

› MOTION INDUSTRIES:

## Changing with the times

For many years, ANZ has been providing just the right lubricant for every turn of the corporate wheel at bearings and power transmission supplier Motion Industries.

We were there to support the purchase of the oldest operating division, SAECO, by Australian interests in 1988, for the acquisition of Precision Bearings and Transmission 10 years later, and the subsequent management buy-out to bring ownership back to New Zealand and create Motion Industries in 2001.

“Business does evolve and ANZ recognises that banking needs change too. Our core philosophy is to position ourselves to meet the needs of our customers throughout the business lifecycle,” says ANZ Auckland Corporate Relationship Manager, Bronwyn Mason.

Motion Industries Managing Director, Mike Donovan, gained much of his experience in the bearings industry at SAECO. After rejoining the company and taking the helm in the mid 1990s, he drove the purchase of Precision soon after it had acquired Fenner New Zealand Limited.

“When we became aware that Australian interest in the group was waning, the six senior executives initiated a management buyout (MBO),” says Mike. “Proposals were sought from several banking organisations, but ANZ Capital demonstrated a clear understanding of the business and provided a funding package suited to our needs.”

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› INTRO BY NIGEL WILLIAMS

Leadership is an instantly recognisable quality, much valued for its ability to turn the ordinary into excellence.

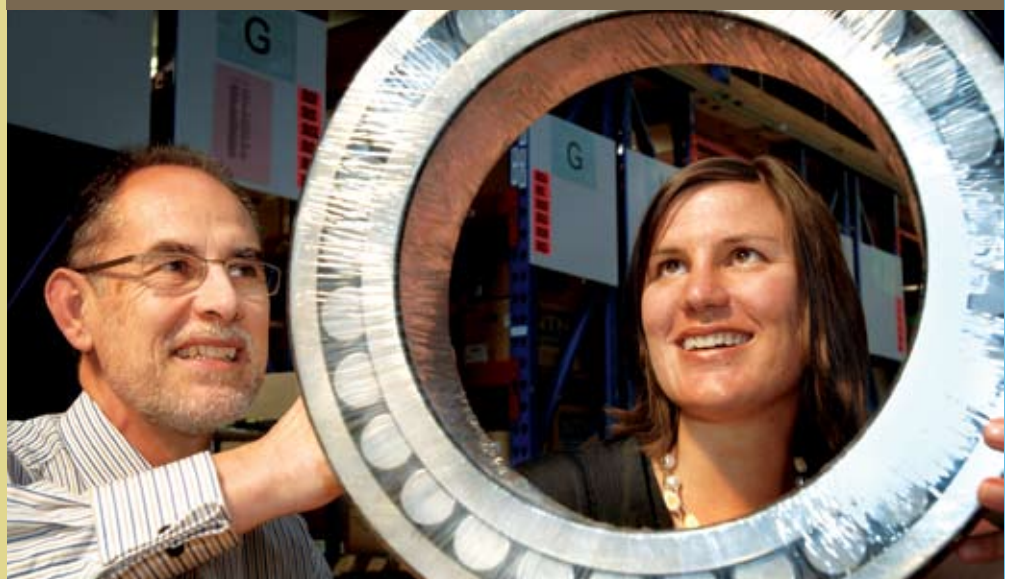
Through our support of an inspired programme called Prefects that Peak, provided to secondary schools by AUT University, I was fortunate to be invited to talk with seventh formers from Tangaroa College in Otago in South Auckland. They engaged me in a wide ranging and challenging discussion over the course of an hour and among them I have no doubt are potential leaders for business and the community. The challenge for business is to find a way of engaging these young people and others like them to make sure those talents are not wasted.

As we show in this issue of Viewpoint, ANZ offers leadership by providing clients such as Independent Wrap the tools to get started and Motion Industries the lubricant to keep the wheels of ownership turning. Tumblar Industries is benefiting from ANZ's leadership in foreign exchange transactions to protect its earnings.

Your relationship manager can provide further details on these and other services that will help your business to achieve excellent results.



Nigel Williams  
Managing Director.  
Institutional, Corporate and  
Commercial Banking



Motion Industries: Chief Financial Officer, Richard Hawkes with ANZ Relationship Manager, Bronwyn Mason.

› INSIDE

› Planning for success  
- Independent Wrap Ltd

› Tumblar Products  
› The all new Kiwisavers scheme

◀ Continued from previous page

ANZ substantially funded the MBO and agreed to a share repurchase arrangement over a two to five year period. "We repurchased a small portion of ANZ's shareholding in Motion Industries at the end of the 2002 financial year and then in 2003 acquired the rest of it from retained earnings and debt-funding provided by ANZ."

Bearings are a strategic business. They are everywhere, making everything spin smoothly; from the disk drives in a computer to the huge hydroelectric turbines that generate the power for it. "We have access to most of the world's manufacturers, which is necessary to satisfy our customers' diverse requirements," Mike says.

Mike has the next revolution for Motion Industries already in mind, sparked by one of the original six executives exercising his exit option. "Our philosophy has always been that we will exit and allow either the remaining shareholders to consolidate their position or instigate a succession by the up-and-coming members of the team."

When that happens, the wheels at Motion Industries may well need lubricating again.



Independent Wrap Limited: Lydia Dickinson and ANZ Commercial Manager Murray Rookes.

## Planning for success

INDEPENDENT WRAP LIMITED:

Lydia Dickinson spends a lot of time behind the wheel – literally, winning go-kart championships, and figuratively, booking orders for her acclaimed business, Independent Wrap.

The former North Island go-kart champion first displayed entrepreneurial talent as a 14 year old, earning pocket money from selling the excess concrete pipes and cattle troughs made by her father for use on the family farm.

Now she is rolling out bale packaging materials to farm contractors around the country. "Baling twine per se didn't get me excited, but I'm passionate about business and having control of my destiny," she says.

Murray Rookes, ANZ Commercial Manager in Taranaki, says Lydia made good use of the ANZ Business Planning Kit. "She wasn't keen on producing a business plan, but I advised her that doing so will help her to focus and establish sound foundations for Independent Wrap."

Lydia admits the experience was tough at the time, but the reward has been a fast-growing business that has won accolades as well as customers. Last year Independent Wrap was awarded Best New Business in the Businesswoman of the Year Awards and was runner up in the Taranaki Chamber of Commerce Business Awards.

Bale packaging is a highly competitive business, dominated by the major farm suppliers. The harvesting season is short, so contractors need a high degree of confidence in the quality of the products to get the job done.

"It's definitely a male-dominated industry, but I pride myself on providing a competitively priced and quality product with service, and try and push those factors," Lydia Dickinson says.

After much hard work, and assistance from a mentor and former employer in the business, Lydia sourced bale wrap from Australia and baling twine and net from the Czech Republic. With a lag between orders being placed and sales being made, Independent Wrap use the services of the experienced ANZ foreign exchange team to obtain up-to-date market information and hedge their foreign exchange exposure.

Lydia's passion for business is still strong. "I'm not one for sitting still. In three or four years I may look at something else. I love the challenge of creating a business that works."

## Targeting a nil-all score for foreign exchange

### TUMBLAR PRODUCTS:

Commentators who had picked the kiwi dollar to now be worth closer to US60 cents than US70 cents are again making their predictions for the year ahead.

Of course, this might be the year the consensus forecast is correct. But can an exporter afford to take that risk? Not if, like Christchurch-based Tumblar Products Limited, 80 percent of revenues are from offshore.

Founded by John Smith, Tumblar takes its name from the anti-static fabric softener pads it started manufacturing 26 years ago. Since then the company has expanded into the contract manufacture of household cleaners, insect repellents and associated products, and is about to embark on the construction of new premises to add to the production facility it now occupies.

The task of shielding earnings from the impact of the volatile New Zealand dollar falls to Chief Financial Officer, Lynn Dilger. "Our focus is on protecting our costing rate," she says. "We don't get overly concerned by the daily fluctuations, as our overall goal is to lose nothing to foreign exchange."

"Typically we float a third of our currency exposure, have forward contracts in place for another third and use options for a third, depending on our cash flow projections." Updates on currency trends and available strategies are provided daily by the foreign exchange team at Tumblar's bank, ANZ.

"Protecting earnings and cash flow is the basis of risk management," says ANZ Foreign Exchange Manager Paul Saunders. "Exposure to adverse market rates cannot be eliminated, but it can be managed. Best placed are the firms who have clear and unambiguous policies, procedures and reporting and a systematic approach to managing financial risks."

Understanding the financial instruments that can help is not always easy. Lynn Dilger has taken advantage of the free seminars for exporters and importers offered by ANZ to customers and Canterbury Manufacturers Association members. More detailed three-day workshops are provided in conjunction with Lincoln University.

Encouraged by several years' experience managing foreign exchange rate risk, Tumblar is now looking to manage its borrowing costs using interest rate swaps.

David Walker, ANZ Manager Capital Markets, says an interest rate swap, used with a relating floating rate loan, can provide the certainty of a fixed interest rate when floating rates are rising. When the trend is falling, the swap can be restructured with more flexibility than may

be possible with a traditional fixed rate loan, to access lower rates by extending out its term.

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**Tumblar Products:** Chief Financial Officer, Lynn Dilger and ANZ Manager David Walker.

## KiwiSaver

KiwiSaver – the Government's soon-to-be-launched, voluntary, work-based retirement savings initiative – is designed to lift the level of savings in New Zealand and provide a nest egg for those reaching the age of retirement.

For employers, there are also potential benefits, particularly when it comes to tailoring the scheme to encourage staff retention.

ANZ intends to offer the flexibility to incorporate incentives for delivering added staff satisfaction. These could include the vesting (partial withholding) of voluntary employer contributions, access to subsidised fees, and potential Government contributions to the deposit on a first home purchase.

What's more, tax breaks on employer contributions, along with other Government incentives such as the \$1,000 kick-start and subsidised fees, should make KiwiSaver appealing to many employees.

Doug Booth, Portfolio Manager, Managed Funds at ANZ also believes that active investment management has the potential to deliver superior returns compared to the offerings of competitors and default providers mandated by Government.

From 1 July 2007, all employers will be required by law to provide new and interested staff with information on KiwiSaver, as well as manage pay deductions and distribute investment statements.

ANZ intends to distribute a scheme to make these obligations easier for employers, and ANZ will supply the investment statement, and assist with other materials required to be passed out by employers.

"Clear, easy-to-follow literature will make it simple for staff to make a decision, meaning less involvement on the part of employers," Doug Booth says.

ANZ will be mailing out full details of the ANZ scheme shortly. In the meantime you can find more information at [www.anz.com/nz/promo/KiwiSaver](http://www.anz.com/nz/promo/KiwiSaver).

## CORPORATE BANKING REGIONAL EXECUTIVES

### GRANT MCGREGOR, AUCKLAND NORTH AND KIERAN FORDE, AUCKLAND SOUTH

"Our primary focus this year is to have discussions with our customers and our prospects about their options either to grow their business or to cash in some or all of the value that they have created," says Auckland North Corporate Banking Regional Executive Grant McGregor.

"We've always been keen to fund acquisitions or accelerate organic growth, but over the past year we've also seen a wave of money rolling in from Australian private equity looking for good quality, cash-generative New Zealand businesses."

Kieran Forde says baby-boomer business owners are showing interest in cashing up some or all of their wealth to take care of family, pensions and personal lifestyle choices. "Typically these businesses have enjoyed several years of strong growth, have low debt, robust cash flows and can justify high earnings multiples to potential buyers."

The Corporate Banking teams have deep change of ownership experience, and are able to talk with authority to customers about their options for realising value from their business – from dividend payouts, to restructuring shareholdings, to full exits, to trade or private equity buyers.

"Our flourishing local Leveraged Finance team can then work alongside our Corporate Banking managers to help these transactions happen with maximum speed and certainty and minimum disruption," Grant McGregor says.

When the baby-boomers do cash in, our Private Banking specialists are there to help with the next step – that's all part of the full range of service offered by ANZ National.

Kieran Forde's team works with customers in the CBD, South Auckland, Tauranga and Hamilton, while the Auckland North team headed by Grant McGregor takes in the CBD, North Shore, Albany, Waitakere and Northland.

### JOHN BENNETT, CENTRAL REGION

"We are banking people, not just companies," says Central Corporate Banking Regional Executive, John Bennett, who gathered extensive experience in corporate banking in London, before moving to New Zealand five years ago.

According to John, while understanding a customer's business is crucial, it is the people who can turn a poorly performing operation into a top performer. Often, he says, his role is like throwing a pebble into a pond and watching the ripples go out. "It's about providing a different viewpoint and different ideas to create the solutions before issues become problems."

The Central region covers a diverse range of business across a broad spectrum of sectors, reflecting the spread of the region. It covers both rural and city locations, from Hawkes Bay through to Palmerston North, Wellington and Nelson-Marlborough.

### MICHAEL MCCREA, SOUTHERN REGION

Being valued as a trusted banker by owners and senior managers is the defining role, says Southern Corporate Banking Regional Executive, Michael McCrea. "Our customers expect to be kept informed of the ways in which the bank can add value to their businesses and they welcome the opportunities we bring to them," he says.

Years of experience working with corporate clients, understanding markets, and the cycles business goes through, also provides a resource for clients to draw on when deciding on the optimum opportunities.

The Southern Corporate Banking team covers the South Island and also includes specialists in commercial property financing.



From left to right: John Bennett, Kieran Forde, Grant McGregor and Michael McCrea.

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