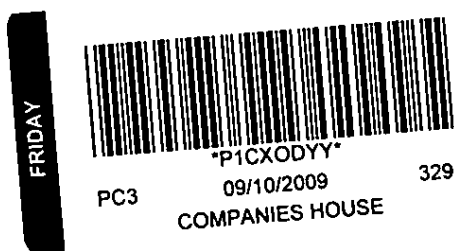

INTERNET WATCH FOUNDATION

(A company limited by guarantee)

TRUSTEES REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009



INTERNET WATCH FOUNDATION
(A company limited by guarantee)

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INTERNET WATCH FOUNDATION
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2009

Trustees

Ms A. Jordan OBE, Chair (resigned 31/12/2008)
Professor I.N. Walden, Acting-Chair²
Ms E. Salomon, Chair (appointed 1/4/2009)
Miss E.L. Ascroft¹
Sir R.G. Brooke²
Ms N.E. Cohen²
Mr M.J. Gracey (appointed 1/5/2008)¹
Mr S.A. Locke²
Mr H. MacLeod¹
Mrs G.J. Palmer²
Ms C. de Stempel (resigned 30/4/2008)¹
Dr S.N. Walton²

Key

- ¹ Industry Trustee
² Independent Trustee

Company registered number

3426366

Charity registered number

1112398

Registered office

East View
5 Coles Lane
Oakington
Cambridge
CB24 3BA

Company secretary and Chief executive officer

Mr P.E.T. Robbins OBE QPM

Auditors

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

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2009

Advisers (continued)

Bankers

Abbey
Business Banking Centre
301 St Vincent Street
Glasgow
G2 5NB

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2009

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 2009. 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 and 23 September 2008.

METHOD OF APPOINTMENT OR ELECTION OF TRUSTEES

Independent (non-industry) Board members are appointed by the Board through a fair and open selection procedure managed by the Board Executive Committee comprising the Chair, the two Vice-chairs and an independent person. In making its choice, the committee will ensure that the Board has an appropriate balance of skills and experience.

The industry Board members are appointed by the Funding Council in accordance with a procedure determined by the Council.

POLICIES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

All new Board members are offered an induction process and training which allows them to understand the role of IWF and their role as Directors and 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 four committees: an Executive Committee consisting of the Chair, two Vice-chairs and the CEO which plans Board business; an Audit Committee; a Communications Committee; and a Remuneration Sub-committee. In the present year the committees have had no delegated powers and all major decisions are made by the Board of Trustees. The Board of Trustees monitors, reviews and sets remit and strategy and delegates the operational management of the organisation to the CEO.

RELATED PARTY RELATIONSHIPS

All major decisions are made by the Board of Trustees. The industry members of the Charity form the Funding Council which considers all major policy matters, 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, government departments and hotlines in other countries in order to minimise the availability of the specific potentially illegal content found online. Online content within our remit includes:

- images of child sexual abuse hosted anywhere in the world;
- criminally obscene content hosted in the UK;
- incitement to racial hatred content hosted in the UK.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2009

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;
- Staff welfare which has been addressed through the staff welfare policy and is included in the Staff Handbook;
- 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

IWF executive regularly reviews all potential risks faced and identifies these in a Risk Matrix and through the Information Security Management System. Information Security Incident forms have been introduced and the senior management team has a standing agenda item on risk issues. 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 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 identification 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 and young people, 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. Our principal roles aim to further these objects for the public benefit and these are detailed below. 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 2006.

ROLE

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

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

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

- Operating a 'notice and take-down' service to alert hosting service providers of criminal content found on their servers.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2009

- Recommending that internet service providers should not carry certain newsgroups in accordance with policy guidelines adopted by the IWF Board.
- Acting as a relevant authority in accordance with the Memorandum of Understanding concerning Section 46 Sexual Offences Act 2003.

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

- Combating the dissemination on the internet of potentially illegal content i.e. sexually abusive images of children and criminally obscene and incitement to racial hatred content.
- Passing details of reports relating to potentially illegal child sexual abuse images hosted on servers outside the UK to the relevant national hotline or appropriate UK law enforcement agency.
- Working closely with the police, lending its expertise to help trace the individuals responsible for such criminal activity online.

ACHIEVEMENTS AND PERFORMANCE

REVIEW OF ACTIVITIES

IWF continues to provide a Hotline which receives reports from members of the public where they have been exposed to specific types of potentially illegal online content (see objectives above). If the potentially illegal content appears to be based in the UK, the police are informed and takedown notifications are issued to the hosting Internet Service Provider (ISP). Where the content is hosted outside of the UK, Interpol is informed and, where appropriate, Hotlines in the relevant country. Over the last year there has been a 9% decrease in the number of domains known to the IWF and confirmed to contain indecent images of children. The number of these domains, at approximately 1500, represents a problem at a scale which can be seriously targeted and significantly disrupted through international efforts. The successful policies with regard to minimising potentially illegal child sexual abuse content hosted in Usenet newsgroups have been maintained and many members make use of other IWF data to minimise potentially illegal online content or as part of their acceptable use policies. A dynamic list of URLs for websites which contain potentially illegal child sexual abuse content is supplied to companies that have voluntarily committed to implement a solution to block access to these URLs, thereby protecting their customers from being inadvertently exposed to such content. The list is supplied to mobile and internet service providers.

IWF ran successful campaigns and events which were aimed at raising public awareness of our work.

Child sexual abuse websites hosted on domains in the UK remains at less than 1% of the reports processed.

A fuller review of IWF activities can be found in the IWF Annual Report.

Internet Watch Limited carries out work which the Board of IWF considers to be compatible with its aims and objectives and includes income from licensees that pay a usage fee when they incorporate the IWF URL list into their product(s) for filtering access to websites.

FINANCIAL REVIEW

RESERVES POLICY

The Board of Trustees has agreed to hold a reserve equivalent to six months running costs of IWF.

PRINCIPAL FUNDING

Our principal funding is received via subscriptions from industry members, the European Union via their Safer Internet Plan and the UK banking industry's body APACS. The key objective is running the Hotline and all of the expenditure incurred is directly in pursuance of our charitable objectives.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2009

MATERIAL INVESTMENTS POLICY

The agreed level of reserves ensures IWF could continue during a period of unforeseen difficulty and take into account the impact of IWF reducing or winding up its operation. Therefore, the Board of Trustees has agreed that the reserve should be held in a readily realisable form in high interest bank accounts. The Trustees, through their Audit Committee, will regularly review the policy to ensure it is fit for purpose. Additionally, the Board has agreed that all funds should be held in FSA regulated accounts within the UK.

PLANS FOR THE FUTURE

The Board of Trustees approved a three year strategic plan for the period 2008-11. The plan identifies the key activities in pursuance of our charitable objectives.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the surplus or deficit of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITOR

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 auditor is 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 auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

This report was approved by the Trustees on 30 June 2009 and signed on their behalf, by:



Ms E Salomon

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNET WATCH FOUNDATION

This report is issued in respect of an audit carried out under section 43 of the Charities Act 1993 as amended.

We have audited the financial statements of Internet Watch Foundation for the year ended 31 March 2009 set out on pages 9 to 20. These financial statements have been prepared under the accounting policies set out on pages 12 to 13 and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The Trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for being satisfied that the charitable company's financial statements give a true and fair view, are set out in the statement of Trustees' responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 as amended and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant financial reporting framework and are prepared in accordance with the Companies Act 1985.

In addition we report to you if, in our opinion, the group has not kept sufficient accounting records or if the statement of accounts does not accord with those records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the charitable group's circumstances, consistently applied and adequately disclosed.

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

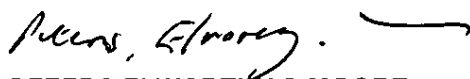
INTERNET WATCH FOUNDATION
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNET WATCH FOUNDATION

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- the financial statements have been prepared in accordance with the Companies Act 1985.



PETERS ELWORTHY & MOORE

Chartered Accountants
Registered Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

2 July 2009

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account)
FOR THE YEAR ENDED 31 MARCH 2009

	Note	Restricted Funds 2009 £	Unrestricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income		-	20,366	20,366	6,811
Investment income	2	-	30,817	30,817	39,224
Incoming resources from charitable activities	3	228,452	798,181	1,026,633	945,772
TOTAL INCOMING RESOURCES		228,452	849,364	1,077,816	991,807
RESOURCES EXPENDED					
Charitable activities	4	228,452	709,557	938,009	896,408
Governance costs	5	-	91,965	91,965	78,204
TOTAL RESOURCES EXPENDED	6	228,452	801,522	1,029,974	974,612
MOVEMENT IN TOTAL FUNDS FOR THE YEAR - NET INCOME FOR THE YEAR		-	47,842	47,842	17,195
Total funds at 1 April 2008		-	630,206	630,206	613,011
TOTAL FUNDS AT 31 MARCH 2009		-	678,048	678,048	630,206

The notes on pages 12 to 20 form part of these financial statements.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Tangible fixed assets	9		24,459		46,414
CURRENT ASSETS					
Debtors	11	89,733		163,123	
Investments	12	808,303		636,650	
Cash at bank and in hand		84,535		71,261	
			<u>982,571</u>	<u>871,034</u>	
CREDITORS: amounts falling due within one year	13	(328,982)		(287,242)	
NET CURRENT ASSETS			<u>653,589</u>		<u>583,792</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>678,048</u>		<u>630,206</u>
CHARITY FUNDS					
Unrestricted funds	14		<u>678,048</u>		<u>630,206</u>
			<u>678,048</u>		<u>630,206</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved by the Trustees on 30 June 2009 and signed on their behalf, by:



Ms E Salomon

The notes on pages 12 to 20 form part of these financial statements.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

COMPANY BALANCE SHEET
AS AT 31 MARCH 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Tangible fixed assets	9		24,459		46,414
Fixed asset investments			2		2
			<u>24,461</u>		<u>46,416</u>
CURRENT ASSETS					
Debtors	11	136,391		202,443	
Investments	12	808,303		636,650	
Cash at bank and in hand		14,103		10,142	
		<u>958,797</u>		<u>849,235</u>	
CREDITORS: amounts falling due within one year	13	(325,211)		(285,445)	
NET CURRENT ASSETS			<u>633,586</u>		<u>563,790</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>658,047</u>		<u>610,206</u>
CHARITY FUNDS					
Unrestricted funds	14		<u>658,047</u>		<u>610,206</u>
			<u>658,047</u>		<u>610,206</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved by the Trustees on 30 June 2009 and signed on their behalf, by:



Ms E Salomon

The notes on pages 12 to 20 form part of these financial statements.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

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 January 2007). 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 1985.

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 230 of the Companies Act 1985 and paragraph 397 of the SORP.

1.3 COMPANY STATUS

The company is a company limited by guarantee. The members of the company are the Trustees named on page 1. 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.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the company 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.

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.

Capital grants: Capital grants received for specific purposes are initially treated as restricted income and are transferred to unrestricted reserves upon completion of the project to which they relate.

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (continued)

1.6 RESOURCES EXPENDED

All expenditure is accounted for on an accruals basis.

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

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

1.7 TANGIBLE FIXED ASSETS AND DEPRECIATION

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:

Plant, machinery and other assets-	33.33% straight line
RMS Development costs	- 40% straight line

1.8 INVESTMENTS

The investment in the trading subsidiary is valued at cost less provision for impairment.

1.9 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.

2. INVESTMENT INCOME

	Unrestricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Charitable parent company	30,255	30,255	38,309
Trading subsidiary	562	562	915
	30,817	30,817	39,224

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2009 £	2008 £
Subscription fee income	741,427	754,742
EU grant income	228,452	146,929
CAI income	53,194	40,734
Miscellaneous	3,560	3,367
Total	1,026,633	945,772

4. CHARITABLE ACTIVITIES

Charitable activities are analysed as follows:

	Internet Watch £	Total 2009 £	Total 2008 £
Systems and communications	188,840	188,840	225,437
Premises	57,722	57,722	56,869
Finance and administration	66,134	66,134	54,859
Other staff costs	18,005	18,005	26,328
Wages and salaries	570,781	570,781	494,519
Depreciation	36,527	36,527	38,396
	938,009	938,009	896,408

5. GOVERNANCE COSTS

	Unrestricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Auditors' remuneration	4,900	4,900	4,840
Auditors' non audit costs	3,560	3,560	2,825
Costs of trustees meetings	17,597	17,597	10,440
Legal and professional fees	3,472	3,472	3,508
Recruitment	21,875	21,875	35,000
Funding Council secretariat costs	18,000	18,000	-
Consultancy	22,561	22,561	21,591
	91,965	91,965	78,204

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

6. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2009 £	Depreciation 2009 £	Other costs 2009 £	Total 2009 £	Total 2008 £
Cost of Charitable Activities	570,781	36,527	330,701	938,009	896,408
Governance	-	-	91,965	91,965	78,204
	<u>570,781</u>	<u>36,527</u>	<u>422,666</u>	<u>1,029,974</u>	<u>974,612</u>

7. NET INCOME

This is stated after charging:

	2009 £	2008 £
Depreciation of tangible fixed assets:		
- owned by the charitable group	36,527	38,046
Auditors' remuneration	<u>4,900</u>	<u>4,840</u>

The two Chairs in office during the year received £22,561 (2008: £21,591 one Chair) in respect of their duties in this office. This sum is included within Governance Costs.

During parts of the year, a total of 4 trustees were paid attendance allowances in respect of their duties and these amounted to a total of £6,060 (2008: 5 £5,046). Section 6 of the Memorandum of Association of Internet Watch Foundation permits such payments.

3 directors of Internet Watch Limited were paid attendance allowances during the year in respect of their duties as directors of Internet Watch Limited and these amounted to a total of £5,863 (2008: £nil).

10 trustees received reimbursements of expenses amounting to £3,090 (2008: 5 trustees £2,522).

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

8. STAFF COSTS

Staff costs were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	2009	2008	2009	2008
	£	£	£	£
Wages and salaries	570,782	494,519	570,782	494,519

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

	<u>GROUP</u>		<u>COMPANY</u>	
	2009	2008	2009	2008
	No.	No.	No.	No.
Charitable activities	14	13	14	13

The number of higher paid employees was:

	2009	2008
	No.	No.
In the band £60,001 - £70,000	1	0
In the band £100,001 - £200,000	1	1
	2	1

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

9. TANGIBLE FIXED ASSETS

GROUP	Office equipment £	Computer equipment £	Total £
COST			
At 1 April 2008	32,622	168,623	201,245
Additions	3,381	16,720	20,101
Disposals	-	(28,554)	(28,554)
At 31 March 2009	36,003	156,789	192,792
DEPRECIATION			
At 1 April 2008	24,593	130,238	154,831
Charge for the year	6,778	35,278	42,056
On disposals	-	(28,554)	(28,554)
At 31 March 2009	31,371	136,962	168,333
NET BOOK VALUE			
At 31 March 2009	4,632	19,827	24,459
At 31 March 2008	8,029	38,385	46,414
COMPANY			
COST			
At 1 April 2008	19,821	120,253	140,074
Additions	3,381	16,720	20,101
Disposals	-	(28,554)	(28,554)
At 31 March 2009	23,202	108,419	131,621
DEPRECIATION			
At 1 April 2008	11,792	81,868	93,660
Charge for the year	6,778	35,278	42,056
On disposals	-	(28,554)	(28,554)
At 31 March 2009	18,570	88,592	107,162
NET BOOK VALUE			
At 31 March 2009	4,632	19,827	24,459
At 31 March 2008	8,029	38,385	46,414

INTERNET WATCH FOUNDATION
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

10. INVESTMENT IN TRADING SUBSIDIARY

The principal activity of the company 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 2009, its income was derived from two sources:

- From licensees that pay the usage fee when they incorporate the IWF URL list into their product(s) for filtering access to websites.
- Fees for speaking and participating in conferences.

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

	2009 £	2008 £
Turnover	54,194	40,734
Other operating income	335	-
Administrative expenses	(8,434)	(2,329)
Deed of covenant payable to parent charity	(46,657)	(39,320)
	<u>(562)</u>	<u>(915)</u>
Operating (loss)	562	915
Interest receivable	<u>-</u>	<u>-</u>
Retained in subsidiary	<u>-</u>	<u>-</u>
Balance Sheet		
Current assets	70,432	61,119
Current liabilities	(50,430)	(41,117)
Net Assets	<u>20,002</u>	<u>20,002</u>
Share capital and reserves	<u>20,002</u>	<u>20,002</u>

11. DEBTORS

	GROUP		COMPANY	
	2009 £	2008 £	2009 £	2008 £
Trade debtors	13,038	17,161	13,039	17,161
Amounts owed by group undertakings	-	-	46,657	39,320
Prepayments and accrued income	76,695	145,962	76,695	145,962
	<u>89,733</u>	<u>163,123</u>	<u>136,391</u>	<u>202,443</u>

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12. CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
Short term deposits	808,303	636,650	808,303	636,650

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
Trade creditors	64,755	61,456	64,757	61,159
Social security and other taxes	25,485	27,052	25,485	27,052
Accruals and deferred income	238,742	198,734	234,969	197,234
	328,982	287,242	325,211	285,445

14. STATEMENT OF FUNDS

	Brought Forward	Incoming resources	Resources Expended	Carried Forward
	£	£	£	£
UNRESTRICTED FUNDS				
General Funds	630,206	849,364	(801,522)	678,048
RESTRICTED FUNDS				
Restricted Funds - SIAP Grant Fund	-	228,452	(228,452)	-
Total of Funds	630,206	1,077,816	(1,029,974)	678,048

SIAP Grant Fund

This fund represents a grant from the European Union, receivable over two years, in respect of assistance in meeting the costs of running the Hotline.

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15. ANALYSIS OF NET ASSETS BETWEEN FUND

	Unrestricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Tangible fixed assets	24,460	24,460	46,414
Current assets	982,571	982,571	871,034
Creditors due within one year	(328,983)	(328,983)	(287,242)
	<u>678,048</u>	<u>678,048</u>	<u>630,206</u>

16. OPERATING LEASE COMMITMENTS

At 31 March 2009 the Group had annual commitments under non-cancellable operating leases as follows:

	2009 £	2008 £
GROUP		
EXPIRY DATE:		
Within 1 year	624	-
Between 2 and 5 years	<u>19,413</u>	<u>20,037</u>

17. RELATED PARTY TRANSACTIONS

IWF 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 IWF with subscriptions levels ranging from £500 to in excess of £20,000.

The sum owed to Internet Watch Foundation at 31 March 2009 by Internet Watch Limited amounted to £46,657 (2008: £39,320), representing the balance of the gift aid payment.