Exchange Regulation

Media Release

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SIX Exchange Regulation reaches an agreement with International Minerals Corporation

SIX Exchange Regulation has reached an agreement with International Minerals Corporation in connection with a breach of International Financial Reporting Standards in their interim financial statements 2011/2012. The violations identified relate to the presentation of the income statement as well as disclosures regarding the valuation of securities held. As a condition of the agreement, the company committed to invest in IFRS-training for their employees.

In its interim financial statements 2011/2012 as of 31 December 2011 International Minerals Corporation (Whitehorse, Yukon Territory, Canada) chose a format of presenting its income statement that is not permitted under International Financial Reporting Standards (IFRS). Among others this resulted in the subtotal for expenses to be understated by USD 1.9 million (36.6%). In addition, the format selected by International Minerals Corporation failed to identify the amount of revenue for the period. The incorrect presentation did not impact the amount of net income for the period in the amount of USD 26.3 million presented by International Minerals Corporation.

Furthermore the notes to the IFRS-interim financial statements 2011/2012 described the securities held as valued at quoted prices in active markets (level 1), even though USD 395.7 thousand (9.5%) could only be valued at historical cost as a proxy for fair value (level 3). Even though this incorrect disclosure did not impact the valuation of these securities, readers of financial statements were deprived of qualitatively material information about the valuation methodology.

In connection with the agreement International Minerals Corporation committed to invest in accounting-training to improve the IFRS-expertise of its employees. In addition, the company will disclose and correct the errors in its annual financial statements 2012 as well as in the interim financial statements 2012/2013.

The investigation against International Minerals Corporation is concluded with an agreement being reached as this course of action resulted in a more timely public disclosure than would have been the case with a duly completed sanction procedure. An agreement has to be published in accordance with the Rules of Procedure.
Agreements to date in connection with financial reporting can be found at: http://www.six-exchange-regulation.com/enforcement/media_releases/agreements/financial_reporting_en.html

Appendix regarding the accounting standards

Periodic financial reporting is part of the information required under the Stock Exchange Act and the Listing Rules to ensure a functional market. As part of this process, issuers must comply with the applicable accounting standards. Information on financial reporting can be found at:
http://www.six-exchange-regulation.com/obligations/financial_reporting_en.html

Circular No. 2 International Financial Reporting Standards describes in detail the obligations of issuers who have chosen to apply IFRS accounting standards. It makes reference to IFRS that, in a number of instances, have resulted in findings from SIX Exchange Regulation. The Circular on IFRS can be found at: www.six-exchange-regulation.com/admission_manual/07_03-CIR2/en/index.html

The following accounting standards were relevant in assessing the case in question
Under IAS 1p99 an entity has to present an analysis of expenses recognised in the income statement based on either their nature or their function within the entity. Gross profit can only be presented if a classification by function is used. IAS 1p82 requires at a minimum the presentation of line items for certain positions, among others revenue. The obligation to clearly identify revenue in the income statement arises from the principle of comparability in the conceptual framework.

IFRS 7p27A requires that financial instruments must be classified using a fair value hierarchy that reflects the significance of the inputs used in determining the fair value. This hierarchy differentiates three levels. The highest category (level 1) is based on unadjusted quoted prices in active markets for identical financial instruments. The valuation in the lowest category (level 3) is derived from inputs that are not observable in a market. Level 2 is based on inputs that are either directly or indirectly observable in the market. The disclosure requirements regarding the valuation methodology used are significantly more extensive for a fair value in the category Level 3 than for Level 1.

Should you have any questions, please feel free to contact Dr Alain Bichsel, Head Media Relations.
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