

Newsbrief

Scottish Pacific Business Finance

Issue 25

YOUR E-COMMERCE CASH-FLOW PARTNER



Factoring with bad debt protection coming soon

Imagine being able to obtain cash-flow finance for which the financier bears the risk if your customer fails to pay.

It would give you greater peace of mind, greater power over your cash-flow management, greater control over your business and, possibly, a greater gearing capacity.

Scottish Pacific Business Finance will very shortly launch a cash-flow finance product that does exactly that.

The non-recourse factoring product is a first for the Australian market, and Scottish Pacific and its parent St. George Bank Ltd have spent three years bringing it to market.

“The best way to conceptualise this product is by using a credit card analogy,” said Scottish Pacific Managing Director Clive Isenberg.

“When a retailer accepts a credit card from a customer, it does so knowing that its credit card provider has guaranteed that person’s borrowings up to a certain credit limit.

“In this instance, Scottish Pacific will take a view on the credit-rating of your customer and guarantee your invoices to that customer up to a certain limit.”

There is a premium for the guarantee and this varies according to the customer/debtor. For example, if your customer/debtor has a good trading

history and credit standing, then the premium would be substantially lower than for a start-up undercapitalised business.

“Basically, the premium is linked to risk associated with each receivable and is geared towards the industry and the type and history of the debtor,” Mr Isenberg said.

“We are very excited about the prospects for this product.

“Certainly there is some risk for the financier. Take recent high-profile examples such as HIH and Ansett. Up until their demise, they were considered reasonable credit risks.”

Commitment to NZ business growth

St. George Bank Ltd Group Executive Information Technology, John Loebenstein, recently visited Scottish Pacific Business Finance’s Auckland office as part of a two-day trip to the “Land of the Long White Cloud”, confirming the bank’s commitment to New Zealand business.

Scottish Pacific is a wholly owned subsidiary of St. George, which recently announced a joint-venture agreement to establish a Retail Banking Alliance in New Zealand with the country’s largest supermarket retailer Foodstuffs, called SuperBank.

St. George also has a strong profile in the business banking market through Scottish Pacific, which holds a 60-70% share of the New Zealand cash-flow finance market.

Mr Loebenstein’s visit focused primarily on technical issues surrounding SuperBank.

“St. George is committed to helping its business customers grow both here and in Australia,” Mr Loebenstein said. “Part of that is ensuring that customers can access the best products and technology, and the most robust systems that the market has to offer.

“It was an absolute pleasure meeting some of the staff from Scottish Pacific, NZ. We received a thorough and informative description of the business, but what really impressed me was how enthusiastic everyone was about business prospects and Scottish Pacific in general.



From left: Simon Suggett – Senior Client Manager, Head of NZ Operations, Scottish Pacific Business Finance; Dhiren Kulkarni – General Manager, IT Development, St George Bank; John Loebenstein – Chief Information Officer, St George Bank; Pat Everest – Head of Business Development, NZ, Scottish Pacific Business Finance.

CLIENT CASE STUDY

Innovative technology drives export success

Unasco started as a small family concern in the 1930s in the housing and roofing industry and weathered many storms before re-engineering itself in the 1960s and 70s as a successful, globally competitive manufacturer.

It is now one of Australia's largest privately owned engineering plastics manufacturer and the only manufacturer of Teflon tape, which it exports to US, Asia and Europe. It produces plastics seals and bearings for the automotive industry and extrudes plastic for the defence force and many other industrial applications.

Unasco is also involved in the Australian manufacture and development of fibre optics technology, which is used to illuminate buildings, swimming pools, mines.

Its co-owner, Bill Bentley, inherited the business with his brothers Dick and Paul from his father and his grandfather before him, and has employed a rare mix of intuition, experience and true grit to steer the company through the challenges of the past 70 years.

Bill describes himself as "a peddler". He travels the world and gleans ideas and if he sees something he can't buy in Australia, he makes it.

For example, Teflon tape (plumber's tape) was a new concept in Australia. Then Bill teamed up with plastic-industry icon US scientist and inventor Bill Shamban and this became the first product manufactured and promoted by Unasco in Australia.

They formed a partnership wherein Shamban provided the technology and the Bentleys provided the finance. As the business grew, the brothers bought out Shamban and they all remain great friends to this day.

Indeed, Bill is a firm believer in the importance of relationships. He passionately believes they represent the cornerstone of a successful business.

Unasco approached Scottish Pacific Business Finance primarily to help launch its exporting business.

"Once the marketplace reached saturation in Australia, we knew there was a lot of money to be made overseas," says Bill. "We were struggling because it took so long to get the product together in the big container loads, ship them overseas and then to get paid. We did not have enough money to fund that time lag so we decided to use the Factoring Facility offered by Scottish Pacific.

"It allowed us to pull cash in for the business until the money came back from overseas."

Unasco's chief financial officer David Newman says the company entered Factoring before it became popular but since that time, the business had grown ten-fold.

"Bill believed Scottish Pacific were there to help us and they have helped us in many ways over the years," says David. "They were a great help when GST was introduced.

"Bill was always of the ethos that if you had a quid in the bank, you should buy something and sell it – quick. But when the GST was introduced, we could see that shaping up as a recipe for disaster, so we asked Scottish Pacific to be our piggy bank, keeping the GST and PAYG in reserve and to manage the cheques."



Bill Bentley

A passion for helping businesses



Ross Ayling

Brisbane-based Ross Ayling has been named Scottish Pacific Business Finance's best performing business development manager in 2002.

Ross joined the Scottish Pacific team in 1998 with a Marketing and Accounting Business Diploma and a wealth of experience in the commercial finance industry, including equipment leasing and mortgage finance.

Ross said he enjoyed working in the Factoring industry because it gave him a strong sense of satisfaction to be able to help good businesses continue to grow and build.

"Cash-flow finance allows you to give something positive to many businesses that otherwise would not qualify for finance from other areas," Ross said.

"That situation does arise quite often. A lot of our businesses are people who are unable to get traditional finance and that is not because they are not good businesses. Generally it is due to the lack of satisfactory property security.

"They just do not meet the traditionalists' guidelines. You can quite often come across a business with good growth potential and we can help them.

"That is a good positive aspect of what we do and is one of the things I enjoy most about working in the industry."

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