



// Trustees' Report  
& Financial  
Statements

For the year ended 31 March 2021



Find out more in  
 'Our Year at a Glance'  
 on page 12



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An incorporated charity, limited by guarantee.  
 Registered in England.  
 Charity No. 1112398  
 Company Reg. 03426366  
 Registered office: Discovery House  
 Chivers Way  
 Vision Park  
 Histon  
 Cambridge  
 CB24 9ZR  
 United Kingdom

## → Our Members

### £80,000+



### £25,000+



### £15,000+



### £5,000+



### £2,500+



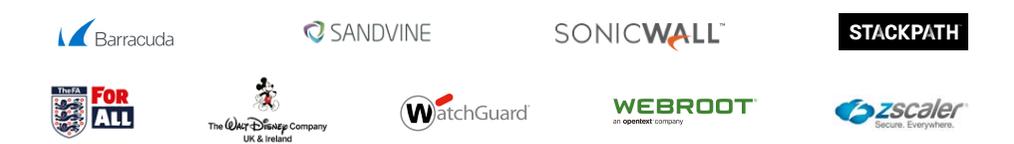
### Members who provide in kind support



### £50,000+



### £20,000+



### £10,000+



### £1,000+



## → Welcome from our Chair

### **Change and reflection best describe this past year with tentative progress made towards the regulation of online harms.**

This same year, our attitudes towards the internet and its uses have changed, becoming a lifeline for so many of us during the coronavirus pandemic.

Unfortunately at IWF, we've witnessed first-hand how internet sexual predators have also adapted. No longer does it take weeks, months or even years to groom a child. We've seen how, in just 30 minutes, a conversation can start, which leads to sexual abuse of a child in their bedroom.

That abuse is recorded via a webcam by a predator who is not physically present, and some time later – days, weeks or months – our analysts find it, and work to remove it.

In the meantime it's likely to have been viewed and shared countless times. This causes untold damage to the victim and creates multiple new chances for offenders or curious individuals to become complicit in viewing the sexual abuse of a child.

In response to the evolving threat, we are innovating and improving all the time.

Our technology has continued to lead the way and blaze trails for others in the global fight to keep the internet safe. I'm immensely proud of the IWF team for building technology which allows us to hash (create digital fingerprints) images of child sexual abuse at speed. We then share those hashes with technology company Members to prevent the upload, storage and sharing of those images.

The internet has no international barriers, and the fight against online sexual predators has to be fought all around the world.

We continue our campaign to open new portals all over the world, giving people, wherever they are, a safe and anonymous place they can report child sexual abuse material if they find it online.

On top of this, we are always broadening the range of companies we work with and who take our services. Companies in Africa, India, and the Philippines are joining us in an international effort to make the internet safer for all.

As we go forward, we need to make sure we stay one step ahead, and that there is nowhere safe for criminals to share content that harms children.

The new Online Safety Bill's progress through Parliament has the potential for a seismic shift in the way we approach child sexual abuse material in the UK.

It is a real opportunity to get a handle on a whole raft of issues, and I hope we will see legislation coming together which sets the foundation for a safer and more welcoming internet.

One thing that will never change is our immense dedication to making this a safer place to be online, and our commitment to keeping children safe.

**Andrew Puddephatt OBE**  
IWF Chair



“  
*The internet has no international barriers, and the fight against online sexual predators has to be fought all around the world.*”

## → Welcome from our CEO

### **It's coming up to ten years since I took over at the IWF, a milestone we are marking with our busiest year ever.**

Last year, our analysts removed a record-breaking amount of child sexual abuse material from the internet. In 2020, we processed 299,600 reports. Of these reports, 153,350 were confirmed as containing images or videos of children being sexually abused.

We know behind these numbers, children are suffering. Real children. This is why I am so proud of our work, and of our analysts. Without them the internet would be a darker, more dangerous place for children.

This year, as well as removing the images and videos of heart-breaking abuse, we have stepped up our campaign to help children and young people call out predatory adults themselves.

In particular, the Gurls Out Loud campaign, which educates and empowers teenage girls to identify and “Block, Report, and Tell someone you trust”, is a very important step.

If we can warn children and their parents about the dangers posed by predatory adults who lure, groom, and bully children into producing sexual material, we change the game.

More and more, we are seeing the results of this grooming and, in 2020, 68,000 of the reports we dealt with included “self-generated” child sexual abuse content. This trend is getting worse and predators are now deliberately seeking out children to target with the aim of having them abuse themselves on camera. We must not allow this to happen.

Hand in hand with this campaign was our Home Truths campaign, aimed at warning parents about how internet predators are actively targeting children and extorting new abuse material out of them.

This threat is growing year on year – and the more parents know about it, the better prepared they can be to broach the topic.

We know just one good quality conversation between a child and their parent or guardian about online abuse can be what makes the difference. Just being open and honest can give children the confidence to open up if they do experience unacceptable behaviour online.

Our hotline continues to be at the front line of this battle. We are seeing more and more companies reassessing their role in the digital world, and working out how best they can protect their users, particularly children, while respecting privacy.

We have always been clear; the safety and protection of children must always come first. There must always be equivalency with new technologies, and any new developments must not be at the expense of keeping children safe.

The IWF is committed to continuing our work, side by side with leading industry partners and governments across the world, to make sure children can have the most positive experiences online, and that criminals who would abuse them have nowhere safe to hide.

**Susie Hargreaves OBE**  
IWF CEO



“  
*We know behind these numbers, children are suffering. Real children. This is why I am so proud of our work, and of our analysts. Without them the internet would be a darker, more dangerous place for children.*”

## → Welcome from our Funding Council Chair

**Alone, very little can be achieved. But, by all working together, we can really make a difference. Collaboration is absolutely key and, as Chair of the IWF Funding Council, I bring the expertise of the tech industry and the IWF together.**

The Funding Council is a space where Members can come together to agree the rights and responsibilities we share, in relation to the services we take from the IWF and contribute to their charitable mission to make the internet a safer place.

A huge part of our role is to bring industry together to consider the challenges around the elimination of online images of child sexual abuse.

The knowledge from across the industry is absolutely essential in drawing together strong policy and in forming a coherent response to the global threat. The criminals who would exploit children know no global boundaries, and our response needs to be joined up as well.

Across the industry, we are seeing a shift in the way online harms and the response to them should be handled.

Protecting children is the priority for all of us. We can bring the best knowledge from the tech world and use it to make sure any new laws are the best they can be.

Part of our role is to make sure the tech industry assists the IWF in responding to proposed changes. As MPs debate the new Online Safety Bill in Parliament, there will be a unique opportunity to make the internet a safer and more welcoming place.

We also regulate ourselves using a "Notice and Takedown" procedure.

Every relevant Member of the IWF agrees to take down a criminal 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



“  
**A huge part of our role is to bring industry together to consider the challenges around the elimination of online images of child sexual abuse.**

## → Caring for our people

**This has been the year we have all had to get used to a new normal, in our professional, as well as our personal lives.**

After the coronavirus pandemic threw everything up in the air last year, we have found ourselves having to adapt and keep adapting to a new way of life.

For us, the priority has been on keeping our staff safe and making sure their family needs are met.

Many of our staff have had to work from home, and we've made sure they are looked after and supported, and that we can all keep in touch with each other regularly.

For our hotline teams, office working has remained an essential part of their job throughout the worst months of the pandemic. We have taken their safety extremely seriously through this time, and have stopped at nothing to make sure the work environment is as safe as it possibly can be.

We took the decision early in the pandemic that we must stay open and keep running to give people a safe and anonymous place to report child sexual abuse material. Children's safety had to continue to be protected, and we decided we would always be there for them.

Since then I have been nothing but proud of our team here at the IWF. While we are gradually getting back to a new normal, we are taking each step one at a time.

At every point, we are consulting our staff and making sure what we do as an organisation works for them too. No one should feel unsafe when they come to work.

We have been busy recruiting new Members to our team this year, and have built a whole new task force to help us grade millions of images from the Government's CAID database.

As always – the focus was on making sure the right people were recruited to the roles. Analysing these images and videos is not an easy task, and it is certainly not a job for everyone.

In strengthening our ability to keep children safe on the internet, we are always careful to take care of our own. It is important that our staff are well looked after and are given the right support to make sure they can perform this vital role 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.

**Heidi Kempster**  
IWF Deputy CEO & COO



“  
**It is important that our staff are well looked after and are given the right support to make sure they can perform this vital role while keeping safe, healthy and happy themselves.**

## → 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 brings over 20 years' senior management experience in the not-for-profit sector.

Susie is a Director of the UK Safer Internet Centre and represents IWF on several boards and groups including the NCA CEOP Command Strategic Governance Group and the UK Council for Internet Safety (UKCIS).

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 and along with the CTO, Heidi deputises for the CEO.

She is a detail-orientated, strategic thinker devoted to creating a caring and supportive environment for all. She is responsible for ensuring the IWF is run efficiently, with the right resources and facilities to meet the challenges.

Heidi oversees all finance, HR, legal and statutory compliance, including managing performance and risk. She also manages and develops 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 organisations. Heidi joined IWF in June 2013.

### 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 an Accredited 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 13 analysts – and growing – including a 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, leading the in-house technical and compliance teams.

Dan has over 20 years' experience in Information Technology, working across a range of environments including local government, the academic sector and in commercial software development. Before joining IWF he was the Head of Information and Computing Services at the Department of Engineering, University of Cambridge.

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

## → Trustees' Report

### 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

*Joined 2 December 2020*

- Giles Crown
- Terry Downing
- Uta Kohl

*Term expired 1 December 2020*

- Claire Lilley
- Jonathan Lea

*Resigned 2 December 2020*

- Sherry Malik

*Joined 1 December 2020*

- Bronagh McCloskey
- John Parkinson
- Andrew Puddephatt
- Ganapathi Subramaniam
- Henry Turnbull

**Principal/Registered Office**

Discovery House  
Chivers Way  
Histon  
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**

Barclays Bank Plc  
Mortlock House  
Vision Park  
Cambridge  
CB24 9DE

### Objectives & Activities

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2021. 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.
  - 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.
- 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.

## → Our year at a glance

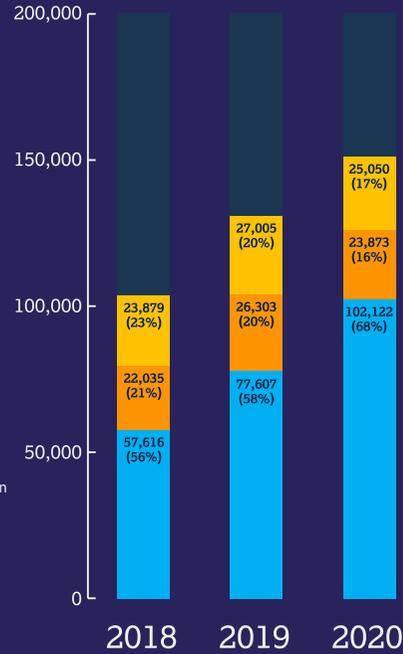
// In 2020, we assessed a webpage every two minutes. Every three minutes, that webpage showed a child being sexually abused.

299,619 reports were assessed by IWF in 2020: 299,531 were reports of webpages and 88 were reports of newsgroups.

153,383 reports were confirmed as containing child sexual abuse imagery or UK-hosted non-photographic child sexual abuse imagery. This is a 16% increase from 2019.

### Severity of child sexual abuse according to UK categories A, B & C

- **Category A:** number of images showing sexual activity between adults and children including rape or sexual torture including self-penetration
- **Category B:** number of images involving non-penetrative sexual activity
- **Category C:** number of indecent images of children not falling within category A or B



### Child sexual abuse imagery reports 2020

	No of reports assessed*	% of total	No of reports "actioned" **	% of total	Total Actioned **	% Actioned **
IWF Proactive Searching	154,311	52%	133,396	87%	133,396	87%
Public	144,070	48%	19,258	13%	19,987	13%
Police	296	< 1%	127	< 1%		
IWF Members	737	< 1%	530	< 1%		
INHOPE Hotlines	158	< 1%	68	< 1%		
Other agencies	47	< 1%	4	< 1%		
<b>TOTAL</b>	<b>299,619</b>		<b>153,383***</b>		<b>153,383</b>	

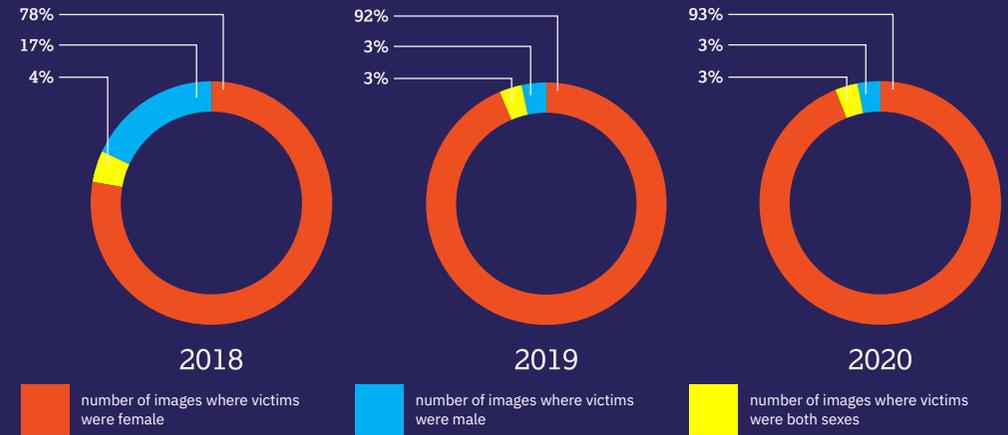
\*These figures include reports of non-photographic child sexual abuse imagery.

\*\*These figures include reports "actioned" for containing child sexual abuse imagery – found on URLs and newsgroups.

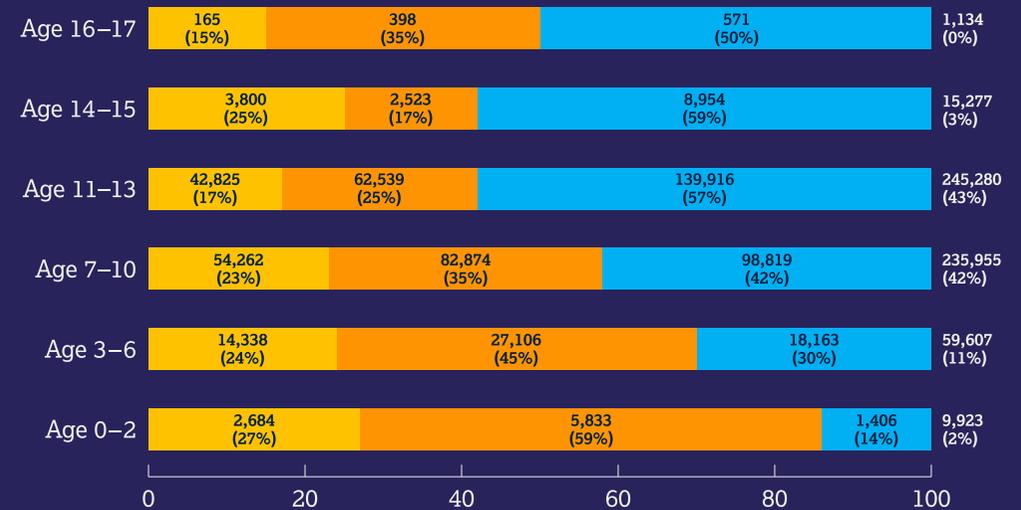
\*\*\*This figure is 153,369 URLs of child sexual abuse material plus 14 newsgroups showing child sexual abuse material. No UK-hosted non-photographic child sexual abuse material was found.

Statistics refer to Jan - Dec 2020.

### Breakdown by Sex



### Analysis of individual image hashes by age of the child and severity of the abuse



→ View more 2020 stats at [annualreport2020.iwf.org.uk](https://annualreport2020.iwf.org.uk)



## → IWF's Impact

### 1. Our Purpose

Child sexual abuse has a devastating impact on people's lives. Online child sexual abuse is increasing globally as more people gain access to super-fast broadband. Criminals use technology to evade detection by law enforcement. Survivors suffer repeated exploitation every time an image or video of their abuse is viewed, shared or sold online. The internet can be unsafe for children and adults who may accidentally see this criminal content – unintentionally breaking the law and leading to mental health problems.

The IWF exists to facilitate a global internet free from imagery of child sexual abuse. We work in partnership with government, law enforcement, the technology industry and other non-profit organisations to disrupt and ultimately stop the victimisation and exploitation of those who have been sexually abused in childhood

through the online distribution of images and videos of their abuse.

We provide valuable tools to the internet and tech sector allowing them to keep their networks and platforms clear of criminal imagery and stop people uploading known child sexual abuse imagery in the first instance. We work unrelentingly to keep these tools on the cutting-edge of technology and relevant for our member organisations.

What impact do we want to have?

- **Globally, less child sexual abuse imagery on the internet.**
- **A safer internet for children and adults.**
- **To retain the UK's position as the most hostile country in the world to host child sexual abuse imagery.**
- **Increased impact and global reach through innovative and bold ways of working.**

- **To retain our position as the recognised model of best practice around the world.**

### 2. Our Aims

1. To reduce demand for, and availability of, child sexual abuse through use of innovative technology.
2. To ensure the public are aware of, and informed about, child sexual abuse online and the role they can play in combatting it. Specifically, reporting suspected online child sexual abuse to the IWF.
3. To communicate the reality of online child sexual abuse to the public, government, law enforcement, the tech industry and other key stakeholders.
4. To proactively share the highest quality information, advice and resources with our partners and the public.

5. To provide evidence that the IWF approach works and to share this widely.
6. To have strong, effective and collaborative relationships with all our stakeholders including member organisations and funders, without compromising our independence.
7. To ensure a safe and caring environment for the IWF team.

### 3. Our Activities

IWF activities are guided by our annual business plan which is guided by our Theory of Change. The Theory of Change helps ensure everything we do works towards an internet free of child sexual abuse imagery.

Our key activities are:

**Work to prevent, disrupt and remove child sexual abuse material from the internet.**

For example: Our team of front-line Internet Content Analysts spends each and every day assessing public reports and proactively searching for images and videos of child sexual abuse online. Where the content breaks UK law, we work with a host of international partners to have it taken down. The data taken from these reports feeds into world-leading tools and services taken by the internet and tech industries to stop this type of content on their networks and platforms.

**Carry out and disseminate world leading trends analysis.**

For example: In 2020, and like the year before as well, our team saw a disturbing trend in the increase of 'self-generated' child sexual abuse content. This is imagery that has been generated by a child using a computer or connected device after being coerced or groomed into sexual

acts over webcam. Of the 153,383 reports our team actioned in 2020, 44% was assessed as containing self-generated imagery. We share information on trends like these and others with key partners to understand how we can reduce and prevent an increase in this type of imagery.

**Work effectively, transparently and supportively in cooperation with leading partners.**

For example: Thanks to a grant by Thorn, we recruited a team of analysts to view, classify and hash two million category A and B images from the UK Government's Child Abuse Image Database (CAID). The resulting hashes from these images are being made available to tech companies to keep their platforms and services safer.

## → IWF's Impact

### 4. 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 2020 alone, our team:

- Assessed almost 300,000 reports of suspected child sexual abuse. 153,000 were confirmed as containing child sexual abuse imagery – a 16% increase from 2019.
- In 2020, we launched Reporting Portals in 14 countries, despite the pandemic: Sierra Leone, Ukraine, Zimbabwe, Pakistan, Haiti, Mali, Mongolia, Indonesia, Senegal, Malaysia, El Salvador, Madagascar, Cote d'Ivoire and Ghana, taking our portal programme to a total of 43 nations worldwide. These portals allow 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.
- We continue to develop technical solutions to allow us to be more effective at achieving our mission. We're building an interactive chatbot which aims to curb the demand for online child sexual abuse material. It will interrupt people trying to access this imagery and prevent them from committing a criminal offence.

- Services to our Member organisations continue to be improved and developed. Our new taskforce, funded by Thorn, will be assessing and hashing two million child sexual abuse images, and making those hashes available to industry.

Since IWF began in 1996, we have human-assessed more than 1.5 million webpages and removed child sexual abuse imagery from over 710,000 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.

### 5. 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 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."

### Our Lessons Learned

We work iteratively. That means that we observe, we uncover trends in data and challenges to achieving our mission; we understand the context of our work in the wider world – not just the technical but the political and policy environment – and learn in order to make our work better.

Five things we have learned this year:

#### 1. The wellbeing of our staff is everything

Human expertise sits at the heart of IWF. When the pandemic hit, we chose to take a 'family comes first' approach. We stayed open throughout the lockdowns, we supported staff when they needed time to look after dependents and we managed challenges in partnership with our staff. And despite everything, everyone worked harder than ever – as can be seen in our report numbers – which ultimately benefited our mission.

#### 2. To think creatively about how our charitable status can unite others

As a technology-led child protection charity/NGO, the IWF occupies a unique position in the child protection landscape. We therefore must think creatively about how best to unite other sectors – through us – to help achieve our charitable mission. For example, we're able to link into the UK Government's Child Abuse Image Database to assess and hash (create a digital fingerprint) two million child sexual abuse images.

By doing that, we can then ensure that the hashes are available to technology companies. This offers millions of opportunities to stop the upload, storage and circulation of known child sexual abuse images.

#### 3. The importance of consulting key groups, early on

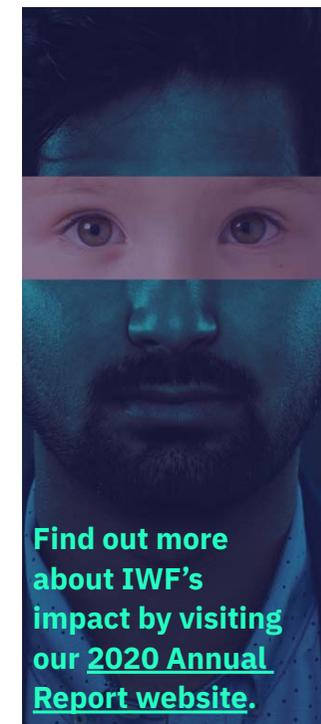
As part of our work looking at the forthcoming Online Harms legislation and the role that IWF would play in a new regulatory framework, we developed and proposed a new governance model. This model would enable us to operate both as an independent charity working with the internet industry across the world and provide a new regulatory arm which would assist the regulator. We consulted early on with government, law enforcement, NGOs, international partners, and our Members to discuss and finesse the model.

#### 4. When global hotlines and abuse teams shut down, child sexual abuse material increases

One of the saddest learnings from the year was to see how child sexual abuse material increases around the world when the courageous staff within both our sister hotlines, and technology companies' abuse teams cannot work. We saw how the number of URLs on our URL list increased dramatically for a period of time as the world went into lockdown, and the criminal URLs were not being removed.

#### 5. The tech sector moves fast - and we must keep up

We're fortunate to count some of the world's biggest and smallest-up-and-coming tech companies as Members of IWF. This can afford us a unique insight into the work they're doing, and their priorities. It also enables us to predict how our datasets and services can be used to help combat child sexual abuse material and foresee gaps and emerging trends.



Find out more about IWF's impact by visiting our [2020 Annual Report website](#).

## → Services & Successes

### 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 180 webpages hosting images and videos in the UK in 2020 (an increase of 13.9% from 2019). 35 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 145 URLs to take action on. We issued 39 takedown notices against these 145 URLs. We might send one notice for several webpages.

#### URL List

We provide a list of webpages (URLs) with child sexual abuse content hosted outside the UK 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 2020, the list was sent across all seven continents. There were 147,232 unique URLs included on the List in 2020, compared to 129,111 in 2019. On average, 591 new URLs were added each day (522 in 2019), and averaged 5,747 URLs per day (5,565 in 2019).

#### 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 2020, the list contained hashes relating to 567,176 individual images, an increase of 95,937 hashes over the course of the year. Of these, 118,074 (21%) related to the worst forms of abuse. This means that in 2020, our analysts reviewed 8,722 images each, alongside reviewing public reports and actively searching for child sexual abuse images and videos.

#### 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 2020, the Keywords List held 5,247 words associated with child sexual abuse images and videos. This is a significant increase on 2019, when we had 453 unique words and phrases on this list.

#### 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 2020 we processed 88 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 136 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 2020, 289 unique URLs of non-photographic child sexual abuse imagery were included on the list.

### Review of activities and successes

As we prepare our report, we continue to operate in exceptional times, due to the Coronavirus pandemic, but we remain committed to our aims and dedicated to successfully delivering our strategy.

Despite our staff contending with home-working and government restrictions, it's been an especially busy year across the IWF:

- Our tech team continue to develop pioneering tools including our intelligent web crawler, a chatbot which aims to curb the demand for child sexual abuse and refining technical solutions for our Hotline team as well as working collaboratively with strategic, international partners.
- The policy team have continued to engage and further develop relationships with political stakeholders and government departments to maintain our position as an expert independent authority in the field of online child protection.
- Our international work progresses with new portals opened and the roll out of a successful UK Government-funded campaign in Uganda and Zambia.
- Our communications team have overseen numerous highly successful campaigns and continue to collaborate with various partners to raise awareness of the issues around CSAM.

The IWF has had considerable success in 2020-21 including the following:

#### International Reporting Portal Development

In partnership with the Global Fund to End Violence Against Children we launched 13 new International Reporting Portals in:

- Haiti
- Mali
- Mongolia
- Indonesia
- Senegal
- Malaysia
- El Salvador
- Madagascar
- Côte d'Ivoire
- Ghana
- Kenya
- Morocco
- Guatemala

Read more about our portals programme [here](#).

#### The UK Safer Internet Centre becomes Secretariat for APPG on Social Media

IWF along with our UKSIC partners, Childnet International and SWGfL, took over as the new Secretariat to the All-Party Parliamentary Group on Social Media. Chaired by Labour MP Chris Elmore, the APPG on Social Media is the cross-party group dedicated to bringing about policy changes to tackle potentially harmful aspects of social media. Read [more](#).

#### IWF Hotline Manager wins Unsung Hero Award

The IWF's Hotline Manager was recognised as an "unsung hero" of the voluntary sector for his "profound personal and professional contribution" to making the internet a safer place. Chris Hughes was awarded the accolade at the Third Sector Awards, which recognise the achievements of charities, voluntary organisations and social enterprises. Read [more](#).

#### Membership Drive

Our Development Team worked hard to bring 20 new companies into membership with the IWF:

- 3sides
- Alps System Integration
- Aspiegel Limited
- Avast PLC
- Cyan Forensics
- Cyprus Telecommunications Authority (Cyta)
- Gamma Telecom Ltd
- Magnum Photos
- Mastercard
- Merkle Science
- Natterhub
- New Vector Ltd
- Pactus S.A.
- PLDT Inc
- SafeToNet Foundation
- Switchshop Limited
- TRM Labs
- University of Sussex
- Wightfibre Ltd
- Yandex LLC

Read more about our successes in 2020 -21 [here](#).

## → Financial Review

### Income

Our principal funding is received via subscriptions from industry Members and the European Union via their Safer Internet Programme. We also received a grant from The Global Funds to End Violence Against Children for our International Portals, Thorn, as well as a grant for Technical developments from Nominet.

Total income for year at £4,525,464 (2019/20 £3,362,133) was 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 2020/21 the IWF had 161 Members (2019/20 152). Retaining and developing membership is critical to being able to fund our activities. We currently receive grants from the EU Commission (£560k) and The Global Fund to End Violence Against Children (£91k), Nominet Grant (£150k), Self-Gen income (£63k), CSSF grant (230k), and a Thorn grant (£116k).

### 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 technical team have continued to develop cutting edge technology to detect content more efficiently during this financial year. Total expenditure of charitable activities at £3,693,153 (2019/20 £3,699,037) represented a decrease of less than 1% from the previous year.

### Reserves

IWF ended the year with reserves of £2,961,316 in 2020/21 (2019/20 £2,058,105). 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 2020/21 was £1,846,577. The Trustees are aware of the higher level of reserves, which is as a result of higher than expected grant income levels, 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 £544,093 on our behalf (2019/20 £471,905). 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.

### 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 2021/22 continues 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, the minutes of which are published on our website.

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

### 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 policy issues affecting the IWF in order to brief the Board representatives with Members' views.

Contribute to funds and ensure renewal of funds for the operation of the IWF.

Advise on the annual IWF budget, significant changes and the use of material unbudgeted surpluses.

Select three Members for the IWF Board.

Advise on and approve the Members' code of practice.

Review and follow their Funding Council Constitution which describes how the Council conducts its business.

### Vetting

All of our Trustees are subject to the IWF vetting policy 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 Cont.

### Remuneration of key management personnel

The key management personnel are the Trustees; the Chief Executive Officer, the Chief Technical Officer/Deputy Chief Executive Officer, the Chief Operating Officer/Deputy Chief Executive 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 the ISO27001 Standard.
- 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 plan, an annual plan, an annual budget approved by the Trustees, regular consideration by the Trustees of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews, delegation of authority and segregation of duties, and an audited Information Security Management System (ISMS).

The 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
5. Consideration of alternative and additional funding streams. Our dedicated Development team are

Mitigation:

exploring the various avenues available to us.

6. Maintenance of our ISO27001 resilience and to keep pace with change, and regular staff training.
7. Active engagement with government regarding the Online Harms White Paper 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 which underpins our compliance to ISO27001. Accreditation to this recognised quality Standard remains a top priority and in February 2020 we successfully passed our re-certification external audit. 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.

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 incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Observe the methods and principles in the Charities SORP 2019 FRS102;
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 05.10.2021 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 Deputy Director General of the Independent Office for Police Conduct.

Prior to her current role Claire was Chief Executive (Designate) of the Shadow Trade Remedies Authority, the body which is a key part of safeguarding British industry after Brexit. Before that, she was Chief Executive of the Electoral Commission, the UK's independent elections watchdog and regulator of party and election finance.

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

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.

**Henry Turnbull**

*Industry Vice-Chair*



Henry was appointed in March 2020 as Industry Trustee.

Henry is Head of Public Policy for the UK & Nordics at Snap Inc., leading Snap's public policy and government relations work in those countries.

Prior to joining Snap, Henry worked as a civil servant in the UK Home Office, where he held a number of roles covering counter-terrorism, borders and international policy.

**Laurelle Brown**

*Independent Trustee*



Laurelle Brown is an Equality, Diversity, and Inclusion (EDI) and Youth and Community Work Professional with over 18 years' experience in the third, private and public sector. Laurelle's previous roles include The Children's Society, London Violence Reduction Unit and several local authority children's services.

Laurelle is Director at Laurelle Brown Training and Consultancy (LBTC), where she collaborates with cross sector clients to cultivate diverse and inclusive organisations and services for staff and stakeholders. She supports leaders to make good of commitments and intentions through action and impact. Laurelle is also Co-Founder and Director at KIJJJI, a membership organisation for Black safeguarding professionals.

**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.

**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 Banjjay, 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.

## → Our Board of Trustees

### Dr Claire Lilley

*Industry Trustee*



Claire was appointed industry trustee in June 2019.

Claire works in the Trust and Safety team at Google, where she has responsibility for the enforcement of policies to combat child sexual abuse across Google's products.

She had previously been the global lead for children and families in Google's Government Affairs and Public Policy team.

Prior to working at Google, Claire was Head of Child Safety Online at the NSPCC. She started her working life as a secondary school teacher. Claire's doctoral research was about the use of technology by police to manage those who have been convicted of looking at child abuse images online.

### 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.

### Bronagh McCloskey

*Industry Trustee*



Bronagh was appointed as Industry Trustee in June 2019.

Bronagh McCloskey is Head of Public Affairs and Corporate Responsibility at TalkTalk, where she is responsible for building constructive relationships with Government and industry stakeholders on public policy issues. She focuses on telecommunications infrastructure projects and online safety policy, as well as TalkTalk's wider corporate responsibility programmes.

She is a member of the Board of Directors of Internet Matters, the internet safety charity, and is also a school governor. Prior to joining TalkTalk, she worked in a consultancy providing communications and policy advice to businesses and charities. She began her career working in Parliament.

### 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.

### Ganapathi Subramaniam

*Independent Trustee*



As the Director – Information Security, Gan Subramaniam leads the Information Security function for Europe and ISMEA at UPS. Cyber Security and Privacy are some of his core competence domains.

With more than three decades of industry experience, Gan has held leadership roles in various companies both in India and the UK managing global teams. His previous employers include Microsoft India (as its Chief Security Officer), Accenture, PricewaterhouseCoopers, Ernst & Young and Flipkart, where he was hired to run its Information Security function.

He has delivered and overseen the implementation of a number of security technology and transformation initiatives.

## → Auditors' Report

### Independent Auditors' Report to the Members & Trustees of Internet Watch Foundation

For the year ended 31 March 2021

#### Opinion

We have audited the financial statements of Internet Watch Foundation (the 'charitable company') for the year ended 31 March 2021 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 2021, 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.

#### 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 23, 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;

## → Auditors' Report Continued

### Auditor's responsibilities for the audit of the financial statements (continued)

- enquiries of management including those responsible for key regulations;
- enquires of management about GDPR compliance and reviewing register of any GDPR breaches in the year;
- 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 Finance 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, assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of significant transactions outside the normal course of business; 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/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: 7 December 2021

## → Statement of financial activities

Statement Of Financial Activities  
(Including Income and Expenditure Account)  
For the year ended 31 March 2021

	Note	Unrestricted £	Restricted £	2021 Total £	2020 Total £
<b>Income</b>					
Donations	2	117,967	-	117,967	4,996
Charitable activities	3	3,071,533	1,211,672	4,283,205	3,242,600
Other trading activities	4	16,526	100,000	116,526	103,041
Investment income	5	7,766	-	7,766	11,496
<b>Total income</b>		<b>3,213,792</b>	<b>1,311,672</b>	<b>4,525,464</b>	<b>3,362,133</b>
<b>Expenditure</b>					
Charitable expenditure:	6	(1,982,847)	(1,710,306)	(3,693,153)	(3,669,037)
<b>Total expenditure</b>		<b>(1,982,847)</b>	<b>(1,710,306)</b>	<b>(3,693,153)</b>	<b>(3,669,037)</b>
Net Gain / (Loss) on investments		70,900	-	70,900	(38,015)
<b>Net income/ (expenditure) in the year</b>		<b>1,301,845</b>	<b>(398,634)</b>	<b>903,211</b>	<b>(344,919)</b>
Transfers between funds	18a	(465,264)	465,264	-	-
<b>Net movement in funds</b>		<b>836,581</b>	<b>66,630</b>	<b>903,211</b>	<b>344,919</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		2,058,105	-	2,058,105	2,403,024
<b>Total funds carried forward</b>		<b>2,894,686</b>	<b>66,630</b>	<b>2,961,316</b>	<b>2,058,105</b>

All amounts relate to continuing activities of the company.

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

The notes to the accounts are shown on pages 34 to 45.

## → Company balance sheet

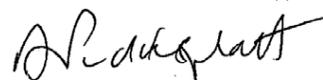
Internet Watch Foundation  
Registered Company Number: 03426366  
Company Balance Sheet as at 31 March 2021

	Note	2021 £	2020 £
<b>FIXED ASSETS</b>			
Tangible assets	12	90,607	45,239
Investments	14	544,095	471,907
<b>TOTAL FIXED ASSETS</b>		<u>634,702</u>	<u>517,146</u>
<b>CURRENT ASSETS</b>			
Debtors	15	1,668,504	863,810
Cash at bank and in hand		3,142,227	2,603,368
<b>TOTAL CURRENT ASSETS</b>		<u>4,810,731</u>	<u>3,467,178</u>
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	16	(2,484,117)	(1,926,219)
<b>NET CURRENT ASSETS</b>		<u>2,326,614</u>	<u>1,540,959</u>
<b>TOTAL NET ASSETS</b>		<u>2,961,316</u>	<u>2,058,105</u>
<b>FUNDS OF THE CHARITY:</b>			
Unrestricted funds:			
General funds	18	2,894,686	2,058,105
Restricted funds	18	66,630	-
		<u>2,961,316</u>	<u>2,058,105</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 34 to 45 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 05.10.2021 and signed on their behalf by:



**Andrew Puddephatt, OBE**  
Independent Chair

## → Statement of cash flows

Internet Watch Foundation  
Registered Company Number: 03426366  
Statement of cash flows for the year ended at 31 March 2021

	Note	2021 £	2020 £
<b>Cash Flows from Operating Activities</b>			
Net cash used in operating activities	20	689,134	57,844
<b>Cash Flows from Investing Activities</b>			
Dividends and interest from investment		5,943	7,814
Purchase of investments		(319,135)	(266,407)
Investment disposal proceeds		236,505	202,461
Purchase of property, plant and equipment		(75,413)	(42,985)
Bank interest received		1,824	3,692
<b>Change in cash and cash equivalents in the reporting period</b>		<u>538,858</u>	<u>(37,581)</u>
Cash and cash equivalents at the beginning of the reporting period		2,603,369	2,640,950
<b>Cash and cash equivalents at the end of the reporting period</b>	21	<u>3,142,227</u>	<u>2,603,369</u>

The attached notes on pages 34 to 45 form part of these financial statements.

## → Notes to the Financial Statements

### Notes to the Financial Statements

For the year ended 31 March 2021

#### 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)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements are prepared on a going concern basis and are presented in sterling, which is the functional currency of the charity. These financial statements are rounded to the nearest £.

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The 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

The Trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has had to adapt working practices and routines due to the Covid 19 pandemic, but has managed to maintain the Hotline operation throughout, with employees in the office. There has also been some impact on income through membership and donations due to Covid 19, but this has been limited and future grant funding has been secured. 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. 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

## → Notes to the Financial Statements

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.

### 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	2021 £	2020 £
Donations	117,967	4,996
	<u>117,967</u>	<u>4,996</u>

All donations received in 2021 and 2020 relate to unrestricted funds.

3. Income from Charitable Activities	2021 £	2020 £
Subscription fee income	3,071,532	2,630,927
EU grant income	560,464	466,017
UNICEF grant income	40,188	100,484
Nominet grant income	150,412	-
CSSF grant income	229,900	-
EVAC Chatbot grant income	51,344	-
Thorn Grant income	116,339	-
HO Grant income	63,025	-
Business Energy Efficiency	-	4,006
Miscellaneous income	-	41,166
	<u>4,283,205</u>	<u>3,242,600</u>

Income from charitable activities was £4,283,205 (2020 - £3,242,600) of which £1,211,672 (2020 - £611,673) was attributable to restricted and £3,071,533 (2020 - £2,630,927) was attributable to unrestricted funds.

4. Other trading activities	2021 £	2020 £
Rent	-	3,542
Project contributions	107,763	82,500
Other	8,763	16,999
	<u>116,526</u>	<u>103,041</u>

Included within trading income in 2021 is £100,000 of restricted funds (2020: £82,500).

5. Investment Income	2021 £	2020 £
Bank interest	7,766	11,496
	<u>7,766</u>	<u>11,496</u>

All investment income received in 2021 and 2020 relates to unrestricted funds.

## → Notes to the Financial Statements

6a. Analysis of expenditure by activity	Direct Costs £	Support Costs £	2021 Costs £
<b>Charitable activities:</b>			
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>

6b. Analysis of expenditure by activity	Direct Costs £	Support Costs £	2020 Costs £
<b>Charitable activities:</b>			
Minimise criminal internet content	2,352,051	1,316,986	3,669,037
	<u>2,352,051</u>	<u>1,316,986</u>	<u>3,669,037</u>

Included within expenditure above is £1,982,847 (2020: £2,352,051) in relation to unrestricted funds and £1,710,306 (2020: £1,316,986) in relation to restricted funds.

7. Analysis of support costs	2021 £	2020 £
Finance and legal	209,569	214,952
Human resources	737,380	640,115
IT	36,161	79,904
Premises	140,996	144,801
General office costs	137,740	161,626
Other	1,386	8,830
Governance (note 8)	46,097	66,758
	<u>1,309,329</u>	<u>1,316,986</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	2021 £	2020 £
Audit fees	9,450	6,350
Accountancy fees paid to auditor	1,900	2,084
Cost of Trustees' meetings	-	13,536
Chair fees	28,625	27,500
Trustee recruitment and training	6,122	17,288
	<u>46,097</u>	<u>66,758</u>

9. Analysis of staff costs and key management personnel	2021 £	2020 £
Wages and salaries	1,672,144	1,619,701
Social security costs	179,749	173,725
Pension	239,965	236,306
	<u>2,091,858</u>	<u>2,029,732</u>

In accordance with Section 6 of the Memorandum of Association of Internet Watch Foundation, the Chair received £28,625 (2020: £27,500) 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, a total of £Nil (2020: Nil) Trustees were paid in respect of their duties and these amounted to a total of £Nil (2020: £Nil).

In 2021, no Trustees (2020 – 7) received reimbursements of expenses for travel and subsistence amounting to £Nil (2020: £7,745).

The charity considers its key management personnel to comprise of 6 people. During the year, the total employment benefits of these 6 key management personnel, including social security and pension was £487,688 (2020: £460,792).

The average monthly head count was as follows:

	2021 Number	2020 Number
Charitable activities	<u>43</u>	<u>42</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:

	2021 Number	2020 Number
£60,000 - £70,000	-	1
£70,001 - £80,000	1	-
£80,001 - £90,000	-	1
£90,001 - £100,000	1	1
£110,001 - £120,000	<u>1</u>	<u>1</u>
	<u>3</u>	<u>4</u>

£13,520 (2020 - £9,330) 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 £239,965 (2020: £236,306). There were no outstanding contributions payable to the pension fund at the balance sheet date (2020: £Nil).

## → Notes to the Financial Statements

<b>11. Net income</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Net income is stated after charging:		
Depreciation of charitable assets owned by group	29,463	22,807
Loss on disposal of fixed assets	144	
Auditors remuneration:		
- for audit services	9,450	6,350
- for non-audit services	1,900	2,084
Operating lease costs for land and buildings	246,168	242,045
Operating lease costs for equipment	<u>2,841</u>	<u>2,841</u>

### 12. Tangible fixed assets

	<b>Leasehold Improvements £</b>	<b>Office Equipment £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
Cost:				
At 31 March 2020	250,857	24,323	254,101	529,281
Additions	-	-	75,413	75,413
Disposals	-	-	(582)	(582)
At 31 March 2021	<u>250,857</u>	<u>24,323</u>	<u>328,932</u>	<u>604,112</u>
Depreciation:				
At 31 March 2020	250,857	19,770	213,415	484,042
Charge for the year	-	2,745	27,155	29,900
Disposals	-	-	(437)	(437)
At 31 March 2021	<u>250,857</u>	<u>22,515</u>	<u>240,133</u>	<u>513,505</u>
Net book value:				
At 31 March 2020	-	4,553	40,686	45,239
At 31 March 2021	<u>-</u>	<u>1,808</u>	<u>88,799</u>	<u>90,607</u>

### 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 (2020: Enil).

Within the charitable company balance sheet, the investment in the subsidiary is held at a cost of £2 (2020: £2).

### 14. Investments

	<b>2021</b>	<b>2020</b>
Investment in dormant subsidiary company at cost	2	2
Investment portfolio	544,093	471,905
Net assets	<u>544,095</u>	<u>471,907</u>

	<b>2021 Total £</b>	<b>2020 Total £</b>
<b>Investment portfolio</b>		
Market value at 1 April	471,905	506,830
Additions	319,135	266,407
Disposal proceeds	(236,505)	(202,461)
Net investment (losses) / gains	70,900	(38,063)
Cash movement	<u>(81,342)</u>	<u>(60,808)</u>
Market value at 31 March	<u>544,093</u>	<u>471,905</u>
Historical cost	544,093	471,905

Analysed as follows:

	<b>2021 £</b>	<b>2020 £</b>
UK Fixed Interest Securities	75,503	36,451
Quoted UK Equities	175,194	133,286
Quoted Overseas Equities	171,297	116,281
Alternative markets	104,841	87,287
Cash	17,258	98,600
	<u>544,093</u>	<u>471,905</u>

## → Notes to the Financial Statements

<b>15. Debtors</b>	<b>2021</b>	<b>2020</b>
	£	£
Trade debtors	656,717	670,747
Other debtors	-	3,247
Prepayments and accrued income	1,011,787	189,816
	<u>1,668,504</u>	<u>863,810</u>

<b>16. Creditors: amounts falling due within one year</b>	<b>2021</b>	<b>2020</b>
	£	£
Trade creditors	50,175	88,921
Other tax and social security	87,450	74,313
Accruals and deferred income	2,346,492	1,762,985
	<u>2,484,117</u>	<u>1,926,219</u>

<b>Deferred income</b>	<b>2021</b>	<b>2020</b>
	£	£
Deferred income at 1 April	1,705,698	1,345,458
Income deferred during the year	2,249,957	1,705,698
Amounts released from previous years	(1,705,698)	(1,345,458)
	<u>2,249,957</u>	<u>1,705,698</u>

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

### 17. Leases

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

	<b>Land and buildings</b>	<b>Equipment</b>	<b>Equipment</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	£	£	£
No later than one year	245,538	242,045	2,652
Later than one year and no later than five years	511,538	757,076	1,547
	<u>757,076</u>	<u>999,121</u>	<u>4,199</u>
			<u>8,145</u>

### 18a. Funds analysis - current year

	Balance at				Gains /	Balance at
	01/04/2020	Income	Expenditure	Transfers	(Losses)	31/03/2021
	£	£	£	£	£	£
<b>Unrestricted funds</b>						
General funds	2,058,105	3,213,792	(1,982,847)	(465,264)	70,900	2,894,686
Total general funds	<u>2,058,105</u>	<u>3,213,792</u>	<u>(1,982,847)</u>	<u>(465,264)</u>	<u>70,900</u>	<u>2,894,686</u>
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
EVAC Chatbot	-	51,344	(51,344)	-	-	-
Self Gen Campaign	-	63,025	(63,025)	-	-	-
Facebook Report Remove	-	100,000	(100,000)	-	-	-
Total restricted funds	<u>-</u>	<u>1,311,672</u>	<u>(1,710,306)</u>	<u>465,264</u>	<u>-</u>	<u>66,630</u>
<b>Total funds</b>	<u>2,058,105</u>	<u>4,525,464</u>	<u>(3,963,153)</u>	<u>-</u>	<u>70,900</u>	<u>2,961,316</u>

## → Notes to the Financial Statements

### 18b. Funds analysis - prior year

	Balance at 01/04/2019 £	Income £	Expenditure £	Transfers £	Gains / (Losses) £	Balance at 31/03/2020 £
Unrestricted funds						
General funds	2,403,024	2,667,960	(2,377,518)	(597,346)	(38,015)	2,058,105
<b>Total general funds</b>	<b>2,403,024</b>	<b>2,667,960</b>	<b>(2,377,518)</b>	<b>(597,346)</b>	<b>(38,015)</b>	<b>2,058,105</b>
Restricted funds						
EU SIC UK IV	-	16,199	-	(16,199)	-	-
EU SIC UK V	-	449,818	(899,636)	449,818	-	-
UNICEF	-	100,484	(148,969)	48,485	-	-
Special Project	-	41,166	(41,166)	-	-	-
Business Energy Efficiency	-	4,006	(16,023)	12,017	-	-
Self Gen Campaign	-	82,500	(185,725)	103,225	-	-
<b>Total restricted funds</b>	<b>-</b>	<b>694,173</b>	<b>(1,291,519)</b>	<b>597,346</b>	<b>-</b>	<b>-</b>
<b>Total funds</b>	<b>2,403,024</b>	<b>3,362,133</b>	<b>(3,669,037)</b>	<b>-</b>	<b>(38,015)</b>	<b>2,058,105</b>

### 18c. Funds analysis - description of 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.

**Special 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.

**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.

**Self Gen Campaign** – These funds represent a grant from the Home Office to develop a campaign to prevent the development and circulation of youth-produced sexual imagery, by reducing the instances of children being groomed or coerced by adults to record and share with them images or videos of their own abuse.

### 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 £81,000. Some Trustees also work for Member companies but do not have any direct influence on transactions undertaken with Internet Watch Foundation.

The Chair received £28,625 (2020: £27,500) 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

	2021 £	2020 £
<b>Net (expenditure) / income for the reporting period (as per the statement of financial activities)</b>	<b>903,211</b>	<b>(344,919)</b>
<b>Adjustments for:</b>		
Depreciation charges	29,900	22,807
Loss on disposal of fixed assets	144	-
Losses / (Gains) on investments	(70,900)	38,063
Decrease / (Increase) in debtors	(804,694)	430,256
(Decrease) / Increase in creditors	557,898	(137,665)
Bank interest received	(1,824)	(3,692)
Dividends received from investments	(5,943)	(7,814)
Cash account movement	81,342	60,808
<b>Net cash provided by operating activities</b>	<b>689,134</b>	<b>57,844</b>

### 21. Net Debt Reconciliation

	Balance at 31/03/2020	Cash Movement	Balance at 31/03/2021
Cash in hand	2,389,805	537,947	2,927,752
Investments - short term deposits	213,564	911	214,475
<b>Total cash and cash equivalents</b>	<b>2,603,369</b>	<b>538,858</b>	<b>3,142,227</b>

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