

Internet Watch Foundation and subsidiary company
Trustees' Report and Consolidated Accounts
for the year ended 31 March 2008

Company Registration Number 3426366

Internet Watch Foundation

Officers and Professional Advisers

Directors & Trustees

Ms A. Jordan OBE (Chair)
Miss E. L. Ascroft
Mr H. MacLeod
Mrs G. J. Palmer
Ms C. de Stempel
Professor I. N. Walden
Sir R. G. Brooke
Dr S. N. Walton
Ms N Cohen
Mr S. A. Locke

Company Secretary and Chief Executive Officer

Mr P. E. T. Robbins OBE QPM

Registered Office

East View
5 Coles Lane
Oakington
Cambridge
CB24 3BA

Registered Company Number

3426366

Registered Charity Number

1112398

Auditors

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

Bankers

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

Trustees' Report**Year ended 31 March 2008**

The Trustees present their report and financial statements for the year ended 31 March 2008.

STRUCTURE, GOVERNANCE AND MANAGEMENT**Governing document**

Internet Watch Foundation is an independent registered charity (number 1112398) and is also a company limited by guarantee (registered company number 3426366). The Company was incorporated on 29 August 1997 and charitable status was gained on 16 December 2004. Internet Watch Foundation is governed by its Memorandum and Articles of Association as approved on 16 December 2004 and amended on 16 September 2005.

Trustees

The trustees who served in the year, who were also directors of the company were as follows:

Ms A. Jordan OBE (Chair)
Miss E. L. Ascroft – industry trustee
Professor S. M. Livingstone – non-industry trustee (ceased to be a trustee 31.12.07)
Mr H. MacLeod – industry trustee
Mrs G. J. Palmer – non-industry trustee
Mr J. M. Reynolds – non-industry trustee (ceased to be a trustee 31.12.07)
Ms C. de Stempel – industry trustee
Professor I. N. Walden – non-industry trustee
Sir R. G. Brooke – non-industry trustee (appointed 01.09.07)
Dr S. N. Walton – non-industry trustee (appointed 01.09.07)
Ms N Cohen – non-industry trustee (appointed 01.01.08)
Mr S. A. Locke – non-industry trustee (appointed 01.01.08)

Recruitment, training and induction of Trustees

Non-industry Board members are appointed by an open selection procedure managed by the Board Executive Committee comprising the Chair, the two Vice-chairs and an independent person. In making its choice, the committee will ensure that the Board has an appropriate balance of skills and experience. The industry Board members are appointed by the Funding Council in accordance with a procedure determined by the Council.

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

Structure and decision making

In order to facilitate a better understanding of issues and to enable more effective decision making, the Board operates four committees: An Executive Committee consisting of the Chair, two Vice-chairs and the CEO which plans Board business, an Audit Committee, a Communications Committee and a Remuneration Sub committee. In the present year the committees have had no delegated powers and all major decisions are made by the Board of Trustees. The Board of Trustees monitors, reviews and sets remit and strategy and delegates the operational management of the organisation to the CEO.

Trustees' Report (*continued*)**Year ended 31 March 2008**

Relationship with other organisations

All major decisions are made by the Board of Trustees. The industry members of the charity form the Funding Council which considers all major policy matters, elects three of the Trustees and briefs its elected Trustees on industry views on relevant matters.

IWF works in partnership with representatives from the UK Internet industry, police, government departments and Hotlines in other countries in order to minimise the availability of specific potentially illegal content found online. Online content within our remit includes:

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

Risk management

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

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

IWF executive regularly reviews all potential risks faced and identifies these in a Risk Matrix and through the Information Security Management System. Information Security Incident forms have been introduced and the senior management team has a standing agenda item on risk issues. The Board of Trustees considers risk issues and review policy through its Audit Committee. The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include a strategic plan, and an annual budget approved by the trustees, regular consideration by the trustees of financial results, variance from budgets, non-financial performance indicators and benchmarking reviews, delegation of authority and segregation of duties and identification and management of risks.

OBJECTIVES AND ACTIVITIES

Role

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

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

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

- Operating a 'notice and take-down' service to alert hosting service providers of criminal content found on their servers.
- Recommending that internet service providers should not carry certain newsgroups in accordance with policy guidelines adopted by the IWF Board.
- Acting as a relevant authority in accordance with the Memorandum of Understanding concerning Section 46 Sexual Offences Act 2003.

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

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

Trustees' Report (continued)**Year ended 31 March 2008**

ACHIEVEMENTS AND PERFORMANCE

IWF continues to provide a Hotline which receives reports from members of the public where they have been exposed to specific types of potentially illegal online content (see objectives above). If the potentially illegal content appears to be based in the UK, takedown notifications are issued to the hosting Internet service provider (ISP) and the police informed. Where the content is hosted outside the UK, Interpol is informed and, where appropriate, Hotlines in the relevant country. During the calendar year 2007 the Hotline identified a core of 2,755 websites hosted abroad. This number has remained relatively static for three years and represents a concrete target which can be tackled through international partnerships. The successful policies with regard to minimising potentially illegal child sexual abuse content hosted in Usenet newsgroups have been maintained and many members make use of other IWF data to minimise potentially illegal online content or as part of their acceptable use policies. A dynamic list of URLs for websites which contain potentially illegal child sexual abuse content is supplied to companies that have voluntarily committed to implement a solution to block access to these URLs, thereby protecting their customers from being inadvertently exposed to such content. The list is supplied to mobile and internet service providers.

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

Child sexual abuse websites hosted on domains in the UK remains at less than 1% of the reports processed and IWF has continued to draw attention to those countries where such content appears to be hosted regularly.

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

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

FINANCIAL REVIEW**Reserves Policy**

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

Principal funding

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

Investment Policy

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

Trustees' Report (continued)**Year ended 31 March 2008**

PLANS FOR THE FUTURE

The Board of Trustees has approved a new three year strategic plan for the period 2008-10. The plan identifies the key activities in pursuance of our charitable objectives.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom General Accepted Accounting Practice applicable to smaller charities.

Company and charity law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements the Trustees have:

- selected suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepared the financial statements on the going concern basis (unless it is inappropriate to presume that the company will continue in operation)

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

So far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the Trustees have all taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

Peters, Elworthy & Moore have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

This report was approved by the Trustees on 8 July 2008 and signed on its behalf, by:

Mr P E T Robbins OBE QPM
Secretary

Date: 29 September 2008

Independent Auditors' Report to the Trustees**Year ended 31 March 2008**

We have audited the financial statements of Internet Watch Foundation for the year ended 31 March 2008 which comprise the consolidated Statement of Financial Activities, the Balance Sheets and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standards for Smaller Entities (effective January 2007).

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Trustees and Auditors

The trustees' (who are the directors of Internet Watch Foundation for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

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

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

Independent Auditors' Report to the Trustees (*continued*)

Year ended 31 March 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and the group as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

PETERS ELWORTHY & MOORE
Chartered Accountants and
Registered Auditor

CAMBRIDGE

Date: 8 October 2008

Consolidated Statement of Financial Activities

Year ended 31 March 2008

	Notes	Restricted	Unrestricted	Total 2008	Total 2007
		£	£	£	£
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income					
Donations income		-	1,811	1,811	15,575
Sponsorship income		-	5,000	5,000	-
Investment income and interest	2	-	39,224	39,224	15,340
Incoming resources from charitable activities	3	146,929	798,843	945,772	1,046,051
Total incoming resources		146,929	844,878	991,807	1,076,966
RESOURCES EXPENDED					
Cost of charitable activities	4	237,828	658,580	896,408	835,602
Governance costs	5	-	78,204	78,204	40,485
Total resources expended	6,7	237,828	736,784	974,612	876,087
Net incoming resources for the year		(90,899)	108,094	17,195	200,879
Fund balances brought forward at 1 April 2007		90,899	522,112	613,011	412,132
Fund balances carried forward at 31 March 2008	13, 14	-	630,206	630,206	613,011

All amounts relate to continuing activities. There were no recognised gains or losses other than those included above. The attached notes form part of these financial statements.

Balance Sheets

31 March 2008

	Notes	Consolidated		Parent Charity	
		2008	2007	2008	2007
		£	£	£	£
Fixed Assets					
Tangible fixed assets	8	46,414	54,994	46,414	54,994
Investment in trading subsidiary	9	-	-	2	2
		<u>46,414</u>	<u>54,994</u>	<u>46,416</u>	<u>54,996</u>
Current Assets					
Debtors	10	163,123	197,776	202,443	216,173
Investments	11	636,650	575,251	636,650	575,251
Cash at bank and in hand		71,261	52,177	10,142	12,231
		<u>871,034</u>	<u>825,204</u>	<u>849,235</u>	<u>803,655</u>
Creditors: amounts due within one year	12	<u>287,242</u>	<u>267,187</u>	<u>285,445</u>	<u>265,640</u>
Net current assets		<u>583,792</u>	<u>558,017</u>	<u>563,790</u>	<u>538,015</u>
Total Assets Less Current Liabilities		<u>630,206</u>	<u>613,011</u>	<u>610,206</u>	<u>593,011</u>
Represented by:					
Funds					
Restricted Funds		-	90,899	-	90,899
Unrestricted Funds		630,206	522,112	610,206	502,112
Total Consolidated Funds	13, 14	<u>630,206</u>	<u>613,011</u>	<u>610,206</u>	<u>593,011</u>

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2007)

Approved by the Board on 8 July 2008 and signed on its behalf by:

Ms A Jordan OBE
Chair

Date: 29 September 2008

The attached notes form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2008

1 Accounting Policies**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005, and in accordance with the Companies Act 1985.

Group accounts

These financial statements consolidate the results of the charity and its wholly owned subsidiary Internet Watch Limited on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

Fund accounting

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

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

Incoming resources

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

Voluntary income: Donations are accounted for as received. Sponsorship income represents amounts receivable.

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

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

Resources expended

All expenditure is accounted for on an accruals basis.

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

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

Fixed assets

All fixed assets are initially recorded at cost. Fixed assets transferred between the subsidiary company and its charitable parent are reflected at net book value at the date of transfer.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Plant, machinery and other assets	33.33% straight line
RMS development costs	40.00% straight line

Notes to the Financial Statements

Year ended 31 March 2008

1 Accounting Policies (continued)**Investment in trading subsidiary**

The investment in the trading subsidiary is included at cost at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange difference are taken into account in arriving at the operating profit.

2 Investment income and interest

	2008	2007
	£	£
Trading subsidiary (note 9)	915	3,122
Charitable parent company	38,309	12,218
	<u>39,224</u>	<u>15,340</u>

3 Incoming resources from charitable activities

Incoming resources from charitable activities are analysed as follows:

	2008	2007
	£	£
Subscription fee income	754,742	700,533
EU Grant income	146,929	320,837
ISP project income	-	15,000
CAI income	40,734	5,183
Other income	3,367	4,498
	<u>945,772</u>	<u>1,046,051</u>

4 Charitable activities

Charitable activities are analysed as follows:

	2008	2007
	£	Restated £
Staff costs	520,847	486,497
Systems and communications	248,724	246,643
Premises	71,978	60,444
Finance and administration	54,859	42,018
	<u>896,408</u>	<u>835,602</u>

Notes to the Financial Statements

Year ended 31 March 2008

5 Governance costs	2008	2007
	£	Restated £
Cost of trustees' meetings	10,440	8,195
Consultancy	21,591	25,260
Legal and professional costs	3,508	-
Recruitment	35,000	-
Auditors remuneration - audit	4,840	4,405
- non-audit	2,825	2,625
	<u>78,204</u>	<u>40,485</u>

6 Total resources expended	Salary costs	Depreciation	Other costs	Total	2007
	£	£	£	£	Restated £
Cost of charitable activities	494,519	53,155	348,734	896,408	835,602
Governance costs	-	-	78,204	78,204	40,485
	<u>494,519</u>	<u>53,155</u>	<u>426,938</u>	<u>974,612</u>	<u>876,087</u>

Salary costs

	2008	2007
	£	£
Gross salaries	448,240	418,499
Social Security costs	46,279	44,452
	<u>494,519</u>	<u>462,951</u>

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was 1 (2007 - 1).

The average number of employees analysed by function was:

	2008	2007
	Number	Number
Charitable activities	13	14
	<u>13</u>	<u>14</u>

Trustees

The Chair received £21,591 from the company during the year in respect of her duties in this office (2007: £20,760 – two Chairs). This sum is included within Governance Costs whereas previously it had been included in Finance and Administration within Charitable Activities. The comparative has been restated to reflect this. 5 trustees (2007: 4) were paid attendance allowances during the year in respect of their duties and these amounted to a total of £7,568 (2007: £4,180). Section 6 of the Memorandum of Association of the Internet Watch Foundation permits such payments.

Notes to the Financial Statements

Year ended 31 March 2008

7 Net incoming resources is stated after charging:

	2008 £	2007 £
Auditors' remuneration		
- Audit	4,840	4,405
- Non-audit	6,726	6,040
	<u> </u>	<u> </u>

8 Tangible Fixed Assets

Consolidated

	Office equipment £	Computer Equipment £	Total £
Cost			
At 1 April 2007	25,486	131,184	156,670
Additions	7,136	37,439	44,575
At 31 March 2008	<u>32,622</u>	<u>168,623</u>	<u>201,245</u>
Depreciation			
At 1 April 2007	18,787	82,889	101,676
Charge for the year	5,806	47,349	53,155
At 31 March 2008	<u>24,593</u>	<u>130,238</u>	<u>154,831</u>
Net Book Value			
At 31 March 2008	<u>8,029</u>	<u>38,385</u>	<u>46,414</u>
At 31 March 2007	<u>6,699</u>	<u>48,295</u>	<u>54,994</u>

Notes to the Financial Statements

Year ended 31 March 2008

8 Tangible Fixed Assets (continued)**Charitable Parent Company**

	Office equipment £	Computer Equipment £	Total £
Cost			
At 1 April 2007	12,685	82,814	95,499
Additions	7,136	37,439	44,575
At 31 March 2008	<u>19,821</u>	<u>120,253</u>	<u>140,074</u>
Depreciation			
At 1 April 2007	5,986	34,519	40,505
Charge for the year	5,806	47,349	53,155
At 31 March 2008	<u>11,792</u>	<u>81,868</u>	<u>93,660</u>
Net Book Value			
At 31 March 2008	<u>8,029</u>	<u>38,385</u>	<u>46,414</u>
At 31 March 2007	<u>6,699</u>	<u>48,295</u>	<u>54,994</u>

Notes to the Financial Statements

Year ended 31 March 2008

9 Investment in Trading Subsidiary

The principal activity of the company is to undertake trading activities on behalf of Internet Watch Foundation, its parent charity, which are considered to be compatible with its aims and charitable objectives. During the year ended 31 March 2008, its income was derived from one source:

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

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

	2008	2007
	£	£
Turnover	40,734	20,183
Administrative expenses	(2,329)	(3,408)
Deed of covenant payable to parent charity	(39,320)	(19,897)
Operating (loss)	(915)	(3,122)
Interest receivable	915	3,122
Retained in subsidiary	-	-
Balance Sheet		
Current assets	61,119	39,946
Current liabilities	(41,117)	(19,944)
Net assets	20,002	20,002
Share capital and reserves	20,002	20,002

Notes to the Financial Statements

Year ended 31 March 2008

10 Debtors

	Consolidated		Parent Charity	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	17,161	27,543	17,161	27,543
Other debtors	145,962	170,233	145,962	170,233
Amounts due from group undertakings	-	-	39,320	18,397
	<u>163,123</u>	<u>197,776</u>	<u>202,443</u>	<u>216,173</u>

11 Investments

	Consolidated		Parent Charity	
	2008	2007	2008	2007
	£	£	£	£
Short term deposits	636,650	575,251	636,650	575,251

12 Creditors: amounts falling due within one year

	Consolidated		Parent Charity	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	61,456	54,990	61,159	54,693
Other taxes and social security	27,052	22,924	27,052	22,924
Other creditors	198,734	189,273	197,234	188,023
	<u>287,242</u>	<u>267,187</u>	<u>285,445</u>	<u>265,640</u>

13 Statement of Consolidated Funds

	Balance at 1 April 2007	Income	Expenditure	Balance at 31 March 2008
	£	£	£	£
Restricted Funds:				
- SIAP Grant Fund	90,899	146,929	(237,828)	-
	<u>90,899</u>	<u>146,929</u>	<u>(237,828)</u>	<u>-</u>
Unrestricted Funds	502,112	803,229	(695,135)	610,206
	<u>593,011</u>	<u>950,158</u>	<u>(932,963)</u>	<u>610,206</u>
Total Charity Funds	593,011	950,158	(932,963)	610,206
Trading subsidiary	20,000	41,649	(41,649)	20,000
	<u>613,011</u>	<u>991,807</u>	<u>(974,612)</u>	<u>630,206</u>

SIAP Grant Fund

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

Notes to the Financial Statements

Year ended 31 March 2008

14 Analysis of net assets between funds

	Tangible fixed Assets £	Net current Assets £	Total £
Restricted Funds	-	-	-
Unrestricted Funds	46,414	583,792	630,206
Total Charity Funds	<u>46,414</u>	<u>583,792</u>	<u>630,206</u>

15 Related Party Transactions

IWF works in partnership with the UK Internet industry, police, government departments and Hotlines in other countries in order to minimise the availability of specific illegal content found online. Member companies subscribe to the IWF depending on their size with subscription levels ranging between £500 and up to £20,000.

The sum owed to Internet Watch Foundation at 31 March 2008 by Internet Watch Limited amounted to £39,320 (2007: £18,397), representing the balance of the gift aid payment.