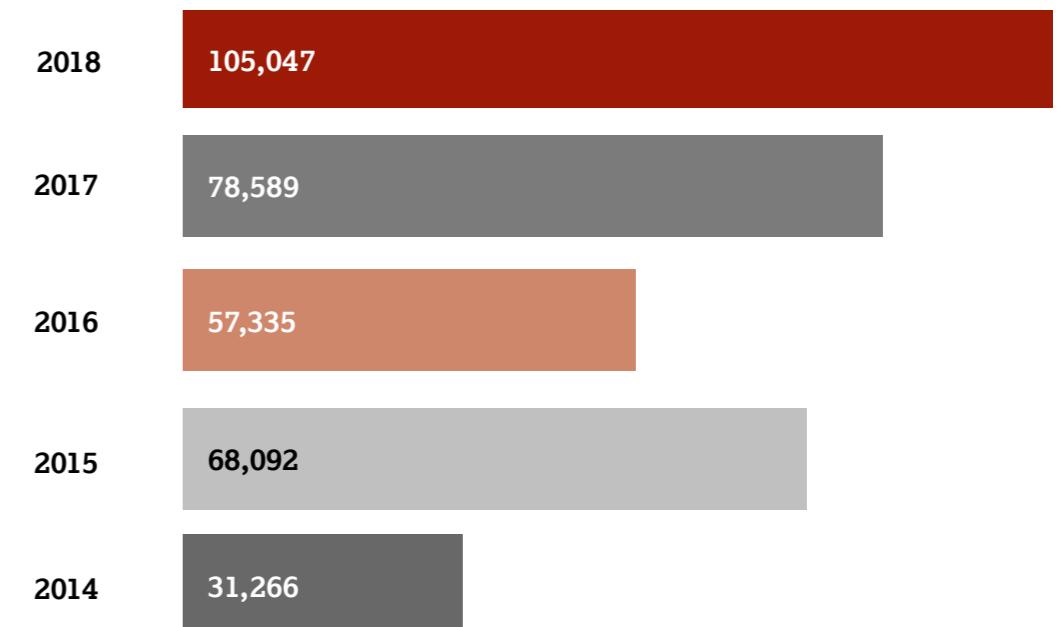
Statistics refer to Jan - Dec 2018.

Since 1996:

1 million webpages assessed by human eyes = millions of criminal images and videos removed

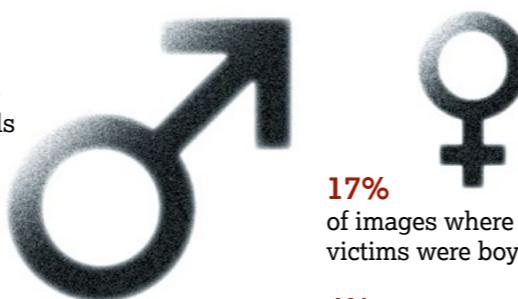
477,595 webpages showing the sexual abuse of children removed since 1996 thanks to the work of IWF Analysts

Child sexual abuse URLs



Who are the children?

78%
of images where
victims were girls



17%
of images where
victims were boys

4%
of images with
both genders

*In a small number of images,
gender could not be identified.*

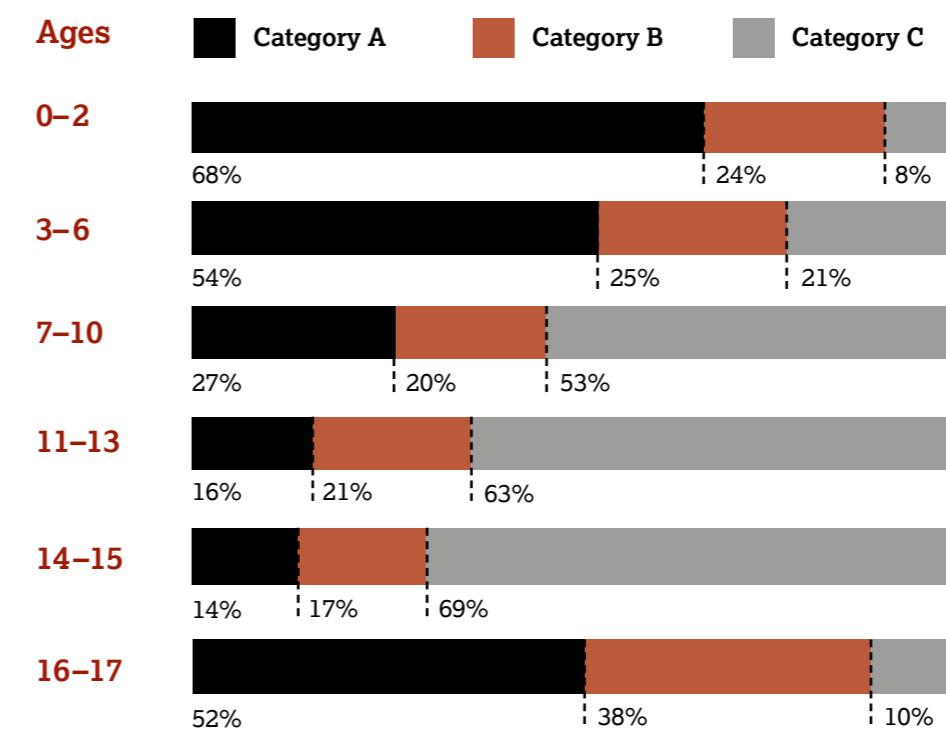
Severity of abuse

Category A: % showing sexual activity between adults and children including rape or sexual torture.

Category B: % of images involving non-penetrative sexual activity.

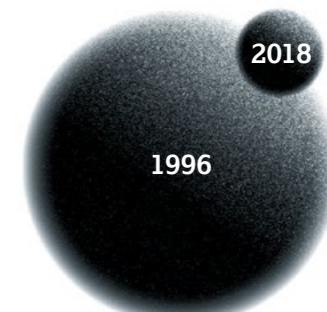
Category C: % of indecent images not falling within categories A or B.

All URLs actioned by age group and severity



*rounded to nearest whole percent.

When we started in 1996, the UK hosted 18% of the known child sexual abuse URLs. In 2018 this figure was just 0.04%



Review of activities and achievements

We are committed to our 2016-2020 Strategy and to continual improvement across all of our activities to ensure we not only fulfil our remit but develop our unique services to industry.

The IWF has been working on some exciting and innovative projects during this financial year alongside our core activities. We have also been laying the groundwork for others that will come to fruition in the near future.

The restructuring that took place during the last financial year is beginning to bear fruit, with progress being made in diversifying our funding and with the development of our technological solutions.

A sample of our key success is shown opposite.

Services

Notice and Takedown

The most effective way to eliminate online child sexual abuse content is to remove it at source. The UK hosts a small volume of online child sexual abuse content and remains an incredibly hostile territory in this respect. When we started in 1996, the UK hosted 18% of the global total – in 2018 this figure was just 0.04%.

We took action on 41 webpages hosting images and videos in the UK in 2018 (a decrease of 85% from 2017) and issued 31 takedown notices. We might send one notice for several webpages and content may have already been removed by the time we get authorisation from the police.

URL List

We provide a list of webpages (URLs) with child sexual abuse content hosted abroad to companies who want to block or filter them for their users' protection, and to prevent repeat victimisation. We update the

list twice a day, removing and adding URLs. During 2018, the list was sent across all seven continents and the average number of URLs on the list per day was 6,046, compared to 3,473 in 2017.

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 2018, the list contained hashes relating to 345,961 individual images, an increase of 50,572 hashes over the course of the year. Of these, just over a quarter of them related to the worst forms of abuse. This means that in 2018, our Analysts reviewed 4,361 images each, alongside reviewing public reports and actively searching for child sexual abuse images and videos.

Keywords List

Paedophiles often create their own language – codes – for finding and hiding child sexual abuse images online. To help counter this, each month we give our Members a list of keywords that are used by people looking for child sexual abuse images online. This is to improve the quality of search returns, reduce the abuse of their networks and provide a safer online experience for internet users. In December 2018, the Keywords List held 453 words associated with child sexual abuse images and videos.

Newsgroups

We are one of only a handful of hotlines in the world that processes reports on newsgroups. Our Hotline team monitors the content of newsgroups and issues takedown notices for individual postings of child sexual abuse imagery. We also provide a Newsgroup Alert to Members, which is a notification of child sexual abuse content hosted on newsgroup services so they can be removed. In 2018 we processed 995 reports alleging child sexual abuse

images hosted within newsgroups. After monitoring newsgroups, we recommended our Members do not carry 348 newsgroups containing child sexual abuse images and videos. This resulted in 29,865 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

Towards the end of this financial year our new NPI (non-photographic image) URL List service went live. 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.

Further information about our Services can be found on our website here.

Successes

The IWF has had considerable success in the last year including the key achievements Susie mentions in her foreword (page five). Alongside these, our team secured a number of significant successes, including the following:

International Reporting Portals

In 2018/19, we have seen considerable growth in the number of IWF Reporting Portals around the world allowing citizens to report suspected child sexual abuse imagery. Overseen by our International Development Manager, eight new portals opened in the last financial year including Zambia, the Democratic Republic of Congo and Belize.

August 2018 also saw the Reporting Portal in India surpass 1,000 reports of suspected child sexual abuse imagery. Our partnership with *Aarambh India* on-the-ground shows how successful the IWF Reporting Portal model is and something we hope to replicate with other nations moving forward.

Our record day

On 27 November 2018 we assessed and verified 2,057 reports of child sexual abuse – the most we've ever completed in one day. We then worked with partners across the globe to have that imagery removed.

Although a huge achievement for our dedicated team of Analysts, this highlights the vast scale of the problem we are seeking to eliminate and the paramount importance of the work we do.

Live Streaming Report

In May 2018 we published our report examining the distribution of live-streamed child sexual abuse online. Funded by Microsoft, the report provided results from a three-month study run by our Technical Projects Officer, Sarah Smith. The study revealed some shocking statistics about the proliferation of live-



hashing and OSINT/SOCMINT.

Other notable success in 2018/19 included (click bullets for more):

- Our campaign with the UK Government and Marie Collins Foundation fighting popular misconceptions about criminal content online.
- We were praised as 'global leaders' in fighting horrific child sexual abuse imagery during our INHOPE assessment.
- Deputy CEO, Fred Langford, became President of INHOPE.
- We scooped the 20th Anniversary Award at the 2018 UK ISP Internet Industry Awards (ISPAS) for our ground-breaking work removing child sexual abuse imagery from the internet.

Financial Review

Income

Our principal funding is received via subscriptions from industry Members and the European Union via their Safer Internet Programme. We also received a grant from *The Global Fund to End Violence Against Children* for our International Portals.

Total income for the year at £3,143k was slightly increased from the previous year, due to an increase in the value of membership subscriptions as well as additional grant funding. At the end of 2018/19 the IWF had 145 members (2017/18 134). Retaining and developing membership is critical to being able to fund our activities.

We currently receive grants from the EU Commission (£505K) and *The Global Fund to End Violence Against Children* (£109K).

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.

With additional income we were able to increase the numbers in our technical team to develop crawlers and other technology to detect content.

Total expenditure of charitable activities at £2,955k represented an increase of 9% over the previous year.

Reserves

IWF generated a surplus of £197k in 2018/19.

IWF's policy is to maintain a level of

reserves which takes into account unexpected changes in income or operations, fluctuations in cash flow and the timescales and commitments in the event of winding up our operations. The Trustees deem it appropriate to maintain unrestricted general funds equivalent to 50% of the expected annual running costs of IWF.

Unrestricted general funds increased by £197k to £2,403k at the end of the 2018/19 financial year, which is slightly higher than our policy. However, the Trustees have already approved plans which will reduce the reserves in 2019/20.

Reserves are invested to maintain their value to IWF, minimising risk and not specifically to generate ongoing income.

Investments

IWF's objective is to maintain the value of its reserves after inflation.

The Trustees have appointed Rathbones Investment Management Ltd as manager of a portfolio containing £500k.

An assessment of attitude to risk has been undertaken and as a result the appropriate investment strategy has been determined as Cautious Growth (Rathbones SAAC3). Key parameters of the mandate are:

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

Fundraising

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

The fundraising strategy for 2019/20 focuses on securing income from corporates through membership and strategic partnerships, and grants from trusts, foundations and the government. Improvements have been made to online donation processes to ensure the public can donate should they wish to, but no targeted approaches will be made directly to the public in the year ahead.

Going concern

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

Structure, Governance & Management

Constitution

The Internet Watch Foundation is an independent registered charity (number 1112398) and is also a company limited by guarantee (registered company number 3426366). The company was incorporated on 29 August 1997 and charitable status was gained on 16 December 2004. The IWF is governed by its Memorandum and Articles of Association as approved on 16 December 2004. These have been regularly reviewed and the most recent version approved in November 2013.

The Board

We are governed by a Board of eleven 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.

The Board elects two Vice-Chairs from within its membership – one

from Industry and one Independent. The Independent Trustee in this case also carries out the role of Senior Independent Director. The Board monitors, reviews and directs the IWF's remit, strategy, policy and budget to help us achieve our objectives and delegates operational management to the CEO.

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

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

Funding Council

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

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

Its role is to:

- Consider policy issues affecting the IWF in order to brief the Board representatives with Members' views.
- Contribute to funds and ensure renewal of funds for the operation of the IWF.
- Advise on the annual IWF budget, significant changes and the use of material unbudgeted surpluses.

- Select three Members for the IWF Board.
- Advise on and approve the Members' code of practice.
- Review and follow their Funding Council Constitution which describes how the Council conducts its business.

Vetting

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

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

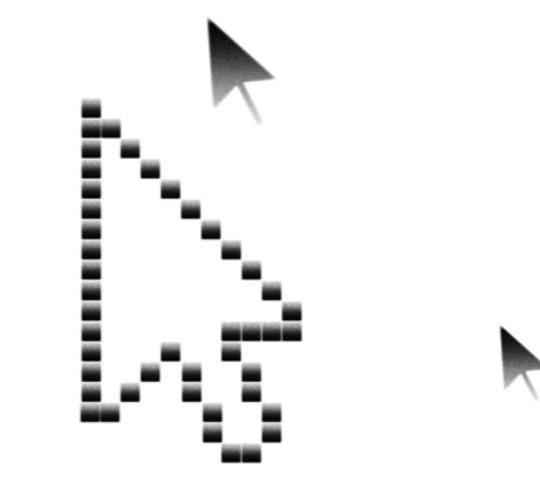
Method of appointment or election of Trustees

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

This Committee comprises the Chair, the two Vice-Chairs and an independent person. In making a selection, the Committee will ensure that the Board has an appropriate balance of skills and experience. All recommendations of the Committee for Board appointments are subject to Board approval.

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

Policies adopted for the induction



Structure, Governance & Management

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 an Audit Committee. The Audit Committee has no delegated power and all major decisions are made by the Board of Trustees.

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

Ethics Committee

In view of the restructuring in July 2018, the Board agreed to disband the Ethics Committee. Any ethical issues (should they arise) were determined to be the responsibility of the Board.

Remuneration of key management personnel

The key management personal are the Trustees; the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Operating Officer, the Communications Director and the Development 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 the ISO27001 Standard.
- Property and assets where IWF has audited procedures in place.
- Relevant legislation changes (such as GDPR).

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

The Audit Committee, comprising Board and SLT representatives, lead our risk management activities, regularly monitoring and reviewing risks via a dedicated Risk Register.

Principal risks and uncertainties include:

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

Mitigation:

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

An Information Security Forum (ISF), that includes the Deputy CEO, meets regularly to maintain and continually improve the ISMS which underpins our compliance to ISO27001. Accreditation to this recognised quality standard remains a top priority. The ISF 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 retired High Court Judge.

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

Statement of Trustees' Responsibility

The Trustees (who are also directors of Internet Watch Foundation) are responsible for preparing the Trustees' Annual Report (including the Strategic 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, which 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:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any

material departures disclosed and explained in the financial statements;

- 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 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:

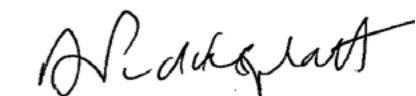
- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Board recommends at the AGM the 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 22/10/19 and signed on its behalf by:



Andrew Puddephatt, OBE
IWF Chair

Our Board of Trustees

1 April 2018 - 31 March 2019



Andrew Puddephatt OBE
Independent Chair

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

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

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

He is an entrepreneur, having founded two social enterprises. Andrew brings a wealth of experience and knowledge to the IWF, more of which is detailed here on our website.



Prof. Jonathan Drori, CBE
Independent Vice-Chair

Jon was appointed in September 2013.

He is Chairman of Ravensbourne University London, Visiting Industrial Professor at Bristol University – specialising in educational technology, and was Chairman of the UK Parliament's Advisory Council on Public Engagement.

Jon was also Director of Culture Online, a UK Government programme to use new technologies in the arts, and Head of Commissioning for BBC Online.

He regularly advises large non-profit organisations on outreach, media and technology strategy and is also a Trustee of the Raspberry Pi Foundation and The Eden Project.



Becky Foreman
Industry Vice-Chair

Becky was appointed in January 2015.

Becky is UK Corporate Affairs Director for Microsoft where she leads the team responsible for delivering a regulatory and reputational environment in which the business can flourish.

She is accountable for building and maintaining effective connections with policy-makers and influencers, making a contribution to Britain which meets the goals of both the business and society, improving the company's reputation among policy-makers and driving the business's wider policy goals.



Claire Bassett
Independent Trustee

Claire was appointed in January 2018.

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

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

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



Helen Dent, CBE
Independent Trustee

Helen was appointed in January 2016.

She has particular experience in child protection and governance in the not-for-profit sector.

Helen's career has included lecturing in social policy, a variety of social work practitioner and management posts, and fulfilling the role of Director for Planning in health and social care at Cambridgeshire County Council.

Helen has held a number of trustee posts in the voluntary sector and public appointments.

She was awarded CBE for services to Children and Families in 2010 New Year Honours.



Uta Kohl
Co-opted Trustee

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

She is a Professor of Commercial Law at Southampton Law School and a qualified barrister and solicitor. Uta has published extensively on internet governance questions, particularly on the transnational challenges of the online world, the role of intermediaries as quasi-regulatory vehicles and online child protection. Her current interest lies in the opportunities as well as the ethical and legal problems arising from the data-driven personalisation in the spheres of politics, markets and law. She frequently presents papers on these issues at international conferences and has been a Visiting Professor in Poland, the Czech Republic, Italy and Hungary.

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

Further information about IWF Trustees can be found on our website [here](#).

Our Board of Trustees

1 April 2018 - 31 March 2019



Jonathan Lea
Independent Trustee

Jonathan was appointed in November 2015.

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

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

Jonathan is currently Chair of the Finance Committee.



Jacquie Mellor
Industry Trustee

Jacquie was appointed in July 2017.

Jacquie is a Senior Regulatory Specialist at Virgin Media, responsible for advising the business on a range of regulatory and public policy matters, with a particular focus on internet regulation and security. Jacquie is a qualified solicitor and has worked in a variety of legal, regulatory and public policy roles, gaining a broad range of commercial and regulatory experience.



Katie O'Donovan
Industry Trustee

Katie O'Donovan is Head of Public Policy for Google UK. Katie is responsible for engagement with the UK government to ensure Britain remains a world-leading digital economy and Google continues to meet its commitments to responsible innovation.

Katie sits on the board of youth charity Red Thread, has been a board member for UKCISS and is a Policy Fellow at Cambridge University.

Prior to her time at Google Katie established the Communications and Policy team at Mumsnet, and worked in politics, both for Prime Minister Tony Blair and David Miliband.



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 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 a Modern Slavery and Anti-Trafficking Network and the Chair of CENTRIC (Centre of Excellence for Research into Terrorism, Resilience, Intelligence & Organised Crime).

He has wide international experience as a strategic policy advisor for security and terrorism issues.



Sue Pillar
Independent Trustee

Sue was appointed in January 2014.

Sue was the Director of Volunteers Operations with SSAFA (Soldiers, Sailors, Airmen and Families Association), a world-wide welfare charity supporting the Armed Forces, Veterans and their families. Prior to this, she was a serving army officer retiring as Lieutenant Colonel, the Commanding Officer of 3 Military Intelligence Battalion.

Commissioned from Sandhurst in 1994, Sue has served on operational tours across the globe.

Further information about IWF Trustees can be found on our website [here](#).

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

For the year ended 31 March 2019

Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2019 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 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Use of this Report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helena Wilkinson
BSc FCA DChA
(Senior Statutory Auditor)

for and on behalf of:

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

Date: 11.11.2019

Statement of financial activities
(including income and expenditure account)
For the year ended 31 March 2019

	Notes	Unrestricted £	Restricted £	2019 Total £	2018 Total £
INCOME					
Donations	2	3,370	-	3,370	5,728
Charitable Activities	3	2,501,841	614,408	3,116,249	2,882,013
Other trading activities	4	19,786	-	19,786	29,813
Investment Income	5	4,175	-	4,175	2,487
Total Income		2,529,172	614,408	3,143,580	2,920,041
EXPENDITURE					
Charitable activities	6	(1,934,599)	(1,019,966)	(2,954,565)	(2,845,408)
Total expenditure		(1,934,599)	(1,019,966)	(2,954,565)	(2,845,408)
Net gain on investment		7,942	-	7,942	-
Net income / (expenditure) in the year		602,515	(405,558)	196,957	74,633
Transfers between funds	18a	(405,558)	405,558	-	-
Net movement in funds		196,957	-	196,957	74,633
Reconciliation of funds: Total funds brought forward	18b	2,206,067	-	2,206,067	2,131,434
Total funds carried forward	18a	2,403,024	-	2,403,024	2,206,067

All amounts relate to continuing activities of the company. The Statement of Financial Activities includes all gains and losses recognised in the year. The notes to the accounts are shown on pages 29 to 39.

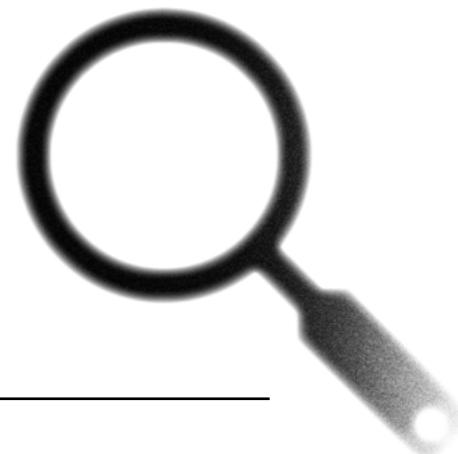
Company balance sheet
For the year ended 31 March 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible fixed assets	12	25,060	70,372
Investments	14	506,832	2
TOTAL FIXED ASSETS		531,892	70,374
CURRENT ASSETS			
Debtors	15	1,294,066	559,396
Investments – cash deposits		212,069	210,851
Cash at bank and in hand		2,428,881	3,223,646
TOTAL CURRENT ASSETS		3,935,016	3,993,893
LIABILITIES			
Creditors: amounts falling due within one year	16	(2,063,884)	(1,858,200)
NET CURRENT ASSETS		1,871,132	2,135,693
TOTAL NET ASSETS		2,403,024	2,206,067
FUNDS OF THE CHARITY:			
Unrestricted funds:			
General funds	18	2,403,024	2,206,067
Restricted funds	18	-	-
TOTAL FUNDS		2,403,024	2,206,067

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

The attached notes on pages 29 to 39 form part of these financial statements.

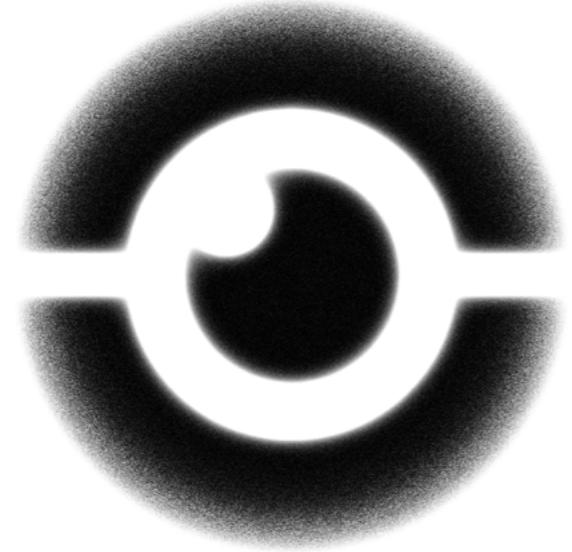
The financial statements were approved by the Board of Trustees on 22/10/19 and signed on their behalf by Andrew Puddephatt, OBE:



Statement of cash flows

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Cash Flows from Operating Activities			
Net cash (used in) / provided by operating activities	20	(276,112)	233,932
Cash Flows from Investing Activities			
Dividends and interest from investment		205	-
Purchase of investments		(515,081)	-
Investment disposal proceeds		14,875	
Purchase of property, plant and equipment		(21,610)	(8,597)
Bank interest received		4,176	2,487
Change in cash and cash equivalents in the reporting period		(793,547)	227,822
Cash and cash equivalents at the beginning of the reporting period		3,434,497	3,206,675
Cash and cash equivalents at the end of the reporting period	21	2,640,950	3,434,497



The attached notes on pages 29 to 39 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2019

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 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements are prepared on a going concern basis and are presented in sterling, which is the functional currency of the charity.

These financial statements are rounded to the nearest £.

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

b) Going Concern

The trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

c) Legal status of the Charity

The charitable company number and registered office address are included on the reference and administration page of these

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

d) Fund accounting

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

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

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

e) Income

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

Subscription fee income represents amounts receivable based upon the services provided. When their economic benefit is probable, it can be measured reliably and the

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

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

Grants – Grants are included as incoming resources when these are receivable.

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

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

f) Expenditure

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

Notes to the financial statements (continued)

For the year ended 31 March 2019

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 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

The charities functional and presentational currency is GBP.

Transactions and balances

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.

q) Significant Accounting Estimates

No significant judgements, accounting estimates or assumptions have been made by management in applying the charity's accounting policies.

2. Donations

	2019 £	2018 £
Donations	3,370	5,728
	<hr/> <hr/>	<hr/> <hr/>
	3,370	5,728

All donations received in 2019 and 2018 relate to unrestricted funds.

3. Income from Charitable Activities

	2019 £	2018 £
Subscription fee income	2,466,055	2,392,434
EU grant income	505,478	385,051
The Global Fund to End Violence Against Children grant income	108,930	78,528
International services	-	26,000
Miscellaneous income	35,786	-
	<hr/> <hr/>	<hr/> <hr/>
	3,116,249	2,882,013

Income from charitable activities was £3,116,249 (2018 - £2,882,013) of which £650,194 (2018 - £463,579) was attributable to restricted and £2,466,055 (2018 - £2,418,434) was attributable to unrestricted funds. During the year a grant of £505,478 was received from the EU, further details of the amounts spent during the year and carried forward at the year end are included in note 18a.

Notes to the financial statements (continued)

For the year ended 31 March 2019

4. Other trading activities

	2019 £	2018 £
Rent	4,195	5,228
Other	<u>15,591</u>	<u>24,585</u>
	<u><u>19,786</u></u>	<u><u>29,813</u></u>

All trading income received in 2019 and 2018 relates to unrestricted funds.

5. Investment Income

	2019 £	2018 £
Bank interest	<u>4,175</u>	<u>2,487</u>
	<u><u>4,175</u></u>	<u><u>2,487</u></u>

All trading income received in 2019 and 2018 relates to unrestricted funds.

6a. Analysis of expenditure by activity

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

6b. Analysis of expenditure by activity

	Direct costs £	Support costs £	2018 costs £
Charitable activities:			
Minimise criminal internet content	<u>1,962,833</u>	<u>882,575</u>	<u>2,845,408</u>
	<u><u>1,962,833</u></u>	<u><u>882,575</u></u>	<u><u>2,845,408</u></u>

Included within expenditure above is £1,934,599 (2018: £1,958,968) in relation to unrestricted funds and £1,019,966 (2018: £886,440) in relation to restricted funds.

7. Analysis of support costs

	2019 £	2018 £
Finance and legal	96,028	43,367
Human resources	540,110	428,942
IT	37,245	44,443
Premises	150,107	147,085
General office costs	132,491	114,496
Other	6,142	30,288
Governance	65,678	73,954
	<u><u>1,027,801</u></u>	<u><u>882,575</u></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

	2019 £	2018 £
Audit fees	6,350	6,025
Accountancy fees paid to auditor	2,210	2,768
Accountancy fees	3,398	-
Cost of Trustees' meetings	15,200	25,330
Chairs fees	31,250	24,775
Trustee recruitment and training	7,270	15,056
	<u><u>65,678</u></u>	<u><u>73,954</u></u>

Notes to the financial statements (continued)

For the year ended 31 March 2019

9. Analysis of staff costs and key management personnel

	2019 £	2018 £
Wages and salaries	1,478,129	1,296,019
Social security costs	162,386	136,798
Pension	174,619	180,896
	1,815,134	1,613,713

The average monthly head count was as follows:

	2019 Number	2018 Number
Charitable activities	38	36

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

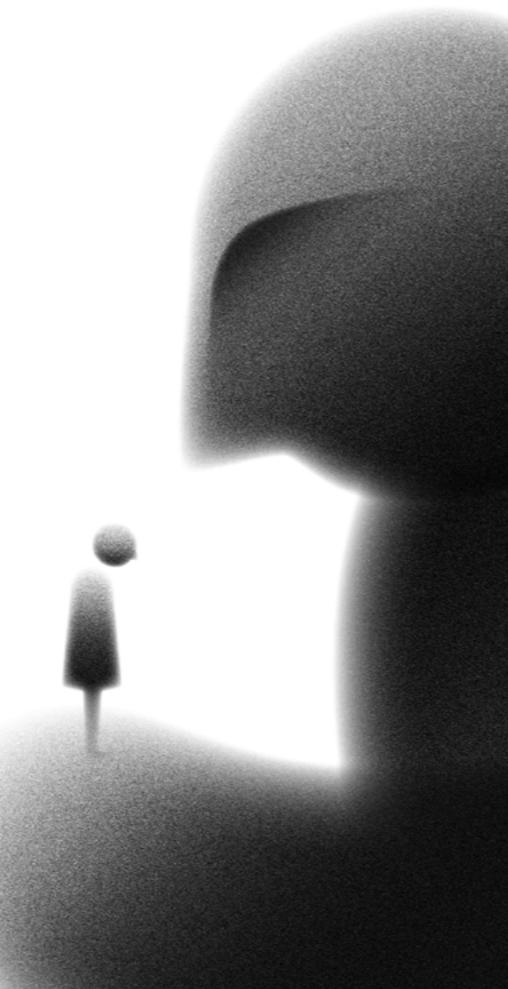
	2019 Number	2018 Number
£ 70,001 - £ 80,000	1	2
£ 90,001 - £ 100,000	1	1
£ 120,001 - £ 130,000	1	1
	3	4

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £31,250 (2018: £24,775) during the year in respect of his duties in office. This sum is included within governance costs.

Section 6 of the Memorandum of Association of Internet Watch Foundation permits payments to a maximum of 3 Trustees attending each board meeting. During the year, a total of £Nil (2018: 3) Trustees were paid in respect of their duties and these amounted to a total of £Nil (2018: £7,735).

In 2019, 5 Trustees (2018: 7) received reimbursements of expenses for travel and subsistence amounting to £5,866 (2018: £14,083).

The charity considers its key management personnel to comprise of 5 people. During the year, the total employment benefits of these 5 key management personnel, including social security and pension was £414,751 (2018: £447,212).



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 £174,619 (2018: £180,896). There were no outstanding contributions payable to the pension fund at the balance sheet date (2018: £nil).

11. Net income

	2019 £	2018 £
Net income is stated after charging:		
Depreciation of charitable assets owned by group	66,922	62,449
Auditors remuneration:		
- for audit services	6,350	6,025
- for non-audit services	5,608	2,768
Operating lease costs for land and buildings	203,625	203,625
Operating lease costs for equipment	2,588	2,588
	—	—

12. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost:				
At 31 March 2018	250,857	16,092	197,736	464,685
Additions	-	6,148	15,462	21,610
At 31 March 2019	250,857	22,240	213,198	486,295
Depreciation:				
At 31 March 2018	200,566	16,092	177,655	394,313
Charge for the year	50,291	935	15,696	66,922
At 31 March 2019	250,857	17,027	193,351	461,235
Net book value:				
At 31 March 2018	50,291	-	20,081	70,372
At 31 March 2019	-	5,213	19,847	25,060

Notes to the financial statements (continued)

For the year ended 31 March 2019

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. The company has been dormant since 2017.

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2018: £2).

14. Investments

	2019	2018	
	Unrestricted	Restricted	2019
	£	£	£
Current assets	2	2	
Current liabilities	-	-	
Net assets	<u>2</u>	<u>2</u>	
Investment portfolio			
Market value at 1 April 2018	-	-	-
Additions	515,081	-	515,081
Disposal proceeds	(14,875)	-	(14,875)
Realised losses	(43)	-	(43)
Unrealised Gains	6,667	-	6,667
Market value at 31 March 2019	<u>506,830</u>	<u>-</u>	<u>506,830</u>
Analysed as follows:			
UK Fixed Interest Securities			2019
			£
			12,687
Quoted UK Equities			147,546
Quoted Overseas Equities			117,544
Alternative markets			69,645
Cash			159,408
			<u>506,830</u>

15. Debtors

	2019	2018
	£	£
Trade debtors	905,858	333,364
Other debtors	107,077	107,365
Prepayments and accrued income	<u>281,131</u>	<u>118,667</u>
	<u>1,294,066</u>	<u>559,396</u>

16. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	72,789	79,075
Accruals and deferred income	<u>1,991,095</u>	<u>1,779,125</u>
	<u>2,063,884</u>	<u>1,858,200</u>

Deferred income – current year

	2019	2018
	£	£
Deferred income at 1 April	1,340,643	1,727,568
Income deferred during the year	1,345,458	1,340,643
Amounts released from previous years	<u>(1,340,643)</u>	<u>(1,727,568)</u>
Deferred income at 31 March	<u>1,345,458</u>	<u>1,340,643</u>

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

17. Leases

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

	Land and Buildings	Equipment	Equipment
	2019	2018	2019
	£	£	£
No later than one year	203,625	203,625	2,588
Later than one year and no later than five years	831,469	19,967	5,176
	<u>1,035,094</u>	<u>223,592</u>	<u>7,764</u>



Notes to the financial statements (continued)

For the year ended 31 March 2019

18a. Fund analysis - current year

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

18b. Fund analysis - prior year

	Balance at 01/04/2017 £	Income £	Expenditure £	Transfers £	Balance at 31/03/2018 £
Unrestricted funds					
General fund	1,931,434	2,456,462	(1,836,124)	(345,705)	2,206,067
Total general fund	1,931,434	2,456,462	(1,836,124)	(345,705)	2,206,067
Designated funds					
IT replacement fund	100,000	-	(97,624)	(2,376)	-
Membership development fund	100,000	-	(25,220)	(74,780)	-
Total designated funds	200,000	-	(122,844)	(77,156)	-
Total unrestricted funds	2,131,434	2,456,462	(1,958,968)	(422,861)	2,206,067
Restricted funds					
EU SIC UK IV	-	385,051	(770,102)	385,051	-
The Global Fund to End Violence Against Children	-	78,528	(116,338)	37,810	-
Total restricted funds	-	463,579	(886,440)	422,861	-
Total funds	2,131,434	2,920,041	(2,845,408)	-	2,206,067

18c. Funds analysis – description of funds

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

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

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

19. Related party transactions

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

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

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

	2019 £	2018 £
Net income for the reporting period (as per the statement of financial activities)	196,957	74,633
Adjustments for:		
Depreciation charges	66,922	62,499
(Gains) / Losses on investment	(6,625)	-
(Increase) / Decrease in debtors	(734,670)	354,707
Increase / (Decrease) in creditors	205,684	(255,420)
Bank interest received	(4,175)	(2,487)
Dividends received from investments	(205)	-
Net cash provided by operating activities	(276,112)	233,932

21. Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand	2,428,881	3,223,646
Investments – short term deposits	212,069	210,851
Total cash and cash equivalents	2,640,950	3,434,497

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