



## **Management of Exchange Rate Gains/Losses**

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I hope you received the other documents I sent a few back okay.

You had also requested how we treat Foreign exchange rates. To be honest we haven't really done this to date so we have just pulled together our approach now. I have included this below.

Hope you have had a restful break! As you can see, we are working through!

### **Management of exchange rate gains/losses**

When transferring project disbursements Palmera undertakes the following steps. These steps ensure that we best manage our foreign exchange risks

1. The project disbursement amount is agreed on the date Project MOU is signed in the Partners domestic currency
2. The funding Instalment is made in AUD at the appropriate exchange rate equivalent to the domestic amount required
3. The Partner will receive the total domestic amount as agreed on the Project MOU exclusive of bank transfer fees
4. Variance in the amount agreed by the Project MOU due to exchange rate fluctuations is funded from the Palmera Partners Operating account
5. The accounting entry for disbursements is recorded in Xero at the AUD equivalent as per bank statement excluding any bank transfer fees
6. The Project team is to revise the budget to reflect the new AUD equivalent amount reflecting any foreign exchange gains or losses that may have occurred
7. The Partner is required to maintain a summary of all expense for the project that have been incurred in their domestic currency
8. Palmera Projects is responsible for converting the expense into AUD utilising the appropriate exchange rate at time the funds were transferred
9. It is the responsibility of the accountant to reconcile the Project acquittal including any foreign exchange losses and gains against the AUD disbursement amounts as per bank statement

Palmera manages foreign exchange currency risk by utilising reserve funds available in the operating account.

Funds sent to partners overseas for projects implemented by them are sent in the AUD equivalent to the domestic amount agreed to on the signed Project MOU.

Project budgets will be revised in accordance for the exchange rate at the time of transfer. For all projects, the strategy is to use conservative exchange rates in project budgets.

The currency fluctuation risk for the variance between the signed Project MOU and the revised AUD equivalent on transfer date is borne by Palmera Partners with a record maintained in the Project acquittal documents.

Example

Signed Project MOU	1 Sep 2014	LKR750k	fx 0.00820	AUD 6,150
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Transfer date	1 Oct 2014	LKR750	fx 0.00870	AUD 6,525
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In the above example the variance of AUD375 due to fluctuations in the exchange rate will be funded by Palmera in order to ensure the overseas partner receives the domestic amount as agreed in the signed ProjectMOU.

This is also the case for any project funding that is paid in installment amounts. Palmera Partners will absorb the foreign exchange losses for each installment amount.

Any foreign exchange gains for will be funded back into the operating account to utilise for future projects.

Interest accrued and exchange rate gains and losses on donor funds will be treated in accordance with donor requirements as stipulated in project contracts and other agreements with the donor.