

## Chairman's message

### November 2016

I am very pleased to welcome all our shareholders to the inaugural general meeting as a publicly listed company.

Scottish Pacific has been trading since 1988 and is now the leading non-bank provider of debtor finance to small business customers throughout Australia and New Zealand with recent operations established in the UK. The service the company provides is critical to the health of one of the most important segments of the economy. There are over two million SMEs in Australia employing over 7.3 million people representing 68% of all Australian workers. Over the last eight years, the banks have been increasingly constrained in their ability to service this market. Debtor finance is a critical product for SME's looking to fund their investment in working capital as they grow, without relying on real property as security.

It is the Board's expectation that the current trend in banking regulation, tightening the bank's scope of operations and increasing its capital requirements, will continue to drive the market share of non-bank lenders whilst the growth in the SME sector overall will increase their need for working capital funding.

It has been a transformational year for Scottish Pacific with the acquisition of Bibby Financial Services Australia Pty Limited in December, 2015 followed by the acquisition of the client relationships and accounts which comprised the debtor finance businesses of both GE Capital Finance Australasia Pty Limited and Suncorp-Metway Limited in May 2016. These acquisitions brought to the company additional economies of scale, a broader range of products, servicing a broader span of clients and some very talented staff.

In June we completed a major refinancing of our lending books moving from a single bank warehouse that had been operating for over 10 years to three warehouses incorporating two leading Australian banks and a global bank. To enhance our productivity of capital we also introduced mezzanine lenders and a flexible funding line that will enable the company to make additional acquisitions and invest in new business lines.

Our unique position in the market makes us a natural choice for SMEs looking for finance for whom bank products or approach to the market does not meet their needs. Scale and financing economies together with a customer centric approach to everything we do has enabled the company to consistently grow faster than the overall market. With the current support infrastructure, loan growth can be achieved with minimal incremental increase in costs. Deep underwriting experience and a hands on approach to account management protects the company from material losses.

**smart money for smart business**

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The business model has clear defensive characteristics. When the economy cools, working capital contracts and a customers' loan may decrease. However, at this point in the cycle, many customers leave the traditional banking system and seek out alternative lenders as they struggle to meet a bank's financial covenant and other credit requirements. When the economy picks up speed, working capital requirements grow as do customer loan balances. Interestingly, whilst some clients may return to the traditional banks, many are retained due to the superior service proposition Scottish Pacific offers.

In July 2016, Scottish Pacific listed on the Australian Stock Exchange. Whilst this provided liquidity to a number of our existing investors it also created an opportunity to attract new investors that were attracted to our market, the company's competitive position and the quality and depth of our management team. We were delighted that the vast majority of our staff are now shareholders further aligning the interests of our key stakeholders.

Perhaps the most exciting development over the last 12 months has been the expansion of the Scottish Pacific team from 159 to 265 employees in 8 offices around the world. We exist to provide a service that is valued by our clients. Having 265 engaged and skilled staff members, most of whom interface with our clients every day, is and will continue to be the key to our long term success.

Whilst the 102% growth in our loan book over the past year has been a record for the company, to do so without any proportional change to our impairments is a remarkable testament to the 28 years of experience in credit underwriting, the robust nature of our systems and credit processes, and the care and diligence undertaken by our staff.

Whilst there will inevitably be periods of volatility, the sound foundations of your company will see it prosper for many years to come.

I'll now hand over to your CEO Peter Langham to give the operational review.