

## Case Study

# Retail Importer - Small Sized Business

Case Study - Low Value Forex Turnover To determine the impact on profitability of effective foreign currency management		
Retail Importer Importing clothing and selling products locally	Values in Accounting Currency	Ratios
<b>Information about the Company</b>		
Company's gross turnover	10,000,000.00	
Company's net profit before tax	1,288,000.00	<b>12.88%</b>
Forex value of imports / Contributor to CoGS	4,500,000.00	45.00%
<b>Gross value of forex portfolio</b>	<b>4,500,000.00</b>	
<b>Gains and Costs as a result of Valufin's services</b>		
Margin gained from rate negotiation	54,000.00	1.20%
Improved returns gained through risk management and strategy	85,500.00	1.90%
Profit gained through instrument management	109,800.00	2.44%
	<u>249,300.00</u>	<u>5.54%</u>
Valufin Annual fees charged to the client	<u>-33,750.00</u>	<u>-0.75%</u>
<b>Forex gains by Company net of all fees</b>	<b><u>215,550.00</u></b>	<b><u>4.79%</u></b>
<b>Profit Analysis</b>		
Current Net Profit / % of Gross Turnover	1,288,000.00	12.88%
Net forex gains / % of forex turnover	215,550.00	4.79%
Net Profit with currency management / % of Gross Turnover	1,503,550.00	<b>15.04%</b>
Forex gains as a % of Net Profit (Profit uplift)	239k as % of 1.5m	16.74%

Company is a clothing business that imports approximately 45% of turnover in clothing from China, Africa and Eastern Europe and sells the imported products locally.

Given the mix of currencies it affords the opportunity to consider all currencies to the USD and then independently, the USD versus the home currency.

The finance department has full visibility of transactions and has 24/7 access to the online currency portal FRM (Forex Risk Manager) to plan payments, update exposures, review currency deals, determine revaluations and reconcile balances in the Balance Sheet and Income Statement.

- Valufin negotiates the rates, chooses the right provider and product to maximise benefits.
- Valufin interrogates the portfolio on a daily basis to assess opportunities, carry out transactions and review open positions.
- Valufin proactively responds to market movements relative to the portfolio of import requirements and buys currency 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 import pricing strategy, risk appetite definition, aligning of remuneration plans and reports currency activity to the Board.

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

**The company has improved its profit return by £215 550 from £1 288 000 to £1 503 550, which has increased the net profit percentage from 12.88% to 15.04%, an improvement in the net profit of 16.74%**