

Case Study - Medium Forex Turnover		
To determine the impact on profitability of foreign currency management		
Manufacturing Company Importing components and exporting manufactured product	Values in Accounting Currency	Ratios
Information about the Company		
Company's gross turnover	50,000,000.00	
Company's net profit before tax	5,833,300.00	11.67%
Forex value of imports (Contributor to CoGS)	4,650,000.00	9.30%
Forex value of export of product (Portion of Turnover)	22,710,000.00	45.42%
Total value of forex portfolio	27,360,000.00	
Gains and Costs as a result of Valufin's services		
Margin gained by Company due to rate negotiation	489,744.00	1.79%
Margin gained by Company due to portfolio management	456,912.00	1.67%
Valufin Annual fees charged to the client	82,080.00	0.30%
Forex gains by Company net of all fees	864,576.00	
Profit Analysis		
Current Net Profit / % of Gross Turnover	5,833,300.00	11.67%
Net forex gains / % of forex turnover	864,576.00	3.16%
Net Profit with currency management / % of Gross Turnover	6,697,876.00	13.40%
Forex gains as a percentage of Current Net Profit		14.82%

Company is a manufacturing business that imports approximately 10% of turnover in components from China and manufacturers finished products sold locally and in the USA, Europe and Africa, foreign sales contributing about 45% to gross turnover.

There are currency opportunities to net off common USD values, but due to timing differences it is often best to manage to base currency. The FD has full visibility of transactions, and has 24/7 access to the online currency portal to plan payments, check receipts, fund accounts and arrange currency conversions.

Valufin negotiates the rates, chooses the right provider and product to maximise benefits. Valufin proactively responds to market movements relative to the portfolio of import and export requirements and buys for imports and sells for exports when advantageous. Considerations include currency rates, interest rates, expected movements, internal costing rates, price sensitivity, relative size, credit lines and instruments. Valufin as a management team member helps with the export pricing strategy, risk appetite definition, aligning of remuneration plans and reports currency activity to the Board.

Valufin works with the FD and finance department to ensure that the accounting entries reflect the correct conversion rates, the profit and loss is reflected per transaction accurately and supports the preparation of the relevant accounting reports for finance department, sales and the Board.

The company has improved its cash profit return by £864 576 from £5 833 300 to £6 697 876, which has increased the net profit percentage from 11.67% to 13.40%, an improvement in the net profit of 14.82%