CONTENTS

Introduction	2
What to do immediately following a disaster	3
Taking stock of your business - Steps to recovery	9
A post-disaster business plan	17
Financing your post-disaster business	22
Long-term disaster recovery	30
Preparing business continuity plans	32

INTRODUCTION

Any business may fall victim to a disaster that may disrupt their business. The disaster may be an event such as fire, flood or earthquake, a creeping disaster such as drought or disease, or a disaster that impacts a single business such as a factory fire or computer virus.

Best practice for businesses is to have a continuity plan to assist them respond to such disasters and support recovery.

Unfortunately, experience shows that many businesses do not have a continuity plan or, if they do, it is inadequate. This makes business recovery more difficult.

Following a disaster, it is anything but business as usual for you, your employees, customers, possibly your suppliers and the broader community.

This toolkit is designed to assist small businesses impacted directly and indirectly by a disaster – especially where they do not have a continuity plan, or their continuity plan proves insufficient. It is intended to help such businesses take a considered approach to the many elements of recovery following a disaster.

This toolkit focuses on business issues we believe those affected by a disaster should consider. It covers:

1. What to do immediately following a disaster

2. Taking stock – guidance on how to analyse and evaluate the state of your business

3. A new business plan – guidance on developing a new business plan to help recovery and how to fund that new plan

4. Long-term disaster recovery – guidance on additional activities that may help your post-disaster business operate better than your pre-disaster business.

The toolkit includes checklists and templates to assist in the disaster recovery process.

In addition to working through this toolkit, Abaco Chamber of Commerce strongly recommends that you speak to your accountant for tailored advice following a disaster.

This guide does not focus on the myriad of non-business issues that you may face, including mental health issues. For those issues, we encourage you to seek the support from appropriate professionals and organizations.

WHAT TO DO IMMEDIATELY FOLLOWING A DISASTER

WITHIN TWO DAYS FOLLOWING A DISASTER

1. Contact all staff and establish their location and whether they are safe and well – ask whether they have been affected, will they be able to return to work, and if so when will they be able to return to work.
2. Undertake an initial damage assessment – If you are allowed to access your premises, develop a list of destroyed or damaged items. If possible, estimate their replacement costs. Include photos of the damage if possible. **Do not** commence cleaning up until you have contacted your insurer.
3. Contact your insurance company and discuss your damage assessment, your level of cover, how quickly your claim can be processed, how much and in what form a claim will be paid and when an insurance assessor will visit.
4. If safe to do so, salvage any remaining equipment and stock

Checklist - Within two days of a disaster

Assessment item	Yes	No	Comments/ Notes
Staff			
Have any of your staff been affected by the disaster?			
Will they be able to return to work? If so, when?			
Do you need to put off staff for the time being?			
Premises			
Are your premises operational?			
Can you recover any of your stock, supplies and/or equipment?			
Have you created a list of your damaged and undamaged stock, equipment and other assets?			
Have you taken photographs of the damage including premises, equipment, stock etc.?			
Contact your insurer			
Have you given your insurer your preliminary damage assessment?			
Has your insurer been able to tell you what your insurance pay-out is likely to be, when the pay-out is likely to be made and whether it will be in the form of cash or asset replacement or a mix of both?			

Damage assessment template

Overall damage assessment - include a list of destroyed or damaged items, estimated replacement costs and include photos if possible. Do not commence cleaning up until you have contacted your insurer.

Items destroyed	Est' replacement cost	Insured?	Photo ref#
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	

Items destroyed	Est' repair cost	Insured?	Photo ref#
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	
	$	Y N	

WITHIN THE FIRST WEEK FOLLOWING A DISASTER – COMMENCING YOUR RECOVERY

1. Commence actions that will assist you reopen your business when you are ready - Make a list of key equipment, stock and other activities of the business that need to be operational for the business to reopen. If any key equipment and stock has been salvaged, ensure they are stored in a secure location.

2. Contact key customers and suppliers to advise that the business has been affected - let them know that you will notify them when you are ready to trade again and advise them if orders cannot be completed. Work with your customers to devise a strategy to assist them in continuing to receive the goods or services you usually provide.

3. Contact your lender and accountant.

4. Assess if you can undertake any temporary trading - do you have forward orders that you can complete, or sales that can be made from salvaged stock.

5. Access any business information held in cloud-based software.

6. Consider contacting government agencies that may be helping affected businesses.

Initial actions following a disaster checklist

Assessment item	Yes	No	Comments/ Notes
Have you prepared an action list of activities required to reopen the business?			
Can you salvage equipment and stock and place in secure storage?			
Are you keeping staff, key customers, suppliers and lenders informed of what you are doing in response to the disaster?			
Have you collected your computer back-ups and other necessary information from storage or the cloud?			
Have you informed customers where supply orders cannot be fulfilled at this time and assisted them to fill such orders from other suppliers until you will be able to supply them again?			
Do you need to postpone purchasing supplies for the time being?			
Can you cancel orders that you have made?			
Contact government agencies and utility companies that may be helping affected businesses.			

Template - Initial steps to restart your business when you are ready

What items, actions or other activities do you need to re-start the business?

Equipment or operational procedures	Will the equipment or stock be	By when will such equipment or	If equipment or stock not covered by insurance, estimated	Is hire-purchase or leasing	Other actions required
E.g. Point of sale equipment	Yes	Within two weeks	N/A	N/A	• Speak to other businesses to see if they have a spare cash register you can use until new point of sale equipment is available
E.g. Commercial-grade fridges	No	N/A	B$5,000 – XYZ Commercial Fridges	Yes - leasing	• Speak to neighbouring businesses to see if you can temporarily access their commercial fridge • Find out when XYZ can deliver your replacement fridge
E.g. Contact major client to say you are reopening for	N/A	N/A	N/A	N/A	• Speak to your accountant on whether leasing or outright Inform client that due to the impact of the disaster, it may take longer than usual to fill orders

WITHIN THE FIRST MONTH FOLLOWING A DISASTER – FURTHER INITIAL STEPS TO AID RECOVERY

1. If required, look for alternative temporary business premises. When assessing this requirement, not only does the premises need to be safe but you need to consider whether your staff, customers and suppliers will be able to access the alternative premises.

2. Review your business records - collect all business records that have been salvaged, or copies kept off site that are retrievable. Where there are gaps in records, consider alternative sources to help you reconstruct your financials. You may like to talk to your accountant at this stage for assistance.

List of potential sources of business records

Source	Potential Information
Surviving files/Cloud based / back up data	See if any files, including electronic files can be recovered, including any back-up data you may have.
Taxation Office, State revenue authorities	Contact Inland Revenue for any documents you may have filed with your assesments.
Accountant	Your accountant may have copies of financial statements and tax returns for your business.
Banks, credit unions and building societies	Past bank statements are a great resource for reconstructing your records. For example, a business may remember or take a good guess at what many of the transactions on a bank statement were for, even though the primary records of the transactions are gone. Banks can charge for replacement statements; however, they may waive such fees following a disaster.
Off-site sources	Consider whether any files are kept off-site, for example, where activities are outsourced e.g. IT, payroll, etc. In such a situation, the service provider may have information on file. If you have cloud data, you may be able to retrieve the data quickly.
Staff	Ask staff if they have records off-site, e.g. emails, documents on their computer, memory sticks and other electronic storage devices.
Lenders	If your business has borrowed money from a bank or another lending institution, they may have financial information on file, such as annual financial statements, forecasts and budgets and other information regarding the loans.
Customers and suppliers	Customers and suppliers may have invoices, remittance advices, purchase orders, receipts etc. that they may share.
Corporate regulator	Your financial statements may have been lodged with the corporate regulator.

Auditors / back up data	**If your financial statements are audited, your auditors may be able to provide copies of work papers and other records obtained during an audit as well as any policies or procedures they may have taken copies of and financial statements.**
Insurer	**Your insurer may have a list of the assets owned by the business.**
Other government agencies	**If the business has received government funding/grants, the awarding government agency may have records.**
Accreditation, certification or licensing bodies	**If your business is subject to any other form of certification, licensing or accreditation, those bodies may have records that could be used.**

TAKING STOCK OF YOUR BUSINESS - STEPS TO RECOVERY

Now that you have assessed the damage to your business and taken other initial steps to recovery, you should to take time to evaluate how your business was running prior to the disaster before making further decisions. Evaluating both the financial position of your business and how it was operating pre the disaster will give you great insight into what is needed in recovery.

The following are our recommendations on how to evaluate the health of your business:

RECONSTRUCT YOUR FINANICAL RECORDS

To determine your financial position after a disaster, and to undertake a more detailed analysis of the financial health of your business, you may need to reconstruct your financial records if those records have been lost in full or in part.

If you have not been able to salvage your financial records, your first step in reconstructing such records is to seek evidence of past financial transactions. Where such records no longer exist or are incomplete, the List of Potential Sources of Business Records can help you identify potential sources of information to help you reconstruct your financial records.

DETERMINE YOUR FINANCIAL POSITION

Once you have reconstructed and reviewed your financial statements, we suggest that you determine the financial position of your business. This is important as:

- there may be substantial outgoings to pay before you can restart, therefore you will need to assess how to fund these outgoings and whether you can afford it
- there may be a significant period before you can restart trading and therefore you may have to rely on existing sources of cash until that time
- it can assist in determining insurance claims, such as business interruption insurance
- it will be a key factor in determining which direction you can take your business in the future.

The below checklist should help you evaluate the state of your business finances:

State of business finances checklist

State of your business finances	Yes	No	Comments/ Notes
Do you have copies of your most recent financial statements, including profit and loss, cashflow, bank statements and tax returns?			
Have you updated your financial statements following the disaster? While you my only prepare financial statements annually, following a disaster you should prepare year to date financial statements. Your accountant should be able to assist			
If you lost in full or part your financial records, do you have access to information to reconstruct the financial records of your business? See List of Potential Sources of Business Records.			
Was the business operating profitably before the disaster?			
Was there adequate cashflow in the business prior to the disaster?			
Do you have a record of the debts owed to your business prior to the disaster?			
Are you able to pay your tax obligations, employment obligations and make loan repayments?			
Have you prepared an initial cash flow forecast that includes any insurance pay-outs and additional estimated outlays to ensure you can restart the business?			

ANALYSE THE FINANCIAL HEALTH OF YOUR BUSINESS

Reviewing the financial health of your business should be part of the process you undertake before reopening after a disaster. This involves preparing or reconstructing your year to date financial statements.

Financial statements allow you to undertake a detailed analysis to help you determine how you want your business to operate after you reopen and whether it is financially viable for you to reopen. Your accountant will be able to assist with such analysis.

Such analysis will also enable you to spot any trends in your business prior to the disaster and compare how your business performed against similar businesses in your industry. Such information will be useful in identifying areas of the business that were operating well and those areas that should be improved or closed.

We have included a template of the ratios commonly used to assess the financial health of your business and how to calculate such ratios. We recommend that you compare your results to other businesses in your industry.

By looking at your financial statements and your ratio analysis, you should be able to complete much of the below checklist:

Financial health checklist

Financial health check	Yes	No	Comments/ Notes
Do you have adequate cash (such as cash at bank, recoverable money owing from customers and stock) to cover debts due and payable in the next few months?			
Is your stock easily converted to cash, if needed, to pay debts?			
Does your business have adequate assets to cover all commitments including long term debts?			
Do you know what your gross margin is?			
Do you know what your net margin is?			
Do you know how your margin in your industry?			
Do you know what your break-even amount or volume is?			
Do your customers pay on time?			
Are your suppliers paid on time?			
Do you know how effective the assets of the business are in generating profits?			
Do you know what the return on investment for your business is?			

BUSINESS EVALUATION - HOW YOUR BUSINESS WAS RUNNING BEFORE THE DISASTER

Although there will be many things that need to be done after a disaster, reviewing the way your business operated before the disaster and considering how you would like to operate the business in the future will give you a clear picture on where to start, something that is often a difficult task following a disaster.

The analysis does not have to be a lengthy process at this stage, but it is important that you take time to assess where you want the operations of your business to go and how you will get there. This could be a simple SWOT (strengths, weaknesses, opportunities and threats) analysis. Areas that should be considered in the SWOT include operational procedures, marketing strategies, financial results, staffing, customers, potential markets and innovation.

Lessons learnt from the evaluation of your business before the disaster and your SWOT analysis should be incorporated into your recovery plan. For instance, you should ask whether it would be better to adopt new technologies when you reopen your business rather than just replace equipment on “old for new” basis.

To assist in preparing the SWOT analysis, you may like to answer the below questions in the checklist.

Business evaluation checklist

Evaluating your business	Yes	No	Comments/ Notes
Is your business in the right location?			
Did your staff have the skill set required to complete their jobs?			
Did you have the right level of staffing?			
Did you have the right mix of staffing e.g. permanent, part-time, and casual?			
Did your technology need updating?			
Were all your assets operating to maximum efficiency?			
Was the business holding excess or aged stock?			
Was cashflow an issue?			
Did your business have adequate market share?			
Was your pricing, service etc. competitive?			
Can you see any emerging opportunities for your business following the disaster?			
Do you know of any emerging threats to the business, such as new competitors, potential government regulation etc.?			
Was there adequate promotion for your business?			
Were you adequately insured?			

Template - SWOT analysis

Internal	**Strengths**	**Leverage**	**Weaknesses**	**Address**
	E.g. Loyal customer-base	• Make it known to existing customers that you are open for business • Provide incentives for existing customers to bring their friends into your business	E.g. Reliance on tourists	• Invest in platforms to sell your products or services online. • Introduce products or services that locals may prefer
External	**Opportunities**	**Leverage**	**Threats**	**Address**
	E.g. Influx of reconstruction workers	• Provide incentives for reconstruction workers to purchase your products and services. • Speak to the reconstruction companies about getting their permission for you to advertise in their business	E.g. Government rule changes to reduce the risks of another similar disaster may add costs to your business	• Assess the likely impact of the rule changes on your business and estimate the cost of complying • Look for alternative business premises that already meet the new rules or are closer to meeting the new rules

MARKET EVALUATION FOLLOWING A DISASTER

Following a disaster, particularly one that affects not just your own business but your customers, suppliers and the broader community, many things can change. For example, tourists may stay away from your area, your main suppliers may have been impacted or, due to the delay in getting your business back up and running, some of your customers may have found new suppliers. Conversely, there may be new opportunities for your business as a result of the disaster.

Evaluating how your market is operating post disaster will help you determine what products or services you should be offering upon reopening, or whether your business model will be successful in the new environment after a disaster.

To assist you with the market evaluation, we have prepared the following checklist:

Market evaluation checklist

Evaluating your market	Yes	No	Comments/ Notes
Have you analysed the potential demand for your product or services post disaster? For instance, will tourists stay away from your area?			
Have any of your key customers and/or suppliers been affected by the disaster and, if so, will this impact your ongoing business?			
Do you have forward orders and are you able to fulfil these commitments?			
Has the disaster led to other businesses in your area closing? If so, have you determined how this may impact your business?			
Have you considered factors that may be impacting your suppliers? Make sure you think along the whole supply chain for areas that may have been impacted.			
Are there new products and services that you can offer that are complimentary to your current offering that will help fill new needs following a disaster?			
Have you assessed whether relocation of the business could be a better option?			
Are there opportunities to collaborate with suppliers and other businesses in your area?			

REALITY CHECK

Before jumping right in to reopening or continuing your business after any disaster, you should do a 'reality check'. Such a 'reality check' should be focused on whether you really want to restart or continue your business, and if you do want to continue your business, do you want it to be the same as prior to the disaster. While business owners may not be ready for such a 'reality check', it should be undertaken at some point.

You might need the help of a trusted adviser, such as your accountant to help you make these decisions.

Below are some questions you may wish to ask yourself:

'Reality check' checklist

Reality check	Yes	No	Comments/ Notes
Were you happy running your business before the disaster?			
Were you making the profit you wanted?			
Do you prefer being your own boss?			
Have you considered other opportunities?			
Are you prepared for the potential extra demands that recovering your business will place on you, both personally and financially?			
Can you afford to continue to run the business while your business is recovering?			

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EXITING YOUR BUSINESS

Most businesses affected by a disaster will reopen their business in some form. Some businesses affected by a disaster, however, will close. This is a legitimate business decision that should be part of your consideration.

There may be many reasons to wind up a business – a natural disaster may just bring some of those reasons to the fore. Some of those reasons are below, and many of these reasons are connected:

- having insufficient funds to recommence operations or continue operating
- carrying too much debt and being unable to service that debt
- inadequate cashflow

- an insufficient range of products or services, or the wrong range of product and services following a disaster
- insufficient sales/poor location
- lack of planning for the reopening of the business
- an inability to adapt to the new environment
- poor credit controls and inadequate debt collection
- ill health of owners and key employees
- no longer having the passion to run a business.

There are several ways a business owner can exit their business, including:

- selling the business
- closing the business - selling assets and discontinuing trading
- passing the business on to a family member, partner, employee or other stakeholder
- merging the business with another business.

If you are considering closing your business, speak to your accountant or lawyer for guidance.

MANAGING BUSINESS RISKS IN THE RECOVERY

Some businesses may respond to a disaster by over-managing risk. Being in business is a risk and not all risk can be managed away. The more you try to manage away risk, the less focus you have on your business, which will eventually negatively impact your business. In short, focusing too much on reducing risk is a risk itself.

Every business is subject to possible losses from unmanaged risks. Sound risk management should reduce the chance that an event will take place and, if it does take place, good risk management practices should reduce the impact.

Risk management starts by identifying possible threats, considering the likelihood of those potential risks, considering your risk appetite and implementing processes to minimise or negate them.

Sound risk management can produce the following benefits:

- lower insurance premiums
- reduce the chance that the business may be the target of legal action
- reduce losses of cash or stock
- reduce business down time.

A POST-DISASTER BUSINESS PLAN

DEVELOPING A NEW BUSINESS PLAN FOLLOWING A DISASTER

Now that you have taken stock of your business, it is the time to review your business strategy and create a new or revised business plan for your post-disaster future. Ask yourself, what would you want your business to look like to satisfy you as the business owner and your clients? There are a variety of business plan templates and tutorials online to assist you with such a process.

When developing or revising your business plan, be sure to consider as many alternatives for your business as necessary. These can include:

- continuing to operate as per your pre-disaster business model
- continuing to operate as per your pre-departure business model while seeking to improve the performance of the business
- changing your business model
- exiting the business altogether.

As the authors of 'Are U Ready? Surviving Small Business Disaster'* state; 'Remember, the decisions you make at this point concerning your business, if not thought through very carefully, could be detrimental to your future. Your decision could also have an impact on many other people, including the broader community, and could possibly affect others' livelihood as well.'

In developing or revising your business plan, we suggest collating all the information from the steps you took to take stock of your business immediately following the disaster.

*Surviving Small Business Disaster, Anthony Turner and Sandra Slatter, 2012.

Documenting assumptions in your business plan is important, however it may be difficult to make assumptions in a post-disaster environment - past experiences may no longer be relevant, and the market may have changed significantly, at least in the short term. The evaluation of the market following a disaster will help you formulate your business assumptions.

When determining your assumptions, you should use realistic targets. Using your historic financial information and looking for any trends in this information is a good place to start, but don't forget to take into consideration any changes post disaster. Any industry information provided by independent reputable companies will give your assumptions credibility.

Make sure you write down all the assumptions. Areas that are specific to the disaster, such as delayed compliance payments, forward orders and reopening costs should form part of your assumptions.

We have developed a template to assist you list your key drivers of the business and the assumptions for each. Such assumptions should be reflected in your business plan and budget.

Below are suggested steps to develop or revise your business plan in a post-disaster environment.

Checklist for developing or revising your business plan following a disaster

High-level strategic questions	Yes	No	Comments/ Notes
Have you considered and written down your business and personal objectives, actions and priorities?			
Have you considered your key targets you wish your business to achieve over the next one to three years (for example, the return on investment you want to achieve)?			
Have you considered who will be responsible for implementing each section of the business plan and by when?			
Do you need to arrange for the short-term lease of essential equipment until it can be replaced?			
Do you have adequate resources (staff, finances, etc.) to bring the business up to the level you want?			
Have you incorporated the lessons learnt from running your business prior to the disaster into your business plan?			
Have you incorporated your analysis of the market conditions post-disaster in your business plan?			
Have any if your key customers and/or suppliers been affected by the disaster? If yes, , have you considered how this may impact your business and developed responses to minimise such an impact?			
Has the disaster led to other businesses in your area closing? If so, have you determined how this may impact your business?			

Questions on business operations	Yes	No	Comments/ Notes
Should you add new products or services or removing existing products or services?			
Should you look to reduce operating costs?			
Should you make investments in new technologies and processes?			
Have you had discussions with other businesses in your area and industry?			

Questions on business location	Yes	No	Comments/ Notes
Given the potential changed market conditions, is your business in the right location?			
Are there any plans by government or others that may impact the viability of the location of your business, such as changes that may restrict access?			
Have other businesses reopened, or planning on reopening, in your area?			
Is the size of your premises to large or small given the future potential of your business?			

Questions on staffing	Yes	No	Comments/ Notes
Do your staff have the right skills needed to implement your new business plan?			
Has the potential changed market conditions (possible falling demand) impacted on your ability to retain existing staff and on the hours they previously worked?			
Do you need to recruit new staff?			

Questions on your equipment needs	Yes	No	Comments/ Notes
Do you still have the plan and equipment your business needs? If not, will your insurer replace destroyed or damaged equipment, or will you need to acquire new equipment or dispose of existing equipment?			
If you need to acquire equipment, have you analysed whether it is better to pay for, lease or hire purchase the equipment?			
Is the acquisition of the equipment (including maintenance costs, other running costs and insurance) justified given the possible changed market conditions?			
Is the necessary expertise readily available to install and operate such equipment?			
Have you considered adopting new equipment and technologies that will help your business be more efficient or effective than it was prior to the disaster?			

Questions on your inventory needs	Yes	No	Comments/ Notes
If stock or supplies are to be replaced, have you reviewed historical information to see which stock is slow-moving and/or has a low profit margin? If it is, have you considered removing it from your product range?			
Have you assessed whether the changed market conditions will impact the buying patterns of your customers?			

Questions on your pricing policy	Yes	No	Comments/ Notes
Have you undertaken a break-even analysis to determine whether the prices you charge are making the profit you want to achieve?			
Have you prepared a pricing strategy under the new conditions?			

Questions on marketing	Yes	No	Comments/ Notes
Have you prepared a marketing strategy to incorporate into your new or revised business plan?			
Have you included the marketing costs in your budget?			
Will there be, or is there, any promotion of your local area by government and others?			

ASSUMPTIONS FOR YOUR BUSINESS PLAN

To develop your post-disaster business plan, you should develop a list of key drivers of your business and the assumptions you are making for those key drivers. You may find it difficult to develop assumptions in a post-disaster environment, therefore we have developed the below template to guide you:

Template – List of assumptions

The template below includes examples to assist you.

Key drivers	Assumptions
E.g. Staff	1. full time employee needed at B$65,000 per annum 2. casual workers needed at B$25 per hour for 15 hours each per week
E.g. Relocation of business premises	Relocation and fit out costs $50,000
E.g. Restock	B$35,000
E.g. Increase bank loan	1. loan increased to B$250,000 2. repayments B$5000 per month 3. include interest payments in profit and loss
E.g. Payment plan for income tax	B$1000 p/month

FINANCING YOUR POST-DISASTER BUSINESS

FUNDING YOUR POST – DISASTER BUSINESS PLAN

Once you have developed your business plan, you need to prepare budgets that implement your plan. The two important financial plans for the future of any business is the profit and loss budget and the cashflow forecast.

Such budgets may show that you need additional money to fund your plan, and when you are likely to need that money. This funding can come from your own resources, the existing resources of your business, lenders, new investors, or a combination of these.

If your budgets show that it will be difficult to finance your new post-disaster business plan, the plan may need to be modified, completely revised or you may have to consider exiting the business.

These budgets can also be used to analyse the potential future financial health of your business by calculating key financial ratios.

Analysing the financial health of your business through ratio analysis

Area	Description		Ratio calculation	Your business Ratio calculation	Industry average if available'
1. Liquidity ratios Assess your business's ability to meet its obligations as they are due. In general. it is better to have higher ratios in this category as an indication of an ability to withstand tight-cash flow periods (which is likely after a disaster).	Current	The current ratio measures whether the business has enough current assets (cash at bank, debtors, inventory and other assets that can be turned into cash quickly) to meet its debts (debts that are due in the next 12 months). A generally acceptable current ratio is 2 to 1, however this will depend on the nature of the business.	$\text{Current ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}}$		
	Quick	The quick ratio helps answer a fundamental question for businesses affected by a disaster "If the business does not have any sales income, could the business meet its current obligations (without having to sell inventory at knock down prices)?"	$\text{Quick ratio} = \frac{\text{Total current assets} - \text{Inventory}}{\text{Total current liabilities}}$		
2. Solvency ratios These indicate the extent to which the business is able to meet all debt obligations from sources other than cash flow.	Leverage	The leverage (or gearing) ratio indicates the extent to which the business is reliant on debt financing versus owner's equity (the owner's financial contribution to the business). Generally, the higher the ratio, the more difficult it will be to obtain further debt.	$\text{Leverage ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$		
	Debt to asset	This ratio measures the percentage of assets being financed by liabilities. This ratio should ideally be less than 1, indicating that there are enough total assets to meet all debt obligations.	$\text{Debt to assets} = \frac{\text{Total liabilities}}{\text{Total assets}}$		

Area		Description	Ratio calculation	Your business ratio calculation	Industry average if available
3. Profitability ratios These measure your business performance and ultimately indicate the level of success of your operations. You can use these ratios to assist in determining whether the pricing of your products and services before the disaster were adequate to achieve a profit, that the profit you wanted to achieve was being met, and how it compares with industry averages. These ratios can guide you in your pricing policy upon reopening.	Gross margin	The gross margin ratio measures the percentage of sales dollars available to pay the overhead expenses of the business, after the cost of purchasing or manufacturing the businesses product.	Gross margin ratio $= \frac{\text{Gross profit}}{\text{Net sales}}$		
	Net margin	The net margin ratio measures the percentage of sales dollars left after all expenses (including stock), except income taxes. This ratio will provide an opportunity to compare your business's return on sales with the performance of other businesses in your industry.	Net margin ratio $= \frac{\text{Net profit}}{\text{Net sales}}$		

Area		Description	Ratio calculation	Your business Ratio calculation	Industry average if available'
4. Management ratios These monitor how effectively you were managing your working capital. For example, if the days you were taking to collect your debtors were longer than the days you were taking to pay your creditors, this indicates that you were paying money out before you were receiving money for that same good or service. If this is the case, then upon reopening your business, you should seek longer terms of trade from creditors and try to reduce the length of time it takes to collect debts.	Days debtors	This ratio indicates how well the cash from customers is being collected - referred to as accounts receivable. If accounts receivables are excessively slow in being converted to cash, the liquidity of your business will be severely affected (accounts receivable is the total outstanding amount owed to you by your customers).	Days debtors = $\frac{\text{Debtors}}{\text{Net sales}}$	X365	
	Days creditors	This ratio indicates how well accounts payable are being managed. If payables are being paid on average before agreed payment terms and/or before debts are being collected, cash flow will be impacted. If payments to suppliers are excessively slow, there is a possibility that the supplier relationships will be damaged.	Days creditors = $\frac{\text{Creditors}}{\text{Cost of goods sold}}$	X365	
5. Balance sheet ratios These indicate how efficiently your business is using assets and equity to make a profit.	Return on assets	This ratio measures how efficiently profits are being generated from the assets employed in the business. This ratio will only have meaning when compared to similar businesses. A low ratio in comparison with industry averages indicates an inefficient use of business assets and something to be watched upon reopening of your business.	Return on assets = $\frac{\text{Net profit before tax}}{\text{Total assets}}$	X100	
	Return on investment (RIO)	Assess your business's ability to meet its obligations as they are due. In general. it is better to have higher ratios in this category as an indication of an ability to The ROI is perhaps the most important ratio of all as it tells the owner whether or not all the effort put into the business has been worthwhile. If the ROI is less than the rate of return on an alternative, such as a low risk investment like a bank savings account, the owner may consider that option rather than funding the reopening of the business.	Return on investment = $\frac{\text{Net profit before tax}}{\text{Total equity}}$	X100	

Checklist on whether you can afford your post-disaster business plan

Can you afford your post-disaster business plan?	Yes	No	Comments/ Notes
Have you put a cost next to each element of your new or revised business plan? If so, can you afford such a plan?			
If you cannot afford your new or revised business plan, have you considered adjusting your plan to something that is affordable, or even exiting your business?			
Have you completed a cash flow forecast and a profit and loss budget? Do such forecasts and budgets include additional post-disaster outlays that may be required to restart the business?			
Have you included "what if" scenarios in your forecasts to measure how your cash flows will be impacted by unexpected events or your assumptions not coming to fruition?			
Do the forecasts and financial statements show that the business can afford to access debt finance to implement the new or revised business plan?			
Where the business has existing debt financing arrangements, have these been reviewed to ensure that this finance facility fits the new needs of the business?			
Is your existing debt finance still available post-disaster?			

Sources of finance	Yes	No	Comments/ Notes
Even if you can fund the reopening of the business from internal sources, have you analysed whether it is better to use external sources of finance?			
If you are seeking debt finance, have you spoken to your lender about your new or revised business plan and your funding needs?			
What existing lines of credit does the business have access to and can these lines of credit be accessed to fund your business post-disaster?			
If you do seek debt finance, what security does the business now have available?			
If you are seeking debt finance, have you determined for what reason you are seeking the money (e.g. to fund stock purchases or the buy equipment), over what term you are borrowing for and how much?			
Have you considered financing your post-disaster business from your own personal resources or from other investors?			
Have you considered whether it is better to acquire new equipment on a short-term hire, hire purchase or leasing arrangement, and obtaining stock on consignment?			

FUTURE PROFITABILTY – PROFIT AND LOSS BUDGET

It is important to estimate the profitability of your business as part of your planning process. This will help you determine whether your business will be successful in a post-disaster environment and give you the return you are seeking. It is important to note that your budget should be consistent with your business plan.

When developing a profit and loss budget, you will need to factor in the assumptions from your business plan. Assumptions are those key items that if they are not achieved, will make a substantial difference to the profit outcome. If you have not prepared a budget before, you may like to seek assistance from your accountant.

BUSINESS LIQUIDITY – CASH-FLOW MANAGEMENT

Cash-flow planning is also essential for business recovery after a disaster and more broadly for business success. A cash-flow forecast will be fundamental in determining whether your business has the necessary cash to reopen as planned and to sustain ongoing business activities.

If the forecast shows that you do not have adequate cash flow, then you will need to either seek additional finance to cover the shortfall, modify your plan or even consider exiting the business.

Once the forecast is complete, you can run some ‘what if’ scenarios to measure how reactive your cash flow will be to certain changes in events, such as decrease in sales or increase in recovery costs. This will show you how quickly you may run out of cash if any of these events occur. A cash flow forecast may therefore highlight that exiting your business may be preferable in some circumstances.

SOURCES OF FINANCE

If your business plan and budgets show you have a need for money, whether due to a cash shortfall or asset purchases, there are several sources of finance. Each have their own advantages and disadvantages, and therefore it is recommended that you review all options.

INTERNAL CASH FLOW

Funding your business through improved cashflow is one of the most favourable financing methods as there will be no compliance requirements, it does not increase your outgoings (loan repayments) and this will eventually free up time for you to improve other areas of your business.

You can improve your cash flow in several ways including:

- selling damaged stock and assets from the disaster, for example via online selling sites
- selling unnecessary assets
- seeking an extension to the payment times for suppliers
- paying suppliers on time rather than early or
- collecting outstanding debts and implementing improved processes for quicker collection of customer payments
- skewing promotions to products and services that can be turned into cash quickly
- reducing stock levels
- replacing slow-moving and obsolete stock with stock that has a faster turnover
- measuring and rewarding staff behaviour that improves cash flow
- not letting personal drawings from the business get out of hand.

GRANTS AND GOVERNMENT SUBSIDIES

Often after a disaster, governments may offer grants, cheap loans and subsidies that will be available to businesses impacted by a disaster. These grants and subsidies often require completion of documentation and the grant may take some time to be paid to your business, so it's best you ensure you understand these processes and allow for realistic timeframes to receive such assistance (if you are eligible).

DEBT FINANCE

Financing your business from a bank, credit union or other financial institution may be an option to assist in the reopening of your business. You may have an existing debt financing arrangement in place that you can use, or you may consider approaching a financial institution to provide the additional funds required.

Where your business has existing debt financing arrangements you should review these to ensure the finance facility and structure fits the new needs of the business. If you have existing lines of credit you will need to discuss with your lender if these lines of credit are still available following the disaster and if they can be accessed to fund the reopening of your business. You should also be aware that your lender may review your existing finance facility post disaster as your security may no longer exist and/or they have concerns over the viability of your business.

When looking for finance from your bank or other lenders, you will need to be upfront on your needs and your post-disaster business plan. It will be necessary to have written documentation to give to a potential lender detailing:

- your business plan
- the estimated costs of your business plan
- any insurance payments you are due as a result of the disaster and a copy of your insurance policies
- details of any government grants or subsidies you will be applying for or have been successful in applying for
- information on any security that can be offered to the lender
- your profit and loss budget
- your cash-flow forecast (including the loan amount and assumptions)
- historical financials (if available)
- detailed description of what the funds will be used for, how long you will need them for, and how much you need to borrow.

Even if you can finance the reopening of the business through existing funds you should still consider if debt funding may be the better option. You should seek the advice of your accountant or bank relationship manager to analyse this.

OTHER FINANCE OPTIONS

You may consider utilising your own personal funds to finance your business. You will need to carefully assess what funds are available if your personal assets have also been impacted by the disaster. It is important that the funding (for both personal and business needs) does not add to the stresses of recovery.

An alternative may be to consider seeking out new investors to help fill your funding needs. This could be in the form of bringing in a partner or others to help run the business in return for them buying a stake in your business. In some circumstances, potential investors may choose not to be a part of the operations of the business but can provide business mentoring if needed.

If you are considering seeking funds from investors, you should discuss this with your accountant and/or lawyer. An important point to remember is that by bringing in investors, the control of your business will have to be shared.

There may be an opportunity to finance the reopening of your business through a crowd funding campaign. Crowd funding is where a project or venture is funded by raising small amounts of money from a large number of people, typically via the Internet.

LONG-TERM DISASTER RECOVERY

Once you have prepared your new or revised business plan, it is time to reflect on lessons learnt from your recovery to ensure that your business is in the best possible trading position.

To start off on this recovery step, you should consider the following:

Checklist of long-term disaster recovery issues

Lessons learnt	Yes	No	Comments/ Notes
Have you documented lessons learnt from your business recovery?			
Have you put in place a business continuity plan to help you in case you go through another disaster?			
Have you reviewed your insurance policies to see whether they are adequate and whether there are any gaps in your insurance coverage?			

Business licences and documentation	Yes	No	Comments/ Notes
If you lost copies of your business registration certificates, licences and other official documents necessary to operate your business, have you approached the relevant agencies to get them replaced?			

Record keeping	Yes	No	Comments/ Notes
Have you considered what accounting system you are going to use or continue to use to keep your financial records up to date?			
Are there any improvements you can make to your record-keeping system, such as keeping backups of your financial system offsite, or using cloud-based services?			

Thanking everyone	Yes	No	Comments/ Notes
Have you thanked everyone involved in assisting you?			

LESSONS LEARNT

Recovering from a disaster may be a drawn-out process especially if you had not planned for such an eventuality. Nonetheless, you would have learnt valuable lessons from the experience that should be incorporated into your ongoing business plan/operations. For example, you may have found the need to develop a disaster management and recovery plan for future events. You may also have learned that to mitigate the risk of losing hard copy financial records in a disaster, you may want to use cloud-based financial software.

IMPROVING BUSINESS PERFORMANCE

As you take the path to recovery, you may make many observations on how your business was operating prior to the event. You will have hopefully noted how the market has changed, and you will most likely have identified several areas in your business that could be improved.

One of the most important things to do when your business is recovering from a disaster is to look for improvement opportunities and to build a continuous improvement process. Implementing a continual improvement program in your business will ensure that all key business resources are being utilised efficiently and effectively. It will also help ensure that your business not only responds to changing business conditions but prospers in such conditions.

PREPARING BUSINESS CONTINUITY PLANS

Unplanned events happen in business. The importance of having a plan in place that will allow you to return your business to some level of normal operations quickly so you can restore your income, your employees' jobs and the goods and services you supply to your customers cannot be understated.

Continuity planning and disaster recovery is about setting out a framework for how you, your staff and your business will react when faced with a crisis that potentially stops or interrupts business operations.

Business Continuity Plan	Details	Comments/ Notes
Understand what needs to be done to keep your business running	Briefly describe the critical processes in your business.	
Understand your insurance	Make a list of all your insurance policies and ensure that each provides adequate cover for the business risks.	
Create key contact lists	Create contact lists of key staff, clients and suppliers. Tell others where these lists are kept in the event you are incapacitated. It may also be worth including details of service-providers such as locksmiths, plumbers, electricians and IT specialists.	
Separate tasks into groups	Prioritise each task that needs to be undertaken in the event of a crisis or disaster. This can be completed in a checklist form that includes who is responsible for managing and completing each task.	
Assign responsibilities	Each staff member should be given a role or responsibility to undertake following a crisis. Everyone should be well informed on who is doing what and who needs to work with whom.	
Regularly test the plan	To ensure your plan will work and is up to date with your current business operations, you will need to test the plan from time to time.	
Gather documents	Your plan and important documents should be kept safe and secure. You could have a fire-proof safe or keep them at a separate location. Document where backups and papers are stored (for example at a bank or in the 'cloud') and ensure that key staff or business partners are informed of the location of these documents.	