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2005 Annual and Charity Report

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Home Office Minister Paul Goggins speaking at the IWF's 'Wipe it out' event

Mission

To work in partnership with internet service providers, telecommunications companies, mobile operators, software providers, the police, the Government and the public to minimise the availability of online illegal content, particularly child abuse images.

Vision

Combating child abuse images online

Role

To minimise the availability of potentially illegal internet content specifically:

- images of child abuse hosted anywhere in the world
- criminally obscene content hosted in the UK
- criminally racist content hosted in the UK

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Remit

To foster trust and confidence in the internet among current and future fixed and mobile internet users by:

1. Operating a hotline to enable the public to report instances of potentially illegal child abuse images hosted anywhere in the world, criminally obscene content and criminally racist content hosted in the UK, for example via websites, newsgroups, mobile services or other online services.
2. Promoting wider education and awareness of its functions and role and those of other key players such as government departments, law enforcement and consumer bodies.

To assist service providers to combat the abuse of their systems for the dissemination of criminal content by:

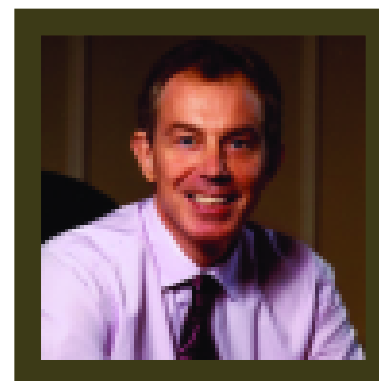
1. Operating a notice and take-down service to alert hosting service providers of criminal content found on their servers.
2. Recommending that internet service providers should not carry certain newsgroups in accordance with policy guidelines adopted by the IWF Board.
3. Acting as a relevant authority in accordance with the Memorandum of Understanding concerning Section 46 of the Sexual Offences Act 2003.

To assist law enforcement in the fight against criminal content on the internet by:

1. Combating the dissemination on the internet of potentially illegal content, that is, child abuse images, criminally obscene and criminally racist content.
2. Passing details of reports relating to potential illegal child abuse images hosted on servers outside the UK to the relevant national hotline or Interpol via the National Crime Squad.
3. Working closely with the police, lending our expertise to help trace the individuals responsible for such criminal activity online.

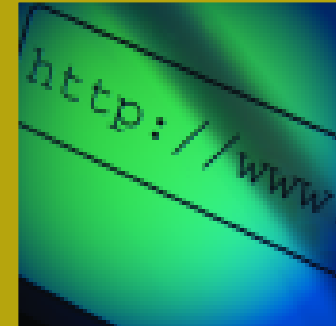
"The UK has perhaps the world's best regime for tackling child pornography, the Internet Watch Foundation, and we continue to work closely with the industry, law enforcement agencies and children's charities to seek ways of protecting children from abuse"

Tony Blair
Prime Minister



UK successful in tackling illegal web content

0.4% of potentially illegal child abuse content
reported to the Internet Watch Foundation
(IWF) in 2005 was hosted in the UK



Key Information

- 23,658 reports processed in total
- 6,128 reports made to law enforcement agencies
- Only 0.4% of potentially illegal child abuse content hosted in the UK
- No instances of criminally obscene content hosted in the UK
- No instances of criminally racist content hosted in the UK
- 40% of potentially illegal child abuse content traced to the US
- 28% of potentially illegal child abuse content traced to Russia
- 17% of potentially illegal child abuse content traced to Asian countries including Thailand, China, Japan and South Korea
- 13% of potentially illegal child abuse content traced to Europe
- 156 intelligence reports relating to UK offenders were passed to police
- 211 newsgroups are now listed as potentially illegal in the UK
- 226 notices were issued to internet service providers to take-down a further 12,777 images that were published in newsgroups not included in the 211 listed
- 47% of potentially illegal child abuse websites were commercial Pay-Per-View
- 70% of all commercial Pay-Per-View websites appear to be hosted in either Russia or the US
- There has been a shift away from credit card transactions to alternative electronic payment systems for child abuse content sold on commercial websites
- Every report to our hotline processed within 24 hours
- We converted from not-for-profit company to charitable status
- We collaborated with all the major search engine providers resulting in the publication of a good practice guide for search provider companies and internet users



Richard Allen MP talking to IWF Chair, Roger Darlington at the IWF's House of Commons exhibition



IWF staff with representatives from T-Mobile at the IWF's House of Commons exhibition



Roger Darlington, Chair, IWF and Brian White MP



IWF Chair Roger Darlington presents ISPA Chair, Jessica Hendrie-Liaño with their award at the Achievements and Champions reception



"The Internet Watch Foundation is a hugely successful example of self-regulation in action. There is a determination amongst its members, law enforcement agencies and Government to eradicate child abuse images in the UK and I pay tribute to Roger Darlington as he stands down after six years for his contribution and vision in progressing that partnership. I look forward to working with Amanda Jordan in the years to come as we continue our work in protecting children."

Paul Goggins MP

Under Secretary of State at the Home Office

Chairs' Reports

Achievements – outgoing Chair

I have now completed my two terms, comprising a total of six years, as the first independent Chair of the IWF. Along the way, there have been some tough issues to resolve and some difficult situations to face, but the organisation now has effective policies and sound governance structures and it is better resourced and better managed than it has ever been. This last year has seen us seek and obtain charitable status which will provide us with a number of financial advantages.

So it has been an immensely enjoyable and rewarding experience and I thank all the Board members, all the Funding Council members and all the IWF staff with whom I have served

over this period for their commitment to and support of the organisation. Together we have proved that self-regulation of the internet can work, we have provided a safer environment for web users, and above all we have reduced the availability of child abuse images online.

The challenge for the future is to bring that same commitment and that same effectiveness to other countries where child abuse images are hosted, notably Russia and the United States where the majority of such material is to be found. I am sure that this will be a priority for the organisation over the next year or two, as we explain to other nations the procedures we have worked out with our

partners in industry and seek the co-operation of international partners to cut substantially the availability of child abuse material wherever it is hosted.

I am pleased that 2005 was such a success for the IWF both operationally and financially and feel confident that the organisation will continue to enhance its effectiveness and reputation in the years ahead. I am delighted that the Board has chosen someone of the calibre of Amanda Jordan to succeed me as Chair and I wish her every success in the post.

Roger Darlington

Chair 2000-2005

Looking Forward – incoming Chair

I am very pleased to have been appointed to take over the Chair's position from Roger Darlington. I wish to associate myself with the comments of others in acknowledging the significant contribution he has made in leading the organisation over six years.

The IWF will continue to face challenges in the future. The pace of change and technological advancement will continue and for the most

part the provision of services that will help and assist internet users to enjoy their online experience will constantly evolve. However, in partnership with the innovators, commercial enterprises, governments, police and all other responsible bodies, the test as always will be to ensure that innovation is not stifled or spoilt by those who engage in illegal activities to the detriment of the majority.

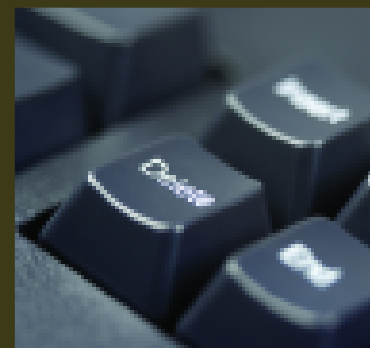
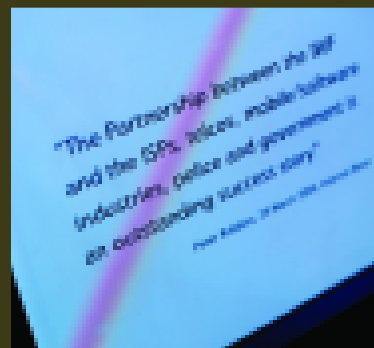
I look forward to playing my part in developing the self-regulatory partnership model that has been so successfully created as the online environment thrives.

Amanda Jordan OBE

Chair – Current



Peter Robbins, CEO, IWF speaking at the IWF 'Wipe it out' event



Richard Allen MP, Roger Darlington, Chair, IWF and Peter Robbins, CEO, IWF



IWF CEO, Peter Robbins and Home Office Minister, Paul Goggins

Chief Executive's Report

Achievements

So it's time to say 'farewell' to our Chair Roger Darlington after six very successful years at the helm. It is my privilege to publicly thank him on behalf of all our supporters for his dedication and commitment. The partnership that exists between all our stakeholders, across the internet and mobile industries, financial sector, the Government, police, the European Union and many others is seen as an exceedingly successful model of co-operation and one to which other countries aspire. It is a tribute to his leadership. We wish him well in his future endeavours.

For the last two years child abuse content traced to servers hosted in the UK has been less than 1%. We are pleased to announce that this year only 0.4% of the child abuse content complained of was hosted in the UK. On those rare occasions when it is hosted in the UK, the internet service providers are swift to have the content removed and the police are quick to have the publisher investigated. This outstanding situation has not happened by chance. It is entirely due to the determination of all our stakeholders to confront the issue and adopt policies and practices to make the UK a hostile place for anyone seeking to distribute or view such images.

Our core funders have now grown to over 60. Many who have the ability to block and filter websites deploy our comprehensive Child Abuse Image (CAI) URL data. This has been a significant development as over 99% of the child abuse websites we identify are hosted abroad so any steps taken by UK companies to prevent their customers from being inadvertently exposed to such images wherever they originate in the world is to be applauded. Such has been the level of interest in this initiative that we are now fielding questions from internet service providers, governments and police agencies around the globe.

Looking Forward

There is no doubt that the pace of change in the technological environment in which we operate will continue to provide us with enormous challenges. Methods used to host and distribute child abuse content are constantly shifting so the sharing of knowledge, expertise and good practice measures between all our partners is essential if this problem is to be defeated.

We intend to develop further measures to enhance our response to the intense public interest in what we do, including the provision of an appropriate response to the needs of diverse stakeholders at home and abroad. We aim to increase our membership and

supporters to prove to the world that our partnership model is worth emulating.

We look forward to working with the staff at the soon to be created Child Exploitation and Online Protection Centre. This centre will concentrate on dealing with victims and suspected offenders who exploit children. We will continue to carry out our function of assessing content that is mostly traced to countries abroad and therefore outside the jurisdiction of UK law enforcement agencies and liaising with hotlines around the world to have child abuse images removed from the internet.

I started by saying goodbye to our outgoing Chair and I will close by welcoming Amanda Jordan OBE as our new Chair. In this fast moving technological age we are delighted Amanda is joining us as we rise to the new challenges ahead of us.

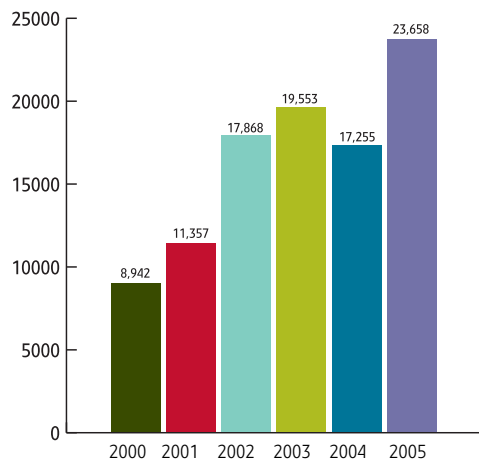
Peter Robbins QPM
Chief Executive



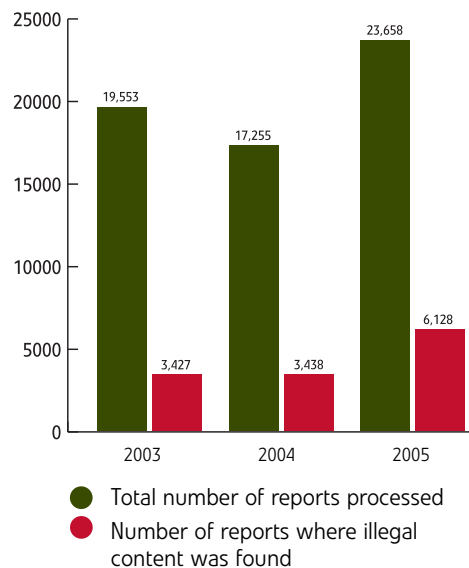
Significant Trends

Potentially illegal content hosted in the UK remains low with only 0.4% of child abuse content traced to the UK, and no instances of criminally obscene or criminally racist content traced to the UK.

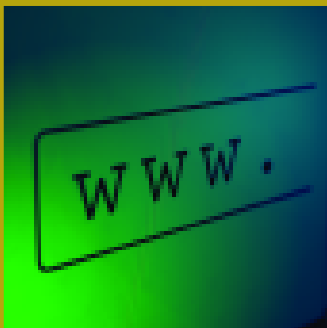
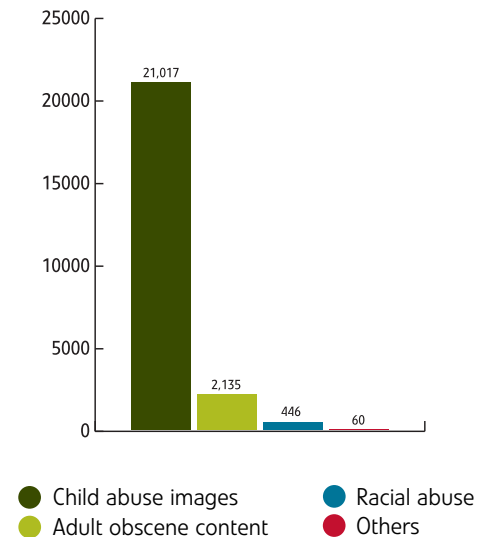
Number of reports received



Proportion of reports where illegal content was found



Reports by category



“When we receive an IWF report via Interpol, of a suspect illegal website, action is taken. It is only through such international co-operation that child abuse images on the internet can be tackled”

Bogdan Udrea Principal Inspector

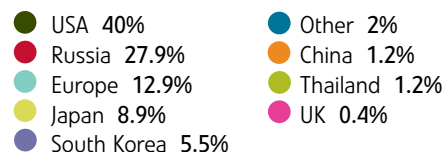
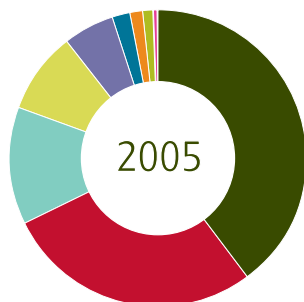
Romanian General Directorate of Countering Organised Crime Cybercrime Division

We trace potentially illegal content to the country where the internet service provider hosting or providing internet services for the content appears to be located.

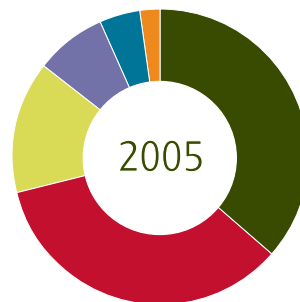
Commercial or Pay-Per-View websites accounted for 47% of potentially illegal sites reported to the IWF.

Non commercial or sharing sites accounted for 53% of potentially illegal sites reported to the IWF.

Potentially illegal content by country



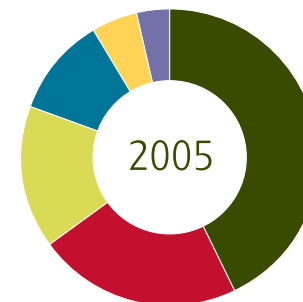
Commercial child abuse content by country



Where payment is required to gain access to child abuse content we have seen a shift away from credit card transactions to alternative electronic payment systems. One system in particular apparently affords the subscriber anonymity.

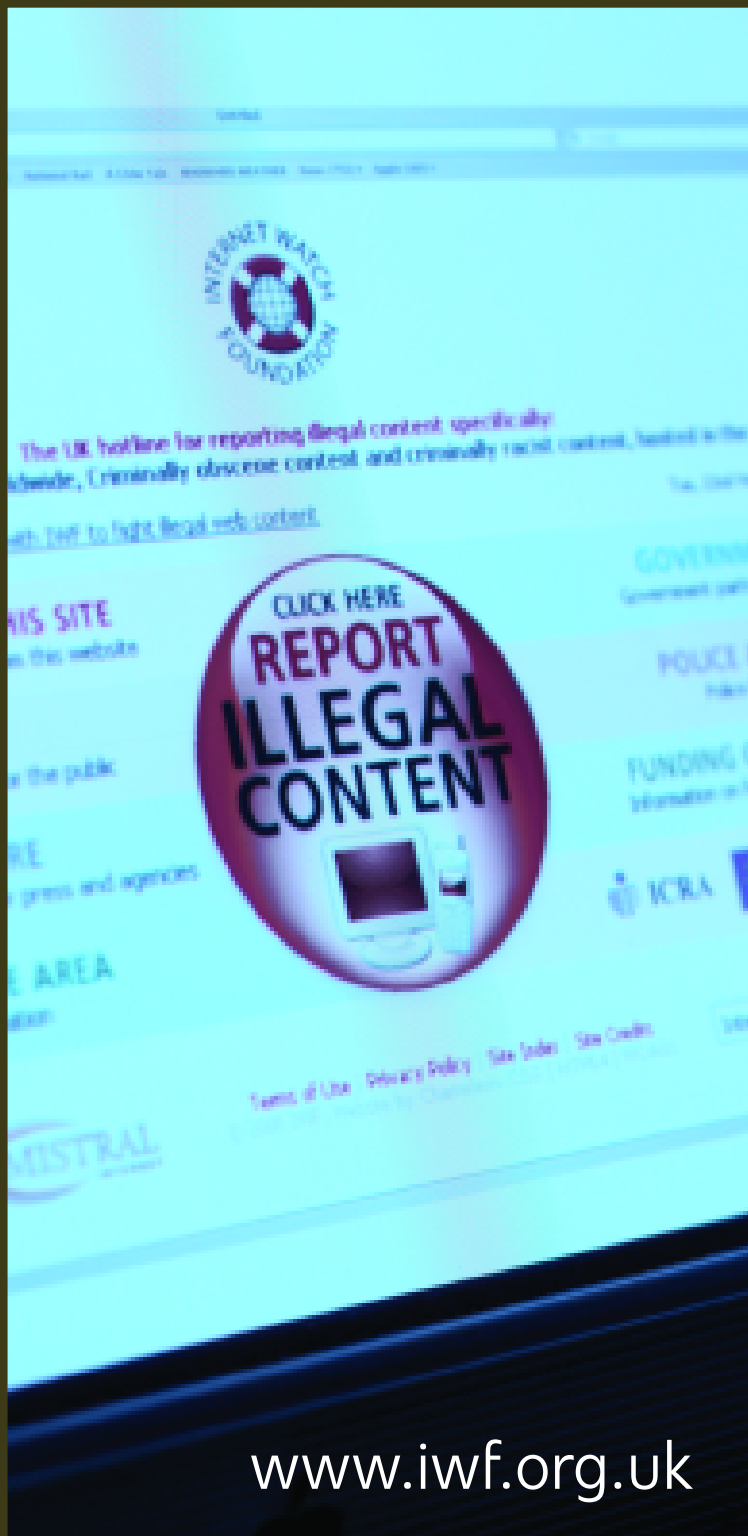
Several Pay-Per-View sites which contain potentially illegal images continue to be available as they regularly move internet service provider to avoid detection and possible legal action. For example, a specific site was first noticed and reported to police in October 1999. Since that date IWF has made 22 reports to international law enforcement agencies regarding that site, yet the site continues to remain available as it constantly changes servers.

Free-To-View potentially illegal content by country



Offenders are making greater use of message boards to share child abuse images. In general, the main discussion boards are devoid of images but they are used to advertise the whereabouts of available images for sharing. The images are generally posted on free hosting services or other message boards in Asia (including Japan, South Korea, Thailand, China and others).

Some free hosts especially in Europe are being used by Pay-Per-View sites to promote their web site and thus distancing the original site from the advertisement. Access to the main site is only available once a user has subscribed.



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Hotline

Achievements

United Kingdom

Combating potentially illegal internet content through our Hotline operation is the core of our service. 2005 has proven to be our busiest and most productive year yet.

Only 0.4% of the websites that were found to contain potentially illegal content were hosted by UK providers and we are pleased to say that in every instance the UK police and internet providers reacted swiftly when we advised them of a problem. The content was removed and the evidence preserved.

International

We are a founding member of the Internet Hotline Providers' Association (INHOPE) the network of European and international hotlines. Frank Glen, our Operations Manager, currently serves as their Vice-President. INHOPE now has a presence in 23 countries

around the globe. This progressive network enables us to send information on child abuse websites to the country apparently hosting them at the speed of an email. With partner hotlines in countries as far off as South Korea and Australia we are part of a powerful network combating child abuse images with a truly global reach. We referred 3,450 reports to INHOPE partners in 2005.

Where child abuse images are hosted in countries that do not have an INHOPE hotline, we work with the National Crime Squad's (NCS) Paedophile Online Investigation Team (POLIT) who pass our notifications to Interpol to be referred to law enforcement agencies in the country that apparently hosts the potentially illegal content.



Looking Forward

The pace of innovation will inevitably lead us all to experience new online services. Unfortunately, where content can be shared there remains a significant risk that individuals who have a predisposition to viewing images of children being abused will also exploit new technology to their own ends. We continue to work with all our partners, keeping up-to-date with their new services and recommending procedures, where applicable, to minimise any abuse of their networks.

Illegal websites changing location

We constantly monitor known child abuse websites to ensure the accuracy of our Child Abuse Images (CAI) URL list that we provide to our members for blocking and filtering purposes. This process provides us with an audit trail of web sites that move from country to country. This provides a rich source of information to our law enforcement partners to enhance their effectiveness in tackling criminals across the world.



During 2005 the hotline was visited by official delegations from the Chinese and South African Governments to view our operations and learn from our success.

Newsgroups

In 2005 we reviewed our newsgroup practices and policies. This resulted in an additional 90 newsgroups being identified as potentially illegal because their names constituted advertisements for child abuse images. As a consequence of this increase, coupled with newsgroups that fail our regularity policy, the total number of newsgroups considered to be potentially illegal, under UK law, is 211. In addition we issued take-down notices to UK news group providers of a further 12,777 illegal images which had been posted in unrelated groups (groups not normally associated with illegal content). The introduction of a bespoke software application developed by Microsoft has greatly enhanced our efficiency in this area.

Police

From reports received, we passed intelligence to the police regarding more than 150 UK citizens who members of the public had alleged were of concern. Our information has accounted for 14 arrests with one offender receiving four years imprisonment for grooming a child for sex and another six years imprisonment for offering his step-daughter for sex. At present we are assisting in over 20 different police enquiries.

A word of thanks

The reason we can develop public tips into such productive and useful information is due to the continued hard work, dedication and professionalism of our specially trained Internet Content Analysts who partner with police in developing skills and understanding of new technologies. Our Analysts deal with the most abhorrent of internet content on a daily basis to help make the internet a safer place for all.

Internet Protocol (IP) address registrations

Ensuring that IP registries contain correct information is vital for accurately locating web sites that contain child abuse images and other illegal content or activity. We wish to highlight two main issues:

- IP address hijacking
- False registrant details

It should be possible to stop IP address hijacking at a regional level. There is no reason for an IP address block that has been assigned to one Regional Internet Registry (RIR), for example RIPE in Europe, to be re-registered under another RIR such as APNIC in Asia and then routed through yet another.


False registrant details initially supplied to internet service providers for registering within RIR databases are often difficult to spot as many of the contact details supplied are legitimate addresses and phone numbers.

RIRs are responsible for the allocation of IP space at the top level therefore they should take steps to stop the abuse of IP space where possible.

Further challenges lie in the areas of masking IP routing, encryption techniques and the continual attempts to hide the true location of child abuse material on the internet.

We hope that we will be able to launch a project in conjunction with our INHOPE partners to analyse all the websites considered to be potentially illegal according to the laws of the various countries. This data would assist in establishing the scale and scope of potentially illegal child abuse websites. Information gleaned from such a project would certainly help European and international law enforcement agencies concentrate on the organisations behind many of the websites that cause concern.





"I am pleased by the success of our ground-breaking alliance between business, NGOs and Government – more specifically between the Internet Watch Foundation, law enforcement authorities and internet content service sectors who have achieved more in a year without legislation than we could have achieved in five years through legislation alone. This very successful model of partnership and self regulation has achieved outstanding and continuing results in minimising the availability of child abuse images and criminally obscene and racist content hosted in the UK"

Rt. Hon Alun Michael MP
Department of Trade and Industry

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Funding Council

Achievements

The Funding Council is the forum where the IWF's funding members meet to discuss IWF affairs. The Funding Council is made up of representatives from each of over 60 member companies, with its own constitution and terms of membership.

The Funding Council's role is to consider policy issues affecting the IWF; advise and vote on the IWF's role and remit; provide funds and ensure the renewal of funds for the IWF's operation; advise on and approve the annual budget; elect three of its members to the IWF Board and advise on and approve the members' Code of Practice.

During 2005, the Funding Council met on five occasions. In June I was elected its Chair, taking over from Nick Truman (Head of Internet Security, BT Retail) who had held the post since October 2002. I would like to thank Nick for his hard work and I look forward to his continued valuable contribution to the Funding Council in the future.

Funding Council members made a significant contribution in important discussions and decisions, such as the IWF's transition to registered charity status, commenting on the IWF's 100 point three year business plan, considering its new communications strategy

and contributing to its proposals for a political affairs strategy. Funding Council also assisted in a review of the IWF's newsgroup policies.

A working group considered how the IWF's Child Abuse Image (CAI) database could be made more widely available in order to give further protection to consumers from exposure to online illegal child abuse content.

Another working group considered the procedure for appointing Roger Darlington's successor and a Funding Council member who is also a Board member chaired the successful selection and appointment process of the new Board Chair.

Looking Forward

The number of companies joining the Funding Council is evidence of the IWF's strengthening reputation. With increasingly diverse new members, knowledge of its work and achievements is clearly growing. Indeed, the IWF has attracted much international attention.

Consequently, it would seem opportune to review the Funding Council's governance arrangements to ensure the views and contributions from all members are reflected in assisting the IWF to move forward.

Funding Council members will continue to work closely with the IWF's hotline staff to ensure they are updated on the complexities of new services being delivered by member companies and to take account of their views on how to

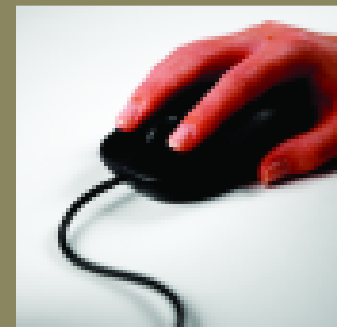
develop solutions to offset any abuses of advancing technological online services.

The IWF enjoys the universal support and trust of its stakeholders and is widely acknowledged as the reference example of the self-regulatory model, where industry, government and law enforcement work together in partnership to achieve their policy and corporate social responsibility objectives.

In a time of technological and legislative change, it is hoped that the IWF will continue to serve as a shining example of the most effective way to regulate the internet.

Simon Persoff

Chair of Funding Council, IWF
Director of Regulatory Affairs, Wanadoo



Internet Service Provider Members



£20,000 +



£5,000 +



£500 +

Internet Service Providers

Achievements

The UK is leading the way with a voluntary approach to protecting UK internet consumers. Many of our ISP members have adopted specific technologies and strategies to deploy filtering systems to block potentially illegal child abuse websites from data provided by us to protect UK consumers from inadvertent exposure to child abuse images.

In 2005 we significantly developed our outreach programme so our staff can meet their opposite numbers in member organisations to ensure our work and core messages are more widely understood. We have also enhanced our briefing sessions for all visitors to our premises, whether they are connected with member companies or other interested parties. During our meetings with internet service providers (ISPs) and various briefing sessions we demonstrate the complexities of the work and operations we undertake in the context of the global nature of the internet.

The practice of notice and take-down is still unused or unknown in many countries but such is the success of the UK in this regard that we are regularly asked to explain and share good practice on this topic with foreign visitors.

Many of our ISP members attended our 'Achievements and Champions' awards ceremony kindly hosted by former MP Richard Allen. We were pleased to have a host of illustrious speakers at the event to honour our founding members, namely Peter Dawe OBE, the Internet Service Provider Association (ISPA) and the London Internet Exchange (LINX).

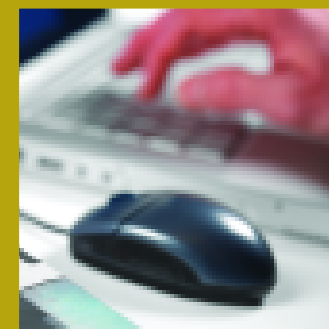
Internet service provider members were also invited to a number of parliamentary functions during the year including a dinner hosted by the former Department of Trade and Industry minister Mike O'Brien MP and a reception with Home Office minister Paul Goggins MP.

Looking Forward

The roll out of new technologies brings with it increased broadband speed and greater online storage facilities. These services will allow the sharing of high quality video, which may in turn lead to different types of potentially illegal content being shared. The larger storage services provided by our members will also allow the public to store more and more files on remote storage systems rather than their own and these files may contain illegal content.

As criminals use more and more sophisticated techniques to avoid detection, we will continue to work with all our stakeholders to reduce the availability of potentially illegal content.

More than a third of homes are now internet enabled with additional access to other internet devices commonly available in many households, for example, mobile phones. There has never been a more important time to deliver awareness raising campaigns. These must target the public as well as opinion formers, letting them know about our role and remit and how consumers can protect themselves from unwanted and illegal content. With the generous support of our member companies we will continue to highlight the positive relationship we have with all our members.



"The UK is leading the way with a voluntary approach to protecting UK internet consumers"



£20,000 +



£5,000 +

“Over 60 million mobile phones are
in use in the UK”

Mobile

Achievements

The mobile operators and handset manufacturers, O2, Orange, T-Mobile, Virgin Mobile, Vodafone, 3, Samsung and Nokia have continued to give their whole-hearted support to us in a year which has seen continued development and growth in the mobile market. Over 60 million mobile phones are in use in the UK, with approximately 15% of consumers owning more than one device. Customers send 2.4 billion text messages per month and are now recording 1.8 billion WAP page impressions (surfing for information or some other interactive service using a mobile browser).

The mobile operators work within a Code of Practice for the self-regulation of new forms of content on mobiles. The Code sets out operators' commitment to implement protection measures, particularly for children, around commercial content, internet content, bulk content, malicious content and illegal content. The commitments have been met and the Code is successfully in operation.

Looking Forward

Under the Code, where access to the internet is available, mobile operators have to offer parents some method of controlling their children's access to inappropriate internet content via their mobile phone. Mobile operators will continue to develop their partnership with the Internet Mobile Classification Board (IMCB) to ensure that content delivered over mobile networks meets the agreed standards.

Mobile operators are now working towards integrating our Child Abuse Image (CAI) URL database into their internet gateway. This means that internet sites listed on the CAI database will not be accessible from mobile devices.

Mobile operators will also continue to work with us to remove illegal images from photo galleries (a shared space made available to customers for posting pictures taken with camera phones).

Whilst there has been little evidence yet of mobile phones being used to transmit illegal images in the UK, it is nevertheless necessary to remain cautious. There is no room for complacency. Going forward, the IWF and the mobile industry will continue to work in partnership with a view to maintaining a successful campaign against illegal content.





£20,000 +



£5,000 +

“All the main search providers are
funding members of ours”

Search Providers

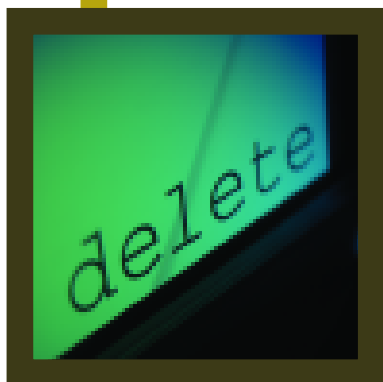
Achievements

Searching the internet for information via search engine technology is now a regular practice for most internet users. As the range and sophistication of search provider services develop there is a crucial need to remain vigilant in tackling areas of content criminality which would otherwise compromise any internet user's experience. We are pleased to say that all the main search providers are IWF funding members and that we enjoy a flourishing relationship with all of them. Together we share issues of common concern whilst adapting our services to reflect the changing nature of their needs.

In order to develop a good practice guide for search service providers and advice to the public on how to search safely, the Home Office brought together the collective effort of the main search providers in the UK, other experts, and our Chief Executive as Chair. This is an outstanding example of specialist internet companies volunteering to work together to improve the experience of children and other users when navigating the internet using search engine technology.

The purpose of this initiative was to create a guidance document that comprehensively explained the full range of search services currently available via the internet. The document provides a model of good practice for search providers across all platforms in the provision of services for customers in the UK with regard to consideration of the issues and importance of child safety.

Furthermore, it gives advice and information to help members of the public, especially parents, carers and those responsible for children, on how to make good use of search engines to explore the internet and how to reduce the risk of being exposed to unwanted and unsuitable results.



Looking Forward

Our search provider members can have access to our Child Abuse Images URL database to block potentially illegal child abuse websites from appearing in their lists of search results.

Search providers have been encouraged to make safety advice available for users when they are undertaking a search and advise users how to report unwanted and potentially illegal search results.

It is important that search providers explain how users can best adapt the search provider's services to meet their needs and give clear information on how to conduct a more accurate search. Offering some level of filtering on their search facility and advice on how to use filters are important.

Search engines are constantly changing and evolving and both the search provider and the user need to be aware and prepared to act where necessary to continue safe use of the internet.



Blue Coat



CLEARSWIFT™

SurfControl®

Netintelligence
PROTECTS

McAfee®
Proven Security™

SECURE
COMPUTING

SOPHOS

StreamShield®

£5,000+

“Enterprise level solutions have resulted in end-users being protected without having to initiate or purchase cover”

Filtering Suppliers

Achievements

This year we have attracted the interest of even more national and international filtering companies and a number have joined as members. These have included the new breed of hardware filtering companies as well as software companies. In turn, this has led to a greater adoption of our Child Abuse Image (CAI) URL service by these companies, which has continued the trend to provide filtered internet services to the public and businesses so as to make the UK safer for all online users.

Our filtering members deliver a range of solutions which are being offered across the spectrum of users, from home and small businesses through to multi-national corporations, education and public services.

A number of our internet service provider members have worked closely with the filtering companies to provide enterprise level solutions that result in end-users being protected without those users having to initiate or purchase cover.

Some filtering companies are also seeking to use our services to aid in the reduction of spam content, specifically the spam which leads to illegal child abuse content. We are pleased to be part of this initiative and believe it to be an important step in the reduction of this content online.

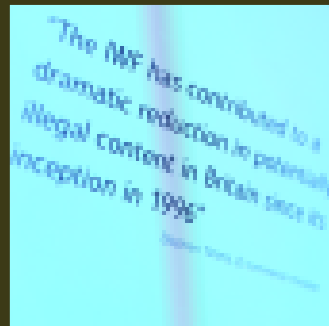
We now have a new policy regarding the CAI URL service which has allowed us to make the service available to non-members and overseas companies for the first time.

Looking Forward

The coming year will see even more international filtering vendors wishing to utilise our services to block and or filter spam containing potentially illegal content.

The challenge remains one of differing national legal systems and the implementation of a UK oriented service. It is hoped that with the support of INHOPE, the Virtual Global Taskforce and national governments such challenges can be overcome.

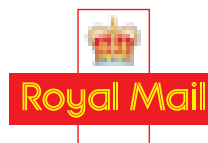
In 2006, a 'kite mark' award system for filtering services is likely to be introduced. This concept has been designed to ensure that all services that have gained the award will provide a specific minimum level of protection for the user. We believe this will lead to a better understanding of what is available to UK internet users.



Diverse Members



£20,000 +



£5,000 +



£500 +

Diverse

Achievements

This section covers all our members that do not fall into specific sectors. They include our two founding organisations, London Internet Exchange (LINX) and the Internet Service Providers Association (ISPA), plus organisations such as hosting and connectivity companies, newsgroup suppliers, and blue-chip companies. All of these companies have joined us in order to demonstrate support for our work and lead the way in striving to make the internet a safer place for all users.

This year we have seen a reduction in online communities that cater for potentially illegal child abuse content. We believe this is due to the increased moderation and vigilance of our content service provider members to remove or

reduce opportunities for anonymity and the realisation by criminals that participation in such communities can lead to a police investigation and possibly a criminal conviction.

Additionally, through our newsgroup policies and the membership of the IWF by two of the world's largest newsgroup providers, well over half a million child abuse images, that would otherwise be available on each of their services every year in the UK, have been stopped.

We welcome the membership of Nominet, the UK's domain name provider as a new member. This relationship will allow us to assist Nominet in monitoring new registrations so that suspect UK domain names can be investigated early on in the registration procedure.

We have also welcomed a number of blue-chip organisations as members this year. They have joined because they believe in the work we do and because they wish to recognise this within their own corporate social responsibility policies.

Looking Forward

This year we gained our first member providing photo-sharing as its prime service. With the availability of cheaper hard drive systems, the provision of such storage services has become attractive to businesses and new operations have appeared offering photo storage, photo printing and photo sharing.

However, although the vast majority of users are using the services for legitimate and legal reasons, there have been cases of abuse, with potentially illegal content being placed on the sites for sharing. We will work with these organisations to combat any future problems in this area.

Similar abuse is taking place within some of our content service provider members' services. We are working with these companies to assist in the removal of such content and to develop new services and practices which will reduce the incidence of such abuse.

We will progress our relationship with Nominet by working with them and other international domain registration agencies to develop methods to combat child abuse content being hosted on domains with false registration details and other areas of concern relevant to the registration bodies.



"2005 has seen a reduction in online communities that cater for illegal child abuse content"

Sponsors



Microsoft®



Webtraff**IQ™**

Words of Appreciation

We must take this opportunity to thank the Association of Payment Clearing Services (APACS) for their outstanding generosity in supporting our work over three years. As a partnership approach involving the Police, APACS and ourselves the problem of Pay-Per-View websites selling child abuse content around the world has been rigorously confronted with the credit card companies taking a very active stance in disrupting the payment mechanisms to websites offering such content.

We would also like to thank our other sponsors and supporters who have contributed to our ongoing activities and the continued success of our work.

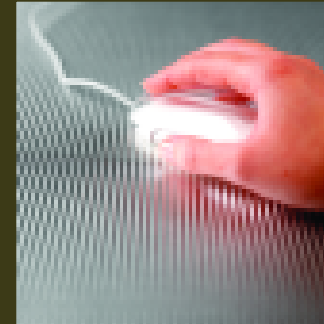
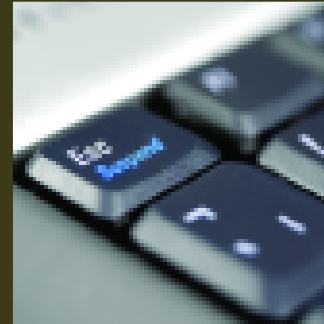
Support has come in many different ways from the provision of hardware and software, through sponsorship of campaigns or activities to substantial discounts when purchasing equipment, software or services.

We are aware that many of these organisations have a considerable number of requests each year for support and sponsorship and we appreciate their generosity and commitment to our work.

Sponsors of IWF's 2005 Annual and Charity Report

"LINX, one of the world's largest ISP membership organisations, is proud to be a founding member of the IWF and to continue its support. The IWF demonstrates the industry's commitment to the fight against the uniquely unacceptable presence of child abuse material online. As a result of concerted industry action, with the support of the IWF Hotline, we have almost eradicated child abuse material from hosting in the UK, with only 0.4% of this year's reported material found here. That success is why we are pleased that Hotlines based on the IWF model are now blossoming in other countries."

Malcolm Huty Head of Public Affairs
LINX, the London Internet Exchange



Charity and Trustees' Report

Statement

These are the summarised financial statements taken from the audited financial statements of the Internet Watch Foundation for the year ended 31st March 2005. The audited financial statements, which were signed on behalf of the Board of Trustees, were approved on 2nd December 2005 and have been submitted to the Charity Commission for England and Wales and to the Registrar of Companies.

These summarised financial statements may not contain sufficient information for a full understanding of the affairs of the Internet Watch Foundation. Copies of the full audited financial statements may be obtained on request from the Internet Watch Foundation.

Reserves Policy

Our Board of Trustees have agreed to hold a reserve of £300,000, equivalent to six months running costs. This reserve was based upon an initial assessment of risk and liability and the Trustees will review this arrangement during 2006. We operate a group reserves policy and allowing for trading conditions in 2005/6, we will covenant up from IW Ltd. to IWF a sum sufficient to create the agreed level of reserve.

Investment Policy

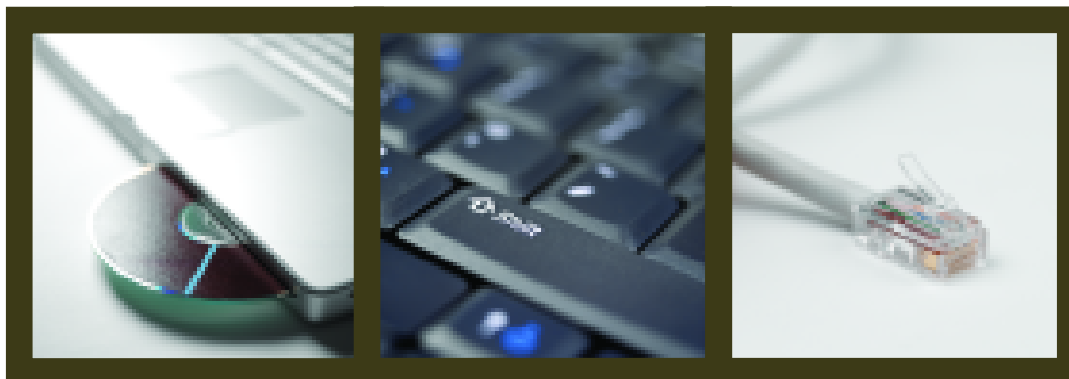
The level of reserve ensures IWF could continue during a period of unforeseen difficulty and takes into account the impact of IWF reducing or winding up its operation. Therefore, the Board of Trustees have agreed that the reserve should be held in a readily realisable form in high interest bank accounts.

Risk Review

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

- Income streams and expenditure varying from forecast which is addressed through the reserves policy
- Staff welfare which has been addressed through the staff welfare policy
- Potential liabilities which have been indemnified through appropriate insurances
- Information security where IWF is working towards achieving **BS7799**
- Property and assets where IWF has audited procedures in place

IWF will establish a procedure for periodically reporting risk analysis to the Board of Trustees.



Summarised Financial Statements for the year ended 31st March 2005

The Internet Watch Foundation was incorporated as a company limited by guarantee on 29th August 1997 (Company Number 3426366) and charitable status was gained on 16th December 2004.

The Internet Watch Foundation is a registered charity, number 1112398.

During 2004/2005 the income consisted of £881,443 comprising unrestricted funds and restricted funds representing sums donated for specific purposes (2003/2004 £700,336).

During 2004/2005 total expenditure on charitable objects was £735,234 (2003/2004 £563,392).

Independent Auditor's Report to the Trustees

We have audited the financial statements of Internet Watch Foundation for the year ended 31st March 2005 which comprise the consolidated Statement of Financial Activities, the Balance Sheets and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the Charity's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Trustees and Auditors

The trustees' (who are the directors of Internet Watch Foundation for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the Charity is not disclosed.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charity and the group as at 31st March 2005 and of its incoming resources and application of resources including the income and expenditure, of the group for the year then ended and have been properly prepared in accordance to the Companies Act 1985.

Internet Watch Foundation

Consolidated Statement of Financial Activities

Year ended 31 March 2005

	2005 £	2004 £
Incoming Resources		
Activities to further the Charity's objects		
Subscription and grant income – trading subsidiary	875,914	699,477
Investment income and interest – trading subsidiary	5,529	859
Total incoming resources	881,443	700,336
Resources expended		
Charitable expenditure		
Costs of trading subsidiary	735,234	563,392
Total resources expended	735,234	563,392
Net incoming resources for the year	146,209	136,944
Fund balances brought forward at 1 April 2004	186,617	49,673
Fund balances carried forward at 31 March 2005	332,826	186,617

All amounts relate to continuing activities. There were no recognised gains or losses other than those included above.

Internet Watch Foundation

Balance Sheet

31 March 2005

	Consolidated 2005 £ 2004 £		Parent Charity 2005 £ 2004 £	
Fixed Assets				
Tangible fixed assets	18,547	23,576	–	–
Investment in trading subsidiary	–	–	2	2
	18,547	23,576	2	2
Current Assets				
Debtors	235,728	82,159	164,185	–
Cash at bank and in hand	338,931	255,949	–	–
	574,659	338,108	164,185	–
Creditors: amounts due within one year	260,380	172,023	1,252	2
Net current assets/(liabilities)	314,279	166,085	162,933	(2)
Total Assets Less Current Liabilities	332,826	189,661	162,935	–
Provision for <i>Liabilities</i> & Charges				
Deferred taxation	–	3,044	–	–
Net Assets	332,826	186,617	162,935	–
Represented by:				
Funds				
General Fund	332,826	186,617	162,935	–
Total funds	332,826	186,617	162,935	–

On behalf of the Board



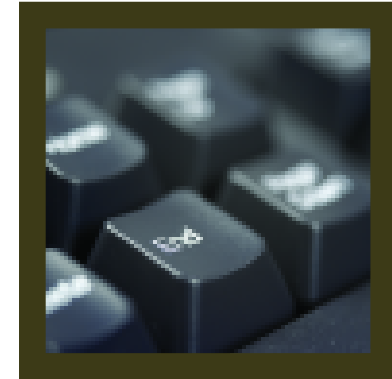
Roger Darlington

Chair IWF 2000-2005

Approved by the Board on 2nd December 2005

"IWF Board members bring valuable skills and enormous experience to the organisation's policy-making processes and each gives freely and generously of their time and talent. It has been a real pleasure to work with them and I thank them for their effective and valued contribution."

Roger Darlington
Chair, 2000–2005



Board of Trustees

Role

Under the leadership of the Chair, the Board monitors and reviews IWF's remit, strategy, policy and budget to enable the IWF to achieve its objectives.

Structure

The Board consists of ten members including an Independent Chair, six non-industry Board members appointed by an open selection process and three industry Board members elected by the IWF Funding Council.

In appointing non-industry Board members, the selection process takes into account the balance of skills and experience required and includes members with expertise in child protection and legal matters. Someone who has a significant financial interest or other direct involvement in a company providing internet services cannot be a non-industry Board member.

IWF is an incorporated charity limited by guarantee and the IWF Board is the Board of Trustees.

Trustees

Roger Darlington
Independent Chair

Professor Sonia Livingstone
Non-industry Vice-chair

Mark Gracey
Industry Vice-chair

Chris Atkinson
Non-industry

Tink Palmer
Non-industry

Nick Truman
Industry

Hamish Macleod
Industry

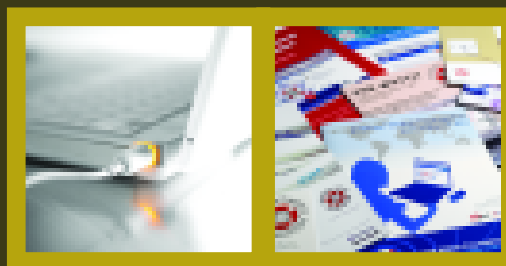
Dr. Michele Elliott
Non-industry

Jim Reynolds
Non-industry

Dr Ian Walden
Non-industry

Amanda Jordan OBE
New Independent Chair





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