

**Internet Watch Limited trading as  
Internet Watch Foundation**

**Financial Statements  
For the Year Ending 31 March 2004**

**Company Registration Number 3257438**

# **Internet Watch Limited trading as Internet Watch Foundation**

## **Financial Statements**

**Year Ended 31 March 2004**

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# **Internet Watch Limited trading as Internet Watch Foundation**

## **Officers and Professional Advisers**

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### **The Board of Directors**

Mr R A Darlington  
Mr P E T Robbins  
Mr N Truman

### **Company Secretary**

Mr P E T Robbins

### **Registered Office**

East View  
5 Coles Lane  
Oakington  
Cambridge  
CB4 5BA

### **Auditors**

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

### **Bankers**

Barclays Bank PLC  
Bene't Street  
Cambridge  
CB2 3PZ

# **Internet Watch Limited trading as Internet Watch Foundation**

## **The Directors' Report**

**Year Ended 31 March 2004**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2004.

### **Principal Activities**

The principal activity of the company continued to be that of implementing proposals to hinder the use of the Internet to transmit illegal material, particularly child pornography, to encourage the classification to legal material on the Internet in order to enable users to customise the nature of their experience of the Internet to their own requirements and to educate users about potential dangers and appropriate safety measures.

### **Directors**

The directors who served the company during the year were as follows:

Mr R A Darlington

Mr P E T Robbins

Mr N Truman

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

### **Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

A resolution to re-appoint Peters Elworthy & Moore as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

# **Internet Watch Limited trading as Internet Watch Foundation**

**The Directors' Report** *(continued)*

**Year Ended 31 March 2004**

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## **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.

Signed by order of the directors

Mr P E T Robbins  
Company Secretary

Approved by the directors on 15 October 2004

# **Internet Watch Limited trading as Internet Watch Foundation**

## **Independent Auditors' Report to the Shareholders of Internet Watch Limited trading as Internet Watch Foundation**

**Year Ended 31 March 2004**

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We have audited the financial statements which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Directors' Report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

# **Internet Watch Limited trading as Internet Watch Foundation**

**Independent Auditors' Report to the Shareholders of Internet Watch Limited trading as Internet Watch Foundation** *(continued)*

**Year Ended 31 March 2004**

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## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

PETERS ELWORTHY & MOORE  
Chartered Accountants  
& Registered Auditors

15 October 2004

# Internet Watch Limited trading as Internet Watch Foundation

## Profit and Loss Account

Year Ended 31 March 2004

	Note	2004 £	2003 £
<b>Turnover</b>		<b>691,722</b>	392,596
Administrative expenses		<b>530,146</b>	391,655
Other operating income		<b>(7,755)</b>	(2,763)
<b>Operating Profit</b>	<b>2</b>	<b>169,331</b>	3,704
Interest receivable		<b>859</b>	600
<b>Profit on Ordinary Activities Before Taxation</b>		<b>170,190</b>	4,304
Tax on profit on ordinary activities	<b>4</b>	<b>33,246</b>	(18)
<b>Retained Profit for the Financial Year</b>		<b>136,944</b>	4,322
Balance brought forward		<b>49,673</b>	45,351
Balance carried forward		<b>186,617</b>	49,673

The notes on pages 8 to 11 form part of these financial statements.

# Internet Watch Limited trading as Internet Watch Foundation

## Balance Sheet

31 March 2004

	Note	£	2004 £	£	2003 £
<b>Fixed Assets</b>					
Tangible assets	5		23,576		9,783
<b>Current Assets</b>					
Debtors	6	82,161		83,043	
Cash at bank		255,949		111,784	
		338,110		194,827	
<b>Creditors: Amounts Falling due Within One Year</b>	7	172,023		154,935	
<b>Net Current Assets</b>			<u>166,087</u>		<u>39,892</u>
<b>Total Assets Less Current Liabilities</b>			<u>189,663</u>		<u>49,675</u>
<b>Provisions for Liabilities and Charges</b>					
Deferred taxation	8		3,044		-
			<u>186,619</u>		<u>49,675</u>
<b>Capital and Reserves</b>					
Called-up equity share capital	10		2		2
Profit and loss account			186,617		49,673
<b>Shareholders' Funds</b>			<u>186,619</u>		<u>49,675</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 12 October 2004 and are signed on their behalf by:

Mr P E T Robbins

The notes on pages 8 to 11 form part of these financial statements.

# Internet Watch Limited trading as Internet Watch Foundation

## Notes to the Financial Statements

Year Ended 31 March 2004

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### 1. Accounting Policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### Cash flow statement

In the opinion of the directors the company qualifies as a small company and accordingly a cash flow statement is not required.

#### Turnover

Turnover is the total amount receivable by the company for services supplied, excluding VAT.

#### Fixed assets

All fixed assets are initially recorded at cost.

#### 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
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#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted 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 differences are taken into account in arriving at the operating profit.

# Internet Watch Limited trading as Internet Watch Foundation

## Notes to the Financial Statements

Year Ended 31 March 2004

### 2. Operating Profit

Operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of owned fixed assets	19,058	8,407
Auditors' fees	1,985	1,925
Net loss/(profit) on foreign currency translation	<u>2,730</u>	<u>(3,290)</u>

### 3. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Aggregate emoluments	<u>82,362</u>	<u>85,775</u>

### 4. Taxation on Ordinary Activities

	2004	2003
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2003 - --%)	30,202	-
Over/under provision in prior year	-	(18)
Total current tax	<u>30,202</u>	<u>(18)</u>
Deferred tax:		
Origination and reversal of timing differences (note 8)		
Capital allowances	3,044	-
Tax on profit on ordinary activities	<u>33,246</u>	<u>(18)</u>

# Internet Watch Limited trading as Internet Watch Foundation

## Notes to the Financial Statements

Year Ended 31 March 2004

### 5. Tangible Fixed Assets

	Plant, Machinery and Other Assets £
<b>Cost</b>	
At 1 April 2003	36,632
Additions	<u>32,851</u>
<b>At 31 March 2004</b>	<u><u>69,483</u></u>
<b>Depreciation</b>	
At 1 April 2003	26,849
Charge for the year	<u>19,058</u>
<b>At 31 March 2004</b>	<u><u>45,907</u></u>
<b>Net Book Value</b>	
<b>At 31 March 2004</b>	<u><u>23,576</u></u>
At 31 March 2003	<u>9,783</u>

### 6. Debtors

	2004 £	2003 £
Trade debtors	66,647	45,904
VAT recoverable	12,408	27,312
Other debtors	<u>3,106</u>	<u>9,827</u>
	<u><u>82,161</u></u>	<u><u>83,043</u></u>

### 7. Creditors: Amounts Falling due Within One Year

	2004 £	2003 £
Trade creditors	48,745	118,803
Corporation tax	30,202	-
Other creditors	<u>93,076</u>	<u>36,132</u>
	<u><u>172,023</u></u>	<u><u>154,935</u></u>

### 8. Deferred Taxation

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Profit and loss account movement arising during the year	<u>3,044</u>	-
Provision carried forward	<u><u>3,044</u></u>	<u>-</u>

# Internet Watch Limited trading as Internet Watch Foundation

## Notes to the Financial Statements

Year Ended 31 March 2004

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### 8. Deferred Taxation *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>3,044</u>	—
	<u>3,044</u>	—

### 9. Related Party Transactions

Members of the board of directors of Internet Watch Foundation Limited are representatives of various companies providing internet related services. The companies pay subscriptions to Internet Watch Limited in exchange for their representation on the board. The standard annual subscription charge is between £5,000 and £20,000 depending on the size of the entity.

### 10. Share Capital

#### Authorised share capital:

	2004	2003
	£	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

#### Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

### 11. Ultimate Parent Company

The ultimate parent undertaking is Internet Watch Foundation Limited, a company incorporated in England and Wales.