



Michael Johnson, chief executive, Microfinance Ireland  
Picture: Provision

## Applications on the rise for Microfinance loans

BY ELAINE O'REGAN

Up to 250 applications are expected this year for the newly launched LEO Microfinance loan.

Aimed at small business and start-ups, the loan will be provided by Microfinance Ireland (MFI) through the 31 Local Enterprise Offices (LEOs) that recently replaced the existing network of County and City Enterprise Boards.

Applications for Microfinance loans have increased significantly this year, according to chief executive Michael Johnson.

"The applications we've received this year relative to 2013, our first full year of trading, have doubled," said Johnson.

"In total, since we launched, we've had about 300 approved projects resulting from 690 applications. That represents an average approval rate of 57 per cent, which has increased to 65 per cent so far in 2014." There was a 58 to 42 per cent

split between the number of loans approved for start-ups compared with established SMEs, Johnson added.

"We've seen a lot of activity in local services. Twenty-three per cent of our applications are coming from the wholesale and retail trade, and repair of motor vehicles and motor cycles. Then we have 15 per cent in manufacturing, and 10 per cent in administrative and support service activities.

"About 25 per cent of our existing client base comes from the Dublin area and the rest is split on a pretty even basis throughout the rest of the country," he said.

### Loan amounts

The LEO Microfinance scheme will offer loan amounts of between €2,000 and €25,000, with a 7.5 per cent interest rate.

Applications will be managed by the LEOs, under a protocol agreement with MFI. "It's really intended to try to improve the level of joined-up thinking between government entities and government-supported entities and also to make the application process easier for people to deal with," said Johnson.

"For the first time, the

LEOs now have targets that they need to achieve by way of the number of applications. It brings the relationship to a much more business-like arrangement as distinct from one where people were encouraged to co-operate without any specifics."

### Eligibility

Microfinance provides unsecured business loans of €2,000 to €25,000 for commercially viable proposals that have been declined bank credit.

Johnson said LEO Microfinance loans could be used for working capital, equipment, recruitment and marketing projects. He urged interested start-ups and small businesses with fewer than 10 employees to contact their nearest LEO to assess their suitability.

"We are in a demand-led business, so for every loan application we receive there could be ten or more potential applicants out there still finding it difficult to get finance for their business," he said.

Based on an average loan size of €15,500, Johnson said the €3.8 million scheme could support 500 jobs nationwide. "Since launching less than

two years ago, we've approved loans to 308 small businesses, providing €4.8 million in lending," said Johnson, adding that half of MFI's loan applications already came through the LEOs.

Seventy per cent of the loan applications received through the LEOs secured approval, compared with 55 per cent of direct applications.

"Commencing this month will be a training programme for the LEO executive to equip them with the additional skills they will need to be able to assess loan applications, as distinct to grant applications. How you assess risk and the capacity to repay are key features of the training programme," said Johnson.

### About the loan

Sole traders, partnerships and limited companies with fewer than 10 employees and an annual turnover of less than €2 million will be eligible to apply. However, certain sectors, including gambling and tobacco, will be excluded.

The interest rate for the LEO Microfinance loan will be 7.5 per cent (7.8 per cent APR), compared with MFI's standard loan rate of 8.5 per

cent (8.8 per cent APR).

The standard loan agreement will be between three and five years, with flexible repayment terms.

Business proposals will be required to demonstrate commercial viability and capacity to meet loan repayments.

Loans will be generally unsecured. If a sole trader or partnership borrows from MFI, they will be personally liable for the loan. When MFI lends to a limited liability company, the directors and/or shareholders will be required to provide a personal indemnity for the amount borrowed, similar to the sole trader's personal responsibility for the repayment of the loan.

### About MFI

MFI was established in 2012 as a not-for-profit lender to manage the government's Microenterprise Loan Fund.

The European Investment Fund signed a guarantee agreement for MFI's loan book under Progress Microfinance in 2013. Progress Microfinance is managed by the European Investment Fund on behalf of the European Commission and the European Investment Bank.

## Entrepreneurs step in to offer support to budding business brains



Bayside primary school pupils Tara Murphy, David Arnold and Isabel Ryan with their personalised bags, which were designed as part of the Junior Entrepreneur Programme

BY ELAINE O'REGAN

PL founder Anne Heraty, Network's David Walsh and Tom Morrisroe of the Now Factory in Roscommon are some of the entrepreneurs that have signed up as county partners to the 2014 Junior Entrepreneur Programme (JEP) launched this month by Tweak.com founder Jerry Kennelly.

Kennelly has set up the #nevertooyoung campaign to recruit 10,000 primary school JEP participants in the North and South.

"Through JEP, we want to show kids just how much fun creating, working and succeeding in business can be," he said.

"Children are creative and curious by nature, and these are just two of the skills required to be successful in business," he added.

More than 5,000 primary school children took part in the programme, which was rolled out nationally last year.

Kennelly plans to double this number by bringing the programme to more

than 400 schools around the country.

"It has been proven that pupils who participate in entrepreneurship programmes demonstrate increased initiative and self-confidence," he said.

"Fostering a love for business and a culture of entrepreneurship in children will not only provide them with opportunities in the future, but will also support job creation and economic development in Ireland."

Devised in association with academic partner Mary Immaculate College, Limerick, the JEP programme is aligned with the primary school curriculum, and uses an

integrated teaching and project-based approach. "The expansion of JEP from a local programme in Kerry and Limerick to a national programme has been possible because some of Ireland's most successful entrepreneurs have become county partners in 21 of the 32 counties.

"This is a very significant commitment and is an indication of the seriousness with which those companies take their corporate social responsibility in their locality," said Kennelly.

A JEP programme kit is provided to schools free of charge, including a teacher's guide, posters and classroom display, as well as a dedicated entrepreneur project manager in each region.

The aim is to help participants develop skills and confidence in presentation, drawing, technology, research and numeracy as well as problem-solving, collaboration and brand awareness.

To sign up, schools must complete the JEP school agreement, available online at [on.juniorentrepreneur.ie](http://on.juniorentrepreneur.ie)

**We want to show kids how much fun business can be**

## The Lowdown Business tips for SMEs

### This week: company directors and their duties

BY CORMAC FITZGERALD

The main purpose of the company director is to manage the affairs of the company – a role that entails serious responsibility and one that should not be taken lightly.

While in the past some people walked into directorships without due consideration of their obligations, the spotlight is now firmly on corporate governance.

### Companies Bill 2012

Expected to be shortly enacted, the Companies Bill 2012 provides very clearly for the codification of directors' duties, so now more than ever directors need to be very familiar with their duties and obligations.

Unlike other responsible positions in business, however, no formal qualifications are required to become a company director.

But there are certain persons who are ineligible to take on the role – for example, a company's auditors, undischarged bankrupts and persons disqualified by a court.

The Companies Bill 2012 provides for the modernisation and consolidation of the numerous pieces of legislation that make up the current Companies Acts 1963–2013. Compliance with the proposed bill will be in the hands of company directors.

### Directors' responsibilities

All companies are currently required to have a minimum of two directors, but the proposed bill allows for companies to have just one director. It also provides company directors with a codified set of fiduciary duties, including:

- A director shall act in good faith in what they consider to be the interests of the company.
- A director shall act honestly and



Cormac Fitzgerald, president of the Institute of Certified Public Accountants of Ireland

responsibly in relation to the conduct of the affairs of the company.

■ A director shall act in accordance with the company's constitution and exercise their powers only for the purposes allowed by law.

■ A director shall not use the company's property, information or opportunities for their own or anyone else's benefit unless this is expressly permitted by the constitution or approved by resolution of the members in general meeting.

■ A director shall agree to restrict the director's power to exercise an independent judgment unless expressly permitted by the company's constitution.

■ A director shall avoid any conflict between the director's duties to the company and the director's other (in-

cluding personal) interests, unless the director is released from their duty to the company in relation to the matter concerned, whether in accordance with provisions of the company's constitution in that behalf or by a resolution of it in general meeting.

Other duties emphasise the requirement to exercise care, skill and diligence. The bill, in addition to the general duty owed to employees, provides for directors to have regard to the members' interests.

To further underline the importance of these duties, the proposed bill requires all directors, upon their appointment, to acknowledge that, as a director, they "have legal duties and obligations imposed by the Companies Act, other statutes and at common law".

### Compliance statement

Directors of large companies will be required to prepare a Directors' Compliance Statement, confirming that the company has complied with specific legal obligations.

This is not the first time we have seen legislation regarding the concept of a Directors' Compliance Statement. The Companies (Audit and Accounting) Act 2003 introduced obligations for such a compliance statement.

At that time, however, the relevant obligations with which directors were

being asked to confirm compliance ranged from company law and tax law to "any other enactments". The breadth of such legislation was widely criticised and it was never enacted.

The version contained in the 2012 bill refers to compliance with company law and tax law, but does not go any further, so is considered more workable.

I am not suggesting that company and tax law doesn't cover a huge territory – it does, but at least it is a known quantity.

### Acknowledge responsibilities

The proposed bill will require company directors to acknowledge, in the directors' report, that they are responsible for ensuring compliance with relevant obligations and providing commentary on policies, arrangements and structures intended to ensure the company's compliance with the relevant obligations.

It is envisaged that this requirement will apply to companies with turnover of more than €25 million and balance sheet totals of €12.5 million. This is very clearly illustrating how legislators are bringing the responsibility for good governance to the door of the directors.

Other important developments in this area include legislative definitions for "shadow director" and "de facto director".

While these terms may have been used in common parlance prior to this, they weren't defined. Now it is clear that individuals deemed to be a shadow or de facto director will have the full rigours of the law applied to them.

The new bill strengthens the enforcement provisions of the companies acts, so the advice for company directors is to be proactive with regard to the imminent changes, understand them clearly and be mindful of your obligations and duties in all aspects of your work.

This article by Cormac Fitzgerald, president of the Institute of Certified Public Accountants in Ireland (CPA Ireland), is based on the current draft of the Companies Bill 2012, which may be subject to change before it is finally enacted

## Movers & Shakers

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### Featured appointment:

Serial entrepreneur Niamh Bushnell has been announced as Dublin's first commissioner for start-ups. Created on the recommendation of the Activating Dublin Initiative, spearheaded by Dublin Chamber of Commerce and Dublin City Council, the role will see Bushnell work with Dublin City Council, Enterprise Ireland and the Local Enterprise Offices to increase start-up activity in the Dublin region.

A key responsibility in the position, which has been funded privately through DCU Ryan Academy for Entrepreneurs, will be to develop international recognition of Dublin as an international hub for



innovation. Bushnell is entrepreneur-in-residence at Talent Tech Labs, a start-up incubator in New York. She is chief executive of Idirus and MarketSprint, also in New York, and established US start-up TechResources two years ago.

Bushnell previously held several high-level positions in Ireland and the US with Enterprise Ireland, Orbiscom and Womex.



■ The Irish Venture Capital Association has appointed a new chairman. John Flynn is managing director of ACT Venture Capital. Prior to joining ACT in 1996, Flynn worked in various software engineering and business development roles with EDS, an international IT services firm acquired by HP. He is on the board of four VC-backed firms and manages the AIB Start-up Accelerator Fund.



■ Clodagh Fleming is the new manager of the Hughes Blake Chartered Accountants' Corporate Recovery Department. Fleming joins from Ulster Bank, where she was a relationship manager in Corporate Restructuring for two years.



■ Commtech has appointed Philip Browne as business development manager. Browne joined Commtech three years ago as corporate account manager. Prior to that, he worked in a sales support role with Hibernia Evros Technology Group.



■ Luke Mitchell is joining SQS Ireland as chief operating officer. Mitchell has been PayPal's EMEA head of risk operational change for four years. Before that, he was The Hartford's European programme delivery director for two years.

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