



Dan O'Sullivan, owner,
Maryborough Hotel & Spa
in Douglas, Co Cork
Picture: Clare Keogh

Suite dreams for recession-proof hotel

Innovating and renovating have ensured one Cork hotelier is going from strength to strength, writes **Elaine O'Regan**

Surviving the changing fortunes of the Irish hotel industry has proven too much for many in recent years, but one hotelier has weathered the recession to emerge ready to roll out ambitious €500,000 investment plans. Dan O'Sullivan established Cork's Maryborough House Hotel as a 65-bed property 17 years ago, after acquiring a historic Georgian house on a 24-acre site in the suburb of Douglas.

In the years since, Maryborough has morphed into a 93-bedroom hotel with a 180-seater restaurant, a two-storey spa and sizeable wedding and conferencing facilities.

Civil ceremonies

Having only just completed a €1 million renovation of the hotel's ground-floor bar and restaurant facilities, O'Sullivan is already turning his attention to his next project to build an orangery for year-round weddings. Although he has only just broken ground on the new 250-seater venue, in conjunction with local builder Niall Linehan, O'Sullivan has already taken his first booking for an early December wedding with 300 guests.

"Civil ceremonies are becoming much more popular. At present, they're saying one in four and they are predicting in the next three years, it could be nearly one out of every two," he said.

"We are doing ceremonies already, but we are not to the level we'd like to be. With the orangery, we'll be able to book a big ceremony for people with a full view of the 300-year-old garden."

O'Sullivan paid IR£900,000 for the hotel in 1997 before the booming economy and tax incentives schemes would drive hotel prices skyward. When the market plummeted in 2008, he was not too indebted to survive. "The huge costs that have been inflicted on hotels that opened in the past ten years have been unsustainable," he said.

"If I was starting out today, I couldn't afford to buy or build what we have here. Even ten years ago, it wouldn't have been possible. "It had to happen in the 1990s, when I could pay IR£900,000 for 24 acres and a very exclusive listed Georgian building. I sold six acres ten years ago, but that's the only disposal I've made in the past 14 years," said O'Sullivan.

Invest to survive

O'Sullivan sees ongoing investment, no matter how difficult the wider market, as a necessity for hotel owners. "Hotels by their nature take a lot of investment and re-investment. During your good years, but also your bad years, you have to put money aside - you have to renovate," he said.

"In the last five or six years of the downturn, I've renovated all 93 bedrooms, and I've just spent over €1 million on renovating the bar and restaurant," he said.

"That said, we certainly also invested during the boom," said O'Sullivan, "the biggest project for us then was the spa, and the requirement there increased because of the new hotels that were coming into the Irish market and putting big spas in across the board. "So, we had to go out and get Espa, the best supplier in the world, to design our spa and we also used their products and that has been very successful. Because of that, our business in that area actually grew during the recession instead of retracting, which is pretty unique in the industry."

has a dedicated team building and activity centre.

"Nama hotels dropped prices so dramatically, they were not sustainable. We had to compete, we went down as far as we could, but we refused to go so far down that we would have to cut back on service. Instead, we kept cash flow going in other areas we hadn't concentrated on in previous years."

Staff asset

O'Sullivan managed to avoid cutting any of Maryborough's 120 staff - a vital asset, as he sees it, for a business reliant on a broad range of skills for very different functions.

"The way I see it, we effectively have about five or six different businesses in one here, between the spa, the gym, the bedrooms, the conference business. We have a very large wedding business as well. "When I set up the hotel initially, I wanted it to be slightly different. I brought young people into all of the departments and they have all stayed with me and grown and matured with the business. "We have the same general manager, sales manager and financial manager, executive chef, pastry chef, head of accommodation - they're all the same people from day one. "Having this depth and strength behind me has allowed me to see what the customer wants and to see where investment is needed. A lot of our competitors have been builders - possibly not hotel-led investments, more tax-driven investments. "As a traditional hotel, we had to compete against them, so it did take us time and we did invest in areas, but I think the reason we survived is that we invested in a reasonably sensible way."

Hotel of the year

O'Sullivan's approach is paying off. Maryborough has just been named AA Ireland Hotel of the Year 2014-2015 and, with his latest project to build "the world's most romantic orangery", he has no intention of letting standards slip.

"This is a very personal business. If you go back to the early to mid-90s, Cork just didn't have this kind of hotel," he said. "Thankfully, our weddings have increased over the years because we have been innovative. I bought a dome system in from England five years ago so we could hold our wedding receptions outside, because I want every bride to experience our gardens. "I felt the current investment had to happen because I want to build the most romantic orangery in the world with glass walls and plenty of light. No matter what the time of year, you'll be able to see out into the beautiful 300-year-old grounds."

Recession-proof

To counter the dramatic drop-off in business that occurred in 2008 at the onset of recession, O'Sullivan's business strategy evolved to encompass events and attractions that would draw business to the hotel.

"It was like, all of a sudden, everything stopped completely. The team here had to come up with ways to do things totally differently in order to compete," he said. Maryborough hosted Santa's Kingdom for the first time in December 2009, to attract young families to the hotel and the following year expanded on the theme with the addition of a four-dimensional Christmas film.

Other initiatives aimed at the family market have included a petting zoo and crazy golf course. To attract corporate business, the hotel also

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

This legal burden of proof must be discharged by the directors and not by the liquidator who brought the proceedings.

Leaving aside the issue of honesty, which is somewhat self-explanatory, in assessing whether a director has behaved responsibly by the court will consider the extent to which the directors have complied with their legal duties.

It is common to see non-executive directors present a defence that they were not involved in the day-to-day management of the affairs of the company.

Furthermore, it is often argued that such a director has merely acted as a "helpful spouse", who has agreed to be a passive director to facilitate the proprietor.

The courts have repeatedly held that non-executive directors will not be absolved of their duties on that basis.

While they may rely on executive directors to carry out the day-to-day management functions, they nonetheless retain a responsibility to keep themselves informed and to pay attention to any issues which might give them cause to investigate further.

Non-executive directors should be especially mindful that if they deal in any way with company funds, such as making use of a company credit card, there will be an even greater onus on them to ensure that they comply with their obligations.

Readers should note that the Companies Bill 2012 is currently passing through the houses of the Oireachtas.

Once enacted, it will implement wide-ranging amendments to the law in this area. In particular, certain companies will be allowed to have just one director.

Róisín Peart and John Darmody both work in Eugene F Collins' Corporate Recovery Group; Peart as an associate and Darmody as a solicitor. This article is intended to provide a general overview and guidance on a particular topic. It is provided wholly without any liability or responsibility on the part of Eugene F Collins and does not replace the necessity to obtain specific legal advice

LowDown Top Tips for SMEs

This week: non-executive directors

BY ROÍSÍN PEART AND JOHN DARMODY

It is common for companies to have non-executive directors on their boards who are not involved in the day-to-day management of the company. Often, such directors are business-savvy and fully aware of the responsibilities that they are taking on.

However, such positions are just as often taken up by spouses, family members or friends of an executive director, merely to satisfy the legal requirement that a company has a minimum of two directors at any time.

It is important for non-executive directors to note that, no matter how their position has come about, they have significant legal duties and responsibilities in relation to the management of a company's affairs.

Furthermore, if something goes wrong, non-executive directors may be held accountable for their actions or failure to act appropriately. In more serious cases, non-executive directors may even be held to be criminally liable.

Below are examples of the duties imposed on company directors by both common law (ie, principles that have been developed by the courts over time) and the Companies Acts 1963-2013 (the "Companies Acts").

- To ensure compliance with the Companies Acts
- To exercise their powers in good faith and in the interests of the company.
- To disclose any profits made from their position as director.
- To act as a director with due care, skill and diligence.
- To maintain proper books of account and statutory registers.
- To prepare annual accounts and have those accounts audited.
- To make certain filings with the Companies Registration Office.
- To disclose interests in contracts entered into by the company.
- To convene annual general meetings of the company.
- To seek approval for certain transactions between the company and the directors.

In addition to these specific duties, directors should be mindful of the overriding principle that they put the company's interests ahead of their own and those of the company's shareholders.

This is particularly relevant in the context of smaller companies where directors are often also



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the shareholders. When a company becomes insolvent, the directors will owe their duties instead to the company's creditors.

As is so frequently the case, it is when things go wrong that a director's behaviour is brought under particular scrutiny.

Liquidators of insolvent companies are obliged to report on directors' conduct and to bring restriction proceedings against directors in the High Court unless relieved of their obligation to do so by the Office of the Director of Corporate Enforcement.

Should the court elect to make a restriction order against a director, they will be prevented from being involved with any company for a period of five years unless it has been capitalised with at least €63,486.90 in the case of a private company or €317,434.52 for a public company.

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Broadly speaking, to defend against restriction proceedings, a director must be able to show not only that they have acted honestly but also that they

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■ Kieran Clarke is the new head of HML Ireland's Arrears Support Unit. Clarke has been senior manager in Danske Bank's Non Core Business Unit for the past two years. He was a senior business development manager with Danske Bank with two years before that.



■ Alter Domus Ireland has appointed a new country executive. James McEvoy is joining from First Names Group, where he was director for one year. He also spent ten years as managing director, Ireland and head of structured finance services, Europe and Asia with Citco Corporate Services.