



IWF

Internet
Watch
Foundation

// Trustees' Report & Financial Statements

For the year ended 31 March 2022

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// Our Vision

We're creating an internet free from child sexual abuse that is a safe place for children and adults to use around the world.

25 **50** **01**
Years Countries Mission



// Our Mission

Child sexual abuse images and videos are just as much a weapon as a knife.

We actively search for this imagery and for the past 25 years, we've given people a safe place to report it to us, anonymously, now covering 50 countries.

We assess every report we receive. If it shows the sexual abuse of a child, we make sure the image or video is removed from the internet.

To do this effectively, we develop technology-for-good: We provide bespoke services, products and datasets to our industry Members to prevent the imagery from re-appearing and make it harder for offenders to find and share.

We care. Our work relies on compassionate and resilient staff members, who are highly trained and carefully looked after.

We encourage others to play their part, whether it is reporting to us, funding us, or collaborating on the best technology and research.

The children in these pictures and videos are real. The suffering captured in this imagery and the knowledge that it could be shared can haunt a victim for life.

That's why it's our mission to remove this material for good. And to show every child there is someone out there who cares enough to help.



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 9ER, United Kingdom

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Our Members

as at 31 March 2022

| £80,000+ | £25,000+ | £10,000+ | £5,000+ |
|----------|----------|----------|---------|
| | | | |
| £50,000+ | £20,000+ | £1,000+ | |
| | | | |



Welcome from our Chair

To some, it may seem the problem is insurmountable. But far from showing there is no answer to online child sexual abuse, the IWF's latest record year shows its world-class analysts are now more effective than ever, pulling more and more of the worst abuse off the internet and protecting the victims whose suffering would otherwise increase unchecked.

I am constantly impressed that the team's energy and commitment to meet the scale of the challenge never seems to waver.

I know that this is an organisation, supported by an active and engaged Board, which will never stand still while there remains a single image or video on the internet of a child being sexually abused.

Over the past year, the IWF has contended with the ongoing effects of worldwide lockdowns, as well as the impending future regulation through the Online Safety Bill. This Bill will not only impact on the work of our Members but on the work of the IWF itself.

Working collaboratively has been our overriding approach to this to ensure that we get 'good' regulation which actively helps to fight online child sexual abuse. We must not undo any of the work and

relationships that the IWF has forged around the world over the past 25 years on behalf of all the children who have been sexually abused and had their images circulated.

This is why I have been working closely with the IWF team on a programme of engagement and consultation with the Government, Parliamentarians, Ofcom and of course our Members. Regulation can only be effective with the close involvement and cooperation of the internet industry. The IWF is a trusted broker between the regulator and the industry.

Any role that the IWF plays in the future will be with the support of its Members, which is why I have worked closely with the Chair of IWF's Funding Council and a working group of Members to review our governance arrangements. This has resulted in some changes being made which provide the IWF with the formal independence it needs from industry to undertake discussions about possible future functions in the regulatory regime. It also provides reassurances to the Members that we will not change our remit or fees without their agreement.

As Chair, I lead the Board of Trustees and I know I speak for them all when I say we have complete confidence in the team. The IWF is a

really well run organisation. Behind the big numbers produced by the Hotline, are excellent financial, HR, communications, membership and technical functions who all play their part. I know they will rise to meet any new challenge.

Andrew Puddephatt OBE
IWF Chair

“

...pulling more and more of the worst abuse off the internet and **protecting the victims whose suffering would otherwise increase unchecked.**”



Welcome from our CEO

For a quarter of a century now, the IWF has been a shining light for people in the depths of the darkest abuse.

The internet has changed almost beyond recognition in that time. The evolution of this tool, and the role it plays in our every day lives has helped children learn, people work, and families stay connected.

But it has also opened up new avenues for dangerous predators to target, groom, and abuse children. Abuse which can then be shared by criminals all around the world.

But the IWF is leading the fight back.

In 2021 the UK's National Crime Agency revised their estimate of the number of people who pose a sexual threat to children in the UK. They put it between 550,000 to 850,000. Whilst it's a great achievement that thanks to our work, and that of UK hosting companies, such little child sexual abuse material is hosted in the UK, it means very little when so many of its population want to view it, and when year-on-year our numbers only show that the situation is getting worse.

This year, we were able to find so much more of this material than ever before. We could do this thanks to huge strides within our Hotline to work more efficiently, using

technology better and being able to employ an additional two analysts.

Additionally, we've developed a way to reduce the number of off remit reports being presented to our analysts with an improved reporting process for the public. This has saved our analysts needing to assess nearly 10,000 off remit reports, allowing them instead to focus on their proactive searching for this material.

We launched IntelliGrade – a world first which allows our dedicated team of graders, funded by a Thorn grant, to quickly assess and 'hash' (create digital fingerprints) child sexual abuse images from the UK Government's Child Abuse Image Database (CAID). What's new, is that this grading process allows the hashes to be compatible with multiple legal jurisdictions around the world. And at the same time, we're adding large volumes of metadata which allows us to understand more about the sexual abuse happening to the children pictured, and provides a way for technology companies to build and train the tech of the future.

Tackling child sexual abuse material is ever challenging, but by working collaboratively and forging great partnerships with technology companies, governments globally,

law enforcement and the third sector makes it possible to do this effectively.

Finally, a word for our team of dedicated analysts: They spend each and every day assessing some of the most challenging content imaginable. They do this because they know that for every image or video they remove, it stops that child being revictimised and gives that child some hope.

Susie Hargreaves OBE
IWF CEO

“

...for every image or video they remove, it stops that child being revictimised and **gives that child some hope.**”



Welcome from our Funding Council Chair

The IWF demonstrates the very best of humanity, and its human-led approach sees its dedicated analysts working with technology to fulfil their mission.

When we look at the global spread of child sexual abuse material on the internet, we know the problem is far too large, and far too complicated to defeat without key allies working together. And the IWF Funding Council is a mechanism to enable just that.

As Chair of the Funding Council, I play a pivotal role in ensuring the right issues are being discussed, and that communication lines between the Funding Council, the IWF Executive and IWF Board remain open and strong.

The Funding Council is where IWF Members have the opportunity to come together to provide advice on policy. The Funding Council also gives the IWF Board expert advice from the internet industry on any new developments through three Trustees. We aim to help IWF in its mission to make internet a safer place.

Working together, we know we can make a real difference. Just one example from this year was

when we came together to review the governance arrangements in readiness for, and in the context of, the Online Safety Bill. This resulted in an amendment to the Articles of Association to ensure that in operation and perception, the IWF Executive was properly independent of its funding Members.

Another element is making sure the tech industry assists the IWF in understanding and responding to proposed changes, and new and emerging technologies.

We also adhere to a "Notice and Takedown" procedure. Every relevant Member of the IWF agrees to remove, or disable access to, a criminal child sexual abuse image or video, if notified by the IWF.

Our role is a broad one and, while making sure good governance procedures are followed and that best practice is always adhered to, we are also very keen to help champion the IWF's message.

Matthew Eltringham
Funding Council Chair
& BBC Executive Editor



Caring for our people

As the internet and our relationship with it evolves and changes, so does the way in which we must operate to make sure we stay one step ahead of the criminals and predators who would target and abuse children online.

This has been a period of expansion for the IWF, with specialised new teams of assessors bringing new skills and determination to our organisation.

So far, more than a million images from the Government's Child Abuse Image Database (CAID) database have been assessed by our new taskforce.

Analysing these images and videos is not an easy task, and it is certainly not a job for everyone. Whether in our taskforce, or in our hotline, we know staff need the right support to make sure they can perform their vital roles while keeping safe, healthy and happy themselves.

Their welfare is important, and we will always keep our staff's wellbeing at the core of what we do. The IWF could not operate without its staff and, without them, the internet would be a considerably less safe place for children.

We've remodelled and redesigned our Cambridge headquarters to make sure the new taskforce can work effectively alongside our Hotline analysts, and that expertise is shared across the many layers of our operation.

Many of our non-image viewing staff continue to work from home, and we continue to make sure they are looked after and supported. Making sure everyone is included and involved is a huge reason the IWF functions so well, and we all keep in touch with each other regularly.

The safety of our staff remains a top priority, and we keep strict control on who is coming in and out of our office, ensuring appropriate measures are in place to keep our staff safe from outbreaks of Covid, and to ensure our Hotline can continue to run effectively.

Children's safety has to be protected, and we will always be there for them. I am proud of our team here at the IWF and, wherever they are working, I know we are working together as a strong, focused unit.

Heidi Kempster
IWF Deputy CEO & COO

“

When we look at the global spread of child sexual abuse material on the internet, we know the problem is far too large, and far too complicated to defeat without **key allies working together.**”

“

Their welfare is important, and **we will always keep our staff's wellbeing at the core** of what we do.”

// Our Senior Leadership Team



Susie Hargreaves OBE

CEO

Susie has led the IWF since 2011 and brings passion, energy and a strong vision to create an internet free from child sexual abuse imagery.

Susie has over 30 years' senior management experience in the not-for-profit sector.

Susie represents IWF on several boards and groups including the NCA CEOP Command Strategic Governance Group, the UK Council for Internet Safety (UKCIS) and the Crown Prosecution Service Child Sexual Abuse Stakeholder Forum.

Among her achievements, Susie was awarded an OBE in the Queen's Birthday Honours in 2016 for 'Services to Child Online Safety'. Susie was a finalist in the Executive of the Year 2017 category in the internet's most prestigious industry awards in the UK, the ISPA Awards; and was a finalist for a European Woman of Achievement Award in 2004 and is a Clore Leadership Fellow. Susie is Trustee of SOS Children's Villages.



Heidi Kempster

Deputy CEO & COO

Heidi directs IWF's business activities.

She is a detail-orientated, strategic thinker devoted to creating a caring and supportive environment for all. She is responsible for deputising for the CEO and she ensures the operations of IWF run smoothly and efficiently.

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

Heidi started her career in local government finance and has worked in a number of positions and departments in education, audit and property. Before joining IWF in June 2013 she was part of the Senior Management Team of one of the first large secondary Academy Trusts, overseeing operations for both children, adults and the wider community.



Emma Hardy

Communications Director

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

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

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

She has a Multi-Media Journalism degree, is a qualified senior reporter and holds a Public Relations Diploma from the Chartered Institute of Public Relations (CIPR), where she is a Chartered Member. Emma joined IWF in April 2011.



Chris Hughes

Hotline Director

Chris joined the IWF in February 2012 as Hotline Manager, running a team of five analysts. He has overseen the expansion of the hotline which now boasts 26 analysts – and growing – including a Hotline Manager, Deputy Hotline Manager and a team of Senior Analysts.

Chris is responsible for the running of the hotline, training of analysts, and the provision of datasets and services to IWF's Members. He is the IWF's key contact with Law Enforcement bodies around the world, and he sits on several advisory groups.

Chris started his career in Hospitality and Catering before moving into the IT Training Sector. He has previously had roles as a Training Director and Business Manager overseeing the delivery of the DWP Work Programme, across three sites in the East of England.



Dan Sexton

Chief Technology Officer

Dan joined IWF in February 2021. He is responsible for Information Technology, Cybersecurity and Software Development leading the in-house technical and compliance teams.

He leads our software engineering work which includes the creation of world-leading technologies, such as IntelliGrade and Report Remove, to support the hotline and our technology Members.

Dan has over 20 years' experience in IT, working across a range of environments including local government, the academic sector and in commercial software development.

Dan has a degree in Media, Culture and Society and a Master's in Computer Science.

// Reference & Administrative Details

Charity Registration Number
1112398

Company Registration Number
03426366

Chief Executive Officer
Ms S E Hargreaves

Senior Management Personnel

- Ms S E Hargreaves
- Ms H Kempster
- Ms E Hardy
- Mr C Hughes
- Mr D Sexton

Board of Trustees

- Claire Bassett
- Laurelle Brown
- Sinead Coogan Jobs
Appointed on 04 June 2022
- Giles Crown
- Terry Downing
- Elizabeth Kanter
Appointed on 22 September 2021
- Claire Lilley
Term expired 03 June 2022
- Sherry Malik
- Bronagh McCloskey
- John Parkinson
- Andrew Puddephatt
- Ganapathi Subramaniam
Term expired on 31 August 2022
- Henry Turnbull
Resigned on 21 July 2021

Principal/
Registered Office
Discovery House
Chivers Way
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Cambridge
CB24 9ZR

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

Investment Advisors
Rathbones Brothers Plc
8 Finsbury Circus
London
EC2M 7AZ

Bankers
Abacus House
Castle Park
Castle Hill
Cambridge
CB3 0AX

// Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2022. 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.

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.

2016-2021 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 continued 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 strategy has been 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. These projects and much more will contribute to our 2021-2025 Strategy.

// Our year at a glance

January - December 2021

361,062

reports were assessed in 2021.

7 in 10

(252,194) of those led us to find imagery online of children being sexually abused.

In 2021, we were able to find

64%

more of this criminal material, due to some significant improvements we made within our Hotline.

72%

We continue to see an exponential increase in what is termed **'self-generated'** child sexual abuse content, created using webcams or smartphones and then shared online via a growing number of platforms.

Of the 252,194 webpages actioned during 2021, almost three quarters (**182,281 or 72%**) were assessed as containing 'self-generated' imagery.



In 2021, we saw a **three-fold increase** in 'self-generated' imagery showing **7-10-year-olds**.



97%

97% of the imagery we helped to remove in 2021, contained a female child.

When we see imagery of **babies, toddlers and young children aged 6 and under**, they are more likely to be **suffering Category A** child sexual abuse (the most severe) over Category B, or Category C.

0-6

year olds

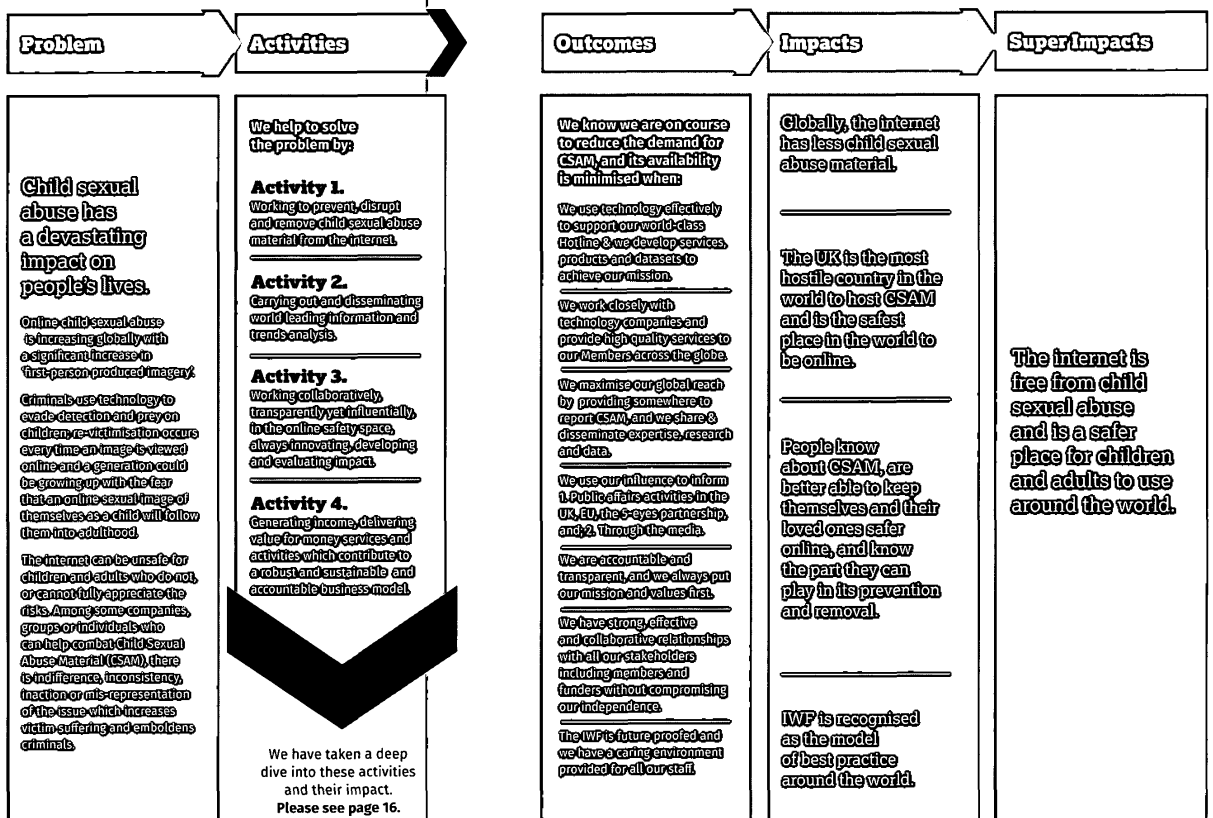
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// IWF's Impact: Our Theory of Change

Our Theory of Change and values guide our work.

The desired outcomes in our Theory of Change form the objectives of our business plan, which in turn translate into detailed activities to guide our work.

Everyone at IWF is set personal objectives which relate to those activities and objectives which helps us move as one force towards our vision of an internet free from child sexual abuse that is a safe place for children and adults to use around the world.



We have taken a deep dive into these activities and their impact. Please see page 16.

// IWF's Impact: Examples of Our Activities

| Activity 1. | Activity 2. | Activity 3. |
|--|--|---|
| <p>Working to prevent, disrupt and remove child sexual abuse material from the internet.</p> <p>In 2021/22 we recruited two more staff to help assess, grade and quality-assure child sexual abuse images and videos in our Hotline. We now operate a super Hotline offering 2.6 billion people around the world with somewhere to report this content. The IWF is the world's largest proactive online child sexual abuse assessment and grading centre.</p> <p>The impact Where the content breaks UK law, we work with a host of international partners to have it taken down, reducing the amount of child sexual abuse material available online.</p> <p>The data which is captured from this work feeds into world-leading datasets, tools and services taken by the internet and tech industries to stop and disrupt this type of content on their networks and platforms. This reduces the amount of child sexual abuse material available online.</p> | <p>Carrying out and disseminating world leading information and trends analysis.</p> <p>As well as reporting on a growing list of nuanced areas involving child sexual abuse material online in our annual report, we carry out bespoke and snapshot studies.</p> <p>In 2021/22 we published studies on:</p> <ul style="list-style-type: none"> • The sexual abuse of boys; • The prevalence of female offenders; • The sexual abuse of three to six year olds, as well as • An enhanced analysis of domain abuse. <p>We frequently tell people about how we work including how we organise our analysts and graders, and what our welfare programme looks like. We do this through presentations, panel events, one-to-one, or one-to-few meetings, conferences and through inviting people into our Hotline to see for themselves where they have sufficient clearance for viewing criminal content.</p> <p>The impact By sharing our knowledge, it supports the wider online safety ecosystem which supports our impact. People know about CSAM and know the part they can play in its prevention and removal and we share knowledge around our model of best practice.</p> | <p>Working collaboratively, transparently yet influentially, in the online safety space, always innovating, developing and evaluating impact.</p> <p>In addition to our highly trained analysts, and to support their work, we innovate. We launched IntelliGrade, a powerful new tool that enables our analysts to accurately grade child sexual abuse images and videos, while automatically generating unique hashes (digital fingerprints) which are used to identify and eliminate these images wherever they appear.</p> <p>In response to feedback, our Tech Team constantly refine and improve IntelliGrade to enable our graders to work more efficiently in producing hashes of child sexual abuse images.</p> <p>The impact IntelliGrade speeds up the creation of hashes which are used by technology companies to stop the upload, storage and distribution of online child sexual abuse material. Therefore, we are reducing the amount of this imagery available online.</p> |

// IWF's Impact: Our Results

The IWF is recognised globally as one of the leading organisations tackling child sexual abuse online.

Our reports and data are trusted and utilised by law enforcement, government, NGOs and the tech/ internet industry.

In 2021 alone, our team:

- Assessed more than 360,000 reports of suspected child sexual abuse. 252,000 were confirmed as containing child sexual abuse imagery – a 64% increase from 2020.
- In 2020, we launched Reporting Portals in six countries, taking our total to 50 reporting portals including the UK.
- These portals allow 2.6bn citizens to anonymously report child sexual abuse images and videos they may have seen accidentally online. It's a simple and low-cost mechanism for those nations who may not have the infrastructure in place to launch such a facility alone.

Generating income, delivering value for money services and activities which contribute to a robust and sustainable and accountable business model.

Underpinning our world-leading work finding and removing sexual imagery of children, and the datasets which are created for companies to do the same, is a sustainable business model. As a not-for-profit, we reinvest to meet our mission. As at 31 March 2022, we had 175 Members contributing funds to our work. In addition, we have successfully secured additional grant funding of £630,000.

The Impact

Having sustainable funding gives us confidence to grow in terms of staff numbers and in terms of resources.

In 2021-22 we employed 12 new staff members. We have also been able to fund the development of both tried-and-tested and experimental new technologies to help combat child sexual abuse online, such as IntelliGrade.

- We continue to develop technical solutions to allow us to be more effective at achieving our mission. We were able to find and remove so much more content in 2021 due to significant improvements we made within our Hotline – to our working practices and procedures, the technology that we're using and not to mention making best use of our hugely skilled and experienced Analyst team we have.

- Services to our Member organisations continue to be improved and developed. On average, we grade 100,000 images of child sexual abuse per month using our bespoke technology, IntelliGrade.

Since IWF began in 1996, we have human-assessed more than 1.8 million webpages and removed child sexual abuse imagery from over 970,000 webpages globally. This equates to millions of images which is something we're very proud of. But we must never be complacent; we know there's a lot more to do and IWF's work will not stop until we've reached our mission of a safer internet for everyone, free from child sexual abuse imagery.

// IWF's Impact: Our Evidence

As a data-driven organisation working on behalf of people who've been sexually abused as children, we understand that it's vitally important for us to perform our work in an impeccable, accurate and transparent manner.

As such, we ensure our workflows, procedures and working methods are independently scrutinised to guarantee we are working to the very highest standards and providing the most precise data.

All key data, trends and developments are published in our Annual Report which is publicly available on our website.

We actively encourage third parties to scrutinise our work and use our statistics to inform their own work.

In order to ensure we are confident in the data we produce, we have developed a bespoke report management system which allows us to track every aspect of what we do.

Under continual development, the system is constantly improved by our in-house Tech Team ensuring the highest levels of accuracy and security.

This is independently verified through our annual ISO audit allowing us to retain our ISO 27001 accreditation in information security management.

We have a dedicated team of Quality Assurance Officers who act as 'critical friends' to our frontline Hotline analysts.

They randomly sample the work and assessments of the team every day to ensure accuracy and aid development. As a member of INHOPE we are also subject to their independent review.

At their most recent audit by the INHOPE team they reported that the IWF "maintains exceptional standards in all areas and its practices can be recommended to new or existing hotlines wishing to develop or expand their services".

The UK's Independent Inquiry into Child Sexual Abuse said "the IWF sits at the heart of the national response" and the latest DCMS safety tech report said "the IWF have helped to radically reduce the volume of child sexual abuse content hosted in the UK, and continue to lead the fight."

“

The IWF maintains exceptional standards in all areas and its practices can be recommended to new or existing hotlines wishing to develop or expand their services”

// Our Services

Notice and Takedown

The most effective way to eliminate online child sexual abuse content is to remove it at source. The UK hosts a small volume of online child sexual abuse content and remains an incredibly hostile territory in this respect. When we started in 1996, the UK hosted 18% of the global total – in 2020 this figure was just 0.1%.

We took action on 381 webpages hosting images and videos in the UK in 2021 (an increase of 112% from 2020 when we actioned 180 URLs). 31 of these webpages had been removed by the time we received authorisation from the police to instigate its removal or it had moved hosting country already, leaving us with 350 URLs to take action on. We issued 69 takedown notices against these 350 URLs. We might send one notice for several webpages and content may have already been removed by the time we get authorisation from the police.

URL List

We provide a list of webpages (URLs) with child sexual abuse content hosted abroad to companies who want to block or filter them for their users' protection, and to prevent repeat victimisation. We update the list twice a day, removing and adding URLs. During 2021, the list was sent across all seven continents. There were 203,234 unique URLs included on the List in 2021, compared to 147,232 in 2020. On average, 1,001 new URLs were added each day (591 in 2020), and averaged 5,526 URLs per day (5,747 in 2020).

Hash List

Each image can be given a unique code, known as a hash. A hash is like a digital fingerprint of an image. The IWF list of hashes can be used to find duplicate images. At the end of 2021, the list contained hashes relating to 1,004,611 individual images, an increase from 567,167 hashes on the list at the end of 2020. Of these hashes, 316,269 (31.5%) related to Category A images, the worst forms of abuse – images of rape or sexual torture of children. This is an increase from the end of 2020, where 118,074 hashes related to the worst forms of abuse.

Keywords List

Offenders 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 2021, the Keywords List held 5,247 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 2021 we processed 10 reports alleging child sexual abuse images hosted within newsgroups. After monitoring newsgroups, we recommended our Members do not carry 178 newsgroups containing child sexual abuse images and videos. This resulted in 207 postings being removed from public access.

Alerts

We also provide various alert services to Members, such as Domain Alerts. These are issued to companies in the domain registration sector when illegal content is found on domains registered through them. The other alert services are for payment brands, virtual currency use and 'Simultaneous' alerts for our US Members.

NPI List

The NPI List is comparable to our standard URL List but features URLs showing images and videos of non-photographic child sexual abuse.

These could include cartoons, drawings, computer-generated imagery (CGI) and other non-photographic representations of child sexual abuse. The URLs provided are those deemed at the time of assessment to potentially breach UK legislation, specifically Sections 62 to 69 of the Coroners and Justice Act 2009. IWF Members can request access to the list enabling them to block webpages featuring this type of content – further protecting their users and contributing to the overall fight against child sexual abuse online. In 2021, 235 unique URLs of non-photographic child sexual abuse imagery were included on the list.

// Review of Activities and Successes

Throughout the 2021/22 year we have continued to work at full capacity while contending with the ever-changing challenges the pandemic has provided. We remain committed to our aims and dedicated to successfully delivering our business strategy.

Whilst our teams continue to work either in the office full time or in a hybrid manner, productivity has been exceptionally strong and, once again, it has been an extremely busy year. Some key highlights are:

- Our Policy Team have worked hard with relevant government departments including Home Office and DCMS, parliamentary champions and other child safety advocates to provide advice, support and guidance for the upcoming Online Safety Bill to ensure it is effective in better protecting children online and ensuring the Bill is workable and focussed on improving systems and processes to detect and report child sexual abuse.
- We launched a hard-hitting campaign (see image, right), backed by the UK Home Office and Microsoft, aiming to empower girls, and warn parents, about the serious risks posed by online predators targeting children – particularly 11-to-13-year-old girls.
- Thanks to a grant from US-based child protection organisation, Thorn, we set up a new IWF taskforce to hash (create digital fingerprints) two million

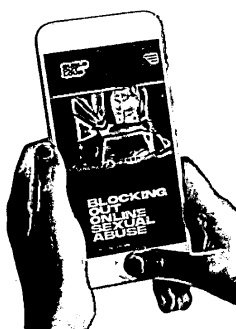
criminal images showing the sexual abuse of children from the UK Government's Child Abuse Image Database (CAID).

- We teamed up with long-term partner NSPCC/Childline to launch a new online tool called Report Remove which helps young people get nude images or videos removed from the internet.
- The Welsh Government joined our ranks as a Member becoming the first Government body to do so.
- We partnered with the International Centre for Missing and Exploited Children (ICMEC) to launch a new online portal which allows internet users, who do not have access to their own national reporting mechanism, to easily and anonymously report child sexual abuse material on the internet.
- The IWF took the top prize at the Digital Communication Awards in the Purpose Driven Communications (Covid 19) category for our work campaigning to raise awareness of the rise of "self-generated" child sexual abuse material.

Membership Drive
Our Development Team worked hard to bring 29 new companies into membership with the IWF:

- au Domain Administration Limited
- ActiveFence
- CDSM Interactive Ltd (d.b.a. Thingi)
- Cloudflare Inc.

- Converge ICT Solutions
- Danske Bank
- Depop
- Eastern Telecommunications Philippines Inc
- EMET Technologies PTE LTD (trading as Breadcrumbs.app)
- Exoclick
- F-Secure Corporation
- Globe Telecom
- Grayshift
- Hyperslice Ltd
- Jurassic Fibre
- L M Ericsson Limited (Ireland)
- Last.FM
- Mojeek Ltd
- Netcraft Limited
- Open Text Corporation
- Performance Networks Limited
- Precedence Technologies Ltd
- Qintel
- Radius Telecoms Inc
- ReversingLabs, LLC
- Wandera Limited
- Welsh Government, Digital Learning Division (Hwb)
- Working Group Two
- XYZ Registry



// Financial Review

Income

Our principal funding is received via membership fees from industry.

Total income for the year at £5,495,269 (2020/21 £4,525,464) increased from the previous year, due to an increase in the value of memberships subscriptions as well as additional grant funding. At the end of 2021/22 the IWF had 175 Members (2020/21 161). Retaining and developing membership is critical to being able to fund our activities. We received grants from the EU Commission (£473k), Home Office (£350k), Thorn (£294k), Nominet (£274k), The Global Fund to End Violence Against Children (£172k) and Department for Culture Media and Sport (£105k).

Expenditure on charitable activities

Our key objective is running the Hotline in the most efficient and beneficial way so as to maximise our removal of illegal child sexual abuse content. We have also created a new team of Internet Content Assessors, whose job it is to assess, grade and hash content from the CAID Police database.

Our expanded Tech Team have continued to develop cutting edge technology to detect content more efficiently during this financial year. Total expenditure of charitable activities at £4,074,548 (2020/21 £3,693,153) represented an increase of 10% from the previous year.

Reserves

IWF ended the year with reserves of £4,409,062 in 2021/22 of which £3,272,554 are free reserves (2020/21 total reserves £2,961,316). 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 which are at least equivalent to 50% of the expected annual running costs of IWF. 50% expenditure for 2021/22 was £2,037,274. The Trustees are aware of the higher level of reserves, and the organisation is expanding and investing in people and technology to reduce the free reserves and continue to meet its charitable objectives. There is continued uncertainty around the impact on IWF of the "Online Harms Bill" which the Trustees wish to fully resolve before over committing on the spending of the reserves. The free reserves are higher as a result of higher than expected grant income levels, significant growth in membership and underspends caused by Covid restrictions. 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 investments after inflation. Rathbones Investment Management Ltd continue to manage a portfolio containing £1,073,241 on our behalf (2020/21 £544,095). An assessment of attitude to risks has been undertaken and as a result the appropriate investment strategy has been determined as Cautious Growth (Rathbones SAAC3). Key parameters of the mandate are:

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

The portfolio has almost performed in line with the targets set. The return on investment since inception, which is less than the target 5 year time horizon, is showing a total average annual return of 4% against an average annual target of 5%.

Fundraising

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

The fundraising strategy for 2022/23 continues primarily to be on securing income from corporates through membership and strategic partnerships, and grants from trusts, foundations and the government. The improvements made to the online donation process have resulted in a greater number of donations from private households however no targeted approaches have been made, nor will be made directly to the public in the year ahead.

Going concern

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

// Structure, Governance & Management

Constitution

The Internet Watch Foundation is an independent registered charity (number 1112398) and is also a company limited by guarantee (registered company number 3426366). The company was incorporated on 29 August 1997 and charitable status was gained on 16 December 2004. The IWF is governed by its Memorandum and Articles of Association as approved on 16 December 2004. These have been regularly reviewed, and an update of the Articles has taken place in 2020/21.

The Board

We are governed by a Board of 11 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. Changes to the Board membership during the year are documented at the beginning of the Report.

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, each documented with official minutes.

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

Funding Council

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

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

Its role is to:

- Consider relevant 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 continued operation of the IWF.
- Advise on the annual IWF budget and setting of membership fees. 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 procedure and their responsibilities are described in the Board Members' Handbook.

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

Method of appointment or election of Trustees

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

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

The Independent Chair is appointed by the Board through an open selection procedure managed by the Nominations Committee, comprising the two Vice-Chairs and an 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 a Finance Committee. The Finance Committee has no delegated power and all major decision are made by the Board of Trustees.

IWF's organisational structure can be found on our website [here](#).

// Structure, Governance & Management

Remuneration of key management personnel

The key management personnel are the Trustees; the Chief Executive Officer, the Chief Operating Officer/ Deputy Chief Executive Officer, the Chief Technical Officer, the Hotline Director and the Communications Director. The Board undertakes regular reviews of salaries of key management personnel, drawing upon market data available for the charity sector and will continue to monitor and review salaries as necessary.

Section 6 of the Memorandum of Association of the IWF permits payments to a maximum of three Trustees attending each Board meeting. During the year, no Trustee was paid in respect of their duties. The Chair was however remunerated for his role and further details can be found in note 9 of these accounts.

Related party relationships

All major decisions are made by the Board of Trustees. The industry Members of the charity are members of the Funding Council as described previously. The IWF works in partnership with representatives from the UK internet industry, police, government departments and partner hotlines overseas in order to minimise the availability of child sexual abuse content found online.

Risk management

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

- Variations in income streams and expenditure, which is addressed through budgeting and expenditure controls.

- Potential liabilities that have been identified through appropriate insurances.
- Information security, hardware and operational risks to comply with relevant standards and best practice.
- Property and assets where IWF has audited procedures in place.

Relevant legislation changes

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

Principal risks and uncertainties include:

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

Mitigation:

5. Consideration of alternative and additional funding streams. Our dedicated Development Team are exploring the various avenues available to us.
6. Maintenance of our Information security resilience and to keep pace with change, and regular staff training.
7. Active engagement with government regarding the Online Safety Bill with a dedicated Policy & Public Affairs Manager leading on this. Although published April 2019, this proposed change in legislation was known of, and being prepared for, during the financial year.
8. Engaging government with the support of a number of our parliamentary Champions to raise this issue given its potential to significantly undermine our work and be detrimental to the welfare of victims.

An Information Security Forum (ISF) meets regularly to maintain and continually improve the ISMS. The IWF also ensures all staff understand the principles of risk management and remain vigilant when it comes to the security of our information.

A Quality Assurance team works daily within the Hotline to independently review assessments. The Hotline is externally audited biennially by an independent team chaired by Independent Inspector Sir Mark Hedley, an esteemed High Court Judge.

// Structure, Governance & Management

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 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 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). 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 of the income and 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:

1. Select suitable accounting policies and then apply them consistently;

2. Observe the methods and principles in the Charities SORP 2019 FR5102;
3. Make judgments and accounting estimates that are reasonable and prudent;
4. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
5. 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 are sufficient to show and explain the charitable company's transactions and 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 that 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 4 October 2022 and signed on its behalf by:



Andrew Puddephatt, OBE
Independent Chair

// Our Board of Trustees



Andrew Puddephatt, OBE

Independent Chair

Andrew Puddephatt OBE is Chair of the Internet Watch Foundation. He 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.

Specific skills include:

- Policy analysis, evaluation and advice on projects concerned with communications, human rights and democracy internationally.
- Expert in international human rights, with a specific focus on freedom of expression and access to information.

Previous work includes strategic policy analysis, scoping exercises, evaluation of programmes, needs assessments, and the development and delivery of capacity-building programmes. He has worked with experts and governments in Europe, the United States, the Middle East, sub-Saharan Africa, and Latin America.



Claire Bassett

Independent Vice-Chair

Claire is a Non-Executive Director of the Serious Fraud Office and until May 2022 was Deputy Director General of the Independent Office for Police Conduct.

Prior to this Claire was Chief Executive (Designate) of the Shadow Trade Remedies Authority, and Chief Executive of the Electoral Commission, the UK's independent elections watchdog and regulator of party and election finance during the EU Referendum.

Previously, Claire was Chief Executive of two other government arm's length bodies: the Parole Board and the Criminal Cases Review Commission.

Earlier in her career, Claire was a Director of Nacro - the crime reduction charity, Chief Executive of Connexions Milton Keynes, Oxfordshire and Buckinghamshire. She also held various roles at the Legal Services Commission. She began her career as a management trainee in the construction industry.

// Our Board of Trustees



Bronagh McCloskey

Industry Vice-Chair

Bronagh McCloskey is Public Affairs Manager at TalkTalk, where she works with Government and industry stakeholders on public policy issues. Her experience includes working on telecommunications infrastructure projects and online safety initiatives.

Prior to joining TalkTalk, she worked in a consultancy providing communications and policy advice to businesses and charities, where she completed a number of secondments. She began her career working in Parliament.



Laurelle Brown

Independent Trustee

Laurelle Brown (She/Her) is a Youth and Community Work and Equality, Diversity, and Inclusion (EDI) professional with over 20 years' experience across sectors, including at the Children's Society, London Violence Reduction Unit and Coram Voice.

Laurelle is Director at Laurelle Brown Training and Consultancy (LBTCL), where she collaborates with clients to develop and embed inclusion across practice, leadership and systems in services that protect, safeguard and promote the welfare of children.

Laurelle is passionate about improving the lives of children; she is Co-Founder and Director at KIJJJI, a membership organisation for Black safeguarding professionals, a school governor, an Independent Visitor to a child in care and a safeguarding children's partnerships member in a London borough.

// Our Board of Trustees



Sinead Coogan Jobs

Industry Trustee

Sinead is a Policy Manager at Sky where she leads on policy work relating to telecommunications and digital issues, including online safety initiatives.

Prior to joining Sky, she worked at Virgin Media O2 where she was similarly involved in the company's public affairs and policy work on online safety, and in public affairs consultancy advising a number of companies on technology, media and telecoms policy issues.



Giles Crown

Independent Trustee

Giles was appointed in September 2019.

Giles is Joint Managing Partner at law firm Lewis Silkin. He specialises in intellectual property, media, data & privacy and regulatory work.

His clients include famous brands, major marketing communications agencies, tech & telecoms companies and media & entertainment organisations.

He was previously in-house counsel at an advertising agency and before that a media barrister. He has also held trustee and advisory positions in the charitable and tech sectors, including as Chair of Westminster Citizens Advice, and is an accredited mediator.

// Our Board of Trustees



Terry Downing

Independent Trustee

Terry has over 30 years experience in the international media and telecoms sectors, holding C-suite roles in both public and privately owned businesses.

Currently, Terry is the interim CFO of the Global Sales Group of EndemolShine where he is helping them complete their merger with Banijay, the French media group. Prior to this Terry held senior roles with FOX, Warner Bros and Chime Communications Plc. Terry was also Audit Chair and NED for the Wandsworth NHS, completing two terms.

Terry is a graduate of Massey University in New Zealand and qualified with Deloitte.



Elizabeth Kanter

Industry Trustee

Liz was appointed Director of Policy and Government Relations at TikTok in May 2019. She is responsible for engaging with governments and delivering TikTok's public policy objectives in the UK, Ireland, Netherlands and Israel.

Prior to joining TikTok, Liz ran her own public affairs consultancy firm working for a range of organisations including StubHub, Forescout and the Cabinet Office. Liz has held senior Government Relations positions at a range of global brands including SAP, BlackBerry, and Yahoo.

Liz is a dual US-UK national. She keeps the US-UK connection alive through her fellowship with the British American Project, for which she sits on the UK Executive Board. She is from California, and moved to London in 2001. She lives in London with her husband and two daughters.

// Our Board of Trustees



Sherry Malik

Co-opted Trustee

Sherry Malik is passionate about social care and social justice. Her signature strength is in enabling change & transformation, working with individuals, organisations, boards and partnerships. She has over 30 years of experience of leading & managing a diverse portfolio in large complex, political settings in public (Local & Central Govt. and the NHS), voluntary & commercial settings, both in executive and non-executive roles.

She was the former Director of children's services at NSPCC, DCS and DASS at LB Hounslow and held exec roles at Cafcass and GSCC. She is currently a non-executive Director at Dimensions UK, a Trustee at the Social Awards and a Staff College Associate.



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 the founding 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 CENTRIC (Centre of Excellence for Research into Terrorism, Resilience, Intelligence & Organised Crime) and the former Chair of a Modern Slavery and Anti-Trafficking Network. He has wide international experience as a strategic policy advisor for security and terrorism issues.

// Auditors' Report



Independent Auditors' Report to the Members & Trustees of
Internet Watch Foundation for the year ended at 31 March 2022

Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2022 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 2022, 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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. The trustees are responsible for the other information contained within the annual report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

// Auditors' Report Continued



Independent Auditors' Report to the Members & Trustees of
Internet Watch Foundation for the year ended at 31 March 2022

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 included in the trustees' 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 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 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 on page 24, 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.

Auditor's responsibilities for the audit of the financial statements

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.

Irregularities, including fraud,

are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the charitable company and how it operates and considered the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. This included those regulations directly related to the financial statements. In relation to the charity this included GDPR, health and safety, employment law and financial reporting.

We communicated the identified laws and regulations with the audit team and remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

- agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiries of management including those responsible for key regulations;
- enquiries of management about GDPR compliance and reviewing register of any GDPR breaches in the year;

// Auditors' Report Continued



Independent Auditors' Report to the Members & Trustees of
Internet Watch Foundation for the year ended at 31 March 2022

Auditors' responsibilities for the audit of the financial statements (continued)

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing minutes of Trustee Board meetings, minutes of Audit Committee meetings and correspondence with the Charity Commission;
- in addressing the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness, and
- reviewing the risk management processes and mitigating actions in place.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's

website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of this Report

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

Helena Wilkinson BSc FCA DChA
Senior Statutory Auditor

for and on behalf of
PRICE BAILEY LLP
Chartered Accountants
Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date: 16 November 2022

// Statement of Financial Activities



Internet Watch Foundation | Statements of Financial Activities
(Including Income and Expenditure Account) for the year ended at 31 March 2022

| | Note | Unrestricted £ | Restricted £ | 2022 Total £ | 2021 Total £ |
|--|------|--------------------|--------------------|--------------------|--------------------|
| Income | | | | | |
| Donations | 2 | 99,598 | - | 99,598 | 117,967 |
| Charitable activities | 3 | 3,520,576 | 1,783,408 | 5,303,984 | 4,283,205 |
| Other trading activities | 4 | 83,814 | - | 83,814 | 116,526 |
| Investment income | 5 | 7,873 | - | 7,873 | 7,766 |
| Total income | | 3,711,861 | 1,783,408 | 5,495,269 | 4,525,464 |
| Expenditure | | | | | |
| Charitable expenditure: | 6 | (1,776,294) | (2,298,254) | (4,074,548) | (3,693,153) |
| Total expenditure | | (1,776,294) | (2,298,254) | (4,074,548) | (3,693,153) |
| Net Gain / (Loss) on investments | | 27,025 | | 27,025 | 70,900 |
| Net income/ (expenditure) in the year | | 1,962,592 | (514,846) | 1,447,746 | 903,211 |
| Transfers between funds | | | | | |
| | 18a | (584,724) | 584,724 | - | - |
| | 18b | (1,000,000) | 1,000,000 | - | - |
| Net movement in funds | | 377,868 | 1,069,878 | 1,447,746 | 903,211 |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | 2,894,686 | 66,630 | 2,961,316 | 2,058,105 |
| Total funds carried forward | | 3,272,554 | 1,136,508 | 4,409,062 | 2,961,316 |

All amounts relate to continuing activities of the company.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The attached notes on pages 36 to 48 form part of these financial statements.

// Company Balance Sheet



Internet Watch Foundation | Registered Company Number: 03426366
Company Balance Sheet for the year ended at 31 March 2022

| | Note | 2022 £ | 2021 £ |
|--|------|------------------|------------------|
| Fixed Assets | | | |
| Tangible assets | 12 | 125,293 | 90,607 |
| Investments | 14 | 1,073,241 | 544,095 |
| Total Fixed Assets | | <u>1,198,534</u> | <u>634,702</u> |
| Current Assets | | | |
| Debtors | 15 | 1,229,491 | 1,668,504 |
| Cash at bank and in hand | | 4,412,696 | 3,142,227 |
| Total Current Assets | | <u>5,642,187</u> | <u>4,810,731</u> |
| Liabilities | | | |
| Creditors: amounts falling due within one year | 16 | (2,431,659) | (2,484,117) |
| Net Current Assets | | <u>3,210,528</u> | <u>2,326,614</u> |
| Total Net Assets | | <u>4,409,062</u> | <u>2,961,316</u> |
| Funds Of The Charity: | | | |
| Unrestricted funds: | | | |
| General funds | 18 | 3,272,554 | 2,894,686 |
| Restricted funds | 18 | 1,136,508 | 66,630 |
| | | <u>4,409,062</u> | <u>2,961,316</u> |

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

The attached notes on pages 36 to 48 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 4 October 2022 and signed on their behalf by:

Andrew Puddephatt, OBE
Independent Chair

// Statement of Cash Flows



Internet Watch Foundation | Registered Company Number: 03426366
Statements of Cash Flows for the year ended at 31 March 2022

| | Note | 2022 £ | 2021 £ |
|--|------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Net cash used in operating activities | 20 | 1,424,694 | 689,134 |
| Cash Flows from Investing Activities | | | |
| Dividends and interest from investment | | 7,181 | 5,943 |
| Purchase of investments | | (306,342) | (319,135) |
| Investment disposal proceeds | | 230,949 | 236,505 |
| Purchase of property, plant and equipment | | (86,705) | (75,413) |
| Bank interest received | | 692 | 1,824 |
| Change in cash and cash equivalents in the reporting period | | <u>1,270,469</u> | <u>538,858</u> |
| Cash and cash equivalents at the beginning of the reporting period | | 3,142,227 | 2,603,369 |
| Cash and cash equivalents at the end of the reporting period | 21 | <u>4,412,696</u> | <u>3,142,227</u> |

The attached notes on pages 36 to 48 form part of these financial statements.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

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 2019) - (Charities SORP (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 financial statements were not consolidated with the charity's subsidiary, Internet Watch Limited on the basis of materiality and significance, further detailed in note 13.

b) Going Concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the

foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

c) Legal status of the Charity

The charitable company number and registered office address are included on the reference and administration page of these accounts. There is no share capital as the charity is limited by guarantee. Each member has guaranteed an amount, not exceeding £1, towards the charity'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 charity is registered in the United Kingdom (England and Wales).

d) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes. Designated funds are unrestricted funds of the charity which the Trustees have decided at their discretion to set aside to use for a specific purpose. The aim and purpose of each designated fund is set out in the notes to the financial statements.

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

e) Income

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

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

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

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

Grants – Grants are included as income when these are receivable.

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

The charity receives government grants in order to pursue its charitable objects and minimise criminal content on the internet.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

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 £1,000 are capitalised at their historical cost when purchased. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated off the cost on a straight line basis over their expected useful economic lives as follows:

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

Assets are reviewed for any indications of impairment at each balance sheet date.

h) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year. The charity does not enter into put options, derivatives or other complex financial instruments. The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

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

i) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Accrued income and tax recoverable is included at the best estimate of the amounts receivable at the balance sheet date.

j) Cash at bank and In hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition

or opening of the deposit or similar account.

k) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due. Concessionary loans received at below market rates are received in order to further the charitable objects of the organisation and are therefore included at the amount received and are not discounted.

l) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Fixed assets are recorded at depreciated historical cost. All other assets and liabilities are recorded at cost which is their fair value and investments are recorded at the closing market value and details of unrealised gains and losses are included within note 14.

m) Pensions

Employees of the charity are entitled to join a defined contribution pension scheme. The charity contribution is restricted to the contributions disclosed in note 10.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

n) Operating leases
Operating leases are recognised over the period of which the lease falls due.

o) 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.

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 | 2022 | 2021 |
|---------------------|---------------|----------------|
| | £ | £ |
| Donations | 99,598 | 117,967 |
| | <u>99,598</u> | <u>117,967</u> |

All donations received in 2022 and 2021 relate to unrestricted funds.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

| 3. Income from Charitable Activities | 2022 | 2021 |
|---|------------------|------------------|
| | £ | £ |
| Subscription fee income | 3,597,869 | 3,071,532 |
| EU grant income | 472,726 | 560,464 |
| UNICEF grant income | 7,576 | 40,188 |
| Nominet grant income | 143,660 | 150,412 |
| CSSF grant income | - | 229,900 |
| EVAC Chatbot grant income | 164,786 | 51,344 |
| Thorn grant income | 293,876 | 116,339 |
| Strategic partnerships | 30,733 | 63,025 |
| DCMS | 104,500 | - |
| HO | 350,000 | - |
| Nominet UKSIC | 130,758 | - |
| Miscellaneous income | 7,500 | - |
| | <u>5,303,984</u> | <u>4,283,205</u> |

Income from charitable activities was £5,303,984 (2021 - £4,283,205) of which £1,783,408 (2021 - £1,311,672) was attributable to restricted and £3,520,576 (2021 - £3,071,533) was attributable to unrestricted funds.

| 4. Other trading activities | 2022 | 2021 |
|------------------------------------|---------------|----------------|
| | £ | £ |
| Project contributions | 77,293 | 107,763 |
| Other | 6,521 | 8,763 |
| | <u>83,814</u> | <u>116,526</u> |

Included within trading income in 2022 is £77,293 of restricted funds (2021: £100,000).

| 5. Investment Income | 2022 | 2021 |
|-----------------------------|--------------|--------------|
| | £ | £ |
| Bank interest | 7,873 | 7,766 |
| | <u>7,873</u> | <u>7,766</u> |

All investment income received in 2022 and 2021 relates to unrestricted funds.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

| 6a. Analysis of expenditure by activity | Direct Costs £ | Support Costs £ | 2022 Costs £ |
|---|----------------------|-----------------------|--------------------|
| Charitable activities: | | | |
| Minimise criminal internet content | 2,736,523 | 1,338,025 | 4,074,548 |
| | <u>2,736,523</u> | <u>1,338,025</u> | <u>4,074,548</u> |

| 6b. Analysis of expenditure by activity | Direct Costs £ | Support Costs £ | 2021 Costs £ |
|---|----------------------|-----------------------|--------------------|
| Charitable activities: | | | |
| Minimise criminal internet content | 2,383,824 | 1,309,329 | 3,693,153 |
| | <u>2,383,824</u> | <u>1,309,329</u> | <u>3,693,153</u> |

Included within expenditure above is £1,776,294 (2021: £1,982,847) in relation to unrestricted funds and £2,298,254 (2021: £1,710,306) in relation to restricted funds.

| 7. Analysis of support costs | 2022 £ | 2021 £ |
|------------------------------|------------------|------------------|
| Finance and legal | 86,420 | 209,569 |
| Human resources | 923,650 | 737,380 |
| IT | 25,602 | 36,161 |
| Premises | 141,383 | 140,996 |
| General office costs | 113,120 | 137,740 |
| Other | 496 | 1,386 |
| Governance (note 8) | 47,353 | 46,097 |
| | <u>1,338,025</u> | <u>1,309,329</u> |

Support costs have been allocated to activities as a fixed percentage basis consistent with use of the resources and staff costs have been allocated based upon time spent on each activity.

| 8. Analysis of governance costs | 2022 £ | 2021 £ |
|----------------------------------|---------------|---------------|
| Audit fees | 12,800 | 9,450 |
| Accountancy fees paid to auditor | 2,000 | 1,900 |
| Chair fees | 31,725 | 28,625 |
| Trustee recruitment and training | 828 | 6,122 |
| | <u>47,353</u> | <u>46,097</u> |

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

| 9. Analysis of staff costs and key management personnel | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Wages and salaries | 1,906,611 | 1,672,144 |
| Social security costs | 204,799 | 179,749 |
| Pension | 270,202 | 239,965 |
| | <u>2,381,612</u> | <u>2,091,858</u> |

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £31,725 (2021: £28,625) during the year in respect of his duties in office. This sum is included within governance costs.

Section 6 of the Memorandum of Association of Internet Watch Foundation permits payments to a maximum of 3 Trustees attending each board meeting. During the year, other than the Chair, a total of £Nil (2021: Nil) Trustees were paid in respect of their duties and these amounted to a total of £Nil (2021: £Nil).

In 2022, Nil Trustees (2021 - £Nil) received reimbursements of expenses for travel and subsistence amounting to £Nil (2021: £Nil).

The charity considers its key management personnel to comprise of 5 people. During the year, the total employment benefits of these 5 key management personnel, including social security and pension was £532,427 (2021: £487,688).

The average monthly head count was as follows:

| | 2022 Number | 2021 Number |
|-----------------------|----------------|----------------|
| Charitable activities | <u>51</u> | <u>43</u> |

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

| | 2022 Number | 2021 Number |
|---------------------|----------------|----------------|
| £60,000 - £70,000 | 2 | - |
| £70,001 - £80,000 | 1 | 1 |
| £80,001 - £90,000 | 1 | - |
| £90,001 - £100,000 | 1 | 1 |
| £110,000 - £120,000 | - | - |
| £120,000 - £130,000 | <u>1</u> | <u>1</u> |
| | <u>6</u> | <u>3</u> |

£13,792 (2021 - £13,520) was paid into a defined contribution pension scheme on behalf of the above higher paid employee.

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 £270,202 (2021: £239,965). There were Nil outstanding contributions payable to the pension fund at the balance sheet date (2021: £Nil).

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

| 11. Net income | 2022 £ | 2021 £ |
|--|--------------|--------------|
| Net income is stated after charging: | | |
| Depreciation of charitable assets owned by group | 52,019 | 29,463 |
| Loss on disposal of fixed assets | - | 144 |
| Auditors remuneration: | | |
| - for audit services | 12,800 | 9,450 |
| - for non-audit services | 2,000 | 1,900 |
| Operating lease costs for land and buildings | 245,538 | 246,168 |
| Operating lease costs for equipment | <u>3,798</u> | <u>2,841</u> |

12. Tangible fixed assets

| | Leasehold Improvements £ | Office Equipment £ | Computer Equipment £ | Total £ |
|---------------------|--------------------------------|--------------------------|----------------------------|----------------|
| Cost: | | | | |
| At 31 March 2021 | 250,857 | 24,323 | 328,932 | 604,112 |
| Additions | | 17,566 | 69,139 | 86,705 |
| Disposals | - | - | - | - |
| At 31 March 2022 | <u>250,857</u> | <u>41,889</u> | <u>398,071</u> | <u>690,817</u> |
| Depreciation: | | | | |
| At 31 March 2021 | 250,857 | 22,515 | 240,133 | 513,505 |
| Charge for the year | | 4,444 | 47,575 | 52,019 |
| Disposals | - | - | - | - |
| At 31 March 2022 | <u>250,857</u> | <u>26,959</u> | <u>287,708</u> | <u>565,524</u> |
| Net book value: | | | | |
| At 31 March 2021 | - | 1,808 | 88,799 | 90,607 |
| At 31 March 2022 | <u>-</u> | <u>14,930</u> | <u>110,363</u> | <u>125,293</u> |

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

13. Investment in Trading Subsidiary

Internet Watch Limited is incorporated in England and Wales (company number 03257468) and is a wholly owned subsidiary of Internet Watch Foundation (company number 03426366). The company has been dormant since 2017 and has Enil net assets (2021: Enil).

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2021: £2).

| 14. Investments | 2022 | 2021 |
|--|------------------|-----------------|
| Investment in dormant subsidiary company at cost | 2 | 2 |
| Investment portfolio | <u>1,073,239</u> | <u>544,093</u> |
| Net assets | <u>1,073,241</u> | <u>544,095</u> |
| | 2022 | 2021 |
| | Total | Total |
| | £ | £ |
| Investment portfolio | | |
| Market value at 1 April | 544,093 | 471,905 |
| Additions | 306,342 | 319,135 |
| Disposal proceeds | (230,949) | (236,505) |
| Net investment (losses) / gains | 27,025 | 70,900 |
| Cash movement | <u>426,728</u> | <u>(81,342)</u> |
| Market value at 31 March | <u>1,073,239</u> | <u>544,093</u> |
| Historical cost | 1,009,833 | 501,851 |
| Analysed as follows: | | |
| | 2022 | 2021 |
| | £ | £ |
| UK Fixed Interest Securities | 85,686 | 75,503 |
| Quoted UK Equities | 153,763 | 175,194 |
| Quoted Overseas Equities | 220,032 | 171,297 |
| Alternative markets | 169,772 | 104,841 |
| Cash | <u>443,986</u> | <u>17,258</u> |
| | <u>1,073,239</u> | <u>544,093</u> |

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

| 15. Debtors | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Trade debtors | 496,118 | 656,717 |
| Prepayments and accrued income | 733,373 | 1,011,787 |
| | <u>1,229,491</u> | <u>1,668,504</u> |
| 16. Creditors: amounts falling due within one year | 2022 £ | 2021 £ |
| Trade creditors | 43,592 | 50,175 |
| Other tax and social security | 69,940 | 87,450 |
| Accruals and deferred income | 2,318,127 | 2,346,492 |
| | <u>2,431,659</u> | <u>2,484,117</u> |
| Deferred income | 2022 £ | 2021 £ |
| Deferred income at 1 April | 2,249,957 | 1,705,698 |
| Income deferred during the year | 2,196,212 | 2,249,957 |
| Amounts released from previous years | (2,249,957) | (1,705,698) |
| | <u>2,196,212</u> | <u>2,249,957</u> |

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

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

17. Leases

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

| | Land and buildings 2022 £ | 2021 £ | Equipment 2022 £ | Equipment 2021 £ |
|--|---------------------------------|----------------|------------------------|------------------------|
| No later than one year | 245,538 | 245,538 | 1,547 | 2,652 |
| Later than one year and no later than five years | 266,000 | 511,538 | 0 | 1,547 |
| | <u>511,538</u> | <u>757,076</u> | <u>1,547</u> | <u>4,199</u> |

18a. Funds analysis - current year

| | Balance at 01/04/2021 £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) £ | Balance at 31/03/2022 £ |
|---------------------------------|-------------------------------|------------------|--------------------|--------------------|--------------------------|-------------------------------|
| Unrestricted funds | | | | | | |
| General funds | 2,894,686 | 3,711,861 | (1,776,294) | (1,584,724) | 27,025 | 3,272,554 |
| Total general funds | <u>2,894,686</u> | <u>3,711,861</u> | <u>(1,776,294)</u> | <u>(1,584,724)</u> | <u>27,025</u> | <u>3,272,554</u> |
| Designated funds | | | | | | |
| Technical fund | - | - | - | 500,000 | - | 500,000 |
| Premises fund | - | - | - | 500,000 | - | 500,000 |
| Total designated funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,000,000</u> | <u>-</u> | <u>1,000,000</u> |
| Total unrestricted funds | <u>2,894,686</u> | <u>3,711,861</u> | <u>(1,776,294)</u> | <u>(584,724)</u> | <u>27,025</u> | <u>4,272,554</u> |
| Restricted funds | | | | | | |
| EU SIC UK V | - | - | - | - | - | - |
| EU SIC UK VI | - | 354,738 | (784,488) | 429,750 | - | - |
| EU SIC UK Childnet | - | 117,988 | (117,988) | - | - | - |
| UNICEF | - | 7,577 | (33,932) | 26,355 | - | - |
| Technical Project | - | 143,660 | (143,660) | - | - | - |
| Nominet UKSIC | - | 130,758 | (261,515) | 130,757 | - | - |
| CSSF | - | - | - | - | - | - |
| Thorn | 66,630 | 293,875 | (221,859) | (2,138) | - | 136,508 |
| EVAC Chatbot | - | 164,786 | (164,786) | - | - | - |
| Special Project | - | 108,026 | (108,026) | - | - | - |
| DCMS | - | 104,500 | (104,500) | - | - | - |
| Home Office | - | 350,000 | (350,000) | - | - | - |
| Miscellaneous | - | 7,500 | (7,500) | - | - | - |
| Total restricted funds | <u>66,630</u> | <u>1,783,408</u> | <u>(2,298,254)</u> | <u>584,724</u> | <u>-</u> | <u>136,508</u> |
| Total funds | <u>2,961,316</u> | <u>5,495,269</u> | <u>(4,074,548)</u> | <u>-</u> | <u>27,025</u> | <u>4,409,062</u> |

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
Notes to the Financial Statements for the year ended at 31 March 2022

18b. Funds analysis - prior year

| | Balance at 01/04/2020 £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) £ | Balance at 31/03/2021 £ |
|-------------------------------|-------------------------------|------------------|--------------------|------------------|--------------------------|-------------------------------|
| Unrestricted funds | | | | | | |
| General funds | 2,058,105 | 3,213,792 | (1,982,847) | (465,264) | 70,900 | 2,894,686 |
| Total general funds | 2,058,105 | 3,213,792 | (1,982,847) | (465,264) | 70,900 | 2,894,686 |
| Restricted funds | | | | | | |
| EU SIC UK V | - | 384,498 | (701,099) | 316,601 | - | - |
| EU SIC UK VI | - | 127,393 | (242,242) | 114,849 | - | - |
| EU SIC UK Childnet | - | 48,573 | (48,573) | - | - | - |
| UNICEF | - | 40,188 | (133,692) | 93,504 | - | - |
| Special Project | - | 150,412 | (98,707) | (51,705) | - | - |
| CSSF | - | 229,900 | (228,313) | (1,587) | - | - |
| Thorn | - | 116,339 | (43,311) | (6,398) | - | 66,630.00 |
| EVAC Chatbot | - | 51,344 | (51,344) | - | - | - |
| Self Gen Campaign | - | 63,025 | (63,025) | - | - | - |
| Facebook Report Remove | - | 100,000 | (100,000) | - | - | - |
| Total restricted funds | - | 1,311,672 | (1,710,306) | 465,264 - | | 66,630 |
| Total funds | 2,058,105 | 4,525,464 | (3,693,153) | - | 70,900 | 2,961,316 |

// Notes to the Financial Statements



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18c. Funds analysis - description of funds

Restricted funds

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

EU SIC UK VI Childnet – These funds represent a grant from the European Union in respect of assistance in meeting the costs of running UK Safer Internet Day and supporting schools to ensure that all children are educated around online safety.

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

Technical Project – These funds represent a grant from Nominet in respect of developing technologies to assist IWF in the detection and removal of child sexual abuse material.

Nominet UKSIC – These funds represent a grant from Nominet in respect of assistance in meeting the costs of running the Hotline, as part of UKSIC. A transfer was made from unrestricted funds to ensure that the Nominet UKSIC grant fund does not go into deficit. There are no unfulfilled conditions relating to amounts recognised during the year.

CSSF – These funds represent a grant from the Conflict, Stability and Security Fund in respect of raising awareness in Uganda and Zambia of reporting CSAM and capacity building for law enforcement and Child Helplines.

Thorn – These funds represent a grant from Thorn to employ a dedicated taskforce to undertake the hashing of two million images in the UK Home Office owned Child Abuse Image Database (CAID).

EVAC Chatbot – These funds represent a grant from the End Violence Against Children Fund to support the development of a chatbot aimed at internet users at risk of viewing CSAM. This project is a partnership between IWF and The Lucy Faithful Foundation. The chatbot will engage individuals searching for CSAM online and encourage them to seek help to change their behaviour.

Special Project – These funds represent various grants and contracts, such as contributions to the Neural Hashing database and developing our international portals; contributions from TikTok and the UK Home Office to enhance the Self Gen Campaign which aims to prevent the development and circulation of youth-produced sexual imagery; funds received from MTN towards a CSAM awareness campaign, and a contribution from BT towards our Annual Report launch.

DCMS – The funds represent a grant from DCMS for child online safety work relating to the UKSIC, specifically to assist in the mission to promote the safe and responsible use of technology for young people.

Home Office – These funds represent a grant from the Home Office to allow expansion of the Hotline, and the dedicated taskforce hashing two million images in the UK Home Office owned Child Abuse Image Database (CAID).

Miscellaneous – These funds are from Cyacomb for the development of a CSAM contraband filter.

Designated funds

Technical Fund – These funds represent a designated fund generated to meet future technical IT developments and requirements.

Premises Fund – These funds represent a designated fund generated to meet future changing demands of business accommodation.

// Notes to the Financial Statements



Internet Watch Foundation | Registered Company Number: 03426366
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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 £84,000. Some Trustees also work for Member companies but do not have any direct influence on transactions undertaken with Internet Watch Foundation.

The Chair received £31,725 (2021: £28,625) during the year in respect of his duties in office.

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

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

| | 2022 £ | 2021 £ |
|---|------------------|----------------|
| Net (expenditure) / income for the reporting period (as per the statement of financial activities) | 1,447,746 | 903,211 |
| Adjustments for: | | |
| Depreciation charges | 52,019 | 29,900 |
| Loss on disposal of fixed assets | 0 | 144 |
| Losses / (Gains) on investments | (27,025) | (70,900) |
| Decrease / (Increase) in debtors | 439,013 | (804,694) |
| (Decrease) / Increase in creditors | (52,458) | 557,898 |
| Bank interest received | (692) | (1,824) |
| Dividends received from investments | (7,181) | (5,943) |
| Cash account movement | (426,728) | 81,342 |
| Net cash provided by operating activities | <u>1,424,694</u> | <u>689,134</u> |

21. Net Debt Reconciliation

| | Balance at 31/03/2021 | Cash Movement | Balance at 31/03/2022 |
|-----------------------------------|--------------------------|------------------|--------------------------|
| Cash in hand | 2,927,752 | 1,484,944 | 4,412,696 |
| Investments - short term deposits | 214,475 | (214,475) | 0 |
| Total cash and cash equivalents | <u>3,142,227</u> | <u>1,270,469</u> | <u>4,412,696</u> |



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