



IWF
Internet
Watch
Foundation

Internet Watch Foundation
Trustees' Report & Financial Statements
For the year ended 31 March 2018



Internet Watch Foundation

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

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The Rt Hon Theresa May MP

Prime Minister, United Kingdom

“ I want to pay tribute to the crucial work of the Internet Watch Foundation and their partnership with industry, law enforcement and the Government in identifying and removing illegal child sexual abuse images from the internet. We will continue to work together to tackle this ever-evolving threat and to pursue our target of making the UK the safest place in the world to go online.

”

Our Members*



*On 31.03.2018



CEO's Foreword

Susie Hargreaves OBE, CEO & Company Secretary

In the past few years, the world has woken up to the distressing crime of online child sexual abuse imagery.

The IWF is at the forefront of the battle against the offenders who abuse legitimate internet systems to create, host and share the suffering of so many vulnerable youngsters worldwide. Our most recent figures do not make for comfortable reading:

In the last year alone (2017), IWF Analysts confirmed 78, 589 URL's containing child sexual abuse URL's. Each and every URL could contain between one to a thousand individual images or videos of children being abused. The data is staggering.

Last year, our assessments showed that the severity of the abuse was up. Category A content, which indicates the rape and sexual torture of children, had risen from 28 per cent (in 2016) to 33 per cent (in 2017).

Moreover, trends suggested that the abuse of disguised websites has seen an unprecedented increase of 86 per cent over the same period. The implication of this is that offenders are becoming more sophisticated as they go to new lengths to evade detection.

These are real children. The abuse and torture they are suffering in this imagery is real. And, the distress caused to them, by the knowledge that pictures or videos of their abuse could be shared online and viewed countless times by offenders, is very real.

This is not a victimless crime.

But thanks to the support of our Members, who include the giants of the internet world, our partnerships with hotlines across the globe, our collaboration with law enforcement partners internationally and with the backing of governments worldwide, we are fighting back.

This year has seen a 'ramping-up' of the desire to make the internet a safer place. Internet companies have been asked to step up and do more, demonstrating leadership and creating both new technologies and policy to protect the vulnerable.

Through the continued funding of the IWF Hotline and our unique technical services to industry, Members are also working hand in hand with us, to thwart the efforts of even the most sophisticated criminals and make it harder for them to share, host and sell images of children

being sexually abused.

So, as CEO, I'm incredibly proud of our Hotline team who identify and take down these distressing images and our wider staff, leadership team, technical experts and Board members, for their dedication to our vital work.

Our mission is to rid the internet of child sexual abuse imagery worldwide. We will not rest until we have done just that.

Chair's Foreword

Andrew Puddephatt, OBE, Chair

The internet is the most transformative technology since the invention of the printing press and is changing every aspect of life, from work and leisure to health and education. The rapid growth of the internet has depended upon permissive adaption and has, so far, outpaced any ability to regulate at the national level without extreme controls.

But the internet can be thought of as an eco-system and like all eco-systems it produces sewage and we have yet to find a way to manage the sewage. Of all of the problems, child abuse is one of the starkest examples of the darker side of this technology. It is one of the most severe human rights abuses that can be perpetrated on anyone, let alone a vulnerable child. This abuse is insidious, it leaves a lasting damage, both physical and psychological. That images and videos of the abuse can be shared over and over again only compounds the abuse.

Making the internet environmentally safe and trusted, without losing its essentially open character is one of the most important tasks we face if we are to use technology for public benefit.

I took on the role of Independent Chair

at the Internet Watch Foundation (IWF) at the beginning of January 2018 from my predecessor Sir Richard Tilt, who had given six years of dedicated service.

The IWF has developed a powerful model for tackling this pernicious problem and provides an excellent example of how technology can be made safe. Having spent over 20 years in the human rights and digital policy industries, specialising in freedom of speech, access to information and transparency, I wanted to help the charity's battle to protect children from online child sexual abuse.

Tackling child sex abuse online is a formidable challenge given the scale of the crime, the organised nature of the abuse, the ease of uploading images, the global nature of the internet and the challenge of operating across dozens of jurisdictions.

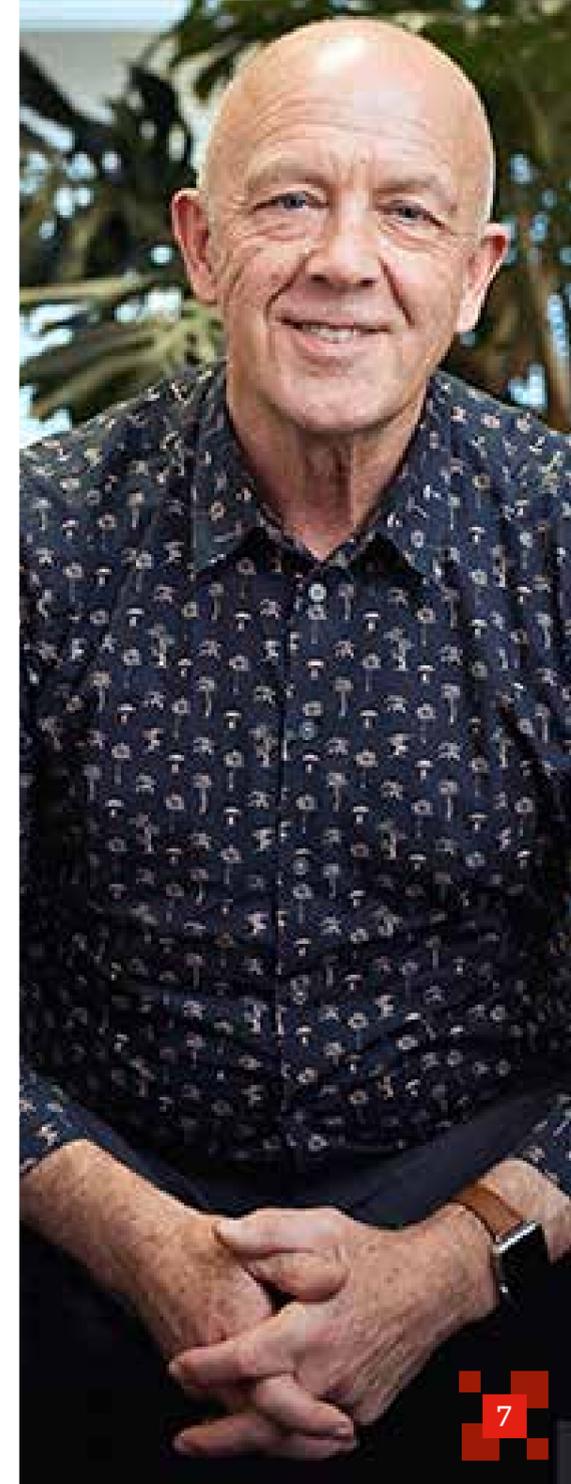
The IWF represents a unique and powerful model of self-regulation by service providers within a clear legal framework. Though supported by industry, it operates as an independent charity that operates in a transparent and accountable manner. It was the success of this model of working that interested

me. More than 20 years ago, when the IWF was launched, 18 per cent of online child sexual abuse imagery was hosted in the UK. Today, thanks to the IWF Hotline, that figure is less than one per cent. Now that really is an effective model.

At a time when debate about the internet has become increasingly dystopian, the IWF demonstrates that working globally in partnership with industry, governments, NGOs and law enforcement can be effective in dealing with illegal content.

My goal as Chair is to build upon previous IWF success and the work of my predecessor Sir Richard Tilt to help take the organisation forward. This means making sure IWF understands and can manage both the latest technological developments and the evolving nature of child abuse. It also means helping the Board in supporting a dedicated and effective team.

This is a vital task, much like the IWF's mission and it won't be achieved over night. But together we have made a start and I believe the IWF's working model will be used as an example of 'good practice' as we go forward into 2018.





Funding Council Chair's Foreword

Matthew Eltringham, Executive Editor, BBC

As the elected chair of Funding Council, it's my job to collaborate with industry Members and representatives in their support for the IWF. Today, we have more than 130 Members from every sector of the industry, who work with us to tackle the disturbing issue of online child sexual abuse imagery on the internet.

The Funding Council is the forum where Members come together to agree the rights and responsibilities we share, in relation to the services we (as Members) take from the IWF.

Our work falls into five key areas:

First and foremost, we see our role as bringing 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. We make sure we stay within the IWF remit and we work hard to achieve a consensus.

Secondly, we regulate ourselves using a procedure known as Notice and Takedown. This is part of our Code of Practice and every Full Member agrees to take down an image, 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 Hotline and the IWF to our internal staff and our external customers and stakeholders.

Since the IWF launched over 20 years ago, 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 more true today than ever before, but that won't change our commitment to the fight against the spread of child sexual abuse imagery online. That is our driving force and as IWF Members we are committed to that cause.

Caring for our staff

Heidi Kempster, Chief Operating Officer

Heidi is our Chief Operations Officer and leads on Finance, Legal, HR and Quality Assurance functions, including managing the all-important gold-standard welfare programme for staff.

Our Analysts do a really difficult job, in fact they are often referred to as the 'super-heroes' of the IWF. The images and videos they need to study and assess in their everyday working life can be extremely distressing. It takes a special kind of person, a great deal of training and an excellent welfare system to ensure these people are looked after.

Their work is vital. They help make sure the internet is a safer place for all users. Their expert assessment could even lead to the rescue of a child from horrific abuse.

The people who apply to us to become IWF Analysts come from all walks of life and span a broad age range. Our gold standard welfare system is regularly reviewed and supporting these exceptional people is a top priority.

Before they start, every Analyst applicant has a personal interview with two trained counsellors. This examines candidates' personal lives, their attitudes and their

support networks. If successful, this is followed up with a standard job interview. During the final stage, candidates are shown progressively more extreme, or criminal content of children. They can stop the process at any time. After this, we ask them to take time to carefully consider if they really do want the job.

If the candidate accepts the role, new Analysts go through a specially developed training programme to help them mentally process and cope with exposure to abusive images of children. During the working day, all Analysts take regular, timetabled breaks. Every month, they attend compulsory individual counselling sessions. Finally, all employees who need to see content as part of their job, have a full annual psychological assessment.

Of course, not every IWF staff member is an Analyst. But all IWF staff undergo an enhanced criminal background check and we check again every three months. We also offer counselling support to all our employees regardless of their role, to ensure that our full team have support structures in place.



Senior Management Team



Susie Hargreaves OBE

Chief Executive Officer



Susie has worked in the charity sector for more than 25 years in a range of senior positions and is a Clore Fellow.

Susie was an ISPA Awards finalist in the Executive of the Year 2017 category and a finalist in the prestigious European CEO Awards 2018. She was a finalist for a European Woman of Achievement Award in 2004 and PA Magazine's 'Best Boss of 2014'. Susie was also awarded an OBE in the Queen's Birthday Honours in 2016 for 'Services to Child Online Safety'.

Susie is a Director of the UK Safer Internet Centre, a Board member at the UK Council for Child Internet Safety, a member of the International Advisory Board of WeProtect and a member of the NCA CEOP Strategic Governance Group. Susie also sits on several other Boards and working groups.

Fred Langford

Deputy CEO and Chief Technical Officer



Fred has over 25 years' experience in the internet industry gained through positions with internet service providers, the Ministry of Defence and the US Air Force prior to joining the IWF.

Fred is responsible for IWF's technology including the Hotline.

Fred is currently Chair of the UK Council for Child Internet Safety (UKCCIS) Technical Working Group, President of INHOPE (from June 2018) – the global network of Hotlines of which the IWF is an integral member, and a member of several other specialist working groups.

In 2017, Fred was a finalist for Digital Leader of the year, and runner-up for New Chartered Director of the Year.

Heidi Kempster

Chief Operating Officer



Heidi is responsible for all Finance, HR, Compliance and Quality Assurance functions, including business strategy, and performance and risk management. She also leads the IWF's welfare programme for staff.

Heidi started her career in Local Government Finance and has worked in a number of positions and departments including Education, Audit and Property. Before joining the IWF she was part of the Senior Management team of two large academy schools managing a large team of staff in Finance, Administrative and HR functions, including developing Adult Learning and Community Sports Centres.

Emma Hardy

Director of External Relations



Emma is responsible for the media relations, public affairs and marketing of the IWF as well as engaging with communications teams in member companies and stakeholder organisations.

Emma 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. Prior to joining the IWF, Emma managed a communications team at a District Council and worked in internal communications at Cambridgeshire Constabulary.





Reference and Administrative details

Charity Registration Number	1112398
Company Registration Number	03426366
Principal / Registered Office	Discovery House Chivers Way Vision Park 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
Investments Advisors	Rathbones Brothers Plc 8 Finsbury Circus London EC2M 7AZ

Trustees' Report - Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2018. 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.

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.

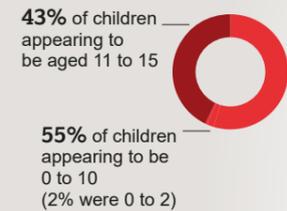


We assess a webpage every four minutes.



Every seven minutes, that webpage shows a child being sexually abused.

Age^{2,3}

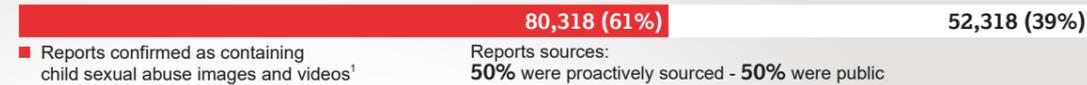


Gender⁴



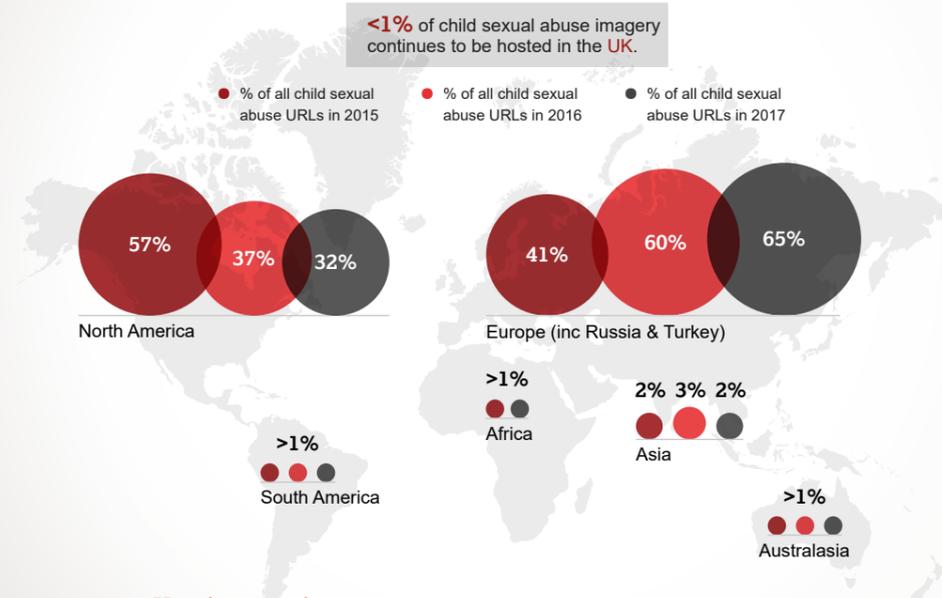
Reports processed in 2017

132,636 (26% increase on 2016)

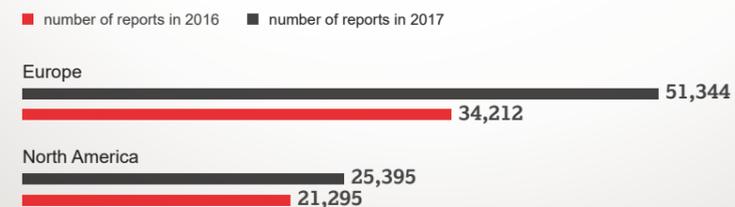


Continent hosting of all child sexual abuse URLs

An increasing amount of child sexual abuse imagery is being hosted in Europe, rather than North America – the trend continues from 2016 and the gap widens.

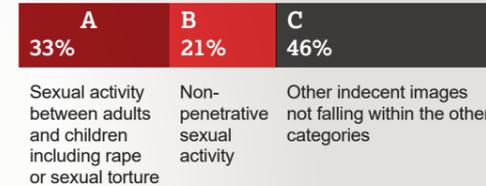


Hosting continent



>130 Members

Severity of images



New domain names and disguised websites are on the rise

57% on last year



More domain names than ever before are being used to show children being sexually abused.



We saw an 86% increase in the use of disguised websites.

These are websites where the child sexual abuse imagery will only be revealed to someone who has followed a pre-set digital pathway – to anyone else, they will be shown legal content.

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.

We have recently carried out an exercise of restructuring to enable us to focus on technological progress and to explore new ways to fund our activities. A key element of this is the evolution of our Membership team (now Development team) who will not only continue to work with our current Membership and bring in new Members but look to other forms of fundraising to further raise our profile and explore other opportunities to add value for our stakeholders and the public.

During this financial year the team have been busy developing new projects, and maintaining our world-class services, a sample of which follows.

Services

Notice and take down

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 2017 this figure was just 0.3%.

We took action on 274 webpages hosting images and videos in the UK in 2017 and issued 32 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.

Currently, the majority of companies remove content within 120 minutes of receiving a takedown notice.

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 2017, the list was sent across all seven continents and the average number of URLs on the list per day was 3,473.



1. One report could contain one, or thousands of images and videos.
 2. From the figure 0.36% were of 16/17 year olds.
 3. Please note: Percentages may contain a small variable due to URLs linking to child sexual abuse websites.
 Please note: A small number of the victims could not be identified as either male or female.



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. During 2017, we added 130,671 hashes to our Hash List. Of the hashes connected to individual images, a quarter of them related to the worst forms of abuse. At the end of 2017, the list contained hashes relating to 295,389 individual images. This means that in 2017, our Analysts reviewed 10,889 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 2017, the Keywords List held 452 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 2017 we processed 1,852 reports alleging child sexual abuse images hosted within newsgroups. After monitoring newsgroups, we recommended our Members do not carry 344 newsgroups containing child sexual abuse images and videos.

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.

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

Successes

IWF International Reporting Portals

Led by International Manager Jenny Thornton, the establishment of our international portals has continued apace this year.

Many countries do not have the means to report online child sexual abuse imagery and cannot afford to set up their own hotline. The IWF offers them a low cost, sustainable option whereby we establish a locally-hosted reporting page which links directly to the IWF Hotline in the UK. Our Analysts, subsequently, assess the content and take action as appropriate.

To date, we have set up 19 Portals including India, The United Republic of Tanzania and the UK overseas territories. With a grant from the ‘Global Fund to End Violence Against Children’ we will be establishing a further 28 Portals in some of the least developed countries in the world by 2020.

Connection to CAID

In March 2018 we connected to CAID (Child Abuse Image Database).

CAID contributes to the fight against online child sexual exploitation and abuse. This national system helps the police to identify victims and perpetrators, ensures a consistent approach to grading

the seriousness of images, and promotes staff welfare in law enforcement agencies by reducing the number of individuals who have to view images of abuse.

Our connection to CAID allows us to assess and hash images of child sexual abuse previously unseen to the organisation and distribute these hashes to IWF industry Members and conversely, allows us to upload the images from our own Hash List to CAID – enhancing the database to ensure it includes newly found images by IWF Analysts.

Every image taken from CAID is assessed by an IWF Analyst using UK Sentencing Guidelines before being hashed and distributed to IWF Members, who then use this service to protect their networks and customers, and ultimately victims of child sexual abuse.

Our Deputy CEO, Fred Langford, is a member of the CAID Project Board. Just prior to connection he issued this statement: *“IWF now has access to CAID to grade and upload images. Having the ability to take images from CAID, assess and hash them in-house at the IWF has given us the opportunity to work with the worldwide internet industry to give them access to the hashes of thousands of child sexual abuse images.*

“We’ve been privileged to work with talented teams at a number of organisations to make this day happen. It’s been a long project but the IWF is looking forward to contributing data





which will make a real difference to victims of child sexual abuse images around the world. We're saving law enforcement time assessing images which we've already seen and allowing them to investigate who these victims are, where they are and stop offenders from freely sharing these images."

26% increase in reports processed

2017 has seen an increase in the number of reports processed by the Hotline team – 132,636 compared to 105,420 in 2016. A webpage was assessed every 4 minutes.

78,589 of reports contained child sexual abuse imagery. We have also seen a slight increase on the prior year of what we classify as category A content – the most severe forms of sexual abuse.

Today UK hosts less than 1% of the world's child sexual abuse imagery

The UK continues to be one of the most hostile places for offenders to host online child sexual abuse imagery in the world.

Across the board our figures for 2017 showed that 65% of all IWF confirmed child sexual abuse material was hosted in Europe, with The Netherlands continuing to be the worst offending country.

The IWF and the vast majority of

the UK's internet hosts are a shining example to others and we continue to encourage internet companies not in our Membership to join, to help ensure the internet is a safer place for all.

For the small proportion of illegal images of children that were hosted in the UK, we acted quickly in partnership with the online industry to get the images and videos removed. In 2017, 38% were taken down within 60 minutes, while 53% were taken down in 120 minutes.

In 2017, just 15 companies' services in the UK were abused to host illegal child sexual abuse imagery and we issued takedown notices to all these companies, whether they were our Members or not. We have a zero-tolerance approach and it is our mission to eradicate these disturbing images from the internet for good.

Financial Review

Income

Our principal funding is received via subscriptions from industry Members and the European Union via their Safer Internet Programme.

While total income at £2,920k was broadly in line with the previous year there was an increase in the value of membership subscriptions. At the end of 2017/18 the IWF had 134 members (2016/17 128). Retaining and developing membership is critical to being able to fund our activities.

We currently receive grants from the EU Commission (£385K) and UNICEF (£78K).

Expenditure on charitable activities

Our key objective is running the Hotline and removing illegal content. With additional income we were able to increase the number of Analysts and total expenditure of charitable activities at £2,845k represented an increase of 12% over the previous year.

Reserves

IWF generated a surplus of £75k in 2017/18.

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 £275k to £2,206k at the end of the 2017/18 financial year, which is slightly higher than our policy. However, the Trustees have already approved plans which will reduce the reserves down in 2018/19.

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 investment and take into account:

- An appropriate level of liquidity which enables the smoothing of cash flow and allow for unexpected changes in income or operations;
- The timescales and commitments in winding up the operations of the IWF

The following principles apply:

- The investments are to be held in such a way as to maintain their value to IWF and are not held specifically

to generate ongoing income;

- IWF will not look to hold investments for the long term and no deposits will be made in offshore or overseas accounts;

The Investment Policy is currently under amendment to reflect the fact we are investing our reserves into a diversified investment portfolio in order to enhance our return.

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, but does not currently actively fundraise from the public or use any internal fundraisers or external fundraising agencies for either telephone or face-to-face campaigns and received no fundraising complaints during the year.

Going concern

After making appropriate enquiries, 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.



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.

There have been some changes during the year with the following Trustees reaching the end of their term:

- Sir Richard Tilt – December 2017
- Mr Peter Neyroud – August 17
- Mr Philip Geering – December 17
- Mr Brian Webb – July 17

Profiles for the current Board Members are detailed on page 24.

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 meet six times per year.

Their 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 is also known as the Board Nominations Committee and comprises the Chair, the two Vice-Chairs and an independent person. In making

a selection, the Committee will ensure that the Board has an appropriate balance of skills and experience. All recommendations of the Committee for Board appointments are subject to Board approval.

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

Policies adopted for the induction and training of Trustees

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

Organisational structure and decision making

In order to facilitate a better understanding of issues and to enable more effective decision making, the Board operates 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 [here](#) on our website.

Ethics Committee

The Ethics Committee is a sub-committee of the Board. It has delegated authority from the Board to consider the ethics of aspects of the IWF's work, research, campaigning or policy development that the Board or CEO refers to it; it offers guidance to the Board and the staff on matters that come before it. Mary MacLeod OBE is the Independent Chair of the Committee.

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 and the Director of External Relations. 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, a total of two Trustees were paid in respect of their duties, and the Chair was also remunerated for his role. 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 SMT 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. Protecting our self-regulatory status

Mitigation:

1. Consideration of alternative and additional funding streams. We have a new Development team dedicated to exploring the various avenues available to us.
2. Maintenance of our ISO27001 accreditation, continual improvement of technology to maintain our

resilience and to keep pace with change, and regular staff training.

3. An ongoing programme of public affairs activities and regular liaison with relevant key stakeholders.

An Information Security Forum (ISF), that includes the Deputy CEO, meet 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 work daily within the Hotline to independently review assessments. The Hotline is externally audited biennially by an independent team chaired by an 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 16/10/2018 and signed on its behalf by:

Andrew Puddehatt OBE





Governance - Our Board

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 College, 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 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.

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' wider policy goals.

Claire Bassett

Independent Trustee



Claire was appointed in January 2018.

Claire is Chief Executive of the Electoral Commission.

Previously, Claire was 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.

Claire is also a non-executive director of the Home Group, one of the UK's largest providers of housing and support services.

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

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.

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

Uta Kohl

Co-opted Trustee

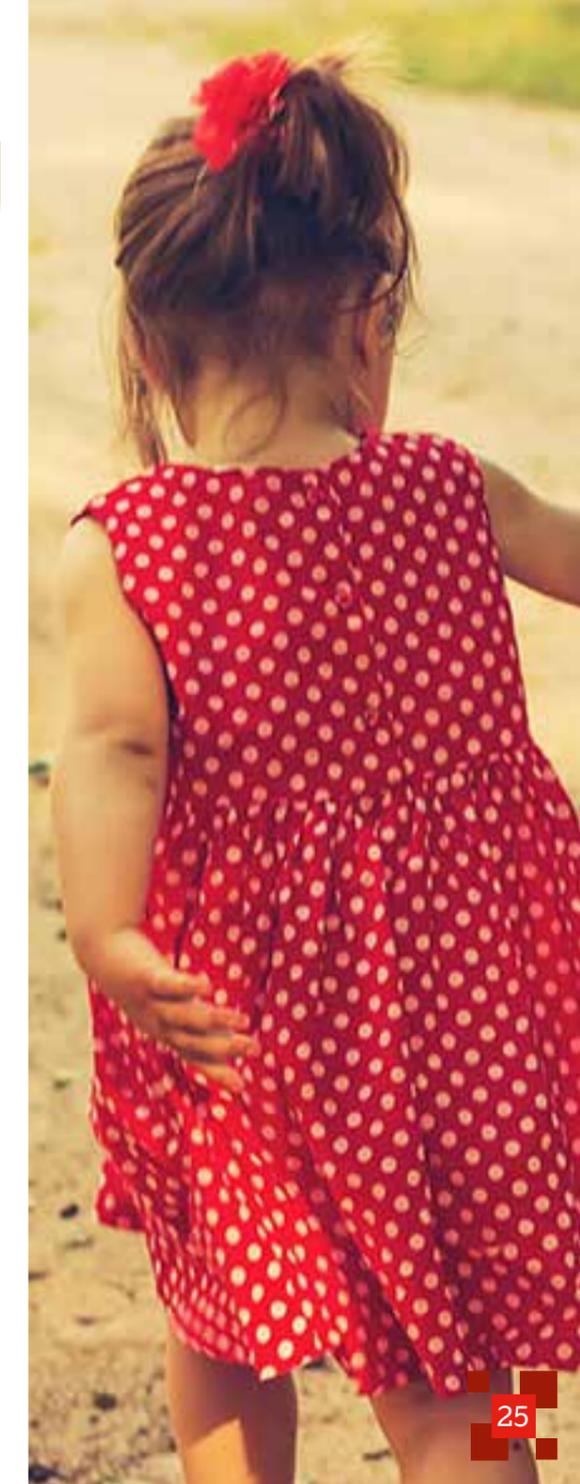


Uta was appointed as Human Rights co-opted Trustee in September 2014.

She is a Senior Lecturer in law at Aberystwyth University. She has published and presented extensively on internet governance and regulation, including regarding online child protection.

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

She is also a qualified Barrister and Solicitor of the Supreme Court of the Australian Capital Territory.



Jonathan Lea

Independent Trustee



Jonathan was appointed in November 2015.

Jonathan has wide 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 Audit 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 was appointed in May 2016.

Katie is Public Policy Manager for Google responsible for economic and skills policy for the UK.

Prior to working at Google, Katie developed wide ranging experience in government and politics as a special advisor to Prime Minister Tony Blair and for David Miliband and in the corporate sector for Coca-Cola. She also established the press and policy team of Mumsnet.

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.

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

Sue Pillar

Independent Trustee



Sue was appointed in January 2014.

Sue was the Director 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.

During the year we said goodbye to:



Sir Richard Tilt
Independent Board Chair
January 2012 - December 2017



Philip Neyroud
Independent Vice Chair
January 2012 - August 2017



Philp Geering
Independent Trustee
January 2012 - December 2017



Brian Webb
Industry Vice Chair
May 2011 - July 2017



Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2018 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 2018, 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.

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

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

Price Bailey LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

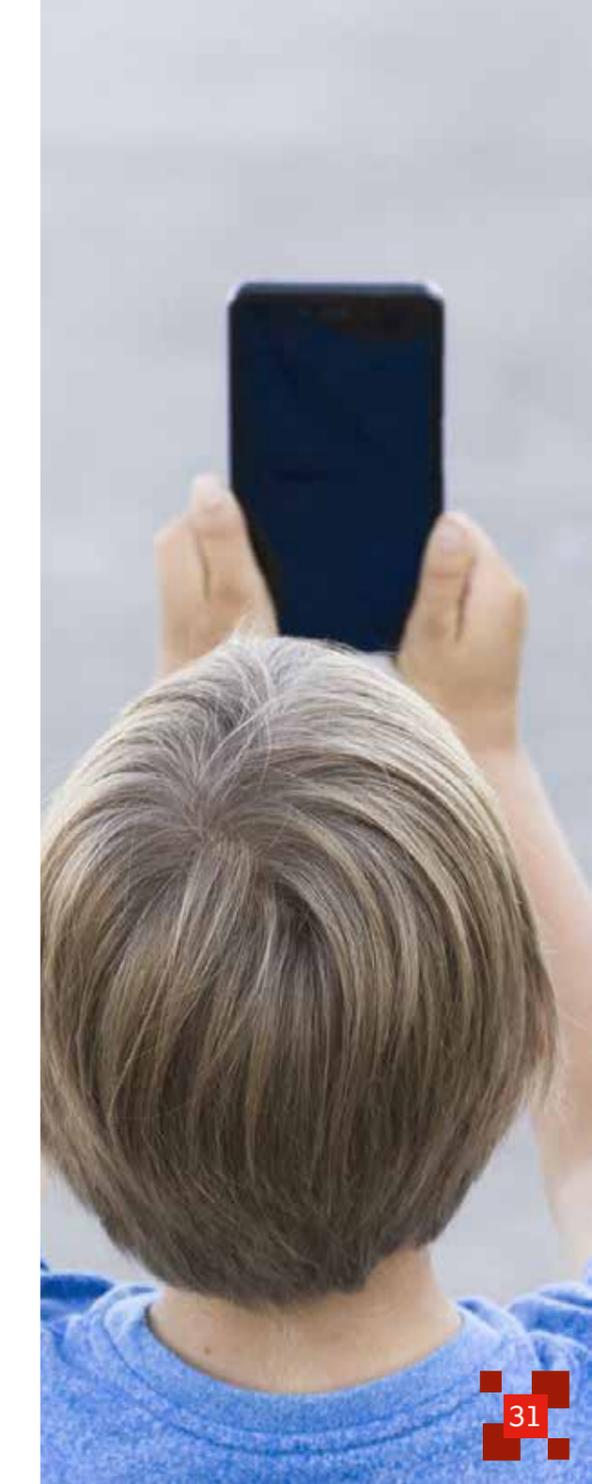
Date: 21 November 2018

Statement of financial activities (including income and expenditure account)

For the year ended 31 March 2018

		Unrestricted £	Restricted £	2018 Total £	2017 Total £
INCOME	Note				
Donations	2	5,728	-	5,728	134,973
Charitable activities	3	2,418,434	463,579	2,882,013	2,875,809
Other trading activities	4	29,813	-	29,813	8,283
Investment income	5	2,487	-	2,487	2,103
Total income		2,456,462	463,579	2,920,041	3,021,168
EXPENDITURE					
Charitable activities	6	(1,958,968)	(886,440)	(2,845,408)	(2,538,483)
Total expenditure		(1,958,968)	(886,440)	(2,845,408)	(2,538,483)
Net income / (expenditure) in the year		497,494	(422,861)	74,633	482,685
Transfers between funds	18a	(422,861)	422,861	-	-
Net movement in funds		74,633	-	74,633	482,685
Reconciliation of funds:					
Total funds brought forward	18b	2,131,434	-	2,131,434	1,648,749
Total funds carried forward	18a	2,206,067	-	2,206,067	2,131,434

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 34 to 47.



Company balance sheet - as at 31 March 2018 - Registered Company Number: 03426366

	Notes	2018	2017
FIXED ASSETS			
Tangible fixed assets	12	£	£
Investments	14	70,372	124,274
		2	2
TOTAL FIXED ASSETS		70,374	124,276
CURRENT FIXED ASSETS			
Debtors	15	559,396	914,103
Investments - cash deposits		210,851	210,160
Cash at bank and in hand		3,223,646	2,996,515
TOTAL CURRENT ASSETS		3,993,893	4,120,778
LIABILITIES			
Creditors: amounts falling due within one year	16	(1,858,200)	(2,113,620)
NET CURRENT ASSETS		2,135,693	2,007,158
TOTAL NET ASSETS		2,206,067	2,131,434
FUNDS OF THE CHARITY:			
Unrestricted funds:			
General funds	18	2,206,067	1,931,434
Designated funds	18	-	200,000
Restricted funds	18	-	-
TOTAL FUNDS		2,206,067	2,131,434

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime. The attached notes on pages 34 to 47 form part of these financial statements. The financial statements were approved by the Board of Trustees on 16/10/2018 and signed on their behalf by Andrew Puddehatt OBE:

Andrew Puddehatt

Statement of cash flows - for the year ended 31 March 2018

	Notes	2018	2017
		£	£
Cash Flows from Operating Activities			
Net cash provided by/used in operating activities	20	233,932	1,398,667
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(8,597)	(31,591)
Bank interest received		2,487	2,103
Change in cash and cash equivalents in the reporting period		227,822	1,369,179
Cash and cash equivalents at the beginning of the reporting period		3,206,675	1,837,496
Cash and cash equivalents at the end of the reporting period	21	3,434,497	3,206,675

The attached notes on pages 34 to 47 form part of these financial statements.

1 - Accounting policies

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

a) Basis of preparation and consolidation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 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.

The company has taken advantage of the exemption under FRS102 not to produce consolidated accounts as the subsidiary company was dormant throughout the year therefore these accounts contain the results of the charitable company only.

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

There is no share capital as the company is limited by guarantee. There are 134 members and 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.

Voluntary income – donations are accounted for as received, subscription fee income represents amounts receivable. 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 when their economic benefit is probable, it can be measured reliably and the charity has control over the item. 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 received / 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.

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 £500 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 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.

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.

2) Donations

	2018	2017
	£	£
Donations	5,728	134,973
	<u>5,728</u>	<u>134,973</u>

All donations received in 2018 and 2017 relate to unrestricted funds

3) Income from Charitable Activities

	2018	2017
	£	£
Subscription fee income	2,392,434	2,231,102
EU grant income	385,051	337,553
UNICEF grant income	78,528	-
International services	26,000	56,816
Miscellaneous income	-	338
Google grant income	-	250,000
	<u>2,882,013</u>	<u>2,875,809</u>

Income from charitable activities was £2,882,013 (2017 - £2,875,809) of which £463,579 (2017 - £587,553) was attributable to restricted and £2,418,434 (2017 - £2,288,256) was attributable to unrestricted funds. During the year a grant of £385,051 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 18c.

4) Other trading activities

	2018	2017
	£	£
Rent	5,228	6,833
Other	24,585	1,450
	<u>29,813</u>	<u>8,283</u>

All trading income received in 2018 and 2017 relates to unrestricted funds.

5) Investment Income

	2018	2017
	£	£
Bank interest	2,487	2,103
	<u>2,487</u>	<u>2,103</u>

6a) Analysis of expenditure by activity

	Direct Costs	Support Costs	2018 Costs
	£	£	£
Charitable activities			
Minimise criminal internet content	1,962,835	882,575	2,845,408
	<u>1,962,835</u>	<u>882,575</u>	<u>2,845,408</u>

6b) Analysis of expenditure by activity

	Direct Costs	Support Costs	2017 Costs
	£	£	£
Charitable activities			
Minimise criminal internet content	1,745,445	793,038	2,538,483
	<u>1,745,445</u>	<u>793,038</u>	<u>2,538,483</u>

Included within expenditure above is £1,952,945 (£2017: £1,613,377) in relation to unrestricted funds and £886,440 (2017: £925,106) in relation to restricted funds.



7) Analysis of support costs

	2018	2017
	£	£
Finance and legal	43,367	54,871
Human resources	428,941	362,565
IT	44,443	48,990
Premises	147,085	142,169
General office costs	114,496	118,253
Other	30,288	7,670
Governance	73,954	58,520
	882,574	793,038

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

	2018	2017
	£	£
Audit fees	6,025	7,000
Accountancy fees paid to auditor	2,768	3,070
Cost of Trustee's meetings	25,330	15,042
Chairs fees	24,775	22,408
Trustee recruitment and training	15,056	11,000
	73,954	58,520

9) Analysis of staff costs and

key management personnel

	2018	2017
	£	£
Wages and salaries	1,296,019	1,139,376
Social security costs	136,798	119,436
Pension	180,896	153,277
	1,613,714	1,412,089

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £24,775 (2017: £22,408) during the year in respect of his duties in office. This sum is included within governance costs and is set by the Board of Trustees excluding the Chair.

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 3 (2017: 1) Trustees were paid in respect of their duties and these amounted to a total of £7,735 (2017: £2,460).

In 2018, 7 Trustees (2017 – 5) received reimbursements of expenses for travel and subsistence amounting to £14,083 (2017: £9,492).

The charity considers its key management personnel to comprise of 6 people. During the year, the total employment benefits of these 6 key management personnel, including social security and pension was £447,212 (2017: £452,482).

The average monthly head count was as follows:

	2018	2017
	Number	Number
Charitable activities	36	31

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

	2018	2017
	Number	Number
£ 60,000 - £ 70,000	-	1
£ 70,001 - £ 80,000	2	-
£ 80,001 - £ 90,000	-	1
£ 90,001 - £ 100,000	1	-
£ 110,001 - £120,000	-	1
£ 120,001 - £ 130,000	1	-
	4	3



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 £180,896 (2017: £153,277). There were no outstanding contributions payable to the pension fund at the balance sheet date (2017: £nil).

11) Net income

	2018	2017
	£	£
Net income is stated after charging:		
Depreciation of charitable assets owned by group	62,449	72,600
Auditors remuneration:		
- for audit services	6,025	7,000
- for non-audit services	2,768	3,070
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 or valuation:				
At 31 March 2017	250,857	16,092	189,139	424,497
Additions	-	-	8,597	8,597
At 31 March 2018	250,857	16,092	197,736	464,685
Depreciation:				
At 31 March 2017	150,276	16,092	165,446	331,814
Charge for the year	50,290	-	12,209	62,499
At 31 March 2018	200,566	16,092	177,655	394,313
Net book value:				
At 31 March 2017	100,581	-	23,693	124,274
At 31 March 2018	50,291	-	20,081	70,372

13) Investments 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. During 2017 the subsidiary company transferred its trade and assets to the parent, and the bank account was closed after the year end. The principal activity of the subsidiary is to undertake trading activities on behalf of Internet Watch Foundation, its parent charity and these activities were considered to be compatible with the aims and charitable objectives of Internet Watch Foundation.

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2017: £2).

A summary of the results of the subsidiary is shown below:

	2018 £	2017 £
Profit and Loss Account		
Turnover	-	-
Administrative expenses	-	(67)
	<hr/>	<hr/>
Operating profit	-	(67)
Interest receivable	-	73
Interest payable	-	-
Donations paid to the charity during the year	-	(133,942)
	<hr/>	<hr/>
Profit / Loss for the year	-	(133,936)

14) Investments

Internet Watch Limited

Current assets	2	2
Current liabilities	-	-
	<hr/>	<hr/>
Net assets	2	2

15) Debtors

	2018 £	2017 £
Trade debtors	333,364	683,214
Other debtors	107,365	106,444
Prepayments and accrued income	118,667	124,445
	<hr/>	<hr/>
	559,396	914,103

16) Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	79,075	143,262
Other creditors	-	9,162
Accruals and deferred income	1,779,125	1,961,196
	<hr/>	<hr/>
	1,858,200	2,113,620

Deferred income - current year

	2018 £
Deferred income at 1 April 2017	1,727,568
Income deferred during the year	1,340,643
Amounts released from previous years	(1,727,586)
	<hr/>
Deferred income at 31 March 2018	1,340,643

Deferred income - prior year

	2017 £
Deferred income at 1 April 2016	1,021,494
Income deferred during the year	1,727,568
Amounts released from previous years	(1,021,494)
	<hr/>
Deferred income at 31 March 2017	1,727,568

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	
	2018	2017	2018	2017
	£	£	£	£
No later than one year	203,625	203,625	2,588	2,588
Later than one year and no later than five years	19,967	220,594	7,764	10,352
	<u>220,594</u>	<u>424,219</u>	<u>10,352</u>	<u>12,940</u>

18a) Funds analysis

- current 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	<u>1,931,434</u>	<u>2,456,462</u>	<u>(1,836,124)</u>	<u>(345,705)</u>	<u>2,206,067</u>
Designated funds					
IT replacement fund	100,000	-	(97,624)	(2,367)	-
Membership development fund	100,000	-	(25,220)	(74,780)	-
Total designated funds	<u>200,000</u>	<u>-</u>	<u>(122,844)</u>	<u>(77,156)</u>	<u>-</u>
Total unrestricted funds	<u>2,131,434</u>	<u>2,456,462</u>	<u>(1,958,968)</u>	<u>(422,861)</u>	<u>2,212,090</u>
Restricted funds					
EU SIC UK IV	-	385,051	(770,102)	385,051	-
UNICEF	-	78,528	(116,338)	37,810	-
Total restricted funds	<u>-</u>	<u>463,579</u>	<u>(886,440)</u>	<u>422,861</u>	<u>-</u>
Total funds	<u>2,131,434</u>	<u>2,920,041</u>	<u>2,845,408</u>	<u>-</u>	<u>2,206,067</u>

18b) Funds analysis

- prior year

	Balance at 01/04/2016	Income	Expenditure	Transfers	Balance at 31/03/2017
	£	£	£	£	£
Unrestricted funds					
General fund	1,648,749	2,433,615	(1,613,377)	(537,553)	1,931,434
Total general fund	<u>1,648,749</u>	<u>2,433,615</u>	<u>(1,613,377)</u>	<u>(537,553)</u>	<u>1,931,434</u>
Designated funds					
IT replacement fund	-	-	-	100,000	100,000
Membership development fund	-	-	-	100,000	100,000
Total designated funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total unrestricted funds	<u>1,648,749</u>	<u>2,433,615</u>	<u>(1,613,377)</u>	<u>(337,553)</u>	<u>2,131,432</u>
Restricted funds					
EU SIC UK IV	-	272,202	(544,404)	272,202	-
EU SC III	-	65,351	(130,702)	65,351	-
Google donation	-	250,000	(250,000)	-	-
Total restricted funds	<u>-</u>	<u>587,553</u>	<u>(925,106)</u>	<u>337,553</u>	<u>-</u>
Total funds	<u>1,648,749</u>	<u>3,021,168</u>	<u>(2,538,483)</u>	<u>-</u>	<u>2,131,434</u>

18c) Funds analysis - description of funds

Designated funds

IT replacement fund – This is specifically for asset replacement as current assets become worn out or obsolete. The Trustees have identified maintenance of effective IT as a key focus.

Membership development fund – This is specifically for activities aimed at increasing the membership and income raised from this.

Restricted 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.

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

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.

Internet Watch Limited, the wholly owned subsidiary company, paid a gift aid payment of £nil (2017: £133,944) during the year. During the previous year, the subsidiary's trade was transferred to the parent company and all cash and net assets were transferred from the subsidiary to Internet Watch Foundation. As at the year end a balance of £nil was due to the parent company (2017: £nil).

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

	2018	2017
	£	£
Net income for the reporting period (as per the statement of financial activities)	74,633	482,685
Adjustments for:		
Depreciation charges	62,499	72,600
Decrease in debtors	354,707	8,706
(Decrease) / Increase in creditors	(255,420)	836,779
Bank interest received	(2,487)	(2,103)
Net cash provided by operating activities	233,932	1,398,667

21) Analysis of cash and cash equivalents

	2018	2017
	£	£
Cash in hand	3,223,646	2,996,515
Investments - short term deposits	210,851	210,160
Total cash and cash equivalent	3,434,497	3,206,675



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