

Registered number: 03426366  
Charity number: 1112398

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**INTERNET WATCH FOUNDATION**  
(A company limited by guarantee)

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**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**INTERNET WATCH FOUNDATION**  
**(A company limited by guarantee)**

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**INTERNET WATCH FOUNDATION**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**Trustees**

Sir R Tilt, Chair  
Mrs C L Crawford (resigned 20 March 2015)<sup>2</sup>  
Mr J I Drori<sup>2</sup>  
Ms R Foreman (appointed 11 January 2015)<sup>1</sup>  
Mr P J Geering<sup>2</sup>  
Dr U Kohl (appointed 1 September 2014)  
Mr A E Leadley-Yoward (resigned 31 December 2014)<sup>1</sup>  
Ms M MacLeod<sup>2</sup>  
Mr P W Neyroud<sup>2</sup>  
Ms S E Pillar<sup>2</sup>  
Mr J E Shipp<sup>1</sup>  
Mr B W Webb<sup>1</sup>

<sup>1</sup> Industry Trustee

<sup>2</sup> Independent Trustee

**Company registered number**

03426366

**Charity registered number**

1112398

**Registered office**

Discovery House, Chivers Way, Histon, Cambridge, CB24 9ZR

**Company secretary**

Ms S E Hargreaves

**Chief executive officer**

Ms S E Hargreaves

**Independent auditors**

Peters Elworthy & Moore, Salisbury House, Station Road, Cambridge, CB1 2LA

**Bankers**

Barclays Bank Plc, Mortlock House, Vision Park, Cambridge, CB24 9DE

**Investment advisors**

Schroder Investments Limited, 31 Gresham Street, London, EC2V 7QA

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**INTERNET WATCH FOUNDATION**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Internet Watch Foundation (the company and the group) for the year ended 31 March 2015. The Trustees confirm that the annual report and financial statements of the company and the group comply with the current statutory requirements, the requirements of the company and the group's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **CONSTITUTION**

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. Internet Watch Foundation is governed by its Memorandum and Articles of Association as approved on 16 December 2004 and amended on 16 September 2005, 23 September 2008 and 5 October 2010.

### **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 Nominations Committee and comprises the Chair, the two Vice-chairs of the Board and an independent person. In making its choice, 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.

Subscribing organisations who support the Internet Watch Foundation nominate a representative to the Funding Council. The Funding Council meet six times a year to discuss Internet Watch Foundation and member business. The role of the Funding Council is to:

- to consider policy issues affecting Internet Watch Foundation in order to brief Board representatives with Members' views;
- to contribute funds and ensure renewal of funds for the operation of Internet Watch Foundation;
- to advise on the annual Internet Watch Foundation budget, significant changes and the use of material unbudgeted surpluses;
- to select three industry Members for the Internet Watch Foundation board;
- to advise on and approve the Members' code of practice.

The Funding Council Constitution describes how the Council conducts its business. Funding Council determines its own constitution and terms of membership and elects three Board members to represent industry views on the main IWF Board.

The independent Chair is appointed by the Board through an open selection procedure managed by the Nominations committee, comprising the two Vice chairs and an independent person.

### **POLICIES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES**

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

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**INTERNET WATCH FOUNDATION**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**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. The Board sets, monitors and reviews strategy and delegates the operational management of the organisation to the Chief Executive.

**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 which in itself considers various policy matters relating to the IWF, elects three of the Trustees and briefs all its elected Trustees on industry views on relevant matters.

IWF works in partnership with representatives from the UK internet industry, police and government departments in order to minimise the availability of the specific potentially criminal content found online in the UK and in the case of child sexual abuse material hosted outside the UK, with other hotlines abroad.

**RISK MANAGEMENT**

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

- Variations in income streams and expenditure which is addressed through budgeting and expenditure controls;
- Potential liabilities which have been indemnified through appropriate insurances;
- Information security, hardware and operational risks to comply with ISO 27001 standards;
- Property and assets where IWF has audited procedures in place.

During the year, the welfare arrangements were reviewed by a Consultant Forensic Psychiatrist who made a number of recommendations as to how they could be improved. These have been implemented and the welfare program continues to work well.

IWF Executive regularly reviews all potential risks faced and identifies these in a Risk Matrix and through an Information Security Management System. Information Security Incident forms have been introduced and the senior management team has a standing agenda item on risk issues and ISO non compliance. The Board of Trustees considers risk issues and reviews policy through its Audit Committee. The systems of internal control 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 management of risks.

**OBJECTIVES AND ACTIVITIES**

**PUBLIC BENEFIT**

The Charity's declared objects are: the promotion of the care and protection of the health and welfare of the public, in particular children, by working to minimise the availability of offences involving exposure to illegal content on the internet and the prevention of crime relating to offences involving exposure to illegal content on the internet. In the exercise of our powers to that end we have paid due regard to the published guidance from the Charity Commission on the operation of the Public Benefit requirement under the Charities Act 2011.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**REMIT**

To minimise the availability of potentially criminal internet content specifically:

- Images of child sexual abuse hosted anywhere in the world.
- Criminally obscene adult content hosted in the UK.
- Non photographic child sexual abuse images hosted in the UK.

**ROLE**

To foster public trust and confidence in the internet by:

- Disrupting the availability of child sexual abuse content hosted anywhere in the world.
- Protecting children who are victims of sexual abuse from repeat victimisation and public identification.
- Preventing internet users from accidentally stumbling across child sexual abuse content.
- Deleting criminally obscene adult, and non-photographic child sexual abuse content hosted in the UK.

To make the internet free of child sexual abuse images by:

- Providing world renowned and trusted Hotline services;
- Researching emerging technological solutions and trends to be used to target the disruption and removal of images;
- Developing innovative tactics and services to minimise the global availability of child sexual abuse images and videos;
- Researching, analysing and disseminating relevant trends data;
- Working with partners to speed up the removal and to minimise the availability of child sexual abuse imagery globally;
- Using our intelligence to actively seek out child sexual abuse content.

Keeping the UK internet free of criminally obscene adult content and non-photographic child abuse images by:

- Providing an excellent and responsive national Hotline reporting service;
- Working with partners to ensure criminal content in the UK is taken down.

**ACHIEVEMENTS AND PERFORMANCE**

From April 2014 the IWF was granted unique abilities to proactively seek out online images and videos of child sexual abuse. This resulted in a 45% increase in reports processed and a 137% increase in criminal URLs found by IWF analysts compared with 2013. Since 1996 IWF has assessed over 500,000 reports, a significant milestone reached in the year between April 2014 and March 2015.

In August 2014 IWF analysts began playing an important role in building the Child Abuse Image Database (CAID), a national image database developed to help law enforcement, non-profits and the internet industry tackle the production and distribution of criminal content. In June 2014 IWF Research Team began work on a project in collaboration with Google, Microsoft (Bing) and the Home Office, researching into the use of bit torrent technologies for distributing images and videos of child sexual abuse.

**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.

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**INTERNET WATCH FOUNDATION**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**REVIEW OF ACTIVITIES**

IWF continues to provide a Hotline which receives reports from members of the public when they have been exposed to potentially criminal online content within our remit. If this content appears to be in the UK, the police are informed and takedown notices are issued to the hosting company. This process has reduced the proportion of child sexual abuse content known to the IWF hosted in the UK from 18% in 1997 to less than 1% since 2003. Where child sexual abuse content appears to be outside of the UK, the information is passed to the relevant Hotline or law enforcement agency or trusted partner for that country. Whilst it is being assessed under that country's legislation, the URL is added to a dynamic list provided to Member companies to help disrupt access to the images, and to prevent inadvertent access by innocent consumers. The list fluctuates but averages around 800 URLs a day, and is updated twice a day.

During 2014, the Hotline team processed 74,119 reports, of which 31,266 were confirmed as containing child sexual abuse content. The IWF issued 51 notices to remove content hosted in the UK on 95 webpages and 43% were removed in 60 minutes or less. 163 takedown notices were issued for newsgroups hosting child sexual abuse content.

During 2014 the IWF assessed 3,016 reports of alleged criminally obscene content. However, only 9 were hosted within the UK and therefore within the IWF's remit.

**Types of content**

	<b>2014</b>	<b>2013</b>
% of children appearing to be 10 years or under	80	81
% of children appearing to be 2 years or under	4	3
% showing sexual activity between adults and children including rape or sexual torture	43	51
% of images where victims are girls	80	76
% of images where victims are boys	10	10
% of images with both genders	7	9

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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## **FINANCIAL REVIEW**

### **RESERVES AND INVESTMENTS POLICY**

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 unexpected changes in income or operations;
- the timescales and commitments in winding up the operations of the IWF; and
- minimising risk and avoiding speculative investments;

The following principles remain relevant despite the current financial situation:

- A sum equivalent to 50% of the annual running costs of IWF should be set aside as a reserve and should be appropriately invested;
- The investments are to be held in such a way as to maintain their value to IWF and are not held specifically to generate on going income;
- The Trustees should be mindful of the advice received with regard to investment options and that equity investment is currently not appropriate;
- At present IWF will not look to hold investments for the long term and the charity will request any donated portfolios be liquidated prior to transfer to IWF;
- No deposits will be made in offshore or overseas accounts;

Income for the financial year 2014/15 for IWF and IWL was healthy. At the end of 2014/15 the IWF had 116 members.

### **PRINCIPAL FUNDING**

Our principal funding is received via subscriptions from industry Members and the European Union via their Safer Internet Programme. The key objective is running the Hotline and all of the expenditure incurred is directly in pursuance of our charitable objectives.

### **STRATEGIC PROGRAMME PLANS FOR THE FUTURE**

The most significant development for IWF in 2015/16 will be the hash list. We will provide hashes of child sexual abuse images to the online industry to speed up the identification and removal of this content worldwide. This enables the internet industry to actively protect their customers and help victims of child sexual abuse.

The hash list steps up efforts to make the internet a hostile place to share, view, download and trade images of children being sexually abused.

We also continue our proactive work, started on 1 April 2014, and will continue to build on the huge increase in reports we are able to process compared to previous years.

At the #WeProtect summit hosted by the Prime Minister in December 2014 we showcased the IWF Portal as a solution for countries without a hotline. Mauritius became the first country to implement the Portal, and we are currently working with Uganda to implement it in 2015/16.

We continue to develop the work of IWF through the Board approved strategic plan.



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**INTERNET WATCH FOUNDATION**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**TRUSTEES' RESPONSIBILITIES STATEMENT**

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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;
- make judgments and accounting 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 group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable group 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 the group 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 group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


**PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- each Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Trustees on 29/05/15 and signed on their behalf by:



**Sir R Tilt**

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**INTERNET WATCH FOUNDATION**  
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNET WATCH FOUNDATION**

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We have audited the financial statements of Internet Watch Foundation for the year ended 31 March 2015 which comprise the group statement of financial activities, the group and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

As explained more fully in the trustees' responsibilities statement, 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.

We have been appointed as auditors under the Companies Act 2006 and section 145 of the Charities Act 2011 and report to you in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2015 and of the group's 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**INTERNET WATCH FOUNDATION**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNET WATCH FOUNDATION**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

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



Judith Coplowe (senior statutory auditor)

for and on behalf of

**Peters Elworthy & Moore**

Chartered Accountants  
Statutory Auditors

Salisbury House  
Station Road  
Cambridge  
CB1 2LA  
23 November 2015

Peters Elworthy & Moore are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

**INTERNET WATCH FOUNDATION**  
(A company limited by guarantee)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
(incorporating income and expenditure account)  
FOR THE YEAR ENDED 31 MARCH 2015

	Note	Restricted funds 2015 £	Unrestricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds:					
Voluntary income	2	-	35,191	35,191	66,823
Investment income	3	-	4,489	4,489	9,287
Incoming resources from charitable activities	4	467,521	1,765,604	2,233,125	1,677,651
<b>TOTAL INCOMING RESOURCES</b>		<b>467,521</b>	<b>1,805,284</b>	<b>2,272,805</b>	<b>1,753,761</b>
<b>RESOURCES EXPENDED</b>					
Charitable activities	5	602,203	1,508,496	2,110,699	1,651,677
Governance costs	6	-	41,187	41,187	76,813
<b>TOTAL RESOURCES EXPENDED</b>	7	<b>602,203</b>	<b>1,549,683</b>	<b>2,151,886</b>	<b>1,728,490</b>
<b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>					
		(134,682)	255,601	120,919	25,271
Transfers between Funds	16	134,682	(134,682)	-	-
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>-</b>	<b>120,919</b>	<b>120,919</b>	<b>25,271</b>
Total funds at 1 April 2014		-	1,065,371	1,065,371	1,040,100
<b>TOTAL FUNDS AT 31 MARCH 2015</b>		<b>-</b>	<b>1,186,290</b>	<b>1,186,290</b>	<b>1,065,371</b>

The notes on pages 13 to 24 form part of these financial statements.

**INTERNET WATCH FOUNDATION**  
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**REGISTERED NUMBER: 03426366**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2015**

	Note	£	2015 £	£	2014 £
<b>FIXED ASSETS</b>					
Tangible assets	10		233,300		27,229
<b>CURRENT ASSETS</b>					
Debtors	12	523,406		192,780	
Investments	13	761,754		858,189	
Cash at bank and in hand		615,120		446,061	
			<u>1,900,280</u>	<u>1,497,030</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(947,290)</u>		<u>(458,888)</u>	
<b>NET CURRENT ASSETS</b>			<u>952,990</u>		1,038,142
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,186,290</u>		<u>1,065,371</u>
<b>CHARITY FUNDS</b>					
Unrestricted funds	16		<u>1,186,290</u>		<u>1,065,371</u>
<b>TOTAL FUNDS</b>			<u>1,186,290</u>		<u>1,065,371</u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the Trustees on

29 September 2015 and signed on their behalf, by:

*R.R. Tilt*

**Sir R Tilt**

The notes on pages 13 to 24 form part of these financial statements.

**INTERNET WATCH FOUNDATION**  
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**REGISTERED NUMBER: 03426366**

**COMPANY BALANCE SHEET**  
**AS AT 31 MARCH 2015**

	Note	£	2015 £	£	2014 £
<b>FIXED ASSETS</b>					
Tangible assets	10		233,300		27,229
Investments	11		2		2
			233,302		27,231
<b>CURRENT ASSETS</b>					
Debtors	12	555,022		272,629	
Investments	13	761,754		858,189	
Cash at bank and in hand		414,946		184,249	
			1,731,722		1,315,067
<b>CREDITORS: amounts falling due within one year</b>	14		(912,672)		(410,863)
<b>NET CURRENT ASSETS</b>			819,050		904,204
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,052,352		931,435
<b>CHARITY FUNDS</b>					
Unrestricted funds	16		1,052,352		931,435
<b>TOTAL FUNDS</b>			1,052,352		931,435

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the Trustees on 29 September 2015 and signed on their behalf, by:

*R. R. Tilt*

Sir R Tilt

The notes on pages 13 to 24 form part of these financial statements.

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**INTERNET WATCH FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**1. ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, applicable accounting standards and the Companies Act 2006.

**1.2 BASIS OF CONSOLIDATION**

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

The surplus for the year dealt with in the accounts of the charity was £120,917 (2014 - £40,451)

**1.3 COMPANY STATUS**

The company is a company limited by guarantee. The members of the company are subscribers to the Foundation. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

**1.4 FUND ACCOUNTING**

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use 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 company for particular purposes. The costs 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.

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**INTERNET WATCH FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**1. ACCOUNTING POLICIES (continued)**

**1.5 INCOMING RESOURCES**

All incoming resources are included in the Statement of Financial Activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy. Where subscriptions have been invoiced for a period beyond the accounting date, the income relating to the period after each year end is treated as deferred income and carried forward to the next accounting period.

Voluntary income: Donations are accounted for as received. Sponsorship 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.

Grants: Grants are included as incoming resources when these are received / receivable.

Internet Watch Limited income: Licence fees to non-members of Internet Watch Foundation are spread over the period to which they relate with income relating to the period after each year treated as deferred income and carried forward to the next accounting period. Unit charges to members of Internet Watch Foundation are invoiced in arrears once the number of units has been ascertained and notified by the member to the company. The charges are spread over the period to which they relate with income relating to the period up to the year end treated as accrued income.

**1.6 RESOURCES EXPENDED**

All expenditure is accounted for on an accruals basis.

Charitable activities: Resources expended on charitable activities include all costs of running the hotline.

Governance costs: Governance costs include professional fees relating to the statutory management of the charity.

**1.7 GOING CONCERN**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements continue to be prepared on the going concern basis.

**1.8 TANGIBLE FIXED ASSETS AND DEPRECIATION**

All assets costing more than £500 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Over the life of the lease
Office equipment	-	33.33% straight line
Computer equipment	-	33.33% - 40% straight line



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**INTERNET WATCH FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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**1. ACCOUNTING POLICIES (continued)**

**1.9 INVESTMENTS**

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

**1.10 CURRENT ASSET INVESTMENTS**

Current asset investments represent cash deposits held.

**1.11 OPERATING LEASES**

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

**1.12 FOREIGN CURRENCIES**

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

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

Exchange gains and losses are recognised in the statement of financial activities.

**1.13 PENSIONS**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**2. VOLUNTARY INCOME**

	<b>Unrestricted funds 2015 £</b>	<b>Total funds 2015 £</b>	<b>Total funds 2014 £</b>
Donations	12,782	12,782	14,273
Gifts in kind	22,409	22,409	52,550
	<hr/>	<hr/>	<hr/>
Voluntary income	<b>35,191</b>	<b>35,191</b>	<b>66,823</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**3. INVESTMENT INCOME**

	Unrestricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
Charitable parent company	4,005	4,005	7,916
Trading subsidiary	484	484	1,371
	<u>4,489</u>	<u>4,489</u>	<u>9,287</u>

**4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES**

	2015 £	2014 £
Subscription fee income	1,630,903	881,241
EU grant income	217,521	361,061
IWL income	121,020	178,951
Miscellaneous Income	13,681	6,398
Google grant income	250,000	250,000
	<u>2,233,125</u>	<u>1,677,651</u>

**5. CHARITABLE ACTIVITIES**

Charitable activities are analysed as follows:

	Total 2015 £	Total 2014 £
Systems and communications	405,421	298,999
Premises	290,917	140,673
Finance and administration	86,889	110,119
Recruitment	9,704	37,426
Costs incurred by subsidiary	770	28,484
Other staff costs	33,182	35,206
Wages and salaries	1,007,296	772,924
National insurance	103,864	83,863
Pension cost	102,103	72,796
Depreciation	70,553	71,187
	<u>2,110,699</u>	<u>1,651,677</u>

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**6. GOVERNANCE COSTS**

	<b>Total funds 2015 £</b>	<b>Total funds 2014 £</b>
Auditors' remuneration	4,475	5,600
Auditors' non audit costs	1,360	3,206
Costs of trustees' meetings	15,309	23,676
Funding Council secretariat costs	(1,800)	22,400
Chair's fees	21,648	20,992
Trustee training	195	939
	<u>41,187</u>	<u>76,813</u>

**7. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	<b>Staff costs 2015 £</b>	<b>Depreciation 2015 £</b>	<b>Other costs 2015 £</b>	<b>Total 2015 £</b>	<b>Total 2014 £</b>
Cost of Charitable Activities	1,213,263	70,553	826,883	2,110,699	1,651,677
Governance	-	-	41,187	41,187	76,813
	<u>1,213,263</u>	<u>70,553</u>	<u>868,070</u>	<u>2,151,886</u>	<u>1,728,490</u>

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**8. NET INCOME / (EXPENDITURE)**

This is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets:		
- owned by the charitable group	70,553	71,187
Auditors' remuneration	4,475	5,600
Auditors' non audit remuneration	1,360	3,206
Pension costs	102,103	72,796
	102,103	72,796

The Chair received £21,648 (2014 - £20,992) during the year in respect of his duties in this office. This sum is included within Governance costs.

Section 6 of the Memorandum of Association of Internet Watch Foundation permits payments to a maximum of three trustees attending each board meeting. During the year, a total of 3 (2014 - 6) trustees were paid in respect of their duties and these amounted to a total of £6,547 (2014 - £11,654).

5 (2014 - 6) trustees received reimbursements of expenses amounting to £8,762 (2014 - £10,973).

**9. STAFF COSTS**

Staff costs were as follows:

	2015	2014
	£	£
Wages and salaries	1,007,296	772,924
Social security costs	103,864	83,863
Other pension costs	102,103	72,796
	1,213,263	929,583

The average monthly number of employees during the year was as follows:

	2015	2014
	No.	No.
Charitable activities	28	23
	28	23

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**9. STAFF COSTS (continued)**

The number of higher paid employees was:

	2015 No.	2014 No.
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0
In the band £100,001 - £110,000	1	1
	2	2
	2	2

All of the higher paid employees above have rights accruing to them under the money purchase pension scheme operated by the group. The contributions in the year in respect of these employees totalled £12,775 (2014 - £12,530).

**10. TANGIBLE FIXED ASSETS**

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>GROUP COST</b>				
At 1 April 2014	100,308	20,524	128,857	249,689
Additions	248,480	-	28,144	276,624
Disposals	(100,308)	-	-	(100,308)
	248,480	20,524	157,001	426,005
<b>DEPRECIATION</b>				
At 1 April 2014	100,308	18,968	103,184	222,460
Charge for the year	49,696	1,148	19,709	70,553
On disposals	(100,308)	-	-	(100,308)
	49,696	20,116	122,893	192,705
<b>NET BOOK VALUE</b>				
At 31 March 2015	198,784	408	34,108	233,300
At 31 March 2014	-	1,556	25,673	27,229

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**10. TANGIBLE FIXED ASSETS (continued)**

COMPANY	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>COST</b>				
At 1 April 2014	100,308	16,092	128,857	245,257
Additions	248,480	-	28,144	276,624
Disposals	(100,308)	-	-	(100,308)
At 31 March 2015	<u>248,480</u>	<u>16,092</u>	<u>157,001</u>	<u>421,573</u>
<b>DEPRECIATION</b>				
At 1 April 2014	100,308	14,536	103,184	218,028
Charge for the year	49,696	1,148	19,709	70,553
On disposals	(100,308)	-	-	(100,308)
At 31 March 2015	<u>49,696</u>	<u>15,684</u>	<u>122,893</u>	<u>188,273</u>
<b>NET BOOK VALUE</b>				
At 31 March 2015	<u>198,784</u>	<u>408</u>	<u>34,108</u>	<u>233,300</u>
At 31 March 2014	<u>-</u>	<u>1,556</u>	<u>25,673</u>	<u>27,229</u>

**11. INVESTMENT IN TRADING SUBSIDIARY**

The principal activity of the subsidiary, Internet Watch Limited, is to undertake trading activities on behalf of Internet Watch Foundation, its parent charity, which are considered to be compatible with its aims and charitable objectives. During the year ended 31 March 2015, its income was derived from licensees that pay the usage fee when they incorporate the IWF URL list into their product(s) for filtering access to websites. Income was derived from the same sources during the year end 31 March 2014. This income is regarded as an extension of Internet Watch Foundation's activities.

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2014 - £2).

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

	2015 £	2014 £
Turnover	121,020	178,951
Administrative expenses	(40,351)	(34,827)
Deed of covenant payable to parent charity	(80,383)	(145,495)
Operating (loss)	<u>286</u>	<u>(1,371)</u>
Interest receivable	484	1,371
Interest payable	(770)	-
<b>Profit for the year</b>	<u>-</u>	<u>-</u>

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	2015 £	2014 £
<b>INVESTMENT IN TRADING SUBSIDIARY (continued)</b>		
<b>Balance Sheet</b>		
Current assets	207,281	361,465
Current liabilities	(73,343)	(227,527)
<b>Net Assets</b>	<b>133,938</b>	<b>133,938</b>
<b>Share capital and reserves</b>	<b>133,938</b>	<b>133,938</b>

Internet Watch Limited is incorporated in England & Wales and is a wholly owned subsidiary.

**12. DEBTORS**

	<b>GROUP</b>		<b>COMPANY</b>	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	249,493	48,266	242,386	20,423
Amounts owed by group undertakings	-	-	38,723	179,502
Other debtors	101,813	-	101,813	-
VAT repayable	1,080	-	1,080	-
Prepayments and accrued income	171,020	144,514	171,020	72,704
	<b>523,406</b>	<b>192,780</b>	<b>555,022</b>	<b>272,629</b>

**13. CURRENT ASSET INVESTMENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	2015 £	2014 £	2015 £	2014 £
Short term deposits	<b>761,754</b>	<b>858,189</b>	<b>761,754</b>	<b>858,189</b>

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**14. CREDITORS:**  
**AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>GROUP</u>		<u>COMPANY</u>	
	2015 £	2014 £	2015 £	2014 £
Trade creditors	39,149	25,606	34,153	25,606
Corporation tax	-	28,484	-	-
Other taxation and social security	29,758	29,420	29,758	29,420
Accruals	85,085	59,837	82,127	56,962
Deferred income	793,298	315,541	766,634	298,875
	<u>947,290</u>	<u>458,888</u>	<u>912,672</u>	<u>410,863</u>

	<u>GROUP</u>		<u>COMPANY</u>	
	£		£	
<b>DEFERRED INCOME</b>				
Deferred income at 1 April 2014		315,541		298,875
Resources deferred during the year		793,298		766,634
Amounts released from previous years		(315,541)		(298,875)
Deferred income at 31 March 2015		<u>793,298</u>		<u>766,634</u>

Deferred income relates subscriptions and licence fees.

**15. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Restricted funds 2015 £	Unrestricted funds 2015 £	Total funds 2015 £	Total funds 2014 £
	Tangible fixed assets	-	233,300	233,300
Current assets	-	1,900,282	1,900,282	1,497,030
Creditors due within one year	-	(947,292)	(947,292)	(458,888)
	<u>-</u>	<u>1,186,290</u>	<u>1,186,290</u>	<u>1,065,371</u>



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**16. STATEMENT OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Carried Forward £
<b>UNRESTRICTED FUNDS</b>					
General funds	931,433	1,683,780	(1,428,179)	(134,682)	1,052,352
Subsidiary company	133,938	121,504	(121,504)	-	133,938
	<u>1,065,371</u>	<u>1,805,284</u>	<u>(1,549,683)</u>	<u>(134,682)</u>	<u>1,186,290</u>
<b>RESTRICTED FUNDS</b>					
EU SIC II Grant	-	115,701	(250,383)	134,682	-
EU SIC III Grant	-	101,820	(101,820)	-	-
Google donation	-	250,000	(250,000)	-	-
	<u>-</u>	<u>467,521</u>	<u>(602,203)</u>	<u>134,682</u>	<u>-</u>
Total of funds	<u>1,065,371</u>	<u>2,272,805</u>	<u>(2,151,886)</u>	<u>-</u>	<u>1,186,290</u>

EU SIC II & SIC III Grants - These funds represents grants 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 II Grant does not go into deficit.

Google donation - This fund represents a donation from Google in respect of the support of analyst positions.

**17. PENSION COMMITMENTS**

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £102,103 (2014 - £72,796). As at 31 March 2015 £9,383 (2014 - £319) was outstanding.

**18. OPERATING LEASE COMMITMENTS**

At 31 March 2015 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2015 £	Other 2014 £
	2015 £	2014 £		
<b>GROUP AND COMPANY</b>				
<b>EXPIRY DATE:</b>				
Within 1 year	-	9,714	-	-
Between 2 and 5 years	222,265	-	3,388	1,068
	<u>222,265</u>	<u>-</u>	<u>3,388</u>	<u>1,068</u>

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**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 £20,000.

Internet Watch Limited, the subsidiary company, paid a management charge of £26,796 (2014 - £26,234), a licence fee of £1,250 (2014 - £1,250) and a gift aid payment of £80,383 (2014 - 145,495). As at 31 March 2015 the balance outstanding from Internet Watch Limited was £38,723 (2014 - £179,502).