



# Coronavirus and what it Means for Your Business

The COVID-19 Virus has arrived in New Zealand and we now know it is a global pandemic. There has been much commentary and news about the virus and the Government has introduced an aid package of \$12 billion.

We have issued a separate document setting out the details of that and how businesses can avail themselves of the assistance measures (as much as we know of them at this stage).

However, we recommend that you approach this challenge proactively and we have summarised a few ideas and defensive strategies for you to be thinking about to protect your business.

- **Safety in the Workplace:**

As an employer you are directly responsible for the health and safety of your employees and you must take steps to ensure employee well-being. Follow the advice around safety protocols of the [Ministry of Health](#)

Ensure you have a comprehensive health and safety manual which includes information about COVID-19. Remember that as business owners you could be prosecuted for failure to provide adequate safety in the workplace for your employees.

- **Employees:**

Know your obligations to your employees in terms of sick leave and whether you can compel them to stay home. You may have to pay staff even though they are not at work. Guidance may be obtained from [Employment New Zealand](#)

You may be eligible for relief under the Government assistance package (see our separate information circular on that)

- **Business Continuity and Protection:**

Be prepared to implement business continuity plans and disaster recovery plans. For instance, can your staff all work remotely in the event of full isolation? Can your systems cope with the strains that this situation is putting on businesses? Do you have loss of profits insurance? If so, start considering claim-formulation; if not, consider putting a policy in place.

- **Be Business-Fit:**

Follow the principles of sound corporate governance to ensure that the risks to your business are mitigated as much as possible, for instance:

- Revise your budgets and forecasts, modelling best and worst-case scenarios.
- Analyse significant impacts on turnover and profitability based around those models and talk with your bank or financier right away.
- Now is a good time to review your future strategy even though there is so much uncertainty – what we can be sure of is that this challenge will be with us for more than

just a few weeks. While this situation presents many challenges and threats it can also present opportunities.

- Revisit your risk management strategies – it could be that the rainy day for which you have been preparing is now here.
- Review your foreign currency exposures especially if you are an importer or exporter and discuss these with your bank.
- Review contracts to determine whether you can rely on force majeure or other relevant clauses.
- Consider the effect of the virus on your supply chain and plan for contingencies around supply interruption.
- Look at ways to cut costs in the immediate short to medium term.
- Speak to your financiers about placing loan repayments on hold or re-scheduling debt; possibly converting to an interest-only facility.
- Look at staff cuts, even temporarily, but you must take advice on how to go about that.
- Suspension of high-cost-low-revenue operations.
- Consider the sale of assets that are surplus to requirements.
- Review your future investment plans and defer non-essential capital expenditure.
- Look at possible increases in funding lines, even if you don't need them now, they may be helpful if the problem goes on longer than we hope it will.
- Discuss the matter with your landlord and ask for a rent holiday or temporary rent reduction.
- Manage your working capital by collecting receivables and optimising inventory levels to enable the building up of cash reserves.
- Make sure you have good quality information to hand to allow you to make sound business decisions – get your management accounts up to date so you are dealing with live rather than historical information.
- Defer making provisional tax payments and address tax pooling options – cash flow preservation is vital.

- **Defensive measures:**

You may even need to consider more extreme defensive measures such as requesting your bank to allow you to put repayments on hold, discuss what will happen in the event of a default and as a last resort consider Voluntary Administration.

**These are unprecedented times and in such times of adversity people tend to come together and to help each other.**

**We are here to help you and if you have any questions about how to navigate your way through these difficult times, we are here for you. Please reach out to us, we are just a phone call away and can discuss how you can safeguard your business in these troubled times in more detail.**