

Cash reporting targeted

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TORONTO — With the income trust horse long gone from the barn, the accounting profession has completed its design for a stable door.

The Canadian Institute of Chartered Accountants said yesterday it is issuing recommendations to standardize reporting of distributable cash, a key measure of income funds that until now has been subject to a wide latitude of interpretations. "Inconsistencies in how income trusts calculate distributable cash and other measures have made it difficult for investors to evaluate income trust financial results over time and compare them across entities," the CICA said in a statement.

The new guidance for Canada's 70,000-plus chartered accountants "is filling this gap in financial reporting that has put investors in income trusts at undue risk," said CICA president Kevin Dancey. "The focus of our guidance is to give investors information to answer two specific questions: Where did the cash come from that funded their cash distributions and, in arriving at the amount available for distribution, has the income trust made the investments necessary to maintain its operations?"

But the chartered accountants' promise of new clarity for retirees and other investors is too little and far too late, critics of the trust sector said. "It's ugly," declared Al Rosen of forensic accountants Rosen and Assoc. "When you needed this - and in a tougher form - would have been at least five years ago. To put it out now, and to try to delude seniors, I'm really outraged."

The new accounting guidance won't help individuals who have lost billions of dollars on income trusts, said independent investor advocate Diane Urquhart, calling for a criminal investigation into what she characterizes as deceptive trust reporting and marketing. She said that 90 of the 174 income trusts that have issued units since the start of 2001 now trade below their offering prices, representing a cumulative loss to investors of \$10-billion.

Ms. Urquhart noted that the new CICA measure of distributable cash is not an addition to generally accepted accounting principles and will appear only as part of management's discussion and analysis. "Retail buyers and most financial advisers do not read management discussion and analysis reports - they rely on the marketing materials that focus on the cash yields."

She and Mr. Rosen see the real issue as the annualized yields quoted by trusts, which typically include a return of investors' original capital along with distributable cash.