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iPad draw winner

Congratulations to Peter Furley from J.P.B. Furley & Co Ltd on winning the Apple iPad drawn last December.

WORD FROM THE CEO

Greetings!

The earthquake that rocked Christchurch on February 22nd has left an indelible mark on all New Zealanders who share in the sadness and trauma of the folks in Christchurch, many of whom have lost loved ones, family and/or friends.

Our hearts also go out to Japan, which is still in shock and suffering loss of lives in the earthquake of northeast Tokyo.

Some Lock Finance clients have suffered damages to their business premises as a result of the earthquake. We sympathise with them and will work closely with them to ensure they continue to receive our commitment to helping them resume their business. There are obvious disruptions to the business for many clients. We are hopeful these can be overcome in time.

The economic impact of the earthquake on Canterbury and New Zealand will take time to unfold. The Reserve Bank on March 10 announced a 50-basis point cut in the official cash rate to 2.5%. Governor Alan Bollard's pre-emptive rate cut is made in anticipation of a weak economy during 2011. The lower interest rate should provide a kick-start to the slow turnaround in the economy, indicated by the September quarter's 0.2% fall in GDP.

Global liquidity remains tight. The good news amidst all of this is that Lock Finance has secured an additional \$15 million in funding for small and medium scale enterprises. Of this, \$10 million will be made available for invoice finance and the other \$5 million for traditional asset-based finance.

This puts us in a good position to actively offer solutions for companies that are in need of additional cashflow. While normal lending criteria applies, we hope to be able to offer competitive solutions for companies seeking cashflow to fund recovery or exit strategies, and companies seeking to expand.

We are not afraid to get stuck into our client's business and see things from your vantage point. Like you we are hopeful for a period of stability, both economically and underfoot!

Simon Thompson
CEO, Lock Finance

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Lock Finance
Level 14,
Tower Centre
45 Queen st
Auckland 1010

PO Box 106054
Auckland 1143

Ph 09 375 8500
Ph 0800 ASK LOCK

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MAIN ARTICLE

Lock Finance - Proud sponsor of the Little Blues

The Little Blues is a junior rugby series played before all Blues home games. During this year Lock Finance will continue its partnership with the Blues in supporting this fantastic opportunity for young rugby players in the Auckland region.

We are proud to be associated with the Little Blues to help support the development and growth of today's young rugby players.

Blues CEO Andy Dalton says, "we're delighted to have the support of Lock Finance to help us give aspiring players a taste of what it's like playing on Eden Park. It's a special opportunity for these children and their families. To top it off, Players of the Day receive their prize from a Blues' player and then everyone gets to enjoy that day's Blues game."

It was great to see the Lock Finance Little Blues battle it out on the field last season and 2011 will be an even bigger year for rugby. We anticipate another successful season where the next generation of Auckland rugby stars can showcase their skills in front of the Eden Park crowd.

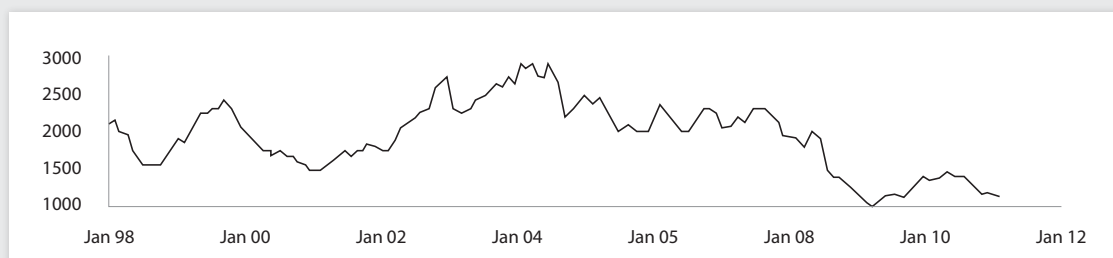
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FINANCIAL COMMENTARY

OCR cut set to trigger economic growth

The horrific earthquake in Christchurch on 22 February triggered a 0.5% OCR cut that was justified even before the quake. This has added some much needed stimulus to economic growth outside of Christchurch, while more cuts may be justified.



The chart shows the rolling three month average of the seasonally adjusted monthly number of consents for new dwellings.

The 22 February Christchurch earthquake was horrific, but it had a silver lining because of the 0.5% OCR cut delivered by the RBNZ on 10 March. This will set in play moderately positive economic multiplier effects that will start in the existing housing market in a few months' time and filter around the economy over the next year.

The OCR cut was partly because of the 22 February earthquake. But also because the economy was in a worse shape than the RBNZ expected prior to the quake, as I suggested would be the case in the last commentary.

Falling residential building (see the chart), falling house prices and the surge in petrol prices mean near-term economic growth prospects are still a bit worse than the RBNZ predicted in March. This means further OCR cuts are possible, but the RBNZ may decide to overlook the weakness.

The 22 February earthquake super-sized the reconstruction job to \$20b or more to be spread over the next 4-5 years (i.e. 10% or more of annual

national economic activity). Provided there are no further major quakes, economic growth could be in the ballpark of the RBNZ's prediction of 5.4% in 2012.

If the reconstruction job runs to schedule the RBNZ plans to start hiking the OCR in the March quarter of 2012. Unfortunately, this means that the rest of the country faces the risk of a housing market downturn in 2012 that will set in play negative economic multipliers.

The economic forecasters are lining up to predict when the first OCR hike will be delivered. However, if near-term economic growth turns out to be weaker than the RBNZ is predicting it should mean that OCR hikes are delayed even if it doesn't encourage the RBNZ to deliver more, much needed stimulus to economic growth outside of Christchurch.

Written by Rodney Dickens. Visit www.sra.co.nz to learn about SRA Ltd's services.

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FINANCIAL ADVICE

Not letting your Accounts Receivable go to waste

New Zealand is left trailing Australia when it comes to leveraging the opportunities offered by invoice-based financing and factoring.

Invoice financing has been one of the more robust forms of raising cash through difficult economic cycles, yet New Zealand companies have been slow to avail themselves of the product, says Senior Lending Manager of Lock Finance, John Blackmore.

There are signs now that the market is beginning to register more interest in what can be offered by invoice financing.

"Over the last six months invoice finance has been one area that has been getting quite a bit of activity. Lock Finance has been able to secure new funding of \$15 million which we are hoping will have a positive effect on the market," Blackmore says.

Invoice financing and factoring both rely on Account Receivables to improve cashflow. In factoring, the factoring company takes over the administration of the debtors ledger, assisting with collections.

According to the Institute for Factors and Discounters (IFD) total debtor financing volume in Australia for the December 2010 quarter was AUD\$16.1 billion, up 7.4% on the September 2010 quarter but down 2.9% over the same period in 2009.

Total Receivables that were financed during the 12 months to December 2010 were AUD\$58.7 billion, down 6.9% from \$63 billion seen in the year ended December 2009, reflecting tight credit conditions.

The Australian wholesale trade, followed by the manufacturing sector, were the biggest users of factoring or invoice financing, according to the IFD.

Untapped

New Zealand's market for invoice finance or factoring is relatively undeveloped compared to Australia's. Dun & Bradstreet have recently commented that debtor payment terms have blown out to 46.6 days. Invoice finance and factoring can make you get access to these tied up funds weekly.

However those companies without any other assets to borrow against can tap into further sources of cash by using their Receivables, Blackmore says.

Raising cash using Receivables is a very efficient way to get financing and offers a lot of flexibility in how business owners can utilise the cash. For some their accounts receivable can be a good leveraging tool for buyouts.

In Australia, some 5,000 small and medium scale enterprises that have tight cash flow used their Accounts Receivable to the tune of AUD\$59 billion to raise cash.

Whether you are seeking additional working capital, options to finance trade, for ways to fund an exit strategy or simply to unlock your cashflow visit www.lockfinance.co.nz or call John Blackmore on (09) 375 8518 or Craig Brown on (09) 375 8502.

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CASE STUDY

Bryce Traffic Solutions takes on NZ highways

Challenge

Bryce Traffic Solutions is a young company balancing different financial needs, including making capital investments to keep the business growing.

Situation

The company needs to ensure there is a sufficient pool of liquidity for it to tap into whenever the need arises.

Solution

Lock Finance's factoring product meets the company's requirement for a hassle-free way to raise cash at competitive rates.



Lyndon Bryce is a man on a mission. With 15 years in the traffic safety solutions industry he started his own company last November. Bryce has set his sights on developing his company into a multi-million dollar business with a family touch.

"This business is all about safety. All our staff have completed a first aid course. We are also working on getting ISO9000 accreditation so we can bid for bigger jobs," he says. "A good reputation and reliability are essential."

Bryce's company has been exceeding its financial goals and is set for increased growth. The large number of infrastructure projects is providing a solid stream of work for Bryce Traffic Solutions. Amongst these is the roll-out of the multi-billion dollar national fibre optic network and the link road between Highways 20 and 16.

Bryce says using Lock Finance's factoring facility has enabled him to build up a pool of cash that he can use when the need arises. "The facility is fantastic and I recommend it to every young company seeking to build their business."

He says that although there is an administrative charge for using the factoring facility, the rates are competitive compared to traditional overdrafts.

For more information about Bryce Traffic Solutions Ltd call (09) 274 0132.

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STAFF NEWS

The Kepler Challenge

On 4th of December last year, two of Locks staff, Tanja Cilliers, Sonia Harvey and their respective partners, Ben and Kevin, joined 400 other runners to run the Kepler Challenge.



The pre race briefing the night before made us realise this wasn't a race for the faint hearted. St John's, DOC, the local police, the NZ Army and race organisers stressing the importance of staying on the track, helping fellow runners in trouble and waiting for rescue by helicopter if you are injured. Backpacks were checked to ensure you had two sets of thermals, gloves, beanie, water proof jacket and space blanket plus plenty of water to see you through the next 60 kms.

Starting at the Control Gates of Lake Te Anau, the route follows an easy 6kms (how can it be easy when you start the race at 6 am and run through the forest in the dark?) before it takes a steady climb (1350m) up to the drinks station at Luxmore Hut. At Luxmore Ben decided that despite severe blisters, he was a tough Aucklander and after Tanja had applied plasters and expressed the necessary sympathies, they were off again. The next 12kms offers wonderful views of the South Fiord. The front runners may appreciate the views but for Sonia it was a case of trying to stay on the path, keeping up with Kevin and not being blown off the mountain by the helicopter which was

filming the race. At the Hanging Valley drinks station, a Kea was keeping an eye on proceedings, looking down at these crazy runners invading its space. Tanja had been troubled by a sore knee all the way up the mountain but with a fresh bandage on and knowing the climb was behind her, set off for the spectacular descent to the Iris Burn Hut with renewed energy. After Iris Burn, a gradual 17km journey brings you to Moturau Hut on Lake Manapouri. From there it's a 6km run/shuffle to the last checkpoint at Rainbow Reach. This is where our support crew met us with cold drinks, peanut butter sandwiches and plenty of encouragement for the last stretch alongside the Waiau River back to the Control Gates. Summoning up a last bit of energy, we all managed to run rather than walk across the finish line.

Would we do it again? Kevin is aiming for his 5th medal this year, Sonia wants to beat him just once so will definitely be trying again. Ben says he wants to improve on his time and Tanja? We are still working on her but she has a wedding to plan for in November so may be a bit too busy this year.

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STAFF PROFILE

Meet Stephen Sutherland

Lending Manager

I came onboard in September 2010 as a Lending Manager and I'm extremely pleased to be part of the Lock Finance Sales Team. My responsibilities include managing a small client portfolio and attracting new business. I've enjoyed meeting my clients and business associates.

My finance experience comes from many years working in the banking and finance industries.

I decided I would try my hand at being self employed in 2004 and established my own retail business. This was a huge learning curve for me. It wasn't only about not receiving a regular salary, but spending nights doing the bookwork and dealing with IRD and ACC. I learnt that to run a successful business you and your staff have to be passionate about your product and the business.

Lessons learnt as a self employed business owner helps me in understanding and assisting with the needs of our clients businesses.

At Lock Finance we have funding solutions to your cash flow and working capital problems.

You are welcome to contact me on (09) 375 8510



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STAFF PROFILE

Meet Doug White

Lending Manager – Factoring

Hi all, I joined Lock Finance in October last year as a Lending Manager. I had previously worked for Lock's sister company Easy Factors International as a Lending Manager and prior to that I was at Westpac Bank for 20 odd years.

My role is to develop the lower end segment of the SME market where I see huge potential to assist businesses with easy cashflow solutions. Our company's factoring product can provide immediate access to cash that is tied up in the debtors ledger.

These are interesting economic times and throw up challenges for all of us, including me. However, our aim is to work with you through this rough patch. We will, as always, continue to support businesses with a firm prospect.

Outside of the office I enjoy spending time with my family and taking part in marathons. I also spend time presenting at Budgeting and Money Management courses run by Cap Money.

If you would like more information on our Factoring products, please call me on 0274 362 760.

