

Sky TV Adopts Local Treasury System For IAS 39

Many New Zealand companies are entering a new era as international financial reporting standards (IFRS) become mandatory accounting practice this year. But for early adopters of IFRS like Sky Network Television, many of the initial hurdles had already been overcome. However, what many consider the most complex standard in IFRS, IAS 39 Accounting for Financial Instruments, continued to be a challenge...

Sky TV buys movies and sports programmes internationally and uses currency hedges to manage foreign exchange volatility. It had initially implemented IAS 39 using spreadsheets, but given the inherent issues around security and accuracy of spreadsheet models, Sky TV's auditors hastened them to move to a more robust model. This was the catalyst for Sky TV's hunt for a treasury system to facilitate their IFRS compliance.

Carmen Gordon (IFRS consultant) commented: "With a large number of deals in the system at any one time, we need to have complete confidence in the treasury system we selected. For us, the emphasis was not only on the system's ability to effectively deliver, but the need to further develop existing functionality for our requirements and to offer a strong, ongoing business relationship."

Tuatarā's CNS Treasury System was short listed for consideration along with two other systems.

"Although we went through the normal process of evaluating each product point by point it was CNS which was the clear leader from the start," said Gordon "All the systems were comparable dollar wise, so it truly was a decision about a new partner being able to deliver what we wanted, and back it up with expertise which would add value to our business."

Sky TV had several specific make-or-break requirements to fit their unique business model. They needed a system that could reflect their creditor profile and stock turnover trends, some of which are unique to their industry. Such functionality was vital for Sky to report smoothed earnings from their hedging activities – a key objective for

BACKGROUND TO IAS 39

IAS 39 requires companies using financial instruments such as hedges to either mark the value of those positions to the Profit and Loss Account at year end, or hedge account for their positions on the Balance Sheet. Being able to account these positions through Reserves, rather than the P&L, can smooth the earnings volatility that can result from marking hedge positions to the P&L. However hedge accounting requires strict documentation, testing of the hedge and complex journal entries, something which has proven very difficult to achieve using spreadsheets.

any company implementing hedge accounting.

As much as they liked CNS Treasury System from the outset, the product itself wasn't the sole reason for Sky TV finally selecting it.



"From the start it was Tuatarā's readiness to design what we specifically wanted and needed on top of their existing system which impressed us. Tuatarā's willingness to listen to us and then adapt their system specifically to our requirements was a compelling reason to choose CNS."

The relationship was further strengthened between Tuatarā and Sky TV by the depth of knowledge displayed by their team of IAS 39 specialists, headed by Tuatarā director Blaik Wilson (pictured left).

"Tuatarā really impressed us with their quick grasp of our requirements. They listened, absorbed and understood Sky TV's processes with little difficulty" said treasury manager Lorna de Leeuwe.

According to Wilson, "One of the challenges of IAS 39 is how its application varies between companies. Being the only New Zealand-based software developer in this market, we have been able to provide solutions to meet the changing interpretations and unique circumstances compa-




Lorna de Leeuwe (left)
and Carmen Gordon

nies are facing with this standard. The enhancements we made to CNS for Sky TV are a perfect example of this adaptability.”

For Sky TV, business partnership with Tuatara has subsequently proven to be successful for several reasons. “The time we’ve spent working together so far has continued to highlight their impressive knowledge base” said Gordon. “It’s a very proactive relationship, and nothing is too much trouble. Whenever we ask for something we are unfailingly told it’s not a problem. And given their response time it never seems to be.”

Lorna de Leeuwe commented on the degree of ownership of CNS. “There’s a really high level of personal commitment to CNS by Tuatara’s people. We liked the idea of the people we deal with being around for the long haul – to be instrumental in growing our relationship and CNS - not just be employees who would move on to the next company sooner or later.”

For Sky TV CNS has provided all the functionality they required, and more. 

ABOUT CNS TREASURY

CNS was originally designed by foreign exchange specialist Tuatara in 1997 to systemise their treasury processes around foreign exchange. From 1998 onwards Tuatara used CNS to analyse their own clients’ foreign exchange risk management. The full potential of CNS was realised late in 2004 when it was commercially released and had a rapid uptake by New Zealand businesses. The 2006 release of CNSv3 provides broader and timely functionality to enable IAS39 compliance. Clients now using CNS for hedge accounting include Bendon, General Cable, Skellerup Industries, Canwest MediaWorks, and Pumpkin Patch.



CASE
STUDY

> Sky Network Television



AT A
GLANCE

Business Objective

> To be able to comply with new International Accounting Standards (IAS 39) and hedge account.

Solution

> CNS Treasury supplied by foreign exchange treasury specialists Tuatara.

Business Benefits

> Sky TV can now enter, test and journal hedges taken. It can ‘hedge account’ to remove volatility from its Profit and Loss by accounting its hedge positions to its Balance Sheet.



FOR MORE
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