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avoiding the credit crunch

While the global credit crunch continues to make headlines, smart brokers and business bankers know that cash flow finance is still available for many small to medium size business.

There's no doubt it's not as easy for small businesses to borrow money from banks. Even existing facilities are being looked at very closely by the banks as they address the issues faced by all their peers around the world.

For many SMEs the current situation may be the first time the business has been exposed to such stress.

It is therefore not surprising that many SMEs are now looking at cash flow finance (invoice discounting and / or factoring) a little more seriously. Cash flow finance has a major advantage over some traditional funding options. Cash flow finance does not rely on the value of unrelated assets, such as homes, but on the success of the business. If the sales are being achieved cash flow finance can be available, providing much needed funding to meet the everyday demands of wages and creditors.

As Australia's largest independent cash flow finance provider, Scottish Pacific Benchmark has seen a marked increase in the level of enquiries as the banks reassess their lending criteria in a changed market.

SPB chief executive Peter Langham said cash flow finance solutions allow businesses to access up to 80% of the value of invoices within 24 hours of the invoice being raised without waiting 45 days (or more) for payment.

"We all know cash is king and our products ideally suit the business with growing sales but limited bricks and mortar security. The combination of stagnant or falling property prices and tightening credit is going to increase the pressure on the SME," warned Mr Langham.

"And it's not just the small businesses themselves," he said. "The economic conditions can affect the ability of their customers to pay their own bills in a timely manner – and that can have a dreadful compounding effect.

"One of the biggest problems in a tightening credit market is getting your debtors to pay in a timely manner," said Mr Langham.



"If your own clients delay payment to you beyond 30 days, often out to 60 or 90 days, it has an immediate effect on your own cash flow and your ability to pay your suppliers and your staff".

Mr Langham said an increasing number of small businesses are avoiding the pitfalls by turning to debtor finance.

"Invoice discounting or factoring is a realistic alternative to an overdraft and it is flexible enough to grow with your business."

More than 6,000 businesses across Australia already use cash flow finance products.

According to Mr Langham, the banks themselves are referring more and more enquiries to specialist lenders.

"Over the past eight months, we've seen a marked increase in referrals from banks. They understand that SPB is a specialist in the area of debtor finance and as such can offer a level of understanding and service that is required in these times," he said.

Scottish Pacific Benchmark has more than 150 specialist staff in offices across Australia and New Zealand offering prompt service and a complete understanding of the SME sector.

congratulations to Credo Group

The Credo Group has just been named in BRW magazine's "FAST 100" thanks in part to the company's strong management of its cash flow finance.

When accountant Tim Brady started his own small business in 2005 it specialised in retail project management and specialist recruitment for some of Australia's largest retail chains.

Today the Credo Group has grown to offer a comprehensive range of human resource solutions, including labour hire, employee relations and workers compensation reviews.

The group's turnover has grown on average 55% per year for the last three years and is forecast to grow by a further 30% in the year ahead, with services to the manufacturing, logistics, property, mining and retail sectors.

The growth placed major strains on the business at a time when it was still attracting more clients and when the company's bank was unwilling to extend finance to fund that growth, Tim was introduced to Scottish Pacific Benchmark by a broker.

"We have exactly what we need in our relationship with Scottish Pacific Benchmark," he says.

"They offered a solution when our bank was unable, or unwilling, to increase our facility in line with our businesses cash flow requirements."

Tim says Credo was growing rapidly and needed to increase the amount it was able to draw down.

"We need to pay our workers every week and, while we have blue-chip clients and a strong demand for our services, we know that we're likely to wait 30 to 45 days until we are paid.



Credo Group founder Tim Brady

"The more clients we had, the more our cash flow was being stretched and, at the same time, our relationship with the bank was also being stretched. When the bank eventually increased our facility it was for a very limited time, after which they wanted us to go back and undergo a full business review before they'd commit to refinance."

Scottish Pacific Benchmark offered to meet the Credo Group's requirements. And Tim says the difference was startling.

"They understood our industry and they were prepared to offer a facility that will grow with our business. We have access to funds as we need them and the facility grows in line with the amount we have on our debtors ledger. It's flexible, it's cost-effective and it allows us to grow," he says.

FBAA golf day

Scottish Pacific Benchmark sponsored the Finance Brokers Association of Australia (FBAA) Gold Coast Business Breakfast at the Kurrawa Surf Club on 30 October 2008.

Michael Bailey, State Manager for Queensland, gave a short presentation on the benefits of Debtor Finance to the SME market, particularly in the current business climate.

While many players in the financial sector are back-peddling from exposure positions, Scottish Pacific Benchmark are still actively seeking new clients.

Michael expanded on the Group's ethos around client satisfaction and explained how each client has a dedicated team working on the day to day operation of their facility.

Michael also elaborated on the range of debtor finance products, which range from Small Business facilities through to Confidential Invoice Discounting for larger commercial clients.



Michael Bailey sponsored the Gold Coast Golf Day

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

*one call is all it takes
1300 debtor (332 867)*

*Visit us on-line at
www.spbgroup.com.au
Or direct mail to GPO Box 9969
in your capital city*

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.

case studies

Industry Sector

Manufacturer - Electrical Industry

Annual Sales

\$4.5 million and growing

Why Debtor Finance

Client is experiencing substantial growth as new contracts are coming on board and product is in hot demand.

Why Scottish Pacific Benchmark

Our flexible approach to concentration debtors was required to meet client's needs and our excellent service offering was a key factor in their decision making process.

Facility Size

\$450,000

Industry Sector

Office equipment sales and servicing

Annual Sales

\$1.6 Million

Why Debtor Finance

One business partner buying out the other. Insufficient residential security available to complete the transaction and still provide working capital for the business.

Why Scottish Pacific Benchmark

SPB was prepared to provide a confidential facility whereas other debtor financiers would not and completed the transaction, settling the facility and accommodating the buy-out within 10 working days.

Facility Size

\$1,500,000