



scottish pacific  
benchmark

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Interested in learning more about invoice discounting and factoring?

Senior members of the Scottish Pacific Benchmark team are available to make short presentations to your business or organisation that will outline the products and services we offer and explain how they can help you or your clients improve their cash flow and grow their business.

## A fair go for SMEs

A survey by the Council of Small Business of Australia (COSBOA) indicates the nation's small businesses remain unconvinced that the financial downturn is over and that many are still struggling to get finance from their banks.

Scottish Pacific Benchmark CEO Peter Langham says there are fewer choices for borrowers in the present climate.

"What is clearly evident in the home loan market is similar in the business finance space," said Mr Langham.

"There's no doubt the banks are maintaining tighter credit conditions," he said. "At the same time business people and consumers remain generally cautious in the wake of the GFC."

"And that leaves small business operators with little room to move. The small business market bears a disproportionate level of the pain when it comes to the availability and affordability of credit."

### Access to flexible finance remains a key focus for Australia's SME's

In a media release last month COSBOA chief executive officer Jaye Radisich said, that small business concerns about access to finance are not new, and remain the number one concern for small businesses across Australia.

"Most small businesses are more concerned about access to finance than they are about any other issue, including the new Fair Work Act, as indicated in the recently released COSBOA/ Telstra Business Back to Business survey," said Ms Radisich.

### Helping where the banks can't

Debtor finance (or cash flow finance) remains an attractive alternative for eligible SMEs.

The short-term nature of the product means SPB doesn't have to change the rules. The value of trade debt isn't influenced by such things as the GFC, hence the security value remains the same and their lending continues.

As Australia's largest non-bank provider of debtor finance, Scottish Pacific Benchmark isn't drawn into overall bank credit policy that can sometimes unfairly and negatively impact credit criteria.

That means their doors remain open to new opportunities.

Mr Langham said Scottish Pacific Benchmark originates almost 95% of its business from referrals, with up to 25% coming from banks.

"We are currently seeing our level of enquiry from banks increase in the instances where the banks can't assist," he said.

## Wayne Smith joins the team



Scottish Pacific Benchmark has strengthened its management team with the appointment of Wayne Smith to lead the Brisbane based business unit.

Mr Smith brings more than 20 years commercial finance experience to the group, having previously held senior positions in debtor finance businesses in Australia and the UK.

The appointment coincides with a major expansion and restructure by Scottish Pacific Benchmark, as we ready ourselves for some exciting growth targets.

SPB offers clear cut advice and flexible cash flow finance

## Case studies

**Industry** Recruitment and Labour Hire

**Sales** \$5 million pa

### Why Debtor Finance?

Facility needed to fund set-up and to meet ongoing working capital.

### Why Scottish Pacific Benchmark?

Based on the experience of the principals, Scottish Pacific Benchmark were able to offer a fully confidential facility, despite this being a start-up.

**Facility Size** \$1,200,000

**Industry** External Coatings and Finishes

**Sales** \$3 million pa

### Why Debtor Finance?

Continued growth has resulted in cash flow pressures and the client was keen to keep their personal assets out of the business. Benchmark was able to offer a facility (without the requirement for property security) that will continue to grow as they do.

### Why Scottish Pacific Benchmark?

Competitive pricing and speed of application and approval process.

**Facility Size** \$250,000

**Industry** Automotive Parts Importer

**Sales** \$400,000 pa

### Why Debtor Finance?

Debtor finance facility will help them create a smoother cashflow which in turn will enable them to import more stock on a regular basis instead of spikes when debtors pay

### Why Scottish Pacific Benchmark?

Flexibility, quick turnaround, and no tie in contract was a key factor in the decision process.

**Facility Size** \$100,000



Right: Taz Solakis in his roof fabrication workshop, Designer Truss.

## Building a Business

When Taz Solakis left the Smorgon group of companies twelve years ago, he knew he wanted to run his own successful business. Little did he know at the time that debtor finance would help him achieve his ambition.

Joining the roofing fabricator Designer Truss in Melbourne, Taz bought a share of the business and eventually bought out his partner three years ago.

"It was a pretty big move at the time and it felt as if we had our backs to the wall in terms of arranging the finance for the transaction," says Taz. "When I sat down with my accountant to look at the financing options he recommended a broker who introduced us to Scottish Pacific Benchmark."

Designer Truss had been a good business, supplying roof trusses, wall frames and Posi-Struts to home builders and occasionally to larger construction firms. The company had some very good and loyal customers, most of whom paid cash.

"We tended to look for customers who were prepared to pay a deposit with their order and pay the balance on or before delivery," says Taz. "It was good for cashflow but it limited the scope of our business because a lot of builders wanted credit, especially those who were able to offer us repeat orders," he says.



"Unfortunately we still had to pay our staff every week and pay our timber suppliers within their terms."

Taz looked at a number of options and decided that debtor finance was best suited to the situation.

"I knew we could build the business if we could maintain our cashflow and Scottish Pacific Benchmark offered us that opportunity by funding our invoices to those trade customers."

"The most impressive aspect of the entire experience was the speed of the process. Scottish Pacific Benchmark fast-tracked the

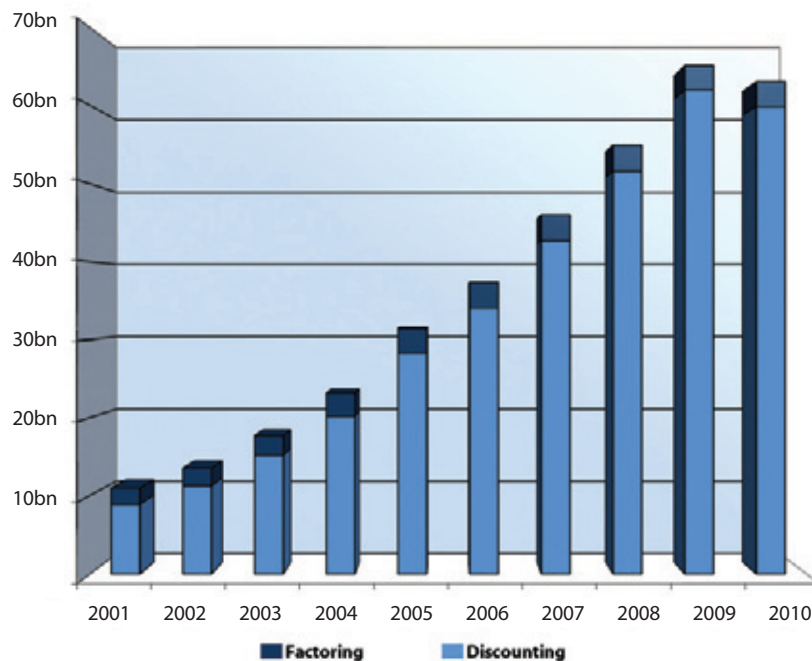
application and we were able to take on new trade customers immediately."

Since the facility was put in place, Designer Truss has increased its turnover and profitability by 10-15% each year for the past three years.

"The facility pays for itself," says Taz.

"We've been able to take on larger jobs and higher volumes. It allows us to expand the business and to improve our processes, such as using automation to increase output and reduce waste. And most importantly, it helps to even out our cash flow when we take on those large orders."

## Figures show market remains strong



The Australian debtor finance market, combining invoice discounting and factoring, turned over \$63-billion last calendar year.

Figures compiled by the Institute for Factors and Discounters shows the cashflow finance market contracted only slightly through the period of the GFC.

Total turnover for the 12 months to the end of December 2009 was \$63.0 billion (down 3.2% from \$65.1 billion for the year ended December 2008).

Total turnover in the December 2009 quarter was \$16.6 billion, a reduction of \$1.3 billion (7.3%) on the same quarter in 2008. However, turnover increased \$630 million (4%) over the September 2009 quarter. The low drop in volumes compared with the UK market confirms the Australian economy has fared better than some. According to the Asset Based Finance Association in the UK, funding to their members clients fell 17% in 2009 compared to 2008.

The Australian market for cash flow finance has grown by more than 600% over the past decade.

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This newsletter is a business commentary produced by Scottish Pacific Benchmark which is the registered business name of Scottish Pacific Business Finance Pty Ltd (ABN 79 008 636 388) and Benchmark Debtor Finance Pty Ltd (ABN 94 082 607 654). All comments are the opinions of the editor and are provided for your interest only.

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Scottish Pacific Benchmark has offices in Adelaide, Auckland, Brisbane, Christchurch, Melbourne, Newcastle, Perth, Sydney, Wellington and Wollongong.