CONTINUOUS DISCLOSURE REVIEW PROGRAM

2004 REPORT

ON THE REVIEW OF FINANCIAL STATEMENTS AND MD&A

February 2005

ASC
Alberta Securities Commission

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This is the fourteenth year that the Alberta Securities Commission has conducted its review of the quality of continuous disclosure of Alberta reporting companies.

For this report, the ASC reviewed filings received during 2004 from a sample of 97 companies of various sizes headquartered in Alberta.

Executive Overview

This is the fourteenth year that the Alberta Securities Commission has commented on the quality of financial reporting prepared by public companies[1] in Alberta. The observations and comments in this report are based on reviews of various types of documents filed with the ASC by a sample of companies during 2004. Out of a population of approximately 783 Alberta headquartered companies, a sample of 97 companies was selected. Of these companies:

- 56 had shares or units listed on the Toronto Stock Exchange ("TSX");
- 33 had shares listed on the TSX Venture Exchange ("TSX Venture"); and
- 8 did not have securities listed on any exchange.

We reviewed most public documents filed by the sample of companies but focussed on annual and interim financial statements and management's discussion and analysis documents ("MD&A"). The reviews also included other public disclosure documents, such as renewal annual information forms ("AIF"), material change reports, press releases, proxy statements, annual reports, take over bids and information circulars. If a reviewer found an item of a material nature in one of these other documents, the reviewer verified that it had been treated properly in the financial statements and MD&A.

Based on the results of the 2004 Continuous Disclosure Review Program, we conclude financial reporting filed with the ASC by Alberta companies is generally informative, reliable, and transparent and in compliance with standards set out in securities legislation. Nevertheless, we encourage companies to continue to strive for the highest quality public reporting, which may go beyond the minimum legal requirements.

Observations

Quality of Financial Statements

Overall, we found that the quality of information, both qualitative and quantitative, provided by companies in their financial statements was acceptable. Material deviations from generally accepted accounting principles ("GAAP") appeared to be limited in number and isolated to a few accounting standards.

We observed deficiencies in a number of situations but the nature of these deficiencies does not suggest a systemic problem with the quality of financial reporting.

Many of the deficiencies occurred in the financial statements of only a few companies. We identified six accounting areas in which problems were more common:

Stock-based compensation Several royalty trusts did not use the fair value method to value unit options at date of grant, as required by GAAP, in order to determine the compensation expense that would have been charged to the statement of income. Instead, compensation expense was determined based on the intrinsic value method. This resulted in no compensation expense at date of grant because, under the intrinsic value method, compensation expense is calculated as the excess of the trading price of the unit at

[1] For the purpose of this report, the term "companies" refers to all reporting issuers including income trusts, partnerships and corporations.

date of grant over the exercise price as of the same date. In all situations reviewed, the issuer represented there was no difference in the trading and exercise prices at date of grant.

Income taxes We observed:

- incorrect or no disclosure of items that comprised temporary differences;
- inaccurate description of components used in the tax rate reconciliation note;
- netting of certain components in the tax rate reconciliation note that resulted in less than transparent information; and
- inadequate description of components of the tax provision for an income fund or royalty trust.

Statement of cash flows There were instances where:

- an item had been incorrectly classified among operating, financing and investing activities on the statement;
- non-cash items were reflected on the statement;
- cash and cash equivalents was not defined as required by GAAP; and
- a subtotal in the "Cash Flows from Operating Activities" section of the statement was improperly labelled, potentially confusing a reader.

Related party transactions We found the following deficiencies:

- inadequate or no description of the actual related party transaction;
- incorrect use of the carrying amount for accounting purposes when the exchange amount should have been used to record an asset transaction; and
- incorrect accounting for a business that had been acquired because the purchase price was based on carrying amount rather than exchange amount.

Interim financial statements We noted several deficiencies, including:

- there was no disclosure of the total costs for defined benefits plans;
- there was no disclosure of changes in contingencies that had been disclosed in the previous annual financial statements;
- there was no disclosure that the company had seasonal operations;
- a subsequent event was not disclosed in the appropriate period;
- there was no disclosure about changes to accounting policies during the period and the effect of such changes on current and prior annual and interim financial statements;
- the interim period financial statement presentation was inconsistent with the annual financial statements presentation with no explanation given for the format change; and

- the most recent quarterly information with comparatives was not presented for the statements of income and cash flows, only the cumulative year to date amounts were presented.

Financial instruments A few companies that had issued convertible debentures did not, for accounting purposes, allocate a portion of the issue's proceeds to equity, representing the estimated fair value attributed to the conversion feature. Rather, the entire amount of proceeds was shown as a liability. Upon review of the terms of the debentures, we determined the accounting to be contrary to GAAP.

There were also a number of companies that did not discuss the exposure they had to credit risk and interest rate risk.

Quality of MD&A

The majority of seasoned oil and gas companies and other very large companies in diverse industries provided informative MD&A. It was evident these companies are trying to improve the quality of their MD&A. They deserve credit for their achievements, especially for improving the discussion on expectations for their future operations, which has been a perennial weakness in almost all previous MD&A filings.

For several years we have observed that MD&A quality could be improved, especially by smaller companies. As of March 30, 2004, NI 51-102 required all companies to file MD&A. It appears that smaller companies' lack of experience with MD&A preparation was the biggest factor in the lack of improvement in 2004 filings. MD&A should:

- be "through the eyes of management";
- describe: the results of operations - "where you were"; liquidity and capital resources - "where you are"; and future prospects - "where you are going";
- be balanced, including both positive and negative factors; and
- be presented in plain language.

We expect that management of smaller companies will have gained sufficient experience with MD&A requirements to ensure 2005 filings will be of a higher quality.

We identified four areas that need to be addressed by all companies to improve the overall quality of MD&A:

Seasonality of a business If a company's business or a segment of the business is subject to seasonality, there must be a discussion of this effect on the operations so that a reader has all relevant information.

Trends Many companies do not explain large changes in revenue and certain expenses between consecutive interim periods or corresponding prior interim periods. Management should provide explanations of large changes in the operations and, if a trend is identified, adequately disclose this in the MD&A.

Working capital Discussion of the larger components of working capital is rare. In certain industries, working capital is the most important aspect of the ongoing operations of a company and discussion is warranted.

Sources of capital Sources of capital for future operations are key to the ongoing operations of many businesses. Many companies do not discuss how future expansion and ongoing operating activities will be financed.

Initial Annual Information Forms

As part of the Program, we reviewed initial annual information form (AIF) documents. A few companies were asked to amend and refile their initial AIF, mostly because of deficient MD&A disclosures. On March 31, 2004 NI 51-102 requirements came into effect mandating a separate filing of MD&A.

We also conducted a review of renewal AIF documents and found them to be well prepared and of good quality.

The Program

This is the fourteenth year that we have commented on the quality of financial reporting filed by public companies. For this report, we reviewed filings during 2004 made by a sample of Alberta companies.

The purpose of the Program is to review a representative cross section of continuous disclosure filings made by Alberta companies and assess the adequacy and quality of those filings. Our findings are based upon the review of financial statements, MD&A and other documents and website information, as well as a dialogue with management of companies and their advisors.

We focussed our reviews on the financial statements of companies' most recent annual and corresponding three interim periods (and respective comparatives), as well as any financial statements for interim periods subsequent to the most recent annual statements. In addition, we reviewed other documents on the public record including renewal AIFs, material change reports, prospectuses, press releases, proxy statements, annual reports, takeover bid documents, and information circulars. We also checked the companies' websites for financial reporting information. Where applicable, we assessed the quality of information filed by those companies pursuant to NI 51-101 on oil and gas reserves and land holdings and NI 43-101 on mineral projects and mining claims.

Sample characteristics

The findings in this report are based on a review of filings made by a sample of 97 companies out of a population of approximately 783 Alberta headquartered companies. Fifty-six of these companies listed their securities on the TSX and 33 listed their securities on the TSX Venture. Eight companies did not have any securities listed.

Quantitative Results

Twenty-one documents were restated and refiled (five sets of annual financial statements, 10 sets of interim financial statements and 6 MD&A documents) by six companies.

When we found a deficiency in either a company's financial statements or MD&A documents that we considered "noteworthy" but not "material", we generally accepted the company's agreement to correct the deficiency in its next filing of these documents rather than requiring the company immediately to correct its public record by restating and refiling its financial statements and MD&A.

We obtained written acknowledgements from 71 companies that the specific comments raised would be considered for adoption in their next filings. During the 2005 Program we intend to follow up and review the filings of those companies that have indicated they would consider changes. In following up the 2003 Program, we noted that the majority of our suggestions were incorporated in subsequent financial reporting.

Results

Stock-Based Compensation

While the overall quality of disclosure on stock-based compensation plans has improved, we did identify a deficiency related to the accounting adopted by several oil and gas royalty trusts. These trusts determined compensation expense at date of grant based on "intrinsic value" rather than "fair value". These issuers commented that if the terms of an option plan allow for any downward adjustment to the initial exercise price on the option granted based on all or part of the cash distributions made to a unit holder during the expected life of the option, then use of the Black-Scholes, Merton or a binomial option valuation model would not be appropriate. The major argument put forth to support this view focuses on two essential components required to properly execute any fair value model.

First, the valuation model requires an assumption on what future dividends or cash distribution payments will be made to a unit holder and, in turn, what amount of these payments will reduce the per unit option exercise price. Management of these trusts believe it is impossible to reasonably estimate future cash distributions for oil and gas operations because of too many unknown factors including prices for commodities and production volumes.

Second, management believes if there is a performance criterion that has to be achieved by the trust to generate a reduction in the option exercise price, the achievement of this performance cannot be reasonably determined at the date options are granted. An example of a performance criterion would be: if there is a return on the net carrying value of oil and gas assets held by the trust in excess of x% during the fiscal year, then the equivalent of x% of all cash distributions in the fiscal year would reduce the exercise price of the option. The managements of these trusts believe that if any of the existing option valuation models was used to mechanically calculate a fair value at grant date then any compensation expense recorded in the financial statements would be misleading to readers.

Those arguments are not persuasive. Reasonable estimates can be made of future commodity prices as well as assumptions as to production and any probabilities of achieving performance goals in order to reduce the exercise price. Unless it is virtually impossible to use a fair value model, compensation expense should be based on the fair value of options at date of grant, as prescribed by CICA HB Section 3870. Failure to follow this approach is contrary to GAAP. The accounting standard permits the use of any widely accepted model in calculating fair value of options. If a company believes its circumstances require a customized model to calculate the fair value of options, we are prepared to review the model as long as it follows the general guidance prescribed by GAAP.

The Accounting Standards Board of Canada, the Financial Accounting Standards Board in the U.S. and the International Accounting Standards Board have all stated it is extremely rare that an option valuation model cannot be used to reasonably estimate fair value for purposes of determining compensation expense for accounting purposes.

There should be comparability of financial statements among companies that follow the same accounting standards. In this situation, there is no comparability. All companies who have not followed the fair value method of calculating option value at date of grant and the effect on compensation expense should revisit the issue. If the compensation charge is material for any set of financial statements previously filed with the ASC, then the company must determine if the use of proper accounting should be treated as a correction of an error.

Income Taxes

Accounting for income taxes and providing the related disclosure in financial statements is a challenging area for financial statement preparers and public accountants. Difficulties typically occur when:

- a company deals with the tax treatment of losses;
- an income fund or royalty trust presents its tax rate reconciliation note and disclosure on the significant components making up temporary differences; or
- the tax provision for consolidated financial statements includes a tax loss, partnership income or loss, or income is subject to foreign taxes.

Regardless of the complexity of income taxes, a reader must be able to understand the components of a company's tax provision especially if there is a difference between the expected tax provision, calculated using the company's statutory tax rate, and the actual tax provision. The reader must also be able to understand the components making up the temporary differences giving rise to any income tax assets or liabilities or a valuation allowance of a company.

Companies should ensure that:

- the tax provision (recovery) identifies the current and future taxes payable (recoverable) and the corresponding tax assets and liabilities, distinguishing between current and future amounts;
- there is an understandable description of the individual items that reconcile the difference between the tax provision that would have resulted had the company's statutory tax rate been used and the actual tax provision;
- the items that represent temporary differences, either taxable or deductible, are described in a manner that is understandable to a reader and can be readily identified when verifying amounts between the financial statements notes and income tax amounts shown on the balance sheets and statements of income.
- sufficient favourable evidence exists to support recognition of a future income tax asset related to unused tax losses. Management’s expectations or beliefs regarding the generation of taxable income in the future would not be sufficient evidence.

We noted the following specific deficiencies related to the accounting for income taxes:

- With respect to future tax assets and liabilities that result from existing temporary differences, there was:
  - insufficient information to support the future tax assets or liabilities amounts in the financial statements;
  - incorrect balances pertaining to which assets and liabilities were used for book purposes that comprised part of the temporary differences; and
  - incorrect description of temporary differences related to tax pools, other tax deductions and reserves for tax purposes.
- There were inaccurate or vague descriptions of components in the tax rate reconciliation note, particularly for a number of income funds and royalty trusts.
- A reader would be unable to tell from the disclosure that a company had foreign operations subject to tax, i.e. any difference between foreign income tax rates and the parent company's statutory income tax rate was not identified but was combined with another reconciling item.

- A reader would not be able to tell from the disclosure which legal entities within a consolidated income fund or royalty trust were subject to income taxes and which components explained the reason for any tax provision or recovery.

We have observed over the last few years that the number of deficiencies identified in the financial statements and corresponding notes has reduced. Of the three deficiencies in the income tax area identified in last year's report, only the first point above repeated as a deficiency this year.

We continue to encourage those companies that have implemented a tax strategy that may be considered aggressive to disclose that although the tax provision in the financial statements is adequate, the tax strategy may be subject to challenge by taxation authorities.

Cash Flows

We observed four deficiencies in the Statement of Cash Flows:

- We noted two companies that incorrectly categorized the cash flow treatment of certain transactions as financing activities rather than operating activities. In both cases, the amounts were material to the respective total cash positions of operating and financing activities for the periods covered. Companies should ensure that individual items presented on the statement are identified and properly classified among operating, investing and financing activities.
- We noted several cases where a company's line total for "Cash, Beginning of Period" or "Cash, End of Period" was comprised of several items from the balance sheet. In these cases, an accounting policy about the composition of cash and cash equivalents is necessary. In one case, cash inflows and outflows from operating, financing and investing activities in the year were reconciled to the company's bank loan balance, which was classified as a current liability on the balance sheet. However, GAAP only permits including a bank overdraft, not a bank loan, as a component of cash and cash equivalents.
- We noted a limited number of situations where non-cash items or transactions were accounted for and presented on the statement of cash flows as cash transactions. This deficiency was mentioned in our previous three reports. Companies should pay closer attention to the preparation and review of the statement of cash flows to avoid these obvious deficiencies.
- Many oil and gas exploration companies show a sub-total in the "Cash Flows from Operating Activities" section of the statement of cash flows and label it "Cash Flow From Operations". This sub-total is before any adjustments for non-cash working capital changes and thus does not represent cash flow from operations. Although it is not addressed under GAAP, we do not object to the labelling of this sub total as "Funds Flow From Operations" as long as the only adjustment to this sub-total before arriving at the total of "Cash Flow From Operating Activities" is changes in non-cash working capital items.

Related Party Transactions

Companies with related party transactions must provide complete and transparent information about their operations, in compliance with CICA HB Section 3840. Providing more, rather than less, information on related party transactions is the best approach in dealing with today's more demanding corporate governance environment.

We observed three deficiencies with respect to related party transactions measurement and disclosure. The first and second deficiencies were also observed last year:

- The description of the transaction was either brief and vague, or non-existent. In one instance, the company followed "continuity of interests" accounting but the basis for using this method was only evident after the company had provided additional information. In another instance, the related party transaction was described in detail in an Information Circular but not in the notes to the financial statements.
- After using exchange amount to record the transaction, the note describing the related party transaction did not elaborate on what exchange amount represented, i.e. an estimate of fair value arrived at between the related parties based on certain available independent evidence.
- We noted instances of companies incorrectly describing related party transfers of businesses as business combinations using the purchase method of accounting with the net assets acquired recorded at carrying amounts. The cost of a business combination accounted for under the provisions of CICA HB 1581 must be determined based on fair values, not carrying amounts. If the transfer of the business involves related parties, CICA HB 1581 is not relevant and purchase accounting should not be used. Instead, CICA HB 3840 provides the relevant guidance as to the use of exchange amount or carrying amount for such related party transfers. If a transfer of a business between related parties is measured at carrying amount, "continuity-of-interests" accounting is appropriate. The financial statements of the companies on a combined basis for all prior periods must be prepared to reflect the companies as though they had been combined since inception. EIC Abstract #66 discusses how to account for an acquisition transaction involving related parties when the exchange amount is used to determine the cost of the purchase.

Interim Financial Statements

Overall, we found that interim financial statements, prepared under the guidance in CICA HB Section 1751, continue to improve. However, we still noticed several deficiencies in some interim financial statements (the third and fourth points were noted in last year's report).

- There was no disclosure of seasonal operations.
- There was no disclosure of total costs for defined benefits plans.
- There was no disclosure of the changes in contingencies previously disclosed in the annual financial statements.
- A subsequent event was not disclosed in the appropriate interim period.
- There was no disclosure about changes to accounting policies during the period and the effect of such changes on current and prior annual and interim financial statements.
- The interim period financial statement presentation was inconsistent with the annual financial statements presentation with no explanation given for the format change.
- The most recent quarterly information with comparatives was not presented for the statements of income and cash flows, only the cumulative year to date amounts were presented.

Financial Instruments

Disclosure of financial instruments has improved from several years ago but it is still not at the level that would be considered comprehensive and informative. Disclosure requirements for accounting policies, derivative financial instruments and derivative commodity instruments, as outlined in EIC Abstract # 131, were followed by most companies that were party to these instruments.

We found three common deficiencies:

- Several companies issued convertible debentures and treated the entire proceeds as a liability contrary to GAAP. Upon review of the terms of these debentures, a portion of the proceeds should have been allocated to equity in recognition of the value attributed to the conversion feature. We accepted representation from each company that any future financial instruments with a conversion feature would be carefully reviewed for a possible accounting allocation of the proceeds between debt and equity.
- In a few instances companies did not discuss credit risk or interest rate risk, particularly where they are dealing with large institutions as counter parties to a financial instrument. Management of companies should not assume that large institutions are not vulnerable to default. Disclosure in the notes to the financial statements about the size and financial strength of counter parties to financial instruments would be helpful to readers.
- Several companies did not disclose the fair value of their financial assets and liabilities as shown on the balance sheet or the fair value for off balance sheet derivatives. Many smaller companies have long term debt and long term receivables that may not be comparable to any instruments in a public market and so it may not be practical to estimate fair value; however, GAAP requires disclosure of the reason for not providing fair value and the principal characteristics of the instruments that are pertinent to their value.

Suggestions To Improve Certain Accounting Treatments And Disclosures

We observed a number of areas for improved accounting disclosure for companies, especially for smaller companies.

Segment disclosure CICA HB Section 1701 - We noted instances where one or two segments were identified in the financial statements but the MD&A discussed a number of different operations that could be considered additional segments. Companies should carefully consider how segment information is accumulated and presented and determine if a different breakdown of operations into more segments would provide better information to the reader.

We also found that some expenses and goodwill for certain companies were not allocated among the segments, contrary to the requirements of GAAP.

Revenue recognition EIC Abstracts # 141 and 142 - We found that note disclosure has improved for revenue recognition but continue to encourage companies to provide additional disclosure, paying particular attention to information on major revenue streams.

Earnings per share CICA HB Section 3500 - We rarely see a company providing disclosure on the reconciliation of the numerators and the denominators of the basic and diluted per share computations for income before discontinued operations and extraordinary items. Companies should ensure that this disclosure is provided in the appropriate circumstances.

Asset retirement obligations CICA HB Section 3110 - We believe it is unlikely a company in the resource industry would be able to justify not having a provision for asset retirement obligations. Although management of some companies in the oil and gas industry believe a reasonable estimate of the fair value of the obligation cannot be determined for major property and equipment with long lives, we have noted that the majority of companies in the industry have made estimates that are reflected in their financial statements.

Interests in joint ventures CICA HB Section 3055 - We noted instances of companies reporting investments using the equity method of accounting when the contractual arrangement among the investors provided for joint control. Companies should carefully review any contracts or agreements with other investors to assess whether joint control exists and proportionate consolidation accounting should be followed.

Current assets and current liabilities CICA HB Section 1510 - Deposits made on capital asset purchases, whether refundable or not, should be shown on the balance sheet as long term since the intention of management is to purchase the capital assets. As a result, such deposits may not meet the definition of a current asset.

Goodwill and other intangible assets CICA HB Section 3062 - Companies that amortize an intangible asset based on projected revenues over its life must ensure there is support for the method. Support would be either historical data establishing a pattern of consumption of the intangible or fixed contracts for the majority of the asset's useful life. If there is no support for using projected revenues as a basis for amortization, then the straight line method should be over the useful life.

Management's Discussion & Analysis - Disclosure Deficiencies

For more than a decade almost all medium and large companies have been required to file annual MD&A documents with Canadian securities commissions. However, we continue to find gaps in the information filed compared to expectations and have raised these matters with companies. Our comments apply to all companies regardless of size or industry, although the majority of large companies and seasoned oil and gas companies did include informative MD&A in their 2004 filings.

Both in Canada and the United States, investors and regulators are demanding a higher quality of financial reporting that is complete, reliable and transparent. Since MD&A information has been increasing in importance in the financial reporting system, we expect companies will make significant effort to improve their MD&A for the ultimate benefit of the investor. Responsibility for quality MD&A rests with companies' management. We encourage management to fully inform investors about the operations of the company, the company's achievements and its future plans.

The number of MD&A filings with the ASC increased in 2004 because NI 51-102 *Continuous Disclosure Requirements*, which came into effect March 31, 2004, mandates the filing of MD&A documents by all companies. Previously, many small companies were not required to file full MD&A with the ASC. Some did not know that an MD&A document had to be filed for the first interim or annual period ending after December 31, 2003, or that it had to be prepared in accordance with the filing requirements as if it were the company's first annual MD&A.

If there were a number of deficiencies in a filing, we requested that the MD&A be revised and refiled because the information originally filed was considered to be materially deficient.

We noted a number of cases where:

- there was no discussion in MD&A regarding:
  - seasonality of the company's business or operating segment;
  - trends or large changes in revenue and expenses, especially between interim periods;
  - major components of working capital and expectations about the requirement for working capital in the future; or
  - possible sources for future capital, including whether internally generated cash flows from operating activities would be sufficient to meet future capital requirements.
- there was limited or superficial discussion in MD&A regarding:
  - related party transactions (i.e. insufficient details provided on both qualitative and quantitative aspects of the transactions or relationships) and little or no information about these transactions contained in the notes to the financial statements;
  - risks associated with financial instruments and details about specific instruments; rather, derivative financial instruments were bundled into broad categories;
  - risks and uncertainties associated with business segments of the company;
  - analysis of future expectations compared with past performance;
  - reconciliations between non-GAAP financial measures and appropriate GAAP benchmarks;
  - critical accounting estimates and any changes in accounting policies;
  - results of the previous eight quarters of operational information or the comparison of the last three years of key GAAP measures, e.g. net income;
  - the effective date of MD&A; or
  - the fact that more information could be found for a particular company on SEDAR.

Suggestions to Improve MD&A at Minimal Cost and Substantial Benefit

- Increase the use of charts for all historical comparisons of performance and limit text to explain the charts.
- Write the text in plain language.
- Use the items listed above as a checklist in addition to the requirements of NI 51-102 F1.
- Retain assistance to establish a system to capture all relevant information for MD&A that will be ease the burden on management.

- Give balanced disclosure of both the positive and negative aspects of the company's operations, i.e. refrain from slanting the discussion to positive matters only.

ANNUAL INFORMATION FORMS

As part of the Program, we reviewed initial AIF documents and requested that a few companies amend and refile the initial AIFs, often because of the poor quality of the MD&A disclosures. We also reviewed renewal AIF documents and found them generally to be well prepared.

NON-GAAP FINANCIAL MEASURES

CSA Staff Notice 52-306 on Non-GAAP Financial Measures was issued November 14, 2003. While the Notice sets out a number of expectations, many companies have not:

- explained why the non-GAAP financial measure provides useful information to readers and how management uses the measure;
- provided a clear quantitative reconciliation from the non-GAAP financial measure to the most directly comparable measure calculated in accordance with GAAP. These reconciliations should be numerical, not simply a narrative description. Examples noted include EBITDA, EBIT, and cash flow from operations.

We have also noted instances of non-GAAP financial measures being presented in the GAAP financial statements. We consider such presentation inappropriate.

REFILINGS AND ERROR CORRECTIONS

From time to time, companies restate their financial statements or other documents in order to correct an error or provide material information that should have been disclosed previously.

It is not generally acceptable to wait until the next required filing to restate financial information of previously filed periods. The restatement of financial information should be disclosed to the market in a timely fashion and in many circumstances will represent a material change in the affairs of the company. A material change would require the company to immediately issue a news release and within ten days file a material change report with us.

When companies refile corrected materials on SEDAR, we expect those materials to be separately filed and to be clearly marked as amended in order to provide a complete and transparent record. Companies should also refile their CEO and CFO certifications when they have refiled their annual or interim financial statements, MD&A or AIF.

CONCLUSION

We reviewed a cross section of Alberta reporting issuers to assess the quality of their financial reporting and assess compliance with Alberta securities law. The results indicate financial reporting and compliance with securities laws is satisfactory.

We encourage all companies to strive for the highest level of transparency and quality in disclosure documents to foster investor confidence in Alberta and Canada's capital markets.

We are available to consult with management of companies, public accountants and others who are associated with the preparation and review of financial documents on accounting, auditing or general financial reporting matters, provided the matter is not the subject of enforcement proceedings by the ASC or another regulator and is not part of a court proceeding. If the matter is part of an on-going filing or review by the ASC or another regulator, we require details of the filing or review including the names of the regulators and the staff members involved. We also expect that the matter will have been fully researched prior to contacting us.

Enforcement action against the company, its officers and directors will be considered in cases of more serious breaches of reporting requirements.

Feedback On The Reviews

Comments from companies, public accountants and investors on the continuous disclosure review process are welcome. We endeavour not only to improve the process each year, but also to ensure it is relevant to the current business environment.

Secondment To Chief Accountant's Office

Any public accounting firm or public company that is interested in having a senior professional accountant obtain valuable experience with the ASC in the areas of financial reporting, including accounting, auditing, and MD&A analysis, should contact the Office of the Chief Accountant to discuss details of the secondment program.

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