15 November 2017

Chairman's Address to the 2017 Scottish Pacific Group Limited Annual General Meeting

The last 12 months have been focussed on the integration of our acquired businesses and portfolios, a significant investment in our infrastructure and capacity and continued focus on new business.

As a Board we are very pleased with how the key integration issue of people and culture has been managed. From the outset we have been firm in our need to have a "one company" approach. This necessarily meant an abnormal amount of change across our business, and I am pleased to report that the transformation and consolidation has been successful. The acquisition of Bibby brought to Scottish Pacific a combination of highly experienced and skilled staff, special products and an increased exposure to the factoring market that was underserviced by Scottish Pacific. We are now in a position to leverage those assets as we broaden our base of operations.

The one company culture has been ably led by our CEO Peter Langham who has moulded a leadership team that is collaborative yet directly accountable for performance delivery. Our retention of key staff through this time of change was very high with levels of engagement not normally associated with a business transformation of this scale.

Scottish Pacific has a heritage in Debtor Finance going back nearly 30 years and the history of the business has largely been one of organic growth relying on superior customer service and capability to win market share from incumbent lenders, in particular the big four commercial banks. With the changes over the last 18 months, Scottish Pacific is now a leader in the industry, able to compete effectively against the banks whilst retaining its ability to service smaller factoring clients. Recognising that we are moving beyond market share gains as a strategy, the company has been making and will continue to make a significant investment in people and systems infrastructure to support our future growth.

We are consolidating all our operating systems on a single, modern IT platform. Our investment in risk systems allows the company to grow, delegating lending authority to more people, flexibly meeting the needs of our client's whilst retaining an appropriate level of control. Our low loss rates that have continued into the current year are a testament to this investment and the strong credit culture engrained across the whole of our sales and client service teams.

We have increased our investment in marketing, new product development and brought all our specialised product together to improve our go to market capability. Historically, debtor finance has been a passive product for banks, with the industry relying heavily on the broker channel to originate sales. Whilst our broker partners remain critical to the success of Scottish Pacific, we have, and

Sydney
Level 5, 20 Bond Street
Sydney NSW 2000
T (02) 9372 9999 • F (02) 9372 9900

Melbourne
Level 9, 333 Collins Street
Melbourne VIC 3000
T (03) 9820 1222 • F (03) 9820 1322

Brisbane
Level 18, 10 Eagle Street
Brisbane QLD 4000
T (07) 3002 5252 • F (07) 3002 5292

Perth
Ground Floor, 88 Colin Street
West Perth WA 6005
T (08) 9322 8684 • F (08) 9322 8685

Adelaide
Level 3, 431 King William Street
Adelaide SA 5000
T (08) 8130 5561 • F (08) 8364 4688

Auckland
Level 4, 32-34 Mahuhu Crescent
Auckland 1010
T (09) 309 0701 • F (09) 917 3219

Scottish Pacific Group Limited ABN 45 164 013 110

continue to invest in our direct origination capability enabling us to reach a broader target market that might not otherwise have considered our working capital solutions. Our partnerships with platforms and referral agreements with banks further extends this reach. Non broker originated facilities now account for almost 60% of total new business.

The continued growth in our core Debtor Finance business at healthy double-digit rates also reflects the clear competitive advantage that the company has developed over its three decades of operation. Scale brings a robust, low cost funding platform, the opportunity to invest in marketing and product development and the largest sales team in the Australian market. Technology investment facilitates an improved customer experience whilst reducing our cost to serve, lowering risk and increasing the productivity of our sales team. Importantly, scale allows Scottish Pacific to take on larger customers without the same customer concentration risks that impact on smaller operators and their funding partners. This often means that Scottish Pacific is the only alternative to the banks for some larger clients.

Finally, but perhaps most importantly Scottish Pacific has been able to attract and retain highly experienced and engaged management and staff. Experience is critical to deliver a consistent high level service and flexibility to meet the needs of the customer rather than sell generic products, all within a robust credit management framework. Whilst risk management tools are important and are extensively used by the company, they are not a substitute for well developed credit underwriting skills which only comes with experience.

I will now hand over to our CEO Peter Langham who will discuss the financial and operational performance during FY17 and provide an update on our current trading.