ANNUAL REPORT & FINANCIAL STATEMENTS

2018

HEAnet

Ireland's National Education & Research Network

A National Education Network for Shared IT Services

National Network

HEAnet provides high speed, resilient Internet connectivity and associated ICT services to education and research organisations throughout Ireland:
www.heanet.ie/the-network

Schools

HEAnet provides Internet connectivity and associated services to all primary and post-primary schools in Ireland:
www.heanet.ie/schools

Global Connectivity

HEAnet also provides its clients with international connectivity via GÉANT - the pan-European network; facilitating research collaboration around the world:
www.geant.org

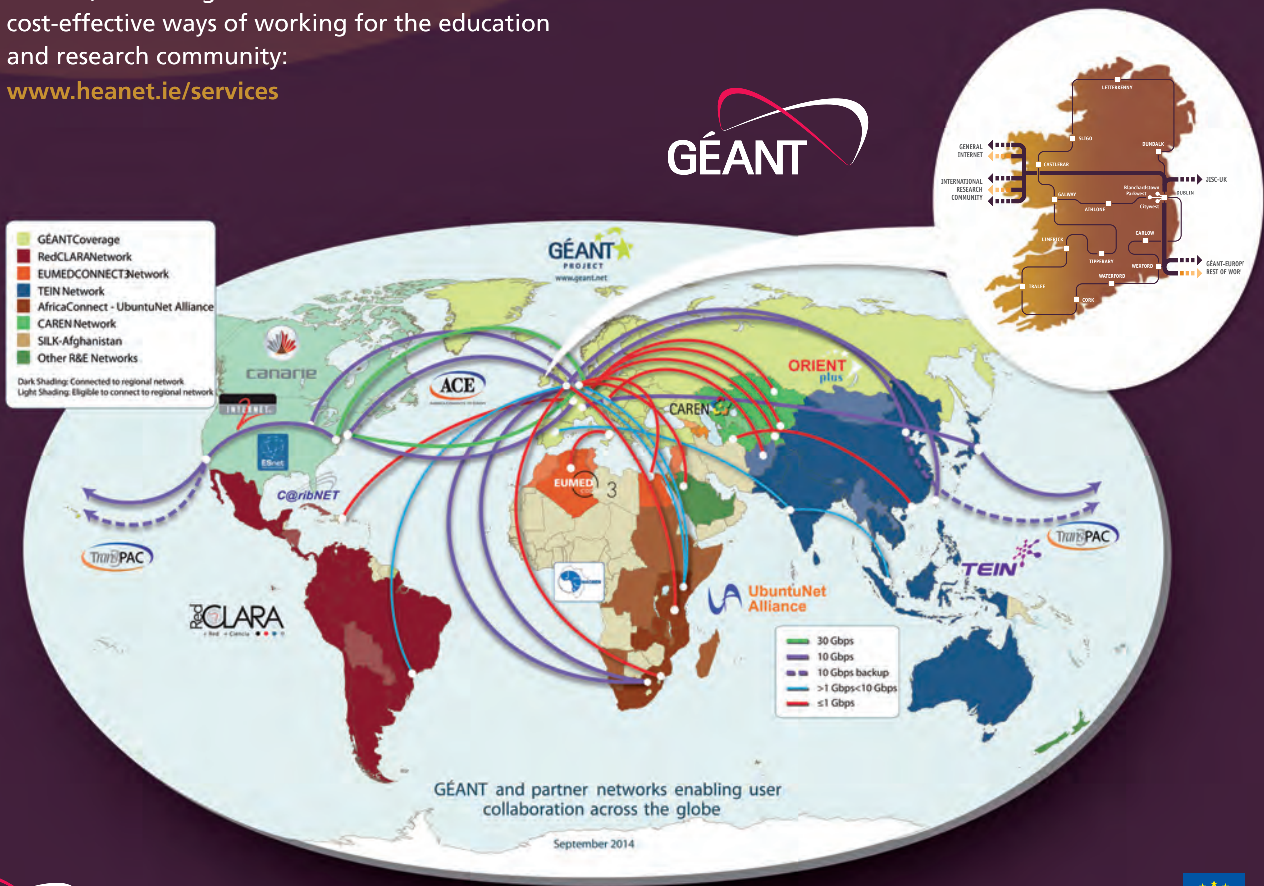
EduCampus

EduCampus Services, a subsidiary of HEAnet, provides MIS shared services to the higher education sector:
www.educampus.ie

HE and Research Services

HEAnet provides an extensive portfolio of shared services; delivering economies of scale and more cost-effective ways of working for the education and research community:
www.heanet.ie/services

GÉANT



Contents

Chairperson's Foreword

Through collaboration, shared services and centralised procurement, HEAnet has achieved significant savings for its clients, while leading the innovative delivery of strategic services for Ireland's education and research community.

On behalf of HEAnet and its subsidiary company Educampus Services, it is my privilege to present a copy of the annual report and financial statements for 2018.

HEAnet stands as a trusted provider of common, repeatable and shareable IT services for all levels of the Irish education system, connecting some 1.1 million users to the internet via its 100 Gbps capable network.

Through collaboration, shared services and centralised procurement, HEAnet has achieved significant savings for its clients, while leading the innovative delivery of strategic services for Ireland's education and research community.

EduCampus was established in April 2015 as a subsidiary company of HEAnet with the consent of the Minister for Education and Skills. In 2018, EduCampus continued to deliver on its mission to provide quality IT and MIS shared services to the higher education sector while also delivering on its commitment to provide value for money. As a separate limited company EduCampus produces its own annual report which includes an opening foreword from the chairman of the Board of EduCampus, Dr Joseph Ryan.

In accordance with the 2016 Code of Practice for the Governance of State Bodies I wish to report to you on the company's compliance with the requirements as set out in the code, and specifically on the following matters relating to the reporting period January to December 2018:

- There were no commercially significant developments. No new subsidiaries or joint-ventures were established, and there was no share acquisitions or disposals relating to the subsidiary company;
- A governance review is underway on the group structure, and this is detailed in the Governance section of this annual report, pages 17 and 18;
- There was no off-balance sheet financial transactions;
- I affirm that all appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;
- I acknowledge our responsibility for ensuring an effective system of internal financial control is in place. A statement on the system of internal controls is included with the audited annual report, pages 26 and 27;

- HEAnet Group has put in place a code of business conduct for directors. There is currently no code of business conduct in place for employees. A code of conduct for employees will be put in place in 2019;
- HEAnet is a private company and the CEO or other staff are not public or civil servants. Salary and compensation decisions are made using a formalised internal performance management system against benchmarked salary bands. As such, HEAnet does not strictly follow Government policy on the pay of the CEO and other employees;
- Board members are not paid any salary or remuneration for their service. Expenses payments to directors and staff are in accordance with rates sanctioned by the Department;
- There are no post-balance sheet events to report;
- HEAnet Group and its subsidiary companies follows the principles of the Public Spending Code, as they are interpreted and agreed with each of its funding organisations;
- HEAnet Group has put in place procedures for the making of protected disclosures in accordance with S. 21 (1) of the Protected Disclosures Act 2014. An annual report (for the twelve months ending December 2017) as provided for under S. 22 (1) of the Act was not made by June 30th 2018. The annual report for 2017 and 2018 was published in March 2019;
- HEAnet Group is compliant with Government travel policy in all respects;
- HEAnet Group has complied with its obligations under tax law;
- HEAnet Group is not involved in any legal disputes with any other state bodies. HEAnet's subsidiary company EduCampus is not involved in any legal disputes with any other state bodies;
- HEAnet is taking steps to ensure compliance with the 2016 Code of Practice, and is liaising with the Department of Education and Skills in this regard;
- HEAnet has a single subsidiary company, EduCampus Services DAC, and this company continues to operate for the purpose of which it was established;
- HEAnet has policies and procedures in place to ensure that it is fully compliant with public procurement requirements. However, instances of non-competitive procurement, if any, were not tracked or reported in 2018.

I would like to acknowledge the work of the members of the Boards of HEAnet and EduCampus, along with the Chief Executives and staff of both companies.

This combined effort and commitment ensures that we continue to achieve our goal of providing network infrastructure and common, repeatable and shareable solutions for higher education and research in Ireland.

Professor Anne Scott,
Chairperson, Board of HEAnet, and
Vice-President for Equality & Diversity, NUI Galway

Message from the Chief Executive

Encompassing research, education and innovation, HEAnet is in a unique position to deliver value adding shared services that are applicable across the entire sector.

Over the past decade, the Irish public sector has transformed the delivery of services to a Shared Services model. This ensures currency in best practice and eliminates obsolescence in the sourcing and delivery of infrastructure and systems, while enabling sector specialists to focus on their customers and clients and on their fields of expertise.

HEAnet is at the forefront in delivering that model. Throughout 2018 we remained focused on delivering on our core competencies: Networking, Identity Management, Brokerage and ICT security, growing our reputation as a collaborative partner and trusted provider of common, repeatable and shareable solutions for Ireland's education and research sector.

Encompassing research, education and innovation, HEAnet is in a unique position to deliver value adding shared services that are applicable across the entire sector.

One such example is ICT Security. While ICT security is now a significant factor for all education and research bodies, not everyone has the resources to dedicate to policies that need to be written, awareness training that needs to be provided or vulnerability assessments that need to be performed.

This is where HEAnet can step in and help across the whole sector, because these things aren't unique - everyone needs the same kind of vulnerability testing and everyone needs similar policies - thus allowing individual client resources to focus on what is unique to their organisation.

Another example is cloud services - in collaboration with GÉANT and our education and research peers across Europe, HEAnet have brokered framework agreements for services from major cloud providers at the very best prices available in the marketplace. By engaging with leading vendors, we are well positioned to identify how the latest developments can be leveraged to provide opportunities for innovation for the benefit of all.

During 2018 we also undertook an internal organisational re-alignment, identifying and implementing greater efficiencies, removing silos, duplications of effort and redundant processes, and promoting open transparent communication within and across the company.

It is imperative that we maintain our highly sophisticated and reliable 100 Gbps capable network, as it underpins everything we do. Not just because our clients rely on us as a trusted and neutral network provider, but also because we can seek innovative solutions and broker deals on behalf of the education and research community as a whole.

Kerrie Power,
CEO, HEAnet

Board of Directors and Other Information

Members of the Board of Directors as at 31 December 2018

Dr Gerard Culley
Ms Sheena Duffy
Mr Phillip Fischer
Dr Orla Flynn
Ms Rosemary Fogarty
Mr Patrick Magee
Prof Michael Murphy
Ms Colette McKenna
Prof Noel O'Connor
Mr Sean O'Farrell
Ms Dearbhla O'Reilly
Prof Anne Scott

Secretary and Registered Office

Ms Rhian Williams
5 George's Dock
IFSC
Dublin 1
Ireland

Parent Company Number:	275301
Subsidiary Company Number:	560681
Parent CHY Number:	12414
Subsidiary CHY Number:	21490
Parent CRA Registration Number:	20036270
Subsidiary CRA Registration Number:	20105242

Executive Management Team

Brian Boyle	(Technical Services Director)
Ronan Byrne	(Chief Strategy Officer)
John Creaven	(Client Services Director)
Susie Leacy	(People Operations Director, protected leave covered by Claire Ferrie)
Kerrie Power	(Chief Executive)
Rhian Williams	(Corporate Services Director)

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Bankers

Bank of Ireland
IFSC Branch
La Touche House
Customs House Dock
Dublin 1

Allied Irish Bank
1-4 Lower Baggot Street
Dublin 2

Solicitors

O'Connor Solicitors
8 Clare Street
Dublin 2
Ireland

Trustees' Report (incorporating Directors' Report)

The directors of HEAnet CLG, Ireland's National Education and Research Network, hereby present their report and the audited financial statements for the financial year ended 31 December 2018.

HEAnet was incorporated as a Company Limited by Guarantee and not having a share capital in November 1997. It operates on a non-profit basis, has been granted charitable tax-exempt status by the Revenue Commissioners and is registered with the Charities Regulatory Authority (CRA).

A subsidiary company EduCampus Services DAC was incorporated in April 2015 to deliver on the evolution of shared services to the higher education sector including student records management, payroll, HR management, finance and library management.

92% of EduCampus share capital is held by HEAnet.

HEAnet is managed by a board comprising members from third level institutions, the Higher Education Authority and the Department of Business, Enterprise and Innovation. Costs are met largely from government grants and charges to HEAnet members and services are provided to clients on a cost recovery basis.

The Directors confirm that the financial statements of the company comply with the current statutory requirement of the companies governing documents and with the provisions of Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice - Accounting for Further and Higher Education 2015 applicable to all further and higher education institutions and providers preparing their accounts in accordance with the financial reporting standard applicable in the Republic of Ireland (FRS102) hereafter denoted as the FE/HE SORP (FRS102).

The FE/HE SORP (FRS102) is not yet mandatory in the Republic of Ireland and the Irish Charity Regulator has not yet prescribed accounting regulations for Irish Charities.

In the absence of such prescriptive guidance this Board has adopted the FE/HE SORP (FRS102) as it is considered to be most appropriate to the circumstances of the organisation.

OBJECTIVES AND ACTIVITIES

Strategic Direction

HEAnet is a network service provider of advanced IT infrastructure and services, including internet connectivity, to the universities, third level institutions, primary and post-primary schools and other research organisations of Ireland. It also operates as a portal to access academic and research networks on the Internet.

The work of HEAnet is guided by nine core vision statements which are set out and regularly renewed through a rolling strategic planning process. These guide both the planned deliverables of the company and the manner in which they are achieved and are as follows.

1. Be a collaborative partner who delivers services intrinsic to the business of our clients;
2. Continue to be the trusted provider of advanced networking and infrastructure services on a value for money basis;
3. Deliver common, repeatable & shareable solutions in a fast, agile and effective manner;
4. Deliver opportunities for clients to collaborate on innovative solutions;
5. Be the driver of Identity Federation across the education and research sector and to develop the provision of extended expertise in the wider identity management domain;
6. Continue to be a key provider and broker of cost-effective procurement for the education and research sector;
7. Be a key advisor on emergent and disruptive technologies;
8. Be the conduit to Europe for the promotion of Irish education and research ICT interests and the trusted gateway to world-wide infrastructural services;
9. Be recognised as an excellent place to work.

ACHIEVEMENTS AND PERFORMANCE

HEAnet's work in pursuit of those statements of vision is delivered through six distinct areas of activity:

- Connectivity;
- Identity and Access (Authentication);
- ICT Security;
- MIS services and solutions (delivered by subsidiary company EduCampus Services DAC);
- Brokerage and Procurement;
- Schools (Primary and Post-Primary);

The detail of that work is set out in the following pages, highlighting the value of the collaborative approach and of applying shareable and repeatable solutions to the common challenges of facilitating Irish education and research across multiple locations.

Connectivity

Providing essential infrastructure to the Education and Research Sector

Education is fundamentally about sharing information. That is not possible if the people in education are not connected to sources of information and to each other. The task of enabling those connections through accessible, reliable, high quality infrastructure is one of HEAnet's principle obligations as set out in its vision statements.

HEAnet is the primary provider of the connections and the networks that make that possible throughout Irish education. It works as an advisor and partner across the first, second, third and fourth level sectors to provide an essential daily service to over one million users (learners, researchers and staff) spread across every school, college, university and research lab in the country.

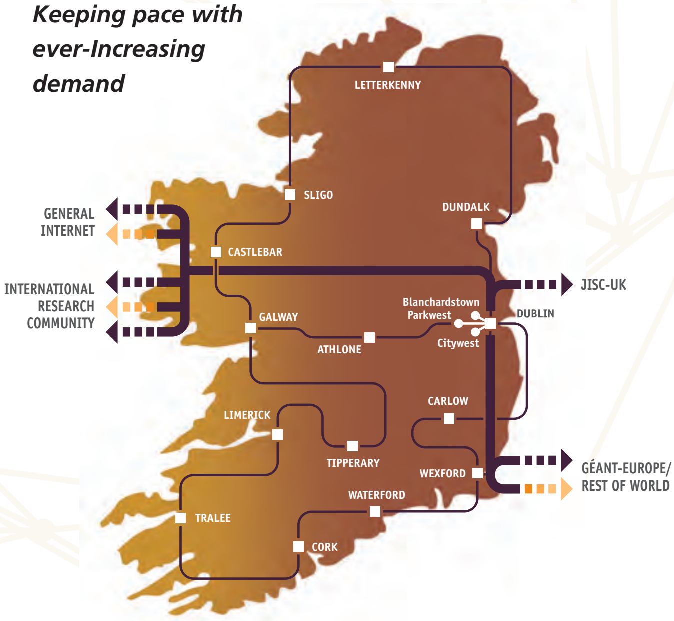
Whether the subject matter is simple animations in primary school or large data sets in third level labs; whether it is access to books and articles in a university library, presenting complex medical imagery or engineering drawings for PhD research or streaming a Transition Year seminar on the history of elections, strong reliable online connectivity is essential for success.

As the dependency of society on electronic communication has grown, so too has education's reliance on its IT infrastructure. Even the smallest outrage can substantially impair delivery and support services.

For the year 2018, HEAnet is therefore pleased and proud to report another year of high performance, with service availability exceeding stated service level commitments. Notwithstanding some challenges presented by Storm Emma in the early part of the year, all of our client connections exceeded their annual availability target levels of 99.99% for resilient connections and 99.50% for non-resilient connections.

National Backbone Network

Keeping pace with ever-Increasing demand



The dependency on connectivity allied to a continuing demand for greater capacity means that forward planning and proactive provisioning of additional bandwidth is a key function for HEAnet.

In fulfilling its commitment to be a trusted advisor to the sector it looks to anticipate both risks and growth needs to provide for high levels of availability on a sustained basis. Resiliency and redundancy are key features of planned network design to provide for the event of unforeseen outages.

To that end, in 2018 HEAnet concluded a two-year project, on time and within budget, to replace its national backbone with a new 100 Gbps capacity network and additional resilience capabilities built in.

The new network is the most important and complex HEAnet has delivered to-date - comprises 230 network devices compared with 300 network devices previously, with the associated benefit of delivering 20 - 30% energy savings on the network footprint it replaced.

The new backbone is underpinned by an optical network, which HEAnet operates and manages. The optical network connects with optical fibre circuits leased from several different companies.

These leases are for long-term contract periods, typically ten years. A significant re-tendering for the metropolitan area fibre in Cork, Galway, Limerick, Sligo and Waterford was completed in 2018. This has led to a significant reduction in the rental cost of this fibre over the next 10 years.

This investment in new IP equipment, coupled with securing new long-term fibre agreements in the regional metropolitan areas, will significantly assist HEAnet in meeting its clients' future requirements for high quality, fault-tolerant Internet access.

The new network design also enables the provision of new network services and greater flexibility, more suited to the delivery of cloud services.

Identity and Access (Authentication)

Providing Access - Edugate's 40 million logins

Edugate

As education needs become more diverse and complex, the need to control and manage secure access to resources, and to the infrastructure that provides them, has grown likewise.

In its vision statements HEAnet is committed to be the driver of Identity Federation across the education sector. Through its Edugate service, HEAnet meets that challenge, by centrally providing a complex technical function required in every education institution. Edugate's shared Single Sign On (SSO) give HEAnet's clients' users seamless integrated access to over 550 different services and the people that use them across the system. This frees up local mangers to focus on the critical task of provisioning and deprovisioning user accounts and ensuring those accounts are used in a secure manner.

During 2018 Edugate handled 40 million logins, a 15% increase over 2017. This follows average growth of 12.5% every year since it was launched in 2010.

Edugate in particular enables educators to harness the use of cloud-based services and offset disruption, where traditional user authentication would no longer be suitable due to security risks and because cloud vendors can only support a limited subset of authentication system options.

85% of logins in 2018 were to cloud-based providers including widely used services such as Office 365, Google Apps, Moodle and Blackboard. Edugate allows individual users access to all of the resources they could require in their work through one log-on and one password. This strongly fulfils the strategic objectives of effectively delivering repeatable and shareable solutions to the education sector.

The alternative would require institutions individually to integrate their cloud service solution directly with their authentication backend, which has implications for ease of use, ongoing support and maintenance, as well as discrete expertise in authentication and encryption.

Libraries in particular have been successful users of Edugate since it was first established. This was initially limited to authenticating remote users. More recently, by rolling out access to all their e-resources via Edugate, libraries were able to simplify their access protocols generally, and give their end users a uniform experience from all locations directly.

In addition to expertise in delivery, Edugate clients also gain:

- access to a large ecosystem of solution providers, who have already integrated their systems with Edugate;
- a trusted set of bilateral relationships, connecting between service providers and the end user where HEAnet applies its expertise on behalf of the institutions, contributing to more and more services using Edugate;
- access to services such as FileSender and Media Hosting that accept a login via Edugate;
- the capacity to use Edugate based authentication in tenders.

Security

ICT and online security represent a substantial, growing and changing risk to the Higher Education Sector. HEAnet clients are challenged to maintain a currency in their knowledge and ability to respond to disruptive technologies. Having identified significant scope for a sector wide shared solution HEAnet launched a new service - the ICT Security Services in quarter 1 2018.

This suite of services was developed through client collaboration and executive sponsorship which was central to ensuring that the design of the ICT Security Services meets the needs of the HEAnet client community.

NUI Galway was an early adaptor of the service. In March 2018 NUI Galway signed up for the service and commenced the deployment of the service in partnership with HEAnet security experts.

The ISS Department (Information Solutions & Services) there worked with HEAnet to develop a core security offering appropriate to the university.

The project worked around the HEAnet's capacity to deliver a range of individual ICT Security Services including:

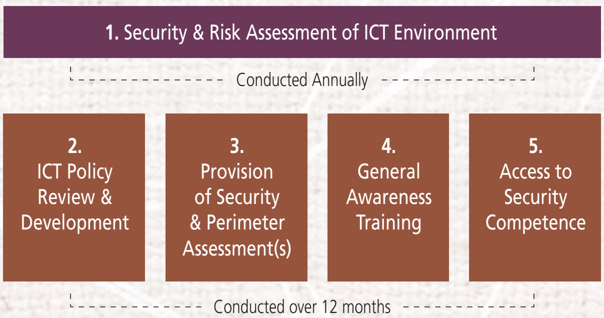
- ICT Security and Risk Assessment of ICT Environment;
- ICT Policy Review and Development;
- Provision of Security and Perimeter Assessments;
- Security Awareness Training;
- Access to Security Competence.

These services were provided through a dedicated HEAnet team augmenting the institutions IT Department resources, with the objective of identifying a standardised set of core and complementary security services that are common, shareable and repeatable across HEAnet clients.

Given its standing as a trusted service provider and its range of client relations across the sector, HEAnet is uniquely positioned to deliver and develop these services with others in a cost effective and repeatable manner over the coming years.

This is expected to offer opportunities for economies of scale in areas such as the development of security policies and security testing of cloud-based applications which are shared across the sector.

As the service develops it will also position HEAnet as a centre of excellence in the area of IT Security to the benefit of the sector.



The HEAnet suite of ICT Security Services will continue to evolve to meet the new IT security challenges faced by our client community.

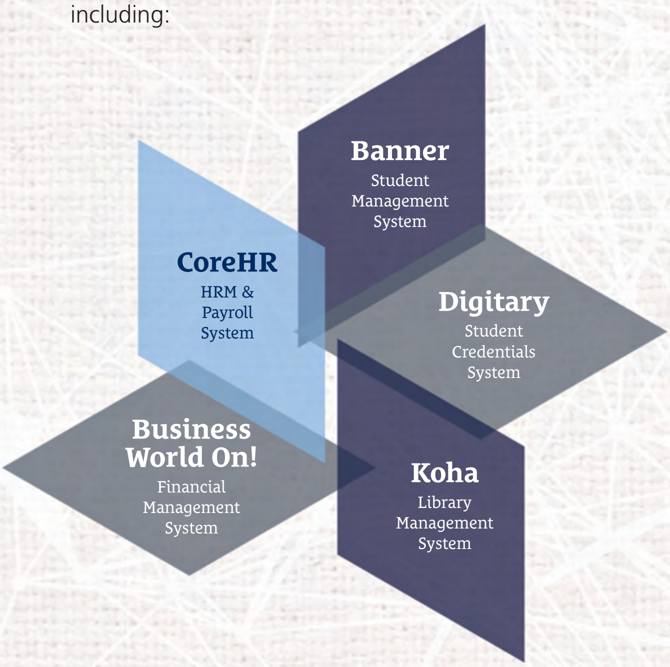
MIS services and Solutions

(delivered by subsidiary company EduCampus Services DAC)

While the core of its work in connectivity, identity & access and security relates to the delivery of infrastructure, HEAnet has shown its ability to deal with emerging technology trends and to be innovative in its approach to enabling the delivery of *MIS shared services to the education sector. This is achieved through a separate subsidiary company EduCampus Services DAC which was incorporated in 2015 and in which it holds a 92% shareholding.

** managed information services*

EduCampus provides Student Management, HRM & Payroll, Finance, Library and Student Credentials systems including:



EduCampus's core client community comes from The Institutes of Technology and Technological Universities. Many of the institutes of technology are now pursuing the possibility of being involved in the creation of technological universities as part of a reshaping of the higher education sector that has been in process since 2012. The creation of a technological university requires the consolidation of at least two existing institutions. Each of these projects would involve a considerable scale of IT and systems change to effectively consolidate existing functions and establish a sound base on which to exploit the benefits of alliance.

EduCampus deploys an engagement-centred model of work with the objective of building trusted advisor status to enable it to facilitate and support foreseeable change on the part of its clients through managing services and developing solutions. This model is built around a high level of engagement:

- Service Delivery Management;
- Building relationships with the user community;
- Relationships management with vendors;
- Monitoring performance to ensure systems availability;
- Measuring performance against agreed Service Level Agreement.

A critical part of building that trust with clients is maintaining a commitment to continuous improvement and modernisation across all its systems, looking at the quality in the design, the implementation and the operation of the environments and services we provide.

Brokerage and Procurement

HEAnet's Brokerage function directly addresses its core vision statements by combining sector-informed IT knowledge with commercial skills to deliver a balance of effective technical solutions and value for money to its clients.

It has achieved very significant success over recent years, and now delivers savings in the order of €7m per annum. In addition to cost savings, clients benefit from enhanced commercial terms and conditions, superior service levels, and time savings in public procurement processes.

Today the HEAnet Brokerage function supports in the region of 60 agreements, each designed to reduce cost, save time, increase efficiency and gain enhanced terms of use for clients. It also reduces or removes the public procurement burden for HEAnet client institutions by:

- negotiating and designing sector-specific procurement frameworks and discounted purchasing agreements, while also
- leveraging the framework portfolio of the Office of Government Procurement (OGP), and
- working within frameworks brokered by international organisations such as GÉANT*, Eduserv, and fellow NRENs**.

** GÉANT is the leading collaboration on e-infrastructure and services for research and education.*

*** National Research and Education Networks.*

2018 proved to be another successful year in terms of Brokerage activity, with renewals of Microsoft and Adobe campus agreements being important milestones. HEAnet also worked closely with the OGP over the summer months in establishing a sector-wide drawdown agreement for Servers on which our higher education clients place a lot of reliance.

As part of its core strategic remit to connect Ireland's research and education sector to Europewide initiatives, HEAnet resources also remained active within GÉANT procurements, with HEAnet's Brokerage Team Manager appointed as a Task Leader within the next phase of GÉANT pan-European cloud procurement activities.

Client uptake of the GÉANT Cloud IaaS* Framework more than doubled during 2018 with 34 clients now drawing down off this framework. This increase in uptake reflects the trend of campus organisations moving their systems off campus and onto public cloud provider platforms.

HEAnet expects similar growth trends over 2019.

Procurement for the Schools Network

Over 2018, HEAnet re-tendered for those post-primary schools located in the South East & Munster regions, a tranche totalling 325 schools. On foot of re-awards across a range of Telecommunication providers, HEAnet are pleased to announce bandwidth rental reductions in the order of 40% over the next three-year contract terms. This again is an illustration of HEAnet's aggregated procurement approach delivering real value for the sector, in a manner which would be unachievable by schools or education institutions procuring themselves.

Schools (Primary & Post-Primary)

The HEAnet Schools Network accounts for almost 50% of HEAnet activity by traffic and serves the needs of over 900,000 students and teachers every day.

In keeping with its strategic objective to provide advanced networking, HEAnet has been providing connectivity to Ireland's 4,000 schools since 2005. In 2010, HEAnet undertook a massive initiative to transform the country's second-level education sector through the rollout of a 100 Mbps High-Speed Programme, delivering universal coverage across Ireland's post-primary schools with high-speed connectivity.

** Infrastructure as a Service*

This has served as a catalyst for schools to fully embrace the further integration of ICT and digital skills into the classroom, facilitating 21st century learning and interaction.

This high-availability broadband enables the instant distribution of information to the classroom, regardless of the school's location. Students are now equipped with both the knowledge and skills required in the digital age.

One example of this transformation is Coláiste Phobail Cholmcille on Tory Island. It may be remote - located off the coast of Donegal with only 6 students - but the Coláiste is thriving.

100 Mbps broadband has made a massive difference to the lives of the teachers and students. In spite of restrictions on the ferries and even on the postal service, teachers can now avail of online courses which would have been out of reach until recently. They are now able to attend remote meetings using video conferencing that in the past might have cost them up to three days teaching, away from their classrooms. Teachers can now catch up with the latest ideas and developments instantly, all without leaving the building.

The HEAnet Schools Network underpins the Government's Digital Strategy for Schools encouraging the integration of ICT into the curriculum.

Online 3D animations and simulations can greatly assist the learner in understanding difficult mathematical and scientific concepts. While once restricted to pictures in a textbook, students can now make a virtual visit to the Louvre in Paris, or the Sistine Chapel in Rome, stepping beyond the four walls of their classroom into a new world during the school day.

Almost every subject can be equally enhanced through access to digital content and communications platforms, including languages, science and technology subjects and business, providing greater flexibility for students with different styles of learning.

For the full integration of ICT resources in learning, the availability and reliability of the broadband connection is key. In the classroom environment, the teacher has to be confident that the technology will work efficiently and effectively when facing a 40-minute class with an audience of eager students.

These digital citizens will be the future business people, inventors and writers and it is essential to bring learning to life and to develop their digital skills as part of their overall education.

PLANS FOR FUTURE PERIODS

HEAnet will develop a new strategic plan in 2019 for the three year period 2020 to 2022 and is in negotiations with its primary funder regarding a capital funding allocation for the next five years.

In terms of service delivery, HEAnet will focus on promoting and developing its portfolio of core competency services including connectivity, security, brokerage and identity & access, as well as offering future common, repeatable and shareable shared services that its client community may need.

FINANCIAL REVIEW

The level and volume of activity in the organisation has largely been consistent in 2018 compared to 2017. The turnover for the year ending 31 December 2018 was €33,946,484 (2017: €35,407,180). Excluding the effect of the unwinding of the deferred grant in 2017 (a one-off transfer to reserves of €1.8m in 2017 (2018: €0)), the turnover from operations increased slightly by €339,302 in 2018.

The surplus for the year amounted to €599,116 (2017: €1,814,754). As per the constitution, the companies are prohibited from making any distribution of funds to members.

Development and performance throughout the financial year and position at the end of the year

HEAnet income is derived from a number of different sources.

In addition to grant funding and client membership charges there is some income earned from the provision of discretionary complementary ICT services to clients. This income increased by 55% in 2018 totalling €1.96m (2017: €1.26m).

Client service income includes offerings such as ICT security services, data centre hosting, webhosting and eduroam. Brokerage income includes services that are billed to clients under arrangements where HEAnet brokers deals with vendors centrally and recharges the vendors' cost to the client for their usage of the service.

This activity has been identified as a core HEAnet competency, and activity levels are expected to increase in the coming years.

Closing balance sheet position at end of year

The group's consolidated net assets amounted to €3,089,133 at 31 December 2018, an increase of €599,116 compared to 2017.

Fixed asset additions amounted to €0.76m during the year (2017: €3.9m), and this reflects the substantial completion of the equipment purchases related to the RMAN project. Other significant acquisitions during 2018 included an investment of €380k to upgrade the capacity of the schools network backbone from 10Gbps to 100Gbps, and also an investment of €203k, to replace equipment used to support HEAnet's services network.

However, given the nature of the ICT equipment comprising the Group's fixed asset schedule the depreciation policy for computer hardware is relatively aggressive, at three years. Following significant investments in recent years the depreciation charge for the year was €1.93m (2017: €1.71m), so overall the net book value of fixed assets decreased by €1.17m to €2.83m (2017: €4.01m).

Cash balances were €14.25m at December 2018 (2017: €9.36m), and all cash is held in demand deposit accounts. The increase in cash is due to effective working capital management during 2018. Debtors at year end are €5.58m (2017: €8.66m) and there is a grant receivable of €0.39m included in this amount (2017: €2.2m). Trade creditors are €3.41m (2017: €1.95m). During 2018 HEAnet's primary banker started to apply negative interest to balances held on deposit, so banking arrangements will need to be reviewed in future years.

The group does not have any loans or other borrowings outstanding. (2017: €0m)

Key performance indicators

HEAnet CLG	2018	2017
Non-direct exchequer income/ total income	20.9%	19%
Additional services income/ total invoiced income	28.7%	29%
Debtors days at year end	19	9.7
Capital expenditure/total expenditure	8%	17%
Payroll cost/total cost	23%	23%
Staff turnover in %	12.2%	6.1%
Training days per staff member per year	3.4	5.1
Cash reserves	€11.3m	€6.43m
Number of clients	62	59
Average number of employees	67	66
Customer satisfaction (Net Promoter Score)	+41	+70

EduCampus Services DAC	2018	2017
MIS Project expenditure/ total expenditure	5%	16%
Payroll cost/total cost	14%	13%
Staff turnover in %	13%	7%
Training days per staff member per year	2.4	0.18
Cash reserves	€2.95m	€2.92m
Number of clients	14	13
Average number of employees	15	15

Principal risks and uncertainties

The directors consider the major risks facing HEAnet Group and risk management is a standing agenda item at meetings of the Group Audit Committee throughout the year. There is a corporate risk register that identifies and classifies risks into one of seven pre-defined enterprise-wide risk categories. Risks are scored according to likelihood of occurrence and potential impact, and this tool is used to identify gaps and design an appropriate control environment. The board defined risk categories are:

- Funding
- Business Continuity
- Reputational
- Value for Money
- Orientation to market
- Organisation and People
- Governance and Compliance

In the Funding category the following risk is recognised:

The risk to security of funding is still the primary risk facing the Group given that the majority of the Group's income still comes by way of grants from Government departments and agencies. Some limited additional revenue is raised from client membership charges and the provision of discretionary services to client member institutions although, in the majority of cases, these clients are also publicly funded organisations.

The strength of the Exchequer finances, specifically the budget allocated to education, is a key determinant of security of funding.

HEAnet Group has continued to actively engage with its primary grant funding partners during the year regarding short and medium-term funding requirements. Agreements are in place for funding capital projects up to the end of 2019, and management have started a dialogue with the Department of Education and Skills regarding the next capital funding requirement, up to 2023.

Risks relating to Brexit have been identified under the categories of business continuity, and governance and compliance:

Under most Brexit scenarios, there will be continued uncertainty for trade between the UK and EU Member States. Non-tariff barriers to trade and ease of access to procurement are real considerations. Fragmentation of regulation presents another risk, particularly from a GDPR perspective and where cross border data flow is required. HEAnet continues to monitor developments and will put in place measures including contractual mechanisms to manage exposure to Brexit related risk.

The loss of an anchor client and associated client income is a risk that is recognised under the categories of funding, value for money and orientation to market:

HEAnet is a very typical shared-service provider. The strength and viability of its service offering, as well as income to cover the balance of its operating costs is earned from revenue from client institutions' membership of the HEAnet network, as well as income earned from the provision of discretionary, value-added services.

HEAnet has a dedicated client services team to manage client engagements and relationships. Key performance indicators relating to client satisfaction is part of a schedule of KPIs that is reviewed as a standing agenda item at the Board.

The business continuity category includes the risk relating to the adequacy of cyber-attack preparedness:

The risk of cyber-attack is prominent given high-profile global incidents in the past twelve months including Spectre / Meltdown. Phishing type attacks have seen a steady increase worldwide. While absolute preparation can never be assured, HEAnet prepares insofar as possible. This includes providing security awareness training for all staff members with emphasis on phishing. There has also been a focus on vulnerability scanning of specific systems within the HEAnet network.

Long Term Financial Risks and Commitments

HEAnet Group has in place processes to review the financial implications and risks arising out of the group's long-term contractual commitments for all major funded project activity. This is a standing agenda item at the annual budget setting meeting of the finance sub-committee.

Accounting records

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records are the use of systems and procedures and the employment of competent and appropriate persons. The accounting records of the group and company are kept at 5 George's Dock, IFSC, Dublin 1.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Introduction

HEAnet CLG, Ireland's National Education and Research Network, was incorporated in November 1997 and provides Internet connectivity and associated ICT services to education and research organisations throughout Ireland, including all primary and post-primary schools.

EduCampus Services DAC was incorporated in April 2015 as a subsidiary company of HEAnet to implement, maintain and support business critical systems to clients in the education sector.

HEAnet and EduCampus Services are governed by company law and are guided by the "Code of Practice for the Governance of State Bodies". HEAnet is a Company Limited by Guarantee and Not Having a Share Capital. Given the group structure, EduCampus is a Designated Activity Company as it has a share capital that is held by HEAnet. Both companies have charitable tax status and are registered with the Charities Regulatory Authority (CRA).

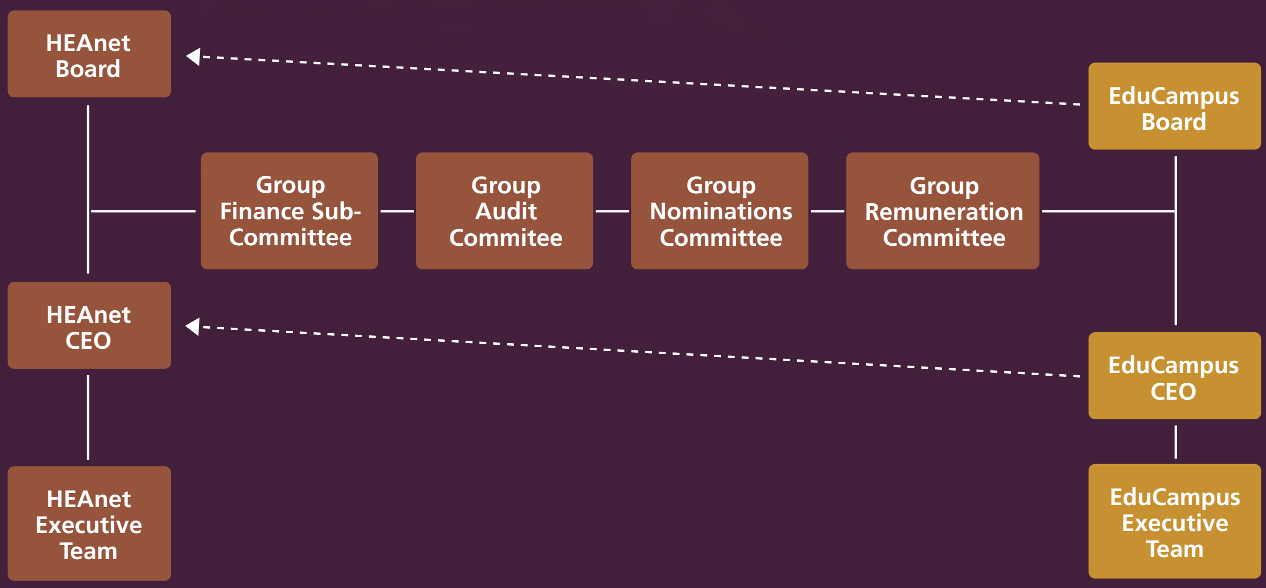
The Boards of Directors of HEAnet and EduCampus Services are responsible for promoting the success of the companies by leading and directing their activities. Both Boards provide strategic guidance to their organisations, monitor and review their own activities, and the effectiveness of management.

The ordinary members and directors of HEAnet and EduCampus Services are appointed in accordance with their Constitutions and the Companies Acts.

Directors are appointed for a term of four years and may be re-appointed for a second term of four years but may not be appointed for more than two consecutive terms of four years, at the end of which second term a director must retire from office.

No director may be appointed for a third consecutive term. A Director may be re-appointed to the Board of Directors after a period of four years has elapsed since that director's last term of office.

The Boards of HEAnet and EduCampus Services share a number of group committees. The group governance structure is illustrated as follows:



HEAnet Board of Directors

Board Structure

The composition of the Board of Directors is determined by Article 42 of HEAnet's Constitution.

The Higher Education Authority (HEA), the seven university members and Technological University Dublin - City Campus (known as DIT prior to1 January 2019) can appoint one director each to the HEAnet Board. In addition, the HEA, following consultation with the Technological Higher Education Association (THEA), the Consortium of National and University Libraries (CONUL), and the Department of Business, Enterprise & Innovation, are entitled to appoint:

- Two persons to be Directors of the Company to represent the Institutes of Technology;
- One person to be a Director of the Company to represent the Consortium of National and University Libraries;
- One person to be a Director of the Company to represent the Department of Business, Enterprise & Innovation.

Article 42(c) allows the directors to appoint one director as an addition to the existing directors appointed by the Ordinary members and the Higher Education Authority. However, the director appointed under article 42(c) must retire from office at each Annual General Meeting and can then be eligible for re-election by the directors.

The following HEAnet directors served during the financial year ended 31 December 2018:

Name	Resigned/ Retired	Appointed
Dr Gerard Culley		
Ms Sheena Duffy		
Mr Jim Fennell (Chairperson)	July 2018	
Mr Phillip Fischer		Feb. 2018
Dr Orla Flynn		
Ms Rosemary Fogarty		
Mr Patrick Magee		
Ms Colette McKenna		
Prof Michael Murphy		
Prof Noel O'Connor		
Mr Sean O'Farrell		
Ms Dearbhla O'Reilly		
Prof Anne Scott (Chairperson)		July 2018

Mr Jim Fennell completed his term as the Chairperson of HEAnet Board of Directors in July 2018.

The Board and Chief Executive of HEAnet express their thanks and gratitude to him for his valuable contribution and dedication to the governance of the organisation.

The HEAnet Chairperson Search Sub-committee set up in early 2018 conducted a process to consider suitable candidates for the role of Chairperson and a recommendation was presented to the HEAnet Board meeting in May. The Board approved the Sub-committee's proposal to appoint Professor Anne Scott as the new Chairperson of the HEAnet Board of Directors, commencing September 2018.

Board Responsibilities

The HEAnet Board met six times during 2018 - in February, March, May, September, October and December.

The work and responsibilities of the Board are set out in[1]

- A terms of reference for the Board;
- Code of Conduct for Board Members;
- Schedule of Reserved Functions which also contain the matters specifically reserved for Board decision.

A schedule of standing items to be considered by the Board includes the following, of which some are included at every meeting, and others are included on a quarterly basis:

- Report from the chief executive, and chairperson of the subsidiary;
- Declaration of interests;
- Reports from committees;
- Financial reporting and budgeting;

As part of its oversight of HEAnet company matters and ongoing support of its subsidiary EduCampus Services, the Board focused on the following:

- Considered and approved the company budget for 2018 to 2020;
- Reviewed and approved capital project expenditure;
- Approved the Group audited statutory accounts for financial year ending 31st December 2017 and met with the external auditors;
- Reviewed the recommendations from the internal audits conducted in 2018 and noted progress made on implementing internal audit recommendations;
- Received the Group Audit Committee's quarterly and Annual Report for 2018 and reviewed the HEAnet Group's Risk Management Framework;
- Met with the professional pension Trustee of the HEAnet Group Pension Plan to discuss and review the Trustee Annual Report for the period 1st September 2016 to 31st August 2017;
- The directors reviewed progress against the 2017-2018 Strategic Plan: "Collaboration - The Key to Development & Success" - a rolling strategic plan model to ensure flexibility, responsiveness and agility;
- The 2018 Service Plan was reviewed throughout the year, with support from the Project Management Office, and the 2019 Service Plan was agreed;
- Reviewed the findings from the C&AG Inspection of HEAnet and oversaw the implementation of the recommendations;
- A gap analysis report to monitor compliance with the Code of Practice for the Governance of State Bodies was presented at the February 2018 board meeting and progress reviewed during the year;
- An internal review and evaluation of the performance and effectiveness of the HEAnet Board and the Group Audit Committee was conducted using the questionnaires from the Code of Practice for the Governance of State Bodies[2];
- Reviewed HEAnet's succession planning for senior management and key roles within the organisation.

In addition, the Board undertook the following major activities during 2018:

- An independent HEAnet Group Governance Review was commissioned by the HEAnet Board mid-year 2018 to consider:
  - The Group's governance structures - including the Board, committees, reporting lines and accountability;
  - The appropriateness of governance documentation;
  - The appropriateness of the structure in supporting and encouraging the use of ICT shared services in the education and research sectors;
  - The composition of the HEAnet and EduCampus Boards with respect to diversity, stakeholder representation and skills required for alignment with research, innovation and industry;
  - The effectiveness of HEAnet and EduCampus Boards in promoting the use of ICT shared services for the education and research sectors;
  - Each board's focus on delivering the HEA, DES and National Shared Services Strategies.

[1] *Code of Practice (Business & Financial Reporting Requirements) 1.3 - Financial statements to include a statement of how the Board operates, including the types of decisions to be taken by the Board and to be delegated to management.*

[2] *Code of Practice 4.6 - the Board should undertake an annual self-assessment evaluation of its own performance and that of its committees. An external evaluation proportionate to the size and requirements of the State body should be carried out at least every three years.*

A Steering Group was appointed by the HEAnet Board to oversee the governance review work, with the following membership:

HEAnet:

Mr Jim Fennell, former HEAnet Chairperson
Ms Kerrie Power, HEAnet CEO
Prof Anne Scott, HEAnet Board Chairperson
Mr David Stafford, Group Financial Controller
Ms Rhian Williams, Company Secretary

EduCampus:

Dr Joseph Ryan, EduCampus Board Chairperson

Higher Education Authority:

Mr Padraic Mellett, Head of Corporate Affairs

Department of Education and Skills:

Ms Deirdre McDonnell, Assistant Secretary General, Major Operations Division

The findings and recommendations were reviewed and discussed at HEAnet and EduCampus Board meetings during 2018 and the report was formally accepted at the HEAnet Board meeting in December. Work is ongoing to implement the recommendations and strengthen and clarify the group structure.

- A one-year extension to the 2017-2018 Strategic Plan: "Collaboration - The key to Development and Success" to the end of 2019 was approved. Work has commenced on the next phase of the strategic plan from 2020 onwards and will be approved by the HEAnet Board in October 2019. In response to one of the recommendations from the Group Governance Review, HEAnet and EduCampus are working together to produce a Group Strategic Plan;
- During the year a cost analysis of HEAnet services commenced with the aim of commissioning an independent Value for Money report in 2020;
- Work continued during 2018 to ensure compliance with the General Data Protection Regulation (GDPR) by the 25th May 2018 deadline. A Data Protection Officer was appointed in early 2018 to work with HEAnet and EduCampus.

EduCampus Services Board of Directors

As per its Constitution, there should be a minimum of four directors and not more than twelve directors on the EduCampus Services Board, unless otherwise required by a majority of the members of the Company. The appointment of each director of the Company is subject to the prior written approval of the members in conjunction with their voting rights. However, the Chairperson of the Board of Directors of HEAnet and the Chief Executive of HEAnet serve as ex-officio directors on the Board of EduCampus Services.

The Board of EduCampus Services comprises an equal number of directors appointed by the HEAnet Board without consultation with any other party, organisation or body and an equal number of directors appointed by the HEAnet Board after consultation with the Technical Higher Education Association (THEA).

The directors of EduCampus Services who served during the financial year ended 31st December 2018 are listed below:

Name	Resigned/ Retired	Appointed
Ms Sheena Duffy		
Mr Jim Fennell	July 2018	
Ms Mary Kerr		
Mr Tadhg Leane		
Ms Barbara McConalogue		
Prof Mike Murphy		
Ms Kerrie Power		
Dr Joseph Ryan (Chairperson)		
Prof Anne Scott		Sept. 2018
Mr Thomas Stone		

The EduCampus Board met six times during 2018 - in March, April, June, September and twice in November.

In addition to its usual oversight of company matters, the Board undertook the following major activities in 2018:

- Approved the EduCampus Services audited statutory accounts for financial year ending 31st December 2017 and met with the external auditors;
- Reviewed the quarterly financial statements;
- Discussed and considered project and funding updates in relation to the EduCampus MIS Refresh Project;
- Received and discussed EduCampus Operations update reports;
- Discussed and approved major contracts;
- Reviewed the EduCampus Services Board level Risk Register and risk management approach;
- Received and discussed quarterly reports from the Group Audit Committee;
- Considered and approved the company budget for the period 2018 to 2020;
- Reviewed the company's preparations for compliance with the General Data Protection Regulation (GDPR) and Freedom of Information Act 2014.

HEAnet Group Committees

The Boards of HEAnet and EduCampus Services are supported by a number of shared Board committees:

Group Audit Committee[3]

The purpose of the Audit Committee is to assist and where relevant make recommendations to the Boards of HEAnet and EduCampus on the discharging of its responsibilities as they relate to external and internal audits, ensuring that an effective system of internal control, comprising financial, operational controls, compliance and risk management, is maintained and operated.

An independent firm of auditors provide the internal audit function for both organisations, and the Audit Committee agrees an internal audit plan for a rolling three-year period. The auditors undertake an annual System of Internal Financial Control Audit, as well as other risk-based audits that focus on key business areas identified in the risk register.

During 2018, the Committee met on four occasions and considered the following matters:

- Reviewed the audited annual statutory accounts for the period ending 31st December 2017, and met with the external auditors;
- Reviewed the risk management framework, including the risk appetite statement, risk management policy and risk register over the course of its four meetings and reported to both Boards on its findings and recommendations at year end;
- Reviewed both companies' preparation for compliance with the General data Protection Regulations (GDPR);
- Reviewed and agreed updates to the Group Protected Disclosure (Whistleblowing) Policy;
- The Committee reviewed and agreed the Internal Audit Plan 2018 - 2020;
- Reviewed the findings and recommendations of the 2018 Internal Audits and met with the internal auditors on a number of occasions.

Members of the Group Audit Committee:

HEAnet:

Dr Gerard Culley
Mr Sean O'Farrell - Chairperson
Dr Michael O'Malley (Ordinary member Maynooth University)
Ms Dearbhla O'Reilly

EduCampus:

Ms Mary Kerr

[3] *Code of Practise for the governace of State Bodies, section 7.2: bodies must establish an audit (and risk) committee to give an independent view in relation to risk and risk management systems.*

Group Finance Sub-Committee

The Committee considers all financial matters relating to the company and its subsidiary and reports its findings and recommendations to the respective Boards.

The Finance Sub-committee met on four occasions during 2018 and considered the following matters:

- Reviewed the quarterly management financial statements and considered the general financial state of HEAnet and EduCampus;
- Reviewed the HEAnet and EduCampus audited statutory accounts for year ending 31st December 2017;
- Reviewed and approved the HEAnet budget for the period 2018 - 2020, and EduCampus budget for 2018 - 2021, including major capital grant applications for both organisations;
- Considered the financial implications and risks of major funded project activity;
- Reviewed the HEAnet Client Contribution Model for 2019;
- Reviewed and considered the long-term financial commitments of HEAnet and EduCampus;
- Reviewed HEAnet's reserves statement.

Members of the Group Finance Sub-committee:

HEAnet:

Ms Sheena Duffy
Mr Jim Fennell - Chairperson - resigned July 2018
Ms Rosemary Fogarty - appointed Chairperson October 2018
Ms Colette McKenna
Prof Anne Scott - appointed September 2018

EduCampus:

Mr Thomas Stone

Group Remuneration Committee

The Remuneration Committee meets annually at the beginning of the year to review and consider the performance and remuneration of the Chief Executives of HEAnet and EduCampus.

Members of the Group Remuneration Committee:

- Ms Sheena Duffy - member of the Finance Sub-committee
- Mr Jim Fennell - Chairperson of the HEAnet Board of Directors - resigned July 2018
- Mr Sean O'Farrell - Chairperson of the Audit Committee

EduCampus Remuneration Committee

In addition to the above, the following members are part of the Committee in respect of the EduCampus CEO:

- Ms Kerrie Power - HEAnet CEO
- Dr Joseph Ryan - Chairperson of EduCampus Services Board of Directors

HEAnet Board Chairperson Search Committee

As reference earlier, there was a change of Chairperson on the HEAnet Board during 2018. The HEAnet Board appointed a HEAnet Board Chairperson Search Committee to conduct a search process (supported by an Executive Search Consultant) to consider suitable candidates for the role of Chairperson and present a recommendation to the HEAnet Board for approval. Professor Anne Scott was approved as the new Chairperson by the Board and commence her role in September 2018.

Members of the HEAnet Board Chairperson Search Committee:

- Ms Sheena Duffy - member of the Finance Sub-Committee
- Mr Jim Fennell - Chairperson of the HEAnet Board of Directors
- Dr Graham Love - Chief Executive of The Higher Education Authority (former)
- Mr Sean O'Farrell - Chairperson of the Audit Committee
- Ms Kerrie Power - HEAnet CEO

University Information Systems (UIS) Sub-committee

The University Information Systems Sub-committee with the assistance of Ms Mary Crowe, Consultant, continued its work to promote the adoption of EduCampus services during 2018, and to make recommendations in terms of a positive engagement with the organisation.

The objectives of the sub-committee are to:

- Identify how EduCampus Services can address the information systems challenges of the University sector;
- Make recommendations to HEAnet and EduCampus Services on change initiatives which will enable EduCampus to support the adoption of their services by the sector;
- Set expectations within the community of the scope of shared IT services and to consider the business implications of same;
- Formulate and focus on common areas of opportunity and clearly establish the value proposition of EduCampus and advise on how to promote its adoption;
- Provide timely and relevant feedback to HEAnet and EduCampus to aid the roll out of shared IT services;
- Promote collaboration and transparency throughout the process.

The following are members of the UIS Sub-committee:

- Dr Gerard Culley, University College Cork (HEAnet director)
- Ms Fionnuala Lambert, Chief Operating Officer, EduCampus Services
- Mr Patrick Magee, Trinity College Dublin (HEAnet director)
- Prof Mike Murphy, Technological University Dublin - City Campus, (HEAnet director and EduCampus director)
- Mr Jonathan McCarthy, IT Manager, Cork Institute of Technology
- Ms Colette McKenna, Consortium of National & University Libraries (HEAnet director)
- Mr Paddy Naughton, Chief Executive, EduCampus Services
- Mr Sean O'Farrell, National University of Ireland Galway (HEAnet director)
- Ms Kerrie Power, Chief Executive, HEAnet (EduCampus director) - Chairperson

The Committee's report was presented and approved by the HEAnet Board at its meeting in February 2019. The EduCampus Board discussed and endorsed the report at its Boad meeting on 9 May 2019. Both Boards acknowledge that the initiatives and recommendations outlined in the report will be very useful and beneficial in context of the group strategy planning process and group governance review. The final meeeting of the UIS sub-committe took place in January 2019.

Induction and training for Directors

Newly appointed directors received information on their duties as directors and an introduction to corporate governance by the Company Secretary.

In addition, the directors of HEAnet and EduCampus attended two half-day corporate governance workshops in October and November 2018.

Board and Sub-committee attendance and expenses

Directorships of HEAnet and EduCampus are on a pro-bono basis, as stipulated in each company's Constitution.

Travel costs and expenses incurred by directors in connection with the business of the company are reimbursed in accordance with the rates approved by the Minister for Public Expenditure and Reform. The aggregate expenses paid to board directors during 2018 was €3,597 (HEAnet: €3,223; EduCampus: €374).

The attendance of directors at HEAnet Board meetings during 2018 is noted below:

Meetings Attended 2018	Board Meeting	Audit Committee	Finance Sub-Committee
Dr Gerard Culley	6 of 6	4 of 4	
Ms Sheena Duffy	6 of 6		4 of 4
Mr Jim Fennell (resigned July 2018)	3 of 3		2 of 2
Mr Phillip Fischer (appointed February 2018)	5 of 6		
Dr Orla Flynn	6 of 6		
Ms Rosemary Fogarty	4 of 6		3 of 4
Ms Mary Kerr	n/a	3 of 4	
Mr Patrick Magee	5 of 6		
Ms Colette McKenna	4 of 6		2 of 4
Prof Mike Murphy	3 of 6		
Prof Noel O'Connor	4 of 6		
Mr Sean O'Farrell	6 of 6	4 of 4	
Dr Michael O'Malley	n/a	3 of 4	
Ms Dearbhla O'Reilly	6 of 6	4 of 4	
Prof Anne Scott (appointed September 2018)	3 of 3		2 of 2
Mr Thomas Stone	n/a		3 of 4

REFERENCE AND ADMINISTRATIVE DETAILS

Ordinary members

The ordinary members of HEAnet CLG are:

- Trinity College Dublin
- University College Dublin
- University College Cork
- National University of Ireland Galway
- University of Limerick
- Dublin City University
- Maynooth University
- Technological University Dublin - City Campus
- Two from the Technological Higher Education Association
- Department of Business, Enterprise & Innovation
- The Higher Education Authority

The ordinary members of the group also consist of persons appointed as members by the Higher Education Authority, after consulting with the Technological Higher Education Association Council of Directors and Department of Business, Enterprise and Innovation and are subject to the maximum of:

- 2 persons to be members to represent the Technological Higher Education Association; and
- 1 person to be a member to represent the Department of Business, Enterprise and Innovation.

The appointed representatives to act on behalf of the ordinary members are:

Trinity College Dublin	Mr John Coman
University College Dublin	Mr David Kelly
University College Cork	Vacant
National University of Ireland Galway	Ms Mary Dooley
University of Limerick	Dr Des Fitzgerald
Dublin City University	Dr Declan Raftery
Maynooth University	Dr Mike O'Malley
Technological University Dublin - City Campus	Ms Bridget Gleeson
Technological Higher Education Association (Athlone IT)	Mr Eoin Langan
Technological Higher Education Association (Carlow IT)	Mr Cormac O'Toole
Department of Business, Enterprise and Innovation	Vacant
The Higher Education Authority	Dr Vivienne Patterson

The directors, secretary and their families had no beneficial interests in the group and company at 31 December 2018.

Directors compliance statement

The directors, in accordance with Section 225(2) (a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations". Relevant obligations, in the context of the Company, are the Company's obligations under:

(a). the Act, where a breach of the obligations would be a category 1 or category 2 offence;

(b). the Act, where a breach of the obligation would be a serious market abuse or prospectus offence; and

(c). tax law.

Pursuant to Section 225(2)(b) of the Act, the directors confirm that:

i. a compliance policy statement has been drawn up by the Company in accordance with Section 225(3) (a) of the Act setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;

ii. appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and

iii. a review has been conducted, during the financial year, of the arrangements and structures referred to in paragraph (ii).

Internal financial control

The board acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated. Such a system can provide only reasonable and not absolute assurances against material error and the system in place is proportionate to the size and nature of the company.

The key procedures, which have been put in place by the board, to provide effective internal financial control include the following:

- Adopting best practice corporate governance principles as described in the 2016 Code of Practice for the Governance of State Bodies;
- Clearly defined management responsibilities including segregation of duties and authorisation limits are in place for control of purchasing, payments, receipts and payroll;
- A comprehensive annual budgeting process that is reviewed and approved by the finance sub-committee and the Board. The board reviews financial reports and performance against budget throughout the year;
- Establishing formal procedures to monitor the activities and safeguard the assets of the organisation;
- The Audit Committee meet on a regular basis to discuss risk management, including financial risks. They also receive periodic reports from an outsourced internal audit function, which always includes an annual review of the system of internal financial controls;
- Reserving a schedule of matters for decision of the Board.

Through the steps above the board has reviewed the effectiveness of the system of internal control in 2018.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that HEAnet CLG has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

Board Fees

All fees paid to Board members are detailed in the governance section of the Trustees Report.

Board meetings and attendance

A record of the numbers of Board and committee meetings, and the attendance records are described in the governance section of the Trustees Report.

Termination / severance payments and agreements

There were no termination or severance payments and agreements made in 2018.

Employee Short-Term Benefits Breakdown

The Code requires that the State bodies provide information in relation to short-term employee benefits in relation to services rendered during the reporting period where those benefits exceed the threshold of €60,000 - the data should be provided in bands of €10,000. In accordance with DPER Circular 13/2014 Management of and Accountability for Grants from Exchequer Funds this information is presented in Note 9 in the financial Statements.

The code requires specific disclosures in relation to termination payments over €10,000. There were no redundancies in 2018.

Disclosure of key management personnel compensation

The disclosure of key management personnel compensation is detailed in the financial statements in Note 9.

Legal Costs and Settlements

There were no costs relating to fees for legal proceedings or settlements in 2018. This category does not include expenditure incurred in relation to general legal advice received by HEAnet which is disclosed in Consultancy costs below.

Consultancy Costs

The breakdown of Consultancy Costs is presented below:

	2018	2017
Tax and Financial advisory	€83,085	€74,952
Consultancy other	€20,965	€36,385
Pension and Human resources	€14,798	€16,748
Legal	€12,709	€3,918
Public relations and Marketing	€4,859	€5,187
Total	€136,416	€137,190

Travel and Subsistence and Hospitality Expenditure

Travel and subsistence and Hospitality expenditure are categorised as follows:

	2018	2017
International Travel	€67,244	€65,400
National Travel	€21,311	€30,343
Hospitality	€17,967	€34,195
Total	€106,522	€129,938

Statement of Compliance

The Board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. HEAnet has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016.

Events since the end of the financial period

There were no significant events which occurred between 31 December 2018 and the date these financial statements were approved.

Political donations

There were no political donations made by the company during the financial period ended 31 December 2018.

Research and development

The company did not engage in research and development activities during the financial period ended 31 December 2018.

Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statutory auditors

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

On behalf of the board

Prof Anne Scott
Mr Sean O'Farrell

15 May 2019

Statement of Internal Controls

1. Responsibility

On behalf of the members of HEAnet, I acknowledge our responsibility for ensuring that an effective system of internal controls is put in place, maintained and operated.

2. Effectiveness

The system of internal controls can provide only reasonable and not absolute assurance that company assets are safeguarded, transactions are properly authorised and recorded, and that material errors, irregularities or fraud would be prevented or detected in a timely period.

3. Key control procedures

HEAnet's system of internal control is based on a framework of regular management information and an administrative system based on division of responsibilities, delegation and accountability. In practice, effective internal control is ensured by adhering to a formalised and sophisticated system of internal financial policies and procedures, of which the key controls are:

- clearly defined management responsibilities, including segregation of duties, and authorisation limits for approvals of payments;
- adopting best practice corporate governance principles as described in the 2016 Code of Practice for the Governance of State Bodies;
- establishing formal procedures to monitor the activities and safeguard the assets of the organisation;
- a comprehensive annual budgeting process that is reviewed and approved by the finance sub-committee of the Board, and by the Board itself;
- regular financial reporting by management to the finance sub-committee and the Board on performance against budgets;
- reserving a schedule of matters for decision of the Board.

Effective monitoring and reviewing of the systems of internal control by HEAnet's Board is informed by the work of the Audit Committee, the internal auditor and the external auditor. The management team, led by the CEO, are responsible for the development and maintenance of the internal controls framework.

The Board of HEAnet Group (and of its subsidiary company EduCampus) are served by a common, permanent Audit Committee, comprising members from the Board of HEAnet, the Board of EduCampus, and an external member from HEAnet's ordinary member network. As described in the Audit Committee's terms of reference, the committee's duties include:

- responsibility for reviewing the effectiveness of internal controls;
- reviewing the risk management framework (including the risk appetite and risk register);
- reviewing and approving the internal audit plan, the internal audit charter and the internal auditor's work programme; and
- liaising with and receiving reports from the external auditor.

Risk management and internal audit

The internal audit work programme, and three-year internal audit plan, is prepared having regard to HEAnet's risk register. The risk register is reviewed at every meeting of the Audit Committee, and a report on this review is delivered at each Board meeting under the Audit Committee matters.

HEAnet's internal audit was provided in 2018 by Deloitte LLP under a contract awarded in 2016 under an OGP framework. At a minimum, the internal audit work programme always includes a review of the effectiveness of the system of internal financial controls. At least one further internal audit review of another part of HEAnet's operations will also normally take place during the year. During 2018 two targeted internal audit reviews took place.

Review of the system of internal financial controls

This review took place in May and the final report was presented to the Audit Committee by the outsourced internal auditor at its meeting in September 2018.

Review of user access controls (on key IT systems)

The fieldwork for this review took place in September 2018 and the report of the review was presented to the Audit Committee for approval at their meeting in November 2018.

All outstanding recommendations made in internal audit reports are tracked and the progress towards implementing all recommendations made are reviewed at every meeting of the Audit Committee.

In addition to the work of the outsourced internal auditor, the Committee also directed the executive to investigate and report on the following matters:

- the appropriateness of management's preparedness for the GDPR. This was a standing agenda item at the meetings before the legislation was enacted;
- a report on the companies' pay strategy and system of reward and compensation. The objective here was to investigate fairness, appropriateness and sustainability. The output of this review was considered at the November meeting, and was referred to the Board in December.

4. Annual review of controls

I can confirm that for the year ended 31 December 2018 the Board of HEAnet carried out a targeted review of the effectiveness of systems of internal controls.

5. Control weaknesses identified and reported in these accounts

No control weaknesses have been identified that resulted in an instance of fraud, or a material loss, contingency, or uncertainty being disclosed in these financial statements or the auditor's report on the financial statements.

6. Corrective action for specified weaknesses

There is no specific remedy of any control weaknesses arising from section five above that is to be described here.

7. Procurement

HEAnet strives for full compliance with current public procurement rules and guidelines as set by the Office of Government Procurement.

On behalf of the board

Prof Anne Scott
Chairperson, Board of HEAnet, and
Vice-President for Equality & Diversity, NUI Galway

Statement of Directors’ Responsibilities

The directors are responsible for preparing the directors’ report and the group financial statements in accordance with Irish law.

Irish company law requires the directors to prepare group financial statements for each financial year which give a true and fair view of the company’s assets, liabilities and financial position at the end of the financial year and the surplus and deficit for the financial year. Under company law the directors have prepared the group financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including FRS102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’, and promulgated by the Institute of Chartered Accountants in Ireland and Irish law) and with the Statement of Recommended Practice Accounting for further and higher education (FE/HE SORP).

Under Irish company law the directors shall not approve the group financial statements unless they are satisfied that they give a true and fair view of the company’s assets, liabilities and financial position as at the end of the financial year and the surplus or deficit of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- 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 adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the group and company;
- enable, at any time, the assets, liabilities, financial position and surplus or deficit of the group and company to be determined with reasonable accuracy; and
- are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Companies Act 2014.

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.

On behalf of the board

Prof Anne Scott
Mr Sean O’Farrell

15 May 2019

Independent auditors' report to the members of HEAnet CLG group

Report on the audit of the financial statements

Opinion

In our opinion, HEAnet CLG's Group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2018 and of the group's and the company's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (Irish GAAP) (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Group Financial Statements (the "Annual Report"), which comprise:

- the balance sheet as at 31 December 2018;
- the statement of comprehensive income and expenditure for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Group Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Trustees' Report (Incorporating Directors' Report), we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Report (Incorporating Directors' Report) for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report (Incorporating Directors' Report).

Code of Practice for the Governance of State Bodies (the "Code")

Under the Code of Practice for the Governance of State Bodies (the "Code") we are required to report to you if the statement regarding the system of internal control included on pages 26 to 27 does not reflect the company's compliance with paragraph 1.9(iv) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in respect of this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they 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 directors are responsible for assessing the group's and the 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 directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (Ireland) 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 consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The Balance Sheet is in agreement with the accounting records.

Companies Act 2014 exception reporting

Director's remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Aisling Fitzgerald

Aisling Fitzgera1d
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

15 May 2019

Consolidated and Company Statement of Comprehensive Income & Expenditure

Financial Year Ended 31 December 2018

	Notes	Year ended 31 December 2018 Consolidated €	Year ended 31 December 2018 Company €	Year ended 31 December 2017 Consolidated €	Year ended 31 December 2017 Company €
Income					
Funding body grants	5	28,386,768	19,363,078	30,916,962	21,618,874
Client connectivity income	6	3,595,916	3,606,187	3,225,110	3,234,750
Other client income	7	1,962,796	2,242,075	1,264,190	1,799,959
Investment income	8	1,004	1,004	918	918
		33,946,484	25,212,344	35,407,180	26,654,502
Expenditure					
Staff costs	9	(7,039,845)	(5,762,427)	(7,006,273)	(5,763,345)
Direct costs of delivering services	10	(16,850,187)	(15,920,397)	(17,940,488)	(16,420,256)
Administration expenses	10	(1,751,865)	(1,241,046)	(1,889,246)	(1,341,681)
Other operating expenses	10	(7,741,942)	(1,725,829)	(6,759,460)	(1,317,507)
		(33,383,839)	(24,649,699)	(33,595,467)	(24,842,789)
Surplus before other gains/losses		562,645	562,645	1,811,713	1,811,713
Gain on disposal of fixed assets	12	36,471	36,471	3,041	3,041
Total comprehensive income for the year		599,116	599,116	1,814,754	1,814,754
Represented by:					
- Restricted comprehensive income for the year		-	-	-	-
- Unrestricted comprehensive income for the year		599,116	599,116	1,814,753	1,814,753
- Attributable to the organisation		599,116	599,116	1,814,753	1,814,753
		599,116	599,116	1,814,753	1,814,753

All items of income and expenditure relate to continuing activities.

Consolidated and Company Statement of Changes in Equity

Financial Year Ended 31 December 2018

	Income and expenditure Account Restricted	Income and expenditure Account Unrestricted	Total excluding non-controlling interest	Non-controlling interest	Total
	€	€	€	€	€
CONSOLIDATED					
Balance at 1 January 2017	-	675,256	675,256	8	675,264
Surplus from the income and expenditure statement	-	1,814,753	1,814,753	-	1,814,753
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-	1,814,753	1,814,753	-	1,814,753
Balance at 31 December 2017	-	2,490,009	2,490,009	8	2,490,017
Balance at 1 January 2018	-	2,490,009	2,490,009	8	2,490,017
Surplus from the income and expenditure statement	-	599,116	599,166	-	599,116
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-	599,116	599,116	-	599,116
Balance at 31 December 2018	-	3,089,125	3,089,125	8	3,089,133
COMPANY					
Balance at 1 January 2017	-	675,256	675,256	-	675,256
Surplus from the income and expenditure statement	-	1,814,753	1,814,753	-	1,814,753
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-	1,814,753	1,814,753	-	1,814,753
Balance at 31 December 2017	-	2,490,009	2,490,009	-	2,490,009
Balance at 1 January 2018	-	2,490,009	2,490,009	-	2,490,009
Surplus from the income and expenditure statement	-	599,116	599,116	-	599,116
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-	599,116	599,116	-	599,116
Balance at 31 December 2018	-	3,089,125	3,089,125	-	3,089,125

Consolidated and Company Balance Sheet

As at 31 December 2018

	Notes	31 December 2018 Consolidated €	31 December 2018 Company €	31 December 2017 Consolidated €	31 December 2017 Company €
Non-current assets					
Intangible assets	11	-	-	51,616	1,838
Tangible assets	12	2,833,342	2,621,330	4,007,038	3,688,049
Financial assets	13	-	92	-	92
		2,833,342	2,621,422	4,058,654	3,689,979
Current assets					
Trade and other receivables	14	5,584,185	4,561,118	8,659,249	7,217,759
Cash and cash equivalents		14,249,329	11,301,740	9,358,542	6,434,283
		19,833,514	15,862,858	18,017,791	13,652,042
Less: **Creditors** (amounts falling due within one year)	15	(14,046,569)	(10,396,012)	(12,512,059)	(9,477,986)
Net current assets		5,786,945	5,466,846	5,505,732	4,174,056
Total assets less current liabilities		8,620,287	8,088,268	9,564,386	7,864,035
Creditors (amounts falling due after more than one year)					
Deferred grants	17	(2,703,000)	(2,383,000)	(3,041,951)	(1,710,375)
Capital grants	17	(2,828,154)	(2,616,142)	(4,032,418)	(3,663,651)
		(5,531,154)	(4,999,142)	(7,074,369)	(5,374,026)
Total net assets		3,089,133	3,089,125	2,490,017	2,490,009
Restricted reserves					
Income and expenditure reserve - restricted reserve	19	-	-	-	-
Unrestricted reserves					
Income and expenditure reserve - unrestricted	19	3,089,125	3,089,125	2,490,009	2,490,009
		3,089,125	3,089,125	2,490,009	2,490,009
Non-controlling interest	19	8	-	8	-
Total reserves		3,089,133	3,089,125	2,490,017	2,490,009

The financial statements were approved by the Governing Body on 15 May 2019 and were signed on its behalf on that date by:

On behalf of the board

Prof Anne Scott
Mr Sean O'Farrell

15 May 2019

Consolidated Statement of Cash Flow

Financial Year Ended 31 December 2018

	2018 €	2017 €
Cash flow from operating activities		
Surplus for the year	599,116	1,814,753
Adjustment for non-cash items		
Amortisation of intangible assets	51,617	89,952
Depreciation on non-current assets	1,929,023	1,711,711
Decrease in prepayments	1,758,814	706,057
Decrease/(increase) in trade and other receivables	1,048,907	(1,602,251)
Increase/(decrease) in creditors	1,801,853	(2,080,253)
(Decrease)/increase in long term creditors	(1,543,215)	825,040
	5,646,115	1,465,009
Adjustment for investing or financing activities		
Investment income	(1,004)	(918)
Profit on sale of fixed assets	(36,471)	(3,041)
	(37,475)	(3,959)
Net cash generated from operating activities	5,608,640	1,461,050
Cash flows from investing activities		
Proceeds from sales of tangible assets	36,471	11,030
Purchases of tangible fixed assets	(755,328)	(3,887,988)
Purchases of intangible assets	-	-
Interest received	1,004	918
Net cash used in investing activities	(717,853)	(3,876,040)
Net increase/(decrease) in cash and cash equivalents in the year	4,890,787	(2,414,990)
Cash and cash equivalents at beginning of the year	9,358,542	11,773,531
Cash and cash equivalents at end of the year	14,249,329	9,358,542
Components of cash and cash equivalents		
Cash and cash equivalents comprised:		
Cash at bank and in hand	14,249,329	9,358,542
Short term deposit	-	-
Cash equivalents	14,249,329	9,358,542

Notes to the Financial Statements

1 General information

(a) Overview of principal activities

HEAnet CLG is Ireland's National Education and Research Network, providing internet connectivity and associated ICT services to education and research organisations throughout Ireland, including all primary and post primary schools. Its subsidiary, EduCampus Services DAC, represents a continued commitment to the delivery of MIS shared services to the higher education sector.

(b) Subsidiaries

HEAnet CLG has one subsidiary company EduCampus Services DAC. HEAnet holds 92% of the shares and has a controlling stake in that company.

(c) Details of incorporation and registered office

HEAnet CLG was incorporated on 12 November 1997. EduCampus Services DAC was incorporated on 20 April 2015. The registered office of the group and company is 5 George's Dock, IFSC, Dublin 1.

2 Statement of compliance

The Group financial statements of HEAnet Group have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)' and with the Statement of Recommended Practice - Accounting for Further and Higher Education 2015 (HE SORP) and the Companies Act 2014.

3 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation of financial statements

These consolidated financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed in Note 4.

(b) Going concern

The Group meets its working capital requirements by way of grant funding support from a number of government departments and agencies, as well as membership contribution from clients. While the current economic climate for government expenditure remains challenging the outlook is more positive than in recent years and the directors are satisfied that adequate support will be made available for the Group to continue operations next year and into the future. The Group therefore continues to adopt the going concern basis in preparing Group financial statements.

(c) Basis of consolidation

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 December 2018.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors, which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

(d) Foreign currencies

The Group financial statements are presented in Euro, denominated by the symbol '€.

The Group functional and presentation currency is the Euro.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and revenues, costs and non-monetary assets at the exchange rates ruling at the dates of the transactions, except that where a transaction is covered by a forward exchange contract, the contracted exchange rate is used.

Profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with in the profit and loss account. Monetary assets are money held and amounts to be received in money; all other assets are non-monetary assets. All foreign exchange gains and losses are presented in the profit and loss account within "other operating expenses".

(e) Income

Income is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

(i) Recognition of grant income

The HE SORP allows the accounting policy choice of applying the accruals model or the performance model when accounting for government grants. Non-exchange transactions are defined as those transactions whereby an entity receives value from another entity without directly giving approximately equal value in exchange. As all of HEAnet grants are considered to be government grants, no non-exchange grant transactions have been recognised in the financial statements and the option to apply the accruals model to the recognition of all grant income has been adopted.

Grant income is recognised in income on an accruals basis over the periods in which the entity recognised the related costs for which the grant was intended to compensate.

Grants related to assets shall be recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as long-term capital grants.

Income includes grants received from the Department of Education and Skills via the Higher Education Authority for Central and Service Provision, Core HEAnet Infrastructure and IoT Infrastructure. Income also includes grants received directly from the Department of Education and Skills for the Primary Schools Network, and grants received for the phased national rollout of the 100Mbps to the Post-Primary Schools project. This project is funded by the Department of Communications, Climate Action and Environment for the first two years, and by the Department of Education and Skills from the third year.

(ii) Client connectivity

Client contributions are a contribution from member clients based on a client charging model prepared annually and approved by the board of directors. Income is recognised in the period in which it is earned.

Core HEAnet infrastructure client income comprises client contribution to the set-up costs of new point to point circuits, multi-media services, and co-location charges for equipment housing/hosted data services at HEAnet out-sourced facilities, and is recognised when the service is provided.

(iii) Other Client income

Client service income relates to additional optional client services, which are invoiced separately to the annual Client Contribution, and is recognised when the service is provided.

Brokerage services/support income includes client contribution to the management of, and participation in, commercial agreements to secure savings on behalf of HEAnet clients and is recognised when the service is provided.

Intercompany SLA income includes the agreed cost of support (Finance, HR, LAN Support & Client Collaboration) provided by HEAnet to EduCampus Services and is recognised when the service is provided.

(vii) Recognition of costs associated with grant income and client charges

The associated costs of grants and client contributions are recognised in the cost line titled "Direct costs of delivering services", with the exception of staff, overhead and other administrative costs relating to projects, which are recognised in administration costs. Other operating costs includes other central costs associated with provision of services to clients including data centres and IT costs.

(viii) Bank interest receivable

Bank interest income is recognised using the effective interest rate method.

(f) Employee benefits

The Group provides a range of benefits to employees, company sponsored health insurance, sick pay, risk cover and defined contribution pension.

(i) Short term benefits

Short-term benefits including holiday pay, and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Pensions

The Group operates a defined contribution pension plan for its employees. The pension entitlements of the employees are secured by contributions to a separately administered defined contribution pension scheme and the assets of the plan are held separately from the Group. Once the contributions have been paid, the Group has no further payment obligations. The expected cost of providing pensions to employees is charged to the profit and loss account when they are due. Amounts not paid are included in accruals in the balance sheet.

(g) Intangible assets

Computer software is carried at cost less accumulated amortisation and accumulated impairment and is amortised over its estimated useful life as follows:

Computer software	2 years

Intangible fixed assets are reviewed for impairment if there is an indication that the intangible asset may be impaired.

(h) Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and accumulated impairment. Cost includes the original purchase price and costs directly attributable to bringing the asset to use.

Depreciation is calculated in order to write off the cost of tangible fixed assets over their estimated useful lives using the straight-line method. The estimated useful lives of tangible fixed assets by reference to which depreciation has been calculated are as follows:

Computer hardware	3 years
Fixtures and fittings	4 years
Leasehold Improvements	Remainder of lease period 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

Repairs and maintenance are accounted for through the profit and loss account.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(i) Impairment of non-financial assets

At the end of each financial year, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount is estimated.

If the recoverable amount of the asset is less than the carrying amount of the asset, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

(j) Investments - Company

Investments in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(l) Financial instruments

The Group has chosen to adopt the sections 11 and 12 of the FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in subsidiaries, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other debtors and cash and cash equivalents, which constitute financing transactions, are subsequently carried at amortised cost using the effective interest method.

At the end of each financial year, financial assets measured at amortised cost are assessed for objective evidence of impairment.
If there is objective evidence that a financial asset measured at amortised cost is impaired, an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in the profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

(n) Indefeasible Rights of Use (IRU's)

Expenditure on the purchased IRU capacity contracts are accounted for as service contracts, and accordingly, the prepaid balance is recorded as a prepayment and is amortised on a straight line basis as an expense over the life of the service level agreement.

(o) Funds

All transactions of the organisation have been recorded and reported as income into or expenditure from funds which are classified as "restricted", "designated" or "unrestricted".

(i) Restricted funds

Income is treated as restricted where the grant donor has specified that it may only be used for a particular purpose or where it has been raised for a particular purpose. All other income is treated as unrestricted. Expenditure is treated as being made out of restricted funds to the extent that it meets the criteria specified by the donor or the terms under which it was raised. All other expenditure is treated as unrestricted.

(ii) Unrestricted funds

Unrestricted funds are client contributions received for the general purpose of the organisation which have no explicit restrictions attaching to them.

The balance of the unrestricted fund at the end of the year represents the reserves held by the organisation for general use in furtherance of its work.

(iii) Designated reserves

On occasion the board designates certain elements of unrestricted funds to be used for a specific future purpose. The designated funds within unrestricted funds in place at the balance sheet date include infrastructure current expenditure. These funds have been designated by the board for the purpose of certain funds to cover the cost of infrastructure which are funded in arrears. As these funds are an internal matter designated by the organisation, these have not been called out on the face of the primary statements, however transfers within designated reserves are dealt with in Note 19 of the financial statements.

4 Critical accounting judgement and estimation uncertainty

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. While there is always a risk where judgements and estimates are used, none of these is considered by the directors to pose a serious risk of requiring material restatement in the next financial year. This is addressed below:

Useful economic lives of tangible fixed assets

Depreciation is calculated in order to write off the cost of tangible fixed assets over their estimated useful lives by equal annual instalments. The estimated useful lives of tangible fixed assets detailed in the accounting policies is considered appropriate.

5. Funding body grants

	Notes	Year ended 31 December 2018 Consolidated €	Year ended 31 December 2018 Company €	Year ended 31 December 2017 Consolidated €	Year ended 31 December 2017 Company €
(a) Recurrent grant					
Core HEAnet infrastructure recurrent grants	16(a)	6,180,992	6,180,992	6,805,973	6,805,973
Schools network infrastructure recurrent grants	16(a)	1,431,290	1,431,290	1,204,366	1,204,366
IoT infrastructure recurrent grants	16(a)	784,817	784,817	614,800	614,800
Schools high speed recurrent grants	16(a)	7,694,064	7,694,064	8,242,159	8,242,159
Brokerage grant recurrent grant	16(a)	239,676	239,676	216,400	216,400
EduCampus operational recurrent grants	16(a)	8,278,809	-	7,572,317	-
		24,609,648	16,330,839	24,656,015	17,083,698
(b) Specific grants					
HEA grant		906,800	906,800	857,800	857,800
European Commission grant	16(a)	340,719	340,719	379,393	379,393
Transition project funding		-	-	-	-
MIS refresh project grant		570,008	-	1,533,032	-
		1,817,527	1,247,519	2,770,225	1,237,193
(c) Capital grants					
Core HEAnet infrastructure capital amortisation	17(a)	1,409,778	1,409,778	1,157,849	1,157,849
Schools network infrastructure capital amortisation	17(a)	134,109	134,109	157,759	157,759
IoT infrastructure capital amortisation	17(a)	4,170	4,170	4,164	4,164
Schools high speed capital amortisation	17(a)	236,663	236,663	178,211	178,211
Operational capital amortisation	17(a)	89,026	-	103,851	-
Transition capital amortisation	17(a)	85,847	-	88,888	-
		1,959,593	1,784,720	1,690,722	1,497,983
(d) Exceptional grants					
Unwinding of deferred grants*		-	-	1,800,000	1,800,000
Total funding body grants		28,386,768	19,363,078	30,916,962	21,618,874

* HEAnet's policy on reserves is that Revenue Reserves should be within the range of 15% and 20% of annual Central overhead (excluding Infrastructure). This is to provide for the ongoing operation of the company and its services to Members, its contractual commitments and staffing requirements. It was concluded in 2017 that there were no performance conditions or other obligations associated with this €1.8m which had been recognised as received and deferred in the balance sheet in prior years. This was made via a resolution of the Board.

6. Client Connectivity income

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
Unrestricted Client contribution charges	3,334,678	3,344,949	2,960,098	2,969,738
Unrestricted Income from client connectivity charges	261,238	261,238	265,012	265,012
	3,595,916	3,606,187	3,225,110	3,234,750

7. Other Client Income

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
Client service income	1,404,067	1,049,519	924,993	945,012
Brokerage/support	558,729	857,574	326,947	571,697
Other intercompany recharges	-	-	12,250	12,250
Intercompany SLA support	-	334,982	-	271,000
	1,962,796	2,242,075	1,264,190	1,799,959

8. Investment income

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
Bank interest	1,004	1,004	918	918

9. Staff costs

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
(a) Staff costs				
Salaries	5,590,327	4,666,288	5,521,807	4,687,223
Secondee costs	144,630	-	209,140	-
Social security costs	609,057	512,838	591,579	501,287
Retirement benefit costs	559,258	471,403	537,565	455,785
Company sponsored health insurance	89,330	74,941	95,727	81,702
Company sponsored risk	47,243	36,957	50,455	37,348
Total	7,039,845	5,762,427	7,006,273	5,763,345

9. Staff costs (continued)

(b) Remuneration

Remuneration of other higher paid staff (company):

	2018 Number	2017 Number
€60,000 - €69,999	10	14
€70,000 - €79,999	6	5
€80,000 - €89,999	7	3
€90,000 - €99,999	8	10
€100,000 - €109,999	2	1
€110,000 - €119,999	1	1
€120,000 - €129,999	2	2
€130,000 - €139,999	-	-
€140,000 - €149,999	1	1
	37	37

Remuneration of other higher paid staff (consolidated, including secondees)

	2018 Number	2017 Number
€60,000 - €69,999	12	17
€70,000 - €79,999	10	9
€80,000 - €89,999	8	5
€90,000 - €99,999	9	10
€100,000 - €109,999	3	2
€110,000 - €119,999	1	1
€120,000 - €129,999	2	2
€130,000 - €139,999	1	1
€140,000 - €149,999	1	1
	47	48

(c) Average staff numbers by major category (HEAnet)

	2018 Number	2017 Number
Management	9	8
Administration	14	15
Technical/engineers/service delivery	44	43
	67	66

Average staff numbers by major category (consolidated, including secondees)

	2018 Number	2017 Number
Management	14	12
Administration	16	18
Technical/engineers/service delivery	52	51
	82	81

Additional disclosures are included in the above table to show the number of staff in the band between €60,000 and €69,999. This is not required under the HE SORP, but is a requirement of the Code of Practice for the Governance of State Bodies (2016).

(d) Key management personnel

The key management personnel of the group have been identified as the directors (of whom none is appointed to any salaried office or position within the company), and the senior management team (11 personnel) (2017: 10). The total compensation paid to these personnel in 2018 was €1,429,887 (2017: €1,177,314) and this includes salary, pension contributions and health insurance contributions.

The Chief Executive's Remuneration for 2018 was €145,600 (2017: €140,000).

10. Analysis of total expenditure by activity

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
Staff costs	(7,039,845)	(5,762,427)	(7,006,273)	(5,763,345)
Direct cost of delivering services	(16,850,187)	(15,920,397)	(17,940,488)	(16,420,256)
Administration expenses	(1,751,865)	(1,241,046)	(1,889,246)	(1,341,681)
Other operating expenses	(7,741,942)	(1,725,829)	(6,759,460)	(1,317,507)
	(33,383,839)	(24,649,699)	(33,595,467)	(24,842,789)
Administration expenses include:				
Rent, rates, service charge and office support	830,710	587,264	940,758	641,259
Consultancy and professional fees	225,403	175,479	223,569	172,388
Depreciation and amortisation	174,873	-	192,739	-
External auditors remuneration in respect of audit services*	54,120	35,670	49,366	32,761
External auditors remuneration in respect of non-audit services*	9,494	7,157	33,199	27,049
Foreign exchange gain/(loss)	19	19	(1,053)	(1,053)
Other operating expenses include:				
MIS - IT service costs	5,002,542	-	5,085,437	-
MIS - Service continuity	1,195,846	-	485,288	-
Foreign exchange gain/(loss)	21,039	21,039	38,911	38,911

*Auditors remuneration is inclusive of VAT

11. Intangible assets

	Year ended 31 December 2018		Year ended 31 December 2017	
	Consolidated	Company	Consolidated	Company
	€	€	€	€
Cost				
At 1 January	704,332	533,663	759,551	588,882
Additions in the year	-	-	-	-
Disposals	(173,671)	(173,671)	(55,220)	(55,220)
At 31 December	530,661	359,992	704,331	533,662
Accumulated depreciation				
At 1 January	(652,716)	(531,825)	(617,983)	(582,427)
Charge for the year	(51,617)	(1,839)	(89,952)	(4,617)
Disposals	173,671	173,671	55,220	55,220
At 31 December	(530,661)	(359,992)	(652,715)	(531,824)
Net book value				
At 31 December	-	-	51,616	1,838

12. Tangible assets

	Fixtures fittings and equipment	Computer hardware	Total
	€	€	€
CONSOLIDATED			
Cost			
At 1 January 2018	514,151	18,632,146	19,146,297
Additions	18,118	737,210	755,328
Disposals	(81,291)	(5,826,265)	(5,907,556)
At 31 December 2018	450,978	13,543,091	13,994,069
Accumulated depreciation			
At 1 January 2018	(237,214	(14,902,045)	(15,139,259)
Charge for the year	(96,586)	(1,832,438)	(1,929,024)
Disposals	81,291	5,826,265	5,907,556
At 31 December 2018	(252,509)	(10,908,218)	(11,160,727)
Net book value			
At 31 December 2018	198,469	2,634,873	2,833,342
At 31 December 2017	276,937	3,730,101	4,007,038
COMPANY			
Cost			
At 1 January 2018	130,224	18,544,911	18,675,135
Additions	-	737,208	737,208
Disposals	(81,291)	(5,826,262)	(5,907,553)
At 31 December 2018	48,933	13,455,857	13,504,790
Accumulated depreciation			
At 1 January 2018	(130,224)	(14,856,862)	(14,987,086)
Charge for the year	-	(1,803,927)	(1,803,927)
Disposals	81,291	5,826,262	5,907,553
At 31 December 2018	(48,933)	(10,834,527)	(10,883,460)
Net book value			
At 31 December 2018	-	2,621,330	2,621,330
At 31 December 2017	-	3,688,049	3,688,049

12. Fixed assets (continued)

	Consolidated		Company	
	2018	2017	2018	2017
	€	€	€	€
Disposal figure includes the following:				
Cost				
Hardware	5,826,265	7,197,399	5,826,262	7,197,399
Software	173,671	55,220	173,671	55,220
Fixtures and fittings	81,291	1,423,450	81,291	1,423,450
Accumulated depreciation				
Hardware	(5,826,265)	(7,189,404)	(5,826,262)	(7,189,404)
Software	(173,671)	(55,220)	(173,671)	(55,220)
Fixtures and fittings	(81,291)	(1,423,450)	(81,291)	(1,423,450)
Profit on disposal				
Hardware	36,471	3,041	36,471	3,041
Future tangible asset purchase commitments				
Contracted for but not provided in financial statements	-	1,034,177	-	1,034,177
Authorised by the directors but not contracted for	287,736	235,441	287,736	235,441

No assets are held under finance lease.

13. Financial fixed asset

Fixed asset investments comprise HEAnet's shareholding in its subsidiary company, EduCampus Services DAC. HEAnet holds 92% of the shares and has a controlling stake in that company. EduCampus's registered office is C/O HEAnet CLG, 5 George's Dock, IFSC, Dublin 1.

EduCampus Services DAC was formed to provide quality IT and MIS shared services to the higher education sector, in line with the National Strategy for Higher Education to 2030. EduCampus Services DAC commenced business operations on 1 October 2015.

14. Trade and other receivables

	Consolidated		Company	
	2018	2017	2018	2017
	€	€	€	€
Amounts falling due within one year:				
Trade debtors	869,908	455,842	869,908	468,342
Amounts owed by group companies	-	-	16,398	13,376
Other debtors	73,602	19,766	15,900	12,802
Grant receivable	388,815	2,160,149	129,915	2,160,149
Deferred expenditure	4,251,860	6,023,492	3,528,997	4,563,090
	5,584,185	8,659,249	4,561,118	7,217,759

Amounts owed by group companies are unsecured, interest free and payable within 30 days in line with other HEAnet client invoices. There is no provision for impairment carried against trade debtors.

15. Creditors (amounts falling due within one year)

	Consolidated		Company	
	2018	2017	2018	2017
	€	€	€	€
Trade creditors	3,412,892	1,954,533	1,641,114	854,973
Accruals	2,176,851	1,205,160	1,808,150	390,322
Taxation and social insurance	306,943	352,359	268,780	242,052
Deferred grants	7,513,006	8,361,968	5,667,496	7,266,000
Deferred income	467,957	452,936	584,960	557,121
Other accruals	168,920	185,103	425,512	167,518
	14,046,569	12,512,059	10,396,012	9,477,986
Included in the above taxation and social insurance liability are the following:				
VAT payable	113,982	156,604	110,377	80,720
RCT payable	-	720	-	720
PAYE	93,331	94,395	75,457	76,925
PRSI	67,248	67,594	56,032	55,819
Local property tax	278	265	244	265
Universal social charge	19,266	19,982	15,778	16,609
Company sponsored health insurance	12,838	12,799	10,892	10,994
	306,943	352,359	268,780	242,052

Amounts owing to trade creditors are subject to agreed payment terms, which are generally 30 days.
Tax and social insurance are repayable in accordance with the applicable statutory provisions.

16. Grants

	Notes	Consolidated 2018 €	Consolidated 2017 €	Company 2018 €	Company 2017 €
(a) Grants					
Balance at beginning of the year		11,403,917	16,847,618	8,976,373	13,624,448
Grants received/receivable during the year		25,994,593	28,942,543	17,389,693	20,488,693
		37,398,510	45,790,161	26,366,066	34,113,141
Less:					
Recurrent grant released to revenue	5(a), (b)	(26,427,175)	(28,009,432)	(17,578,359)	(18,905,683)
Transfer to capital grants	17	(755,329)	(4,576,812)	(737,211)	(4,431,085)
Transfer to designated fund		-	(1,800,000)	-	(1,800,000)
Deferred grants at end of year		10,216,006	11,403,917	8,050,496	8,976,373
(b) Grants due within/after one year					
Thereof:					
Amounts falling due within one year		7,513,006	8,361,968	5,667,496	7,266,000
Amounts falling due after one year		2,703,000	3,041,951	2,383,000	1,710,375
		10,216,006	11,403,919	8,050,496	8,976,375

(c) Government grants

The majority of HEAnet Group's activity is supported by way of grant funding from the government departments and agencies.

Some grants (e.g. for the Core HEAnet Infrastructure, which is funded by the HEA and the schools project, which is funded by the Department of Education and Skills) are 100% funded in arrears, based on matured liabilities.

Other grants (e.g. for EduCampus Services operational grant, the HEAnet Institute of Technology and HEAnet central administration grants) are funded up to a certain agreed figure based on budgetary projections provided in advance by HEAnet. The company is responsible for operating within the scope of the agreed budget.

Grants are provided on the basis of providing service in the periods to which the grants relates and are not contingent on meeting any future conditions.

The Group's obligations are organised so that the majority of contracts are cancellable on short notice periods (approximately three months) in the event grant funding was withdrawn.

16. Grants (continued)

(d) Analysis of deferred grants and grant income for the year ended 31 December 2018

Name of grantor	Name of grant	Purpose of grant	Opening Deferral 1 January 2018 €	Grant Received 2018 €	Income and Expenditure 2018 €	Closing Deferral 31 December 2018 €	Reason for Closing Deferral
Department of Education and Skills through the Higher Education Authority	Vote 26 C.04	Central and Brokerage Recurrent Grant	-	993,200	(993,200)	-	
Department of Education and Skills through the Higher Education Authority	Vote 26 C.04	IoT Infrastructure Grant	276,727	753,651	(784,817)	245,561	Commitments in 2018 for 2019 expenditure
Department of Education and Skills through the Higher Education Authority	Vote 26 C.16	CHI Capital and Recurrent Research Grant	-	1,850,937	(1,850,937)	-	Commitments in 2018 for 2019/2020 expenditure
Department of Education and Skills through the Higher Education Authority and the European Commission	Vote 26 C.12	CHI Capital and Recurrent Research Grant	6,370,564	5,606,215	(5,181,339)	6,795,440	Commitments in 2018 for 2019/2020 expenditure
Department of Education and Skills	Vote 26 C.04	Schools Broadband Network Capital and Recurrent Grant	473,198	1,301,019	(1,431,291)	342,926	Commitments in 2018 for 2019 expenditure
Department of Education and Skills	Vote 26 C.04	Schools Post-primary Capital and Recurrent Grant	1,855,884	6,884,671	(8,073,986)	666,569	Commitments in 2018 for 2019 expenditure
HEAnet Closing Balance			8,976,373	17,389,693	(18,315,570)	8,050,496	

16. Grants (continued)

(d) Analysis of deferred grants and grant income for the year ended 31 December 2018

Name of grantor	Name of grant	Purpose of grant	Opening Deferral 1 January 2018 €	Grant Received 2018 €	Income and Expenditure 2018 €	Closing Deferral 31 December 2018 €	Reason for Closing Deferral
Department of Education and Skills through the Higher Education Authority	Vote 26 C.04	These grants are utilised in providing quality IT and MIS shared services to the Institutes of Technology	383,976	8,346,000	(8,296,926)	433,050	Commitments in 2018 for 2019 expenditure
Department of Education and Skills through the Higher Education Authority	Vote 26 C.16	Funding the refresh of the HRM and Payroll System	49,018	158,353	(248,700)	(41,329)	Commitments in 2018 for 2019 expenditure
Department of Education and Skills through the Higher Education Authority	Vote 26 C.16	Funding the upgrade of CoreHR for TCD through ESBS	-	100,547	(100,547)	-	
Department of Education and Skills through the Higher Education Authority	Vote 26 C.16	Funding the refresh of the remaining Managed Information System	1,994,550	-	(220,761)	1,773,789	Future capital purchase commitments for the MIS refresh project
EduCampus closing balance			2,427,544	8,604,900	(8,866,934)	2,165,510	
HEAnet Group closing balance			11,403,917	25,994,593	(27,182,504)	10,216,006	

17. Creditors (amounts falling due after more than one year)

	Notes	Consolidated 2018 €	Consolidated 2017 €	Company 2018 €	Company 2017 €
Deferred grants	16(b)	2,703,000	3,041,951	2,383,000	1,710,375
Capital grants	17(a)	2,828,154	4,032,418	2,616,142	3,663,651
		5,531,154	7,074,369	4,999,142	5,374,026
(a) Capital Grants					
Balance at beginning of the year		4,032,418	1,146,328	3,663,651	730,549
Grants received/receivable during the year	16(a)	755,329	4,576,812	737,211	4,431,085
		4,787,747	5,723,140	4,400,862	5,161,634
Amortisation for the year		(1,959,593)	(1,690,722)	(1,784,720)	(1,497,983)
Balance at end of year		2,828,154	4,032,418	2,616,142	3,663,651
Included in the amortisation of capital grants for the year in amortisation in respect of:					
Core HEAnet infrastructure		1,409,778	1,157,849	1,409,778	1,157,849
Schools network		134,109	157,759	134,109	157,759
IoT infrastructure		4,170	4,164	4,170	4,164
Schools high speed		236,663	178,211	236,663	178,211
EduCampus		174,873	192,739	-	-
		1,959,593	1,690,722	1,784,720	1,497,983

18. Operating lease commitments

	Consolidated 2018 €	Consolidated 2017 €	Company 2018 €	Company 2017 €
Minimum lease payment under operating leases recognised as an expense during the year	1,477,496	1,524,268	1,378,098	1,424,871
At period end, the company has outstanding commitments under non-cancellable operating lease that fall due as follows:				
Within one year	1,521,424	1,429,838	1,422,027	1,330,441
Later than one year and not later than five years	3,278,611	3,128,060	2,774,997	2,624,446
Later than 5 years	69,579	253,246	-	84,270
Total lease payments due	4,869,614	4,811,144	4,197,024	4,039,157

19. Funds note

	Unrestricted funds - general reserve	Designated funds - general reserve	2018 Total
	€	€	€
Consolidated			
Opening balance	690,009	1,800,000	2,490,009
Net movement in statement of comprehensive income	599,116	-	599,116
Movements between funds	-	-	-
Closing balance at 31 December 2018	1,289,125	1,800,000	3,089,125
Net movement in statement of comprehensive income	1,289,125	1,800,000	3,089,125
Movements between funds	-	-	-
Closing balance at 31 December 2018	1,289,125	1,800,000	3,089,125
Company			
Opening balance	690,009	1,800,000	2,490,009
Net movement in statement of comprehensive income	599,116	-	599,116
Movements between funds	-	-	-
Closing balance at 31 December 2018	1,289,125	1,800,000	3,089,125
Net movement in statement of comprehensive income	1,289,125	1,800,000	3,089,125
Movements between funds	-	-	-
Closing balance at 31 December 2018	1,289,125	1,800,000	3,089,125

Restricted funds

Restricted funds comprise the following:

Restricted capital grants are grants received for capital expenditure relating to specific capital projects such as the Core HEAnet infrastructure capital project or the Schools network infrastructure capital project.

Grants are provided by the grant authority for the specific capital project stipulated. Amortisation of the relevant grants and the related depreciation expenditure are treated as restricted income and expenditure in the statement of comprehensive income and expenditure.

Other restricted funds relate to other income which has been received from a grant authority or other organisation with specific restrictions attaching to it. Such income is held in a restricted fund and utilised to fund the related expenditure when incurred.

Unrestricted funds

Unrestricted funds comprise the following:

Unrestricted general funds (primarily client contributions) comprise all funds which have been received and used in the ordinary course of business which are not subject to a specific restriction by the grantor or donor.

Designated funds

Designated funds include funds designated by the Board for a specific purpose. In 2017 the Board designated an amount of €1.8m as a designated fund for infrastructure recurrent expenditure. This fund has been ring-fenced for cash flow purposes because certain recurrent grants are received in arrears.

20. Related party transactions

HEAnet provides network and related services to its members. It operates on a cost recovery basis, whereby the members approve a budget for HEAnet to provide the required services and HEAnet invoices the members in accordance with the services which have been requested. HEAnet is in receipt of grant funding which is used to offset the cost of providing these services.

In 2015, HEAnet established a subsidiary company, EduCampus Services DAC, and HEAnet holds the majority of the shares (92%). The ultimate controlling party of the group is HEAnet. Business support services were provided to EduCampus Services DAC, which amounted to €334,982 (2017: €271,000).

On 1 March 2016 EduCampus Services became a client of HEAnet. Client contribution charges for 2018 were €10,271 (2017: €9,640).

Other services provided by HEAnet to EduCampus Services relate to Web-hosting, EduStorage, Moodle and Managed eduroam Radius Service. Other services charged by HEAnet for the period amounted to €5,233 (2017: €20,019). The balance receivable in respect of all services from EduCampus Services at the year-end was €Nil (2017: €13,376).

The receivable is unsecured, due in thirty days and no guarantees have been received.

Ms Orla McGann, Infrastructure Services Manager in HEAnet, was a director of Internet Neutral Exchange Association (INEX) from 1 January 2018 to 31 December 2018. During the year, HEAnet received services from INEX. INEX is a not-for profit organisation. The services provided by INEX to HEAnet were subject to normal commercial terms and amounted to €64,993 (2017: €77,183). At the year-end, the amount due to INEX was €nil (2017: €nil). Deferred expenditure in respect of INEX at year-end was €nil (2017: €nil).

Dr Joseph Ryan, director and Chairperson of EduCampus Services DAC for the period 1 January 2018 to 31 December 2018, was also a director of An Chéim Computer Services Ltd for the period.

Ms Mary Kerr, director of EduCampus Services DAC for the period 1 January 2018 to 31 December 2018, was also a director of An Chéim Computer Services Ltd for the period.

An Chéim Computer Services Ltd was liquidated on 7 December 2018.

Limited by guarantee

The liability of members is limited to the amount (not to exceed €1.27) guaranteed by each member.

21. Contingent assets

A potential contingent asset (and related contingent liability in the same amount) exists at the end of 2018 in relation to the transfer of business from An Chéim. This would take the form of surplus grants in An Chéim being transferred to EduCampus and recognised as deferred grant income. As the amount of the asset had not been determined at the time of finalisation of the financial statements no asset has been recognised. The status of this contingent asset will be monitored on an on-going basis by EduCampus Services. However, at present it is not possible to quantify a reasonable financial effect.

22. Pension plans

The pension entitlements of employees arise under a defined contribution plan, which commenced in September 1999. The Group's contribution charge to the profit and loss account for the year ended 31 December 2018 amounted to €559,258 (2017: €537,565).

23. Group Structure

At 20 April 2015 HEAnet established a subsidiary company EduCampus Services and retains a 92% controlling stake of the share capital of that company.

The establishment of EduCampus Services represents a continued commitment to the delivery of MIS shared services to the higher education sector. The initiative is fully supported by the Higher Education Authority and illustrates a renewed commitment to the next evolution of shared services delivery to the higher education sector as a whole.

24. Non-controlling interests

	2018 €	2017 €
The movement in non-controlling interests was as follows:		
At 1 January	8	8
Total comprehensive income attributable to non-controlling interest	-	-
At 31 December	8	8

25. Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Company	Principal activity	Status	Country of incorporation
EduCampus Services DAC	MIS shared services	92% owned	Ireland

26. Comparatives

Certain comparative figures have been re-classified for presentation purposes.

27. Approval of the financial statements

The directors approved the Group and Company financial statements on 15 May 2019.

HEAnet Client List

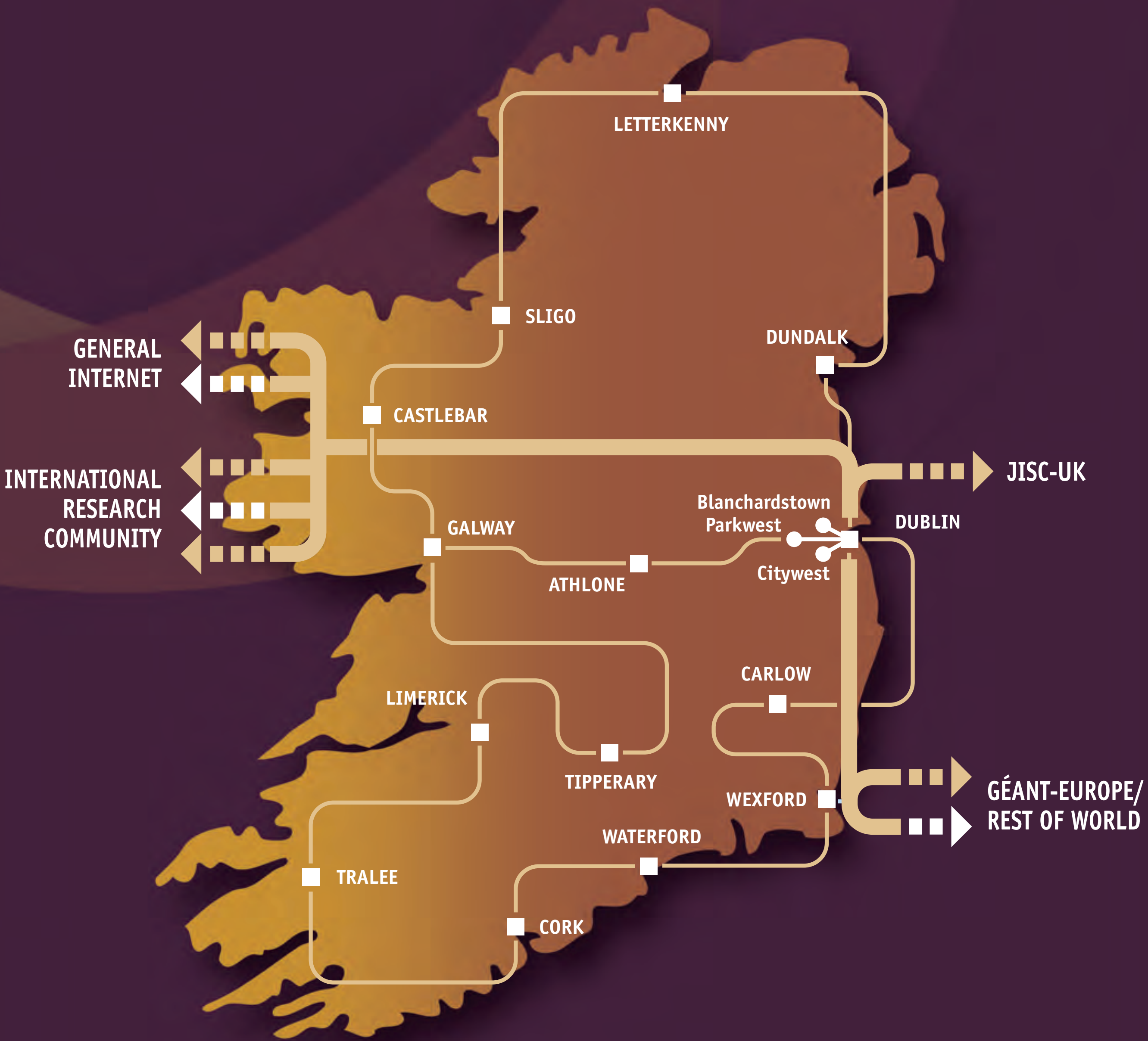
- Athlone Institute of Technology
- Ballyfermot CFE
- Carlow College
- Central Applications Office
- College of Anaesthetists of Ireland
- Cork Institute of Technology
- Dublin City University
- Dublin Institute for Advanced Studies
- Dundalk Institute of Technology
- Dun Laoghaire Further Education Institute / DFEI
- Economic and Social Research Institute
- Education & Training Boards Ireland
- Education Shared Business Service
- EduCampus Services
- Environmental Protection Agency
- Eurofound (European Foundation for the improvement of living and working conditions)
- Galway-Mayo Institute of Technology
- Health Research Board
- Higher Education Authority
- Houses of the Oireachtas
- IE Domain Registry
- Irish Centre for High End Computing / ICHEC
- Institute of Art, Design and Technology Dun Laoghaire
- Institute of Public Administration
- Institute of Technology Carlow
- Institute of Technology Sligo
- Institute of Technology Tralee
- Irish Prison Service
- Irish Universities Association
- Letterkenny Institute of Technology
- Limerick & Clare ETB
- Limerick Institute of Technology
- Marine Institute
- Maynooth University
- Medical Council
- Mountbellew Agricultural College
- National Cancer Registry, Ireland
- National College of Art and Design
- National College of Ireland
- National Digital Research Centre
- National Forum for the Enhancement of Teaching & Learning in Higher Education
- National University of Ireland
- National University of Ireland Galway
- Ordnance Survey Ireland / OSI
- PDST Technology in Education
- Post-Graduate Applications Centre
- Quality & Qualifications Ireland / QQI
- Royal College of Physicians of Ireland
- Royal College of Surgeons in Ireland
- Royal Irish Academy
- Royal Irish Academy of Music
- St. Patrick's College, Thurles
- Technological University Dublin - Blanchardstown Campus (known as ITB prior to 1 January 2019)
- Technological University Dublin - City Campus (known as DIT prior to 1 January 2019)
- Technological University Dublin - Tallaght Campus (known as ITT Dublin prior to 1 January 2019)
- Technological Higher Education Association Ireland / thea
- Teagasc
- Trinity College Dublin
- University College Cork
- University College Dublin
- University of Limerick
- Waterford Institute of Technology

SCHOOLS

- **Broadband for Schools Programme**
- **Schools 100Mbps Project**

  4,000 primary and post-primary schools, through the Department of Education & Skills.

HEAnet Network Infrastructure



The paper used in this report is taken from sustainable sources

HEAnet

Ireland's National Education & Research Network

HEAnet CLG, 5 George's Dock, I.F.S.C., Dublin D01 X8N7, Ireland.
Tel: 01 660 9040. Fax: 01 660 3666. Email: info@heanet.ie

www.heanet.ie **@heanet and #heanet**