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WORD FROM THE CEO

Greetings!

There is no doubt it has been a tough year for many small/medium enterprises (SMEs). We have seen many SMEs reorganise. For many, the day-to-day focus is on keeping the costs out of their business.

Many are also working to readjust to a different scale of business. The market is of a different size. This is now the "new normal" for many SMEs.

Recent figures by the Statistics Department show that for the first time in nine years, there has been a 1.7 per cent drop in the number of businesses in New Zealand. In the building industry alone some 2,800 companies have disappeared. For the first time in nearly a decade, closures have outpaced new businesses.

Amidst all these negative news, there are SMEs that have made progress with new deals and growing market share. We have many incredibly resilient entrepreneurs who have great tenacity and vision. We believe there are still more fantastic opportunities in the market.

As I have said before, Lock Finance gets a thrill from knowing our customers well, learning about their businesses and helping them take those steps forward to grow. We want to help you reach your Big Hairy Audacious Goals, doing what we do best – providing financial solutions to your business.

We are fortunate to be in a position of strength due to our strong financial backing. We also offer a diverse product range - Working Capital Finance, Trade Finance, Debtor Finance and Factoring - to cater to different needs. We are flexible. Most of all, we pride ourselves on our ability to listen, and offer creative solutions.

I hope we can be part of your success in 2011 and beyond. On behalf of all the team at Lock Finance I wish you and your families a Merry Christmas and a Happy New Year!

Simon Thompson
CEO, Lock Finance



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MAIN ARTICLE

CROUCH, TOUCH, PAUSE... ENGAGE!



Photo courtesy of KPMG

Preparing your business for the Rugby World Cup.

It's a phrase we will be hearing a lot of in 2011. As all keen rugby followers know this mantra is recited by the referee before every rugby scrum, that intense 16 man wrestle that is the heart of the game.

We are already a rugby mad country but in 2011 we host the Rugby World Cup. There are 1.65 million tickets being sold. We will be welcoming an expected 85,000 plus visitors to the 48 matches spread over 45 days. It is one of the biggest events ever here.

As business owners and leaders you should be in training too! Consider how you can best capitalize on this event. I recently attended a seminar about the opportunities and here are some key preparation tips, with a little "rugby flavour".

Let's start with analyzing that phrase.

Crouch – Prepare and position yourself

Get your business into the right position and be prepared for what you may get hit with. This means getting the right team around you – not just your staff, but also the right suppliers, funders, advisors and shareholders. In most businesses the operations team is the engine room, the locks, whereas sales are probably those outside backs who get the glory most often, but only because the platform has been laid by the guys upfront.

Ensure your team are match fit, will you need extra staff, if so do you have enough reserves on the bench? Can your stock levels cope with added pressure and seasonal demand? Look at the timetable of events now and notify your suppliers in advance.

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Touch – Put out some feelers, touchbase with other players in your field.

Many of the visitors will be successful business people. Make sure you use the Rugby World Cup to make new contacts. A special NZ 2011 Business Club has been established to help make this happen – go to www.nz2011.govt.nz and join today!

Plan to showcase your business and products. A myriad of events are planned including a nationwide REAL NEW ZEALAND festival which has events ranging from food and wine shows to arts and music events. Many traditional events are also re-scheduled for the RWC time, such as the Boat Show, the Wearable Arts show and Fashion Week. Take part and benefit from a truly international audience this year.

Join your industry association, many industry focused Hosting Events are being planned by specific sectors. Don't be left out.

Pause – Stop, think and plan ahead

Check your preparation is done in advance and that your planning is realistic before you commit.

Stop to think what else you could do. Consider the bigger audience, including the estimated 4 billion following the event on TV and other media. Those journalists are always interested in other stories and experiences outside of rugby. Be creative and make your own news story.

Perhaps have your own hosting function, the Business club or Trade Associations will assist provide interested parties for you.

Don't use a pause as a reason to stop though, unless there are good reasons, you can't win if you don't get involved in the game.

Engage – Take Action

Take the first step - start by joining the NZ 2011 Business Club.

Remember that your first contact with new "players" is usually the most important, make an impression with your first "hit".

Join up with other companies, just like a scrum a good combination is better than one or two strong individual players. If things break down, get back up on your feet and re-engage.

Engage also means getting truly involved with rugby guests. A common theme from the RWC team was to show visitors the true Kiwi experience, take them fishing, out to a winery or just to your home for a BBQ. Don't expect them to want to talk business first, rather build relationship so they get to know you and our beautiful country.

After the Game - Multi-task

After every game some deep post match analysis is usually required, fueled by thirst quenching beverages. The same applies here. Look at what has been learnt and make an effort to keep in touch with any new connections that have been made.

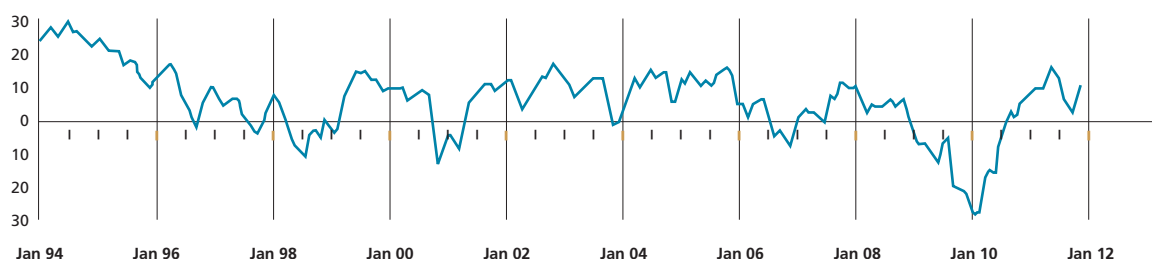
Whether you are an Importer looking for new agencies, an exporter looking for new markets, a service provider wishing to expand or just considering how you can sell more next year the Rugby World Cup holds some real opportunities. Don't miss it.

Next time you play or watch rugby think about how some of the "Crouch Touch Pause Engage" basic principles can apply to your business when you are on your mid-week "playing field."

And remember most of all, enjoy the game!

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Financial Report

Many businesses found 2010 challenging. The economic recovery was weak by historical standards while many firms faced clients still focused on cost cutting. But thanks to two major events in 2011, better times lie ahead for many industries.

In December the RBNZ revised down its near-term growth predictions, mainly because of the housing downturn being driven largely by the property tax changes. In my assessment near-term prospects, especially in residential building and related industries could be worse than the RBNZ is predicting.

But the RBNZ also revised up its predictions for 2011-12 and it won't be long before the biggest factor driving growth in 2011 will kick off.

The reconstruction job in Canterbury now has a \$5b price tag and the RBNZ expects it to add 2.6% to national economic activity over a 2-3 year period. Around 5,000 dwellings will have to be completely rebuilt, equal to 30% of the number of new dwellings built nationally in the last year. The repair bill will be equal to more than a year of national alteration and addition activity. Plus \$2b of repairs to infrastructure and commercial buildings.

This will boost demand for a wide range of Canterbury and national firms. This will include

the obvious, like timber, roofing, windows, etc. But improved employment prospects, as shown in the chart, will mean increased spending in a much wider range of areas.

The Rugby World Cup is the other major event in 2011. The official estimate is for 85,000 overseas visitors who will be spread around a number of regions and many of whom are likely to travel and spend more generally.

This will add 2% to the national population of eaters and people requiring accommodation, but more like 4% to the population of drinkers. However, not long after the final whistle blows on 23 October most of the visitors will leave, taking their empty wallets with them.

The chart shows the improvement in the NBNZ survey of employment intentions since the Canterbury earthquake.

Written by Rodney Dickens.

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CASE STUDY

The Real McCoy jackets that caught Hollywood's eye

Challenge: Funding the purchase of materials required to fulfil export orders

Situation: The company required Trade Finance/Working Capital to fund a spike in sales to Japan.

Solution: Lock Finance worked with the Real McCoy to provide a Trade Finance facility, supported by the assets of the business and future orders.

The Real McCoy's is a Christchurch based export success story. The owner, Masa Ishizuka, was born in Japan and has a strong interest in aviation and World War 2.

This interest lead him to developing a niche market designing and manufacturing replicas of World War II fighter pilot jackets. Sales are predominantly to Japan where there is a collector market for reproduction of American vintage clothing.

The business has been successful due to the focus on quality by Masa and his 11 staff. Every piece of a Real McCoy's jacket is made individually and by hand. "We are a steady business. Our jackets are not mass produced so we do not deal with mass orders," Ishizuka says.

The company keeps to its philosophy of producing authentic pieces using top quality material such as horsehide and sheepskin from New Zealand and also Italy. It keeps its production to just over 3,000

pieces per year including Jackets along with 1930s and 1940s style jeans.

So authentic are the company's products that they have caught Hollywood's eye. The Real McCoy's is supplying jackets to be worn by the cast for an up coming George Lucas' movie, Red Tails. The company also supplied jackets in Tom Hank's Band of Brothers, Ishizuka says.

Ishizuka says Lock Finance has been fantastic. "They took the time to understand my cashflow and placed a value on the orders I had in my hand. The additional funding from Lock was used to help finance the purchase of materials and to help with distribution and sales."

Ishizuka says the company's strong track record of sales helped. Traditionally, 75 per cent of the company's products are pre-sold within three days at a trade show in Japan.

Sonia Harvey - Lending Manager at Locks says, Lock Finance was able to help as The Real McCoy's had a proven track record of sales and they sell a quality product.

For more information on the company, go to <http://www.realmccoys.co.nz/home.html>



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HOLIDAY INFORMATION

Best wishes from the Lock Finance Team

This year Lock Finance will be closed over the Christmas and New Year period. We will be closing from 4pm 24th December 2010 and re-opening at 8am on Monday 10th January 2011. There will be a skeleton staff available for your assistance should you require it.

For all our Factoring clients, a limited service will be available. We request you to please have your batches into us by 10am and all funding requests by 12pm. For any Trade Finance requests please advise the Trade Finance team by 12pm.

Please contact our operations teams if you have any questions. We thank you for your co-operation.

On behalf of all the Lock Finance team we wish you and your family a happy and relaxing Christmas.