

LOCKED & LOADED

Creating winning companies when the economy's not crash hot

Crisis can also bring real business opportunities. Many companies have been successfully formed during periods of economic recession. In New Zealand, some companies are seeking to grow despite the global credit crunch.

History has shown that consumers do not stop spending entirely during periods of downturns or recessions. Those who survive the crisis become smarter in how they run, how they use cash resources, and how they approach their business.

The Walt Disney Company was created during the Great Depression. It has survived many recessions. Kellogg's is another

company that prospered despite tough economic conditions. The cereal maker continued to spend on advertising during the Great Depression, creating customer awareness and market dominance.

Protect your 'jewels'

This is not the time to panic. Be careful not to cut off business expenditure that might actually be your lifeline. Remember you need to maintain a profile to promote awareness about your products or services. You may need to switch to a different media company, which is just as effective but less costly.

Another housekeeping item is to look at your customers closely.

This is the time to stay sharply focused on customers that are meaningful to your bottom-line. Is your business spending too much time on a few demanding, low value clients? Are you focusing enough time servicing the high value customers? If not, now is the time to do something about it.

Getting funding during times of crisis

The recession will be forcing companies to reassess how much funding they need to continue their operations. Do not leave funding decisions to the eleventh hour. Be upfront with your financiers. If you think there will be a problem with payments, notify your

IN THIS ISSUE:

Going forward in times of recession.

How Lock Finance mapped out a path for GeoSystems' smart GPS solutions

The falling NZD is buffering us from the shock of the crisis

financiers earlier rather than later.

Keep a hawkish lookout on your cashflow. Monitor your debts closely. When you do need additional funding, be prepared with a set of good financial reporting for your banks/financiers. The more transparent your financial reporting is, the easier it will be for your financiers to make a decision on the funding you need.

To find out more about Lock Finance products, visit:
www.lockfinance.co.nz
or call 0800 ASK LOCK (0800 275 562)

Greetings! As the summer slowly but surely makes its way across New Zealand, we are also looking at a world thrown into turmoil by the global financial crisis. It is an understatement to say this is a difficult time but sensible business owners always see opportunities in the midst of a crisis. Recent news coverage is all doom and gloom telling us that the world is set to spiral into a prolonged recession. Yet history has shown us that some of the most amazing businesses are born out of recessions. This is not the time to turn on the panic buttons or cut all business spending. This is the time to adopt stern measures yet spend cautiously.

We also hope - borne out of the change in the US and NZ government - the new administration will act swiftly to implement positive economic measures to turn the tables around.

During this period we should expect banks and financial institutions to be circumspect in how they view the "bankability" of new projects. You may well think what they want and what we want is overkill or ridiculous, but that is the nature of risk aversion and will be a fact in these market conditions. It can be frustrating but to be able to win their confidence, business owners have to be prepared to present to their financiers new levels of financial and business information.

Possessively guard your prized customers; keep a watchful eye on your markets and competitors. Be consistent in presenting critical business information to your financiers so they can better manage risks.

I believe we will have tough times ahead, but there will also be new opportunities

to lend to businesses that present strong business cases to us. The upside to all these issues in a world dominated by less-than-happy news is the lower NZ dollar, which will help NZ export pricing.

I think we can look forward to 2009 and beyond with hope. I wish you all a wonderful Christmas and best wishes for the New Year.




Gerard van Tilborg
CEO & Director, Lock Finance

USEFUL LINKS

GENERAL BUSINESS
www.sra.co.nz
Strategic Risk Analysis Limited
www.reuters.com
World Financial News
www.scoop.co.nz
Up to the minute NZ News
www.rbnz.govt.nz
Reserve Bank of New Zealand

EXPORT
www.nztc.co.nz
New Zealand Trade Centre
www.mfat.govt.nz
Ministry of Foreign Affairs and
Trade website. Trade and
economic relations information

CASE STUDY



GeoSystems' smart GPS solutions gets finance boost

Challenge:

GeoSystems' unique business coupled with its fast-paced growth meant it needed a flexible financing mechanism.

Situation:

Being a technology company, its "fixed assets" were hard to value. Traditional banking facilities placed too much risk premiums for money loaned.

Solution:

Lock Finance introduced a flexible facility that took into account GeoSystems' receivables as assets.

GeoSystems' GPS-based (Global Positioning System) solutions is faced with robust growth as more companies seek solutions for faster, more efficient and accurate information to raise their business productivity.

The effectiveness of its GPS-based technology has propelled the company into the fast lane, with sales averaging between 15-20 percent in the last seven years.

GeoSystems' is an established company with offices in Christchurch, Auckland and

Wellington, supplying global positioning systems, measurement equipment and technical software solutions throughout New Zealand and the South Pacific.

Working capital needs

Working capital demand grew in line with the business and traditional financing was not suitable for our requirements, says Paul Dawson, Construction Solutions Manager for GeoSystems.

"Because our specialised stock levels were associated with high levels of risk premiums,

traditional banking was not suitable. Lock was able to support us with a flexible debt financing tool which enabled us to use our receivables," Dawson says.

Lock, he adds, also provided invaluable support-services to GeoSystems' by participating in board meetings, and providing input on ways to improve its financial reporting.

To find out more about GeoSystems visit

www.geosystems.co.nz

“Lock Finance understood the strength of our business - our cash-flow. We don't have plant, or stock. What we have is our relationship with our customers. Lock funded us based on our strong cashflow.”

Asantha Wijeyeratne
CEO, Smartbusiness Live Limited

NZD reducing impact of crisis

The escalation of the financial crisis is delivering a negative shock to the global and NZ economies, but the falling NZD will help buffer NZ from the shock.

The days of hoping the international financial crisis would leave the NZ economy relatively unscathed are clearly over. The dramatic escalation of the crisis following Lehman's bankruptcy has sent shockwaves around the global economy including tumbling commodity prices, falling international trade and a credit crunch that has hit indebted companies and countries.

NZ's large external account deficit, at over 8% of GDP, is normally of little relevance to the exchange rate. But in a world in which debt became a dirty word the NZD got tarred with the same brush as the currencies of other debtor nations.

NZ's debtor status has also contributed to NZ banks facing increases in overseas funding costs out of proportion with NZ's economic fundamentals.

This is a travesty of justice but the forex market isn't interested in justice, so the NZD has tumbled down ahead of schedule.

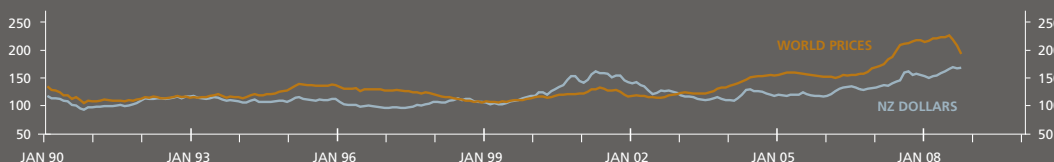
The local credit crunch is a major cause of concern and is currently weighing heavily on near-term economic growth prospects, but the tumbling exchange rate is part of the solution not another worrying symptom of the disease.

The chart illustrates the important role the exchange rate is already playing in buffering the NZ economy from the crisis. In world price terms the ANZ measure of NZ's export prices fell 15% from July to October, but when measured in NZ dollar terms – which is what is relevant to local exporters – export prices have actually increased 1.5% since July.

By **Rodney Dickens**

Managing Director & Chief Research Officer
Strategic Risk Analysis Limited

Visit www.sra.co.nz to learn more about SRA Ltd's services.



The gold line is the ANZ Commodity Price Index in world price terms, while the blue line is a price index of the same 13 commodity groups measured in NZ dollars.

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Our products have proved successful with all sectors including importers, distributors, wholesalers, manufacturers, exporters and service providers.

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VANESA CONTINILLO

Hola! Originally from Argentina I moved to Auckland earlier this year.

Unfortunately for my family, I love to travel. Having circumnavigated the world, I happily landed a job here at Locks and was drawn to the working environment and the strong work life balance approach. Before NZ, I spent a large part of my working life as an accountant and auditor in different commercial companies.

I have a great love for music and dancing. I also aim to become fluent in Mandarin with the help of my team colleague Melissa!



MELISSA YAP

Trade Finance clients will know me as an “oldie” with a current (and still counting) 4 year track record with Locks. I started with the Trade team in 2004 as a Trade Finance Officer before being appointed Supervisor shortly thereafter. It took me just over 3 years to develop gusto, and then joined Vanesa to balance out the boy/girl ratio in the Business Development Team, where I am one of the two Lending Analysts.

Our role as analysts is to assist the client and business relationship managers in the preparation of interim and annual reviews. We particularly enjoy visiting clients with the account managers, and if that opportunity does not arise, we will either call or email you to obtain information for us to gain a better understanding of how your companies operate. If you have not heard about us yet, rest assured that you will soon. In the meantime, please feel free to contact us should you require any assistance whilst your account manager is away. We look forward to meeting, hearing and working with you soon.



Our prime goal is to help New Zealand businesses grow through the use of a number of business lending tools. As New Zealand’s leading independent business finance and factoring service provider we set ourselves apart through three key factors, ownership, people and a flexible product portfolio.

Like many of our clients we are a medium-sized company. We know that time is money and have designed our systems and processes to make life easy. They combine both flexibility and fast response which means we take immediate action when any client issues arise.

Office Coverage:

Please note that there will be reduced staff coverage during the Christmas period. We urge our clients to advise us of any funding requests and draw downs in advance.

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