



scottish pacific  
benchmark

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and allows us to focus on further expansion"***

## Flexible finance for growing businesses

Growing businesses can struggle to find a flexible cash flow finance product in the present economic circumstances. But the message to brokers and business advisors is that there is a readily available alternative to traditional banking products.

"The banks are still restricting credit to small and medium size businesses," says Scottish Pacific Benchmark chief executive officer Peter Langham.

Compared with traditional bank finance, SPB offers more flexibility, more freedom and the opportunity for the facility to grow with the client's business, often without the business owners having to provide bricks and mortar security.

"Cash flow finance, or debtor finance, allows small businesses to draw down against the value of their invoices within 24 hours of the invoices being issued. It works in much the same way as a bank overdraft, but is more flexible in terms of draw-down limits. All of our clients are selling business to business and most are owner-managed enterprises who do not have deep reserves to call upon," said Mr Langham.

SPB originates almost 95% of its business from referrals, with up to 25% coming from banks whose credit policies mean they simply can't offer a product that suits small business.

SPB has offices across Australia and New Zealand with local staff empowered to make local decisions.

Wollongong based Inika Cosmetics is riding a boom despite the global economic downturn

and has recorded stunning growth since the company started with just two employees in 2006. Today, with more than 30 staff in Australia and Europe, Inika's 100% natural Australian make-up range is sold around the world by more than 450 stockists.

The stunning success included growth of 400% in the first two years of the business and 150% in 2008-09. It's critical to any business that such growth is underpinned by a flexible funding arrangement that ensures cash flow is maintained.

Inika turned to Scottish Pacific Benchmark to fund their cash flow on Australian trade invoices, which account for more than 60% of their sales.

Chief executive Miranda Bond says the facility was more flexible than anything offered by the banks.

"Our disclosed factoring facility gives us access to 80% of the value of our trade invoices within 24 hours," she says. "The facility is flexible enough to grow with our business and SPB look after that part of our debtors ledger," says Ms Bond.

"Effectively it gives us the cash flow security we wanted and allows us to focus on further expansion without having to worry about whether the money will come in on time to allow us to clear the bills we need to pay."

Inika recently merged with Queensland-based Mukti Botanicals and is setting a turnover target of more than \$6-million in the next 12-months with further growth expected in Europe, Asia and Australia.



**Inika Cosmetics founders Miranda Bond (pictured) and Jenni Williams** had pioneered their first business, Thriving Healthy Women, to educate women about health and wellness. In the process they discovered the benefits of using natural products. They established manufacturing links in South Australia and created Inika Cosmetics, an all Australian company using quality minerals sourced from the rocks that form our land. Inika offers a full professional range of make-up, including sales, training and marketing support. All Inika products are pure and natural, made from crushed mineral pigments and containing no harsh chemicals, fillers, preservatives or fragrances. Inika is also 100% certified cruelty free and one of the few 100% certified vegan makeup brands on the market. For more details, visit [www.inika.com.au](http://www.inika.com.au)

## What our clients say

***"We were getting nowhere with our bank and had almost committed to one of their competitors when Scottish Pacific Benchmark came along with a solution that works perfectly for us. They were the only ones who gave us a clear explanation of exactly what we could do to guarantee our cash flow and continue to grow our business."***

**Steve Casamento**

**Swade-Sir International Manufacturing, Melbourne**



SPB offers clear cut advice and flexible cash flow finance

Right: Swade-Sir Draw Bending Machine



## Business talk

There's increasing light at the end of the economic tunnel, with small to medium sized businesses gearing up for growth, according to data contained in the most recent KPMG Mood of the Market Survey. The KPMG survey polled 100 companies with revenues between \$10 million and \$200 million, employing between 51 and 200 people.

Almost half of respondents (49%) said they expected to increase market share in the year ahead because of a competitor's weakened position, while 14% of SMEs are considering acquisitions of competitors.

Australia's economy has bounced back stronger than expected after a difficult end of 2008, when the credit crunch saw tighter lending markets and forced governments worldwide to roll out stimulus packages.

The Reserve Bank has recently said it may need to consider raising interest rates in coming months, with the downturn in Australia milder than originally forecast.

Scottish Pacific Benchmark has just completed its own survey of SME clients across Australia and New Zealand, with more than 75% of companies using SPB's cash flow finance solutions indicating they are confident of expanding their businesses during the next 12 months.

SPB chief executive officer Peter Langham expects bank credit to remain fairly tight for SMEs for some time to come.

He said cash flow finance, or debtor finance, remained an attractive alternative.

"There's no sign of any immediate easing of the banks' attitude to small business," said Mr Langham. "They're focusing on the core lending areas and still pretty well risk averse, which means SMEs are well down the list of preferred candidates for business finance. We see and hear the banks claiming they are open for business, but the fact remains that they are extremely selective in their lending.

"The debtor finance (or cash flow finance) offering is very different from the banks because, in the majority of cases, it can take the value of trade invoices as full security, without requiring bricks and mortar.

"And unlike an overdraft, cash flow finance facilities can grow with the business without the need for continual reapplications," said Mr Langham.

## Industry briefs

### Pleasant surprise with recent debt collection performance statistics

Scottish Pacific Benchmark is outperforming the national average in collections.

The latest quarterly survey from Dun & Bradstreet was widely reported, showing Australian firms improved payment terms to the end of June 2009 for the first time in many months, with a drop of 2.6 days compared with the previous quarter, reducing terms to an average of 54.8 days. D&B said despite the improvement, business-to-business payments remain significantly above the standard 30 day terms, with warnings that a further blow-out in terms could be on the horizon.

The survey showed payment terms improved across the board, however big business, public firms, companies in the electric, gas and sanitary services sector and those based in New South Wales were the worst payers.

Scottish Pacific Benchmark NSW state manager Chris Hedge says performance data for the same quarter shows debts factored to SPB in NSW were collected on average within 41 days. The NSW data for SPB also showed that collection performance statistics have been improving consistently over the past 6 months. In January 2009 SPB NSW was at 48 days by June 2009 that had fallen in regular increments to 41 days.

"It shows what can be achieved with good credit management – and it means our clients are able to minimise their drawings and maximise their business profits," he says.

### Australian debtor finance industry bucks worldwide trend

The Australian debtor finance market remains strong and is outperforming its UK counterpart.

Figures released by the British Asset Based Finance Association as at March 2009 showed that their debtor finance industry had contracted by 7% when compared to the same quarter in 2008. The Australian statistics for the same period showed growth of 5%.

Figures released at the recent AGM of Factor Chain International showed the volume of international factoring business done in the first five months of 2009 within FCI was down by 16% when compared to the same period in 2008.

Peter Langham, SPB's chief executive officer, commented that he wasn't surprised by the statistics because the Australian debtor finance industry is still in the relatively early stages of the product life cycle. "The UK industry is much further along that cycle and still enjoys about double the market penetration rates that we have in Australia," he said.

## Case studies

**Industry Sector** Printing  
**Annual Sales** \$5 million

**Why Debtor Finance?**  
Two years of poor performance covered by Directors contribution of additional funds raised against their family homes. Business had begun to grow again and more funds were needed but their bank was unwilling to assist without mortgage security.

**Why Scottish Pacific Benchmark?**  
Existing financier insisted on property security and Scottish Pacific Benchmark had no such requirement. Our on-line web portal also provided superior client account information and reports.

**Facility Size** \$1,200,000  
**Source** Finance Broker

**Industry Sector** Manufacturing  
**Annual Sales** \$6.5 million

**Why Debtor Finance?**  
Growth restricted by a lack of available working capital and bricks and mortar security was fully pledged.

**Why Scottish Pacific Benchmark?**  
Flexible attitude to high concentration with few debtors that precluded many of our competitors.

**Facility Size** \$1,000,000  
**Source** Client's accountant

## Broker wins Dell Inspiron competition

Broker Errol Skye of The Money Factory in Newcastle (NSW) has a new laptop computer thanks to his relationship with Scottish Pacific Benchmark.

Errol was the lucky winner of a promotion run earlier this year in which every broker who referred a client to SPB was entered in the draw for a Dell Inspiron 1525 laptop.



Right: Errol Skye with SPB's Justin Doczy.

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, Townsville, Wellington and Wollongong.