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21. Financial risk management and policies

The Company's main financial instruments are cash, notes and accounts receivable, notes and loans payable, accounts payable and accrued expenses. The main purpose of these financial instruments is to manage cash flows and raise financing for the Company's capital needs.

Eolo is exposed to market, credit and liquidity risks. The Company's senior Management oversees the management of these risks.

21.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The most relevant market risks affecting the Company's financial statements is the foreign currency risk. The Company is not exposed to interest rate risks as its debt, fully related to the construction of the Project (Note 12) bears fixed interest rates once the Project was completed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Eolo's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Nicaraguan Cordoba is the main foreign currency used by the Company in its transactions. The Central Bank of Nicaragua is the entity responsible for managing the national banking system and regulating the currency's parity to other currencies. Buy and sell rates are established by authorized financial institutions, according to market supply and demand. As of December 31, 2014 and 2013, buy and sell rates for US dollars were C$26.59 and C$26.91 (2013: C$25.33 and C$24.12) per $1.00 respectively.

Below is a summary of monetary assets and liabilities in foreign currencies, expressed in US dollars:

	2014	2013
Assets:		
Cash	**$427,188**	$235,058
Accounts receivable	**1,227**	1,001
	428,415	236,059
Liabilities:		
Accounts payable	**18,236**	34,598
Accrued expenses and other accounts payable	**75,610**	47,606
	93,846	82,204
Net monetary assets	**$334,569**	$153,855

Sensitivity analysis:

The effect of a reasonable exchange rate variation between the Cordoba and the US dollar of +5% / -5% on the monetary assets and liabilities as of December 31, 2014 (2013: +5% / -5%), assuming that the remaining variables are held constant, would imply the recognition of gains or losses from exchange rate differences of US$16,643 in 2014 (2013: US$7,718).