ASX Announcement 14 November 2016

TRADING UPDATE

Scottish Pacific Group Limited (ASX: SCO) ("Scottish Pacific") today provided an update on trading conditions following the completion of the first four months of FY17.

The Company advises that it has experienced lower than expected levels of borrowing during the first four months of FY17, predominantly among some of its larger clients, who are borrowing less than expected. As a result, this has impacted gross income and hence Net Revenue is below expectations at this point in the Company's financial year. However, the Company's margins are in line with expectations and costs and bad debt expense are lower than expected.

Accordingly, the Company has decided it is prudent to review its forecasts, assuming borrowing levels (as a percentage of turnover) do not see any uptick during the remainder of FY17. This has resulted in a decline in forecast Net Revenue of $8.2 million (7.5%).

As a result, the Company now expects to produce pro forma PBIT of $40.7 million and pro forma NPATA of $30.8 million for the year ended 30 June 2017. This compares to the Company's Prospectus forecasts of $44.9 million pro forma PBIT (down 9.3%) and $31.8 million pro forma NPATA (down 3.1%)

Scottish Pacific's Chief Executive Officer, Peter Langham said, "The month of July 2016 saw a negative shift in client borrowings as a percentage of monthly turnover of approximately 6 percentage points. While we expected a negative impact in July due to uncertainty created by the Australian Federal election, borrowing levels for some of our larger clients have not yet seen a sustained return to previous levels."

"These lower levels of borrowing appear to be the result of certain dynamics amongst a small number of our larger clients. We have not seen a general softening in borrowing across our broader client base."

"Importantly, the impacted clients are still active and their borrowing requirements in the future may increase. It is reassuring to note that we have received limit increase requests totalling $57 million from just 11 existing clients in the past 4 months. More broadly, the volume of new client wins is good and the pipeline remains strong. Client attrition numbers are only slightly higher than expected, with loan value to new clients gained 60% greater than for clients lost."

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Scottish Pacific Group Limited ABN 45 164 013 110

"The Company in almost all other respects has performed at or better than forecast for the four months to 31 October 2016 and the fundamentals of our business remain the same. Our unique positioning continues to resonate with clients, driving new loan growth:

- Exposure to new clients settled between 1 July and 31 October exceeds that of clients lost by some $26 million
- We continue to write larger deals, with the average exposure to new clients greater than historical levels with no change to our credit policy and continuing low loss rates
- The number of new business enquiries continue to rise and reached record levels in October

We continue to invest in growth in the business, in both our core debtor finance and new and evolving businesses, such as Bad Debt Protection, Selective Invoice Finance and Trade Finance."

Scottish Pacific will host an investor teleconference call to discuss this trading update.

Details as follows:

Date/Time:	Monday 14th November, 10.30am AEST
Dial in details	Australia toll free : 1800 132 423
	New Zealand toll free: 0800 466 176
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About Scottish Pacific

Scottish Pacific has been providing working capital to Australian and New Zealand businesses for over 28 years. The main product is debtor finance (factoring/invoice discounting) which accounts for over 90% of revenue. Scottish Pacific is the largest debtor finance specialist in Australia and New Zealand with ~1700 clients and over $900m funds advanced to clients.