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**SIX MONTHLY REPORT  
30 SEPTEMBER 2008**

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## DIRECTORS AND MANAGEMENT PROFILES



**Sir William  
Birch  
(Chairman)**

Sir William began his career in 1957, when he established a private practice as a surveyor in Pukekohe. His keen interest in community affairs led to six years as Deputy Mayor of Pukekohe and election to Parliament in 1972. During his 27 years in Parliament he served for 15 years as a Minister of the Crown. His portfolios included Energy, Labour, State Services, Health, Employment and six years as Minister of Finance between 1993 and 1999.

Since 1999, Sir William has operated a private consultancy. He is currently a director of ABN AMRO Australia Pty Limited as well as a member of the ABN AMRO Australia and New Zealand Advisory Council. He is currently a director of a number of public and private companies including Freightways Limited, William Birch Consulting Limited and is a trustee of MFL Mutual Fund Limited and Superannuation Investments Limited. Sir William was knighted by the Queen for public services in 1999.



**Grant Baker  
(Director)**

Most recently Grant served as Executive Chairman of NZSX listed company 42 Below Limited. He resigned from the board in May 2007 following the acquisition of the company by Bacardi Ltd in December 2006. Grant previously served as Executive Chairman and Founding Director of Empower Limited before its sale to Contact Energy in 2000. He was Empowers largest shareholder. Grant also served as Executive Chairman of Netco Limited, the EFTPOS retailer that he successfully developed and sold to Provenco Group Limited. Mr Baker has served in a number of senior business positions, including Chief Executive of Blue Star Office Automation and Ubix Business Machines. At that time was he was an Executive Director on the Board of Blue Star Group Limited and a significant shareholder.



**Brent King  
(Managing  
Director)**

Brent King was the founder and the Managing Director of the Dorchester Group of companies for 17 years until he resigned on 1/12/2005. Brent has held a number of public and private directorships including being a Director of 42 Below Limited, Charlie's Group Limited and Finsoft Limited. He is also the current Chairman of Directors of Auckland Cricket Association. Brent has more than 20 years experience in financial, investment banking, underwriting, capital raising and accounting areas and has assisted a number of public and private companies.



**Mark Simpson  
(Management)**

Mark Simpson is an accountant with some 20 years experience across a number of industries including Banking, Finance, Information Technology, Human Resources, Life Insurance and Motor industries. In all these industries Mark has held the senior finance role. Initially Mark while with KPMG was a consultant in best management practices both in New Zealand and United Kingdom. Subsequently Mark has been instrumental in the developing of business to be successful. The success has always related to better returns for shareholders, be it from better performance or from a positive sale. Mark has extensive experience in the preparation and regulatory matters relating to issuing prospectuses, NZX rules with over five years experience as Company Secretary for a publicly listed entity.

## Managing Director's Report

The six months to 30 September 2008 had been very exciting and positive. The actions we have taken to build significant businesses in the Financial Advisory sector have achieved significant milestones.

We have acquired three separate businesses, Equity Investment Advisers and Sharebrokers, MoneyOnline and Ellerie Cornwall. All three businesses compliment the businesses of our existing business of Investment Research Group.

With the change to being fully focused on financial services we have changed our name to Investment Research Group Limited.

We now operate in four separate operating divisions;



Bay Of Plenty – office in Tauranga offering investment advice through a personalised investment plans and management.



IRG Portfolio – offers funds under management for clients requiring management of a clients investment portfolio



Transactional - IRG Equity Investment Advisors offers client access to share-broking services and many investment products available on the market



Media - IRG Media publishers of NZ Investor Monthly (a monthly magazine), McEwan Investment Report (weekly investment newsletter) and online research.

We have seen very significant growth in these areas and we expect this to continue. Considerable time was spent during the period completing the wind down of previous investments.

### Outlook

The impact of our previous two major investments of the company has been well documented. The loss of value of ICP Bio and Dorchester Pacific has been very significant for the company.

These are now put behind us and we are focused on the IRG businesses.

The 2008 year has been a turbulent time in financial markets. We have seen significant changes in the value of virtually every asset class. The financial markets virtually ground to a halt in October, since that time we have seen virtually all governments take steps to increase the liquidity in the markets. The major question is whether the actions taken will achieve the desired outcomes. If not, what other actions can occur?

- The world markets will have a significant effect on every business this year.
- We believe we are better placed than most companies to meet the significant risks and challenges imposed by the current global markets.
- We have a team that is motivated and focused and we believe we will outperform the market.
- We see there are significant opportunities for progress if a positive approach is taken.

# Investment Research Group Limited

## Income statement

### for the six months ended 30 September 2008

	Note	Six Months to 30/9/07 Unaudited NZ\$	Six Months to 30/9/08 Unaudited NZ\$
<b>Income</b>			
Consulting and other revenue from services		726,903	1,430,932
Dividends received		155,431	-
Interest received		308,641	135,991
Change in fair value of financial assets classified at fair value through profit and loss		782,500	-
Realised profit on sale of investments		56,083	-
<b>Total income</b>		<b>2,029,558</b>	<b>1,566,923</b>
<b>Expenses</b>			
Audit fees paid for audit of the financial statements		20,000	25,000
Depreciation and impairment of plant and equipment	6	85,684	55,242
Directors fees		70,000	70,000
Employee benefits		507,005	583,280
Interest		51,267	98,740
Other costs		450,634	338,049
Movement in allowance for doubtful debts		-	-
Change in fair value of financial assets classified at fair value through profit and loss		4,298,161	386,240
Realised loss on sale of investments		-	-
Change in fair value of financial assets designated at fair value through profit and loss		-	-
<b>Total expenses</b>		<b>5,482,751</b>	<b>1,556,551</b>
<b>Profit (loss) before income tax expense</b>		<b>(3,453,193)</b>	<b>10,372</b>
Income tax benefit	2	(49,732)	(91,526)
<b>Profit (loss) from continuing operations</b>		<b>\$ (3,502,925)</b>	<b>(81,154)</b>
<b>Earnings per share:</b>			
Basic (cents per share)		(5.1)	(0.001)
Diluted (cents per share)		(5.1)	(0.001)

# Investment Research Group

## Statement of changes in equity

### for the six months ended 30 September 2008

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
<b>Opening balance</b>	19,212,501	5,063,181
Profit for the period	(3,502,925)	(81,154)
Total recognised income and expenses	15,709,576	4,982,027
Shares issued for cash		120,000
Shares issued in acquiring investments		150,000
Shares issued as warrants exercised	259,212	-
Other movements	259,212	270,000
<b>Closing balance</b>	<b>15,968,788</b>	<b>5,252,027</b>

9

# Investment Research Group Limited

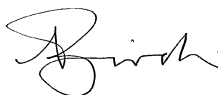
## Balance sheet

### as at 30 September 2008

	Note	Six Months to 30/9/07 Unaudited NZ\$	Six Months to 30/9/08 Unaudited NZ\$	Group 2008 Audited NZ\$
<b>Current assets</b>				
Cash and cash equivalents	3	848,180	(362,867)	766,401
Trade and other receivables	4	524,571	1,175,831	212,980
Loans receivable	5	4,144,768	1,908,571	1,769,147
Investments in equity securities		-	468,952	823,110
<b>Total current assets</b>		<b>5,517,519</b>	<b>3,190,487</b>	<b>3,571,638</b>
<b>Non-current assets</b>				
Deferred tax asset		343,829	937,386	1,028,912
Investments in equity securities		9,623,616	-	14,986
Loans receivable	5	1,125,000	1,125,000	1,125,000
Property, plant and equipment	6	1,478,178	490,518	1,099,727
Goodwill	7	1,441,949	1,441,949	1,441,949
Other intangible assets including customer database, brands and revenue streams	8		1,931,182	282,683
<b>Total non-current assets</b>		<b>14,012,572</b>	<b>5,926,035</b>	<b>4,993,257</b>
<b>Total assets</b>		<b>19,530,091</b>	<b>9,116,522</b>	<b>8,564,895</b>
<b>Current liabilities</b>				
Trade and other payables		338,473	492,029	410,431
BNZ loan facility	10	2,253,252	754,034	2,421,404
Employee entitlements and accruals		43,403	150,119	70,769
<b>Total current liabilities</b>		<b>2,635,128</b>	<b>1,396,182</b>	<b>2,902,604</b>
<b>Term Liabilities</b>				
Deferred tax liability		93,417	-	-
Loan facility	10	832,758	2,468,313	599,110
<b>Total term liabilities</b>		<b>926,175</b>	<b>2,468,313</b>	<b>599,110</b>
<b>Total liabilities</b>		<b>3,561,303</b>	<b>3,864,495</b>	<b>3,501,714</b>
<b>Net assets</b>		<b>15,968,788</b>	<b>5,252,027</b>	<b>5,063,181</b>
<b>Equity</b>				
Issued capital	9	16,764,086	18,223,803	17,953,803
Retained earnings	9	(795,298)	(12,971,776)	(12,890,622)
<b>Total equity</b>	9	<b>15,968,788</b>	<b>5,252,027</b>	<b>5,063,181</b>



**Director**  
22 January 2009



**Director**  
22 January 2009

# Investment Research Group Limited

## Cash flow statement

### for the six months ended 30 September 2008

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
	<b>Note</b>	
<b>Cash flows from operating activities</b>		
Interest received	12,323	6,235
Dividends received	155,431	-
Receipts from customers	302,395	1,223,081
Payments to suppliers and employees	(396,549)	(1,093,746)
Interest paid	(51,267)	(98,786)
Net cash used in operating activities	12      22,333	36,784
<b>Cash flows from investing activities</b>		
Payment for investment securities	(852,879)	-
Payment for acquisition of subsidiary	-	(1,074,219)
Payment for property, plant and equipment	(15,039)	(67,352)
Payment for loans advanced	(3,105,000)	-
Proceeds on sale of investment securities	1,810,098	52,352
Proceeds from sale of business		
Net cash used in investing activities	(2,162,820)	(1,089,219)
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	200,000	120,000
Proceeds from financing facilities	250,000	-
Payment for financing facilities		(201,833)
Net cash provided by financing activities	450,000	(81,833)
<b>Net increase in cash and cash equivalents</b>	(1,690,487)	(1,134,268)
<b>Cash and cash equivalents at the beginning of the financial period</b>	2,538,667	766,401
<b>Cash and cash equivalents at the end of the financial period</b>	3      848,180	(362,867)

# **Investment Research Group Limited**

## **Notes to the financial statements**

### **for the six months ended 30 September 2008**

#### **1. Summary of accounting policies**

##### **Statement of compliance**

The Company is a profit-oriented listed public company incorporated in New Zealand. Its principal activity is investing in and providing professional services to organisations in New Zealand and overseas. During the current financial period the Company commenced business after listing on the NZAX. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-orientated entities. All amounts are in New Zealand dollars.

The consolidated financial statements comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements also comply with IFRS.

The financial statements were authorised for issue by the directors on 18 January 2009.

##### **Basis of preparation**

The financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

##### **Significant accounting policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

##### **(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

##### **(b) Date of incorporation and balance date**

Investment Research Group Limited, formerly Viking Capital Limited was incorporated on 10 April 2006. The Company's balance date is 31 March. These financial statements are for the period from 1 April 2008 to 30 September 2008.

##### **(c) Comparative amounts**

Investment Research Group Limited comparative 2007 figures are for the period from 1 April 2007 to 30 September 2007.

##### **(d) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Significant accounting policies

###### (e) Employee share purchase scheme

The loans relating to the issuing of shares under the staff share purchase scheme are recorded at fair value at each balance date.

###### (f) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through the profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

##### Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through the profit or loss. A financial asset is classified as held for trading if:

- (i) has been acquired principally for the purpose of selling in the near future; or,
- (ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

The Group has classified certain shares and options as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 18.

##### Held to maturity

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis.

##### Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 18.

Gains and losses arising from changes in fair value are recognized directly in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the available-for-sale revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Significant accounting policies (continued)

##### **(g) Loans receivables and trade and other receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate. The average credit period for trade receivables is under 60 days. Interest is not charged on overdue amounts.

##### **(h) Financial instruments issued by the company**

##### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects and is not subsequently remeasured.

##### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

##### Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognized as a provision and the amount initially recognized less cumulative amortization in accordance with the revenue recognition policies described in note 1(m).

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 18.

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective interest basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Significant accounting policies (continued)

###### (i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables, which are recognised inclusive of GST.

###### (j) Income tax

###### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

###### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized. However, deferred tax assets and liabilities are not recognized if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which effects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognized in relation to taxable temporary differences arising from goodwill.

Deferred tax is accounted for using the comprehensive balance sheet liability methods in respect of temporary differences arising from differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax base of these items.

###### (k) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

###### (l) Property, plant and equipment

Plant and computer equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. The depreciation is calculated on a diminishing value basis to write-off the asset to its estimated residual value. Depreciation rates, methods and estimated useful lives are reviewed annually.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 5 - 15 years (diminishing value)
- Computer equipment 3 years (diminishing value)

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Significant accounting policies (continued)

##### **(m) Revenue recognition**

###### Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date.

###### Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

###### Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### **(n) Share-based payments**

Equity settled share based payments are recorded at fair value established at grant date. The fair value is determined by using the volume weighted average price from the appropriate exchange to establish the value for the equities that are issued or received.

##### **(o) Goodwill**

Goodwill, representing the excess of cost of acquisition over the fair value of the identifiable assets and liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired, the value of that impairment is immediately recognised in the income statement.

##### **(p) Customer database**

Customer databases acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives (which is currently estimated to be 10 years for customer databases). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### **(q) Principles of consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities (parent and subsidiaries) into the consolidated entity as defined in NZ IAS – 27 “Consolidated and Separate Financial Statements”. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition the assets, liabilities and contingent liabilities of the subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated fully.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the consolidated and company financial statements.

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Significant accounting policies (continued)

###### (r) Borrowing

Borrowings are recorded initially at fair value, net of transaction costs. Interest costs attributable to the borrowings are transacted through the income statement.

###### (s) Impairment of non-current assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

At each reporting date the group entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such impairment exists, the recoverable amount of the asset is estimated to establish the impairment amount.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired an adjustment is made and is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value is reduced to the recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

All impairment losses are immediately recognised through the income statement.

##### Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the Financial Reporting Standards Board (the FRSB) and approved by the Accounting Standards Review Board (the ASRB) that are relevant to its operations and effective annual reporting periods beginning on 1 April 2007.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

<b>Standard</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
NZ IFRS-8 'Operating Segments'	1 January 2009	31 March 2010
NZ IAS-1 'Presentation of Financial Statements' – Revised Standard	1 January 2009	31 March 2010
Amendments to NZ IFRS-4 'Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions	1 January 2009	31 March 2010
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	31 March 2009

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 1. Summary of accounting policies (continued)

##### Adoption of new and revised standards (continued)

<b>Standard</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
NZ IFRIC-13 'Customer Loyalty Programmes'	1 July 2008	31 March 2009
NZ IFRIC-14 'NZ IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	31 March 2009
IFRIC-15 'Agreements for the Construction of Real Estate'	1 January 2009	31 March 2010
IFRIC-16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	31 March 2010
NZ IAS-23 'Borrowing Costs' – revised 2007	1 January 2009	31 March 2010
Amendments to NZ IFRS-2 'Share-Based Payment' – Vesting Conditions and Cancellations	1 January 2009	31 March 2010
NZ IFRS-3 'Business Combinations' – revised 2008	1 July 2009	31 March 2010
NZ IAS-27 'Consolidated and Separate Financial Statements' – revised 2008	1 July 2009	31 March 2010
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	31 March 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	31 March 2010
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	31 March 2010
Omnibus Amendments (2007)	1 January 2008	31 March 2009

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

##### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

##### Useful lives of property, plant and equipment

As described at (i) above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the year, the directors determined that the useful life of certain items of equipment should be shortened, due to developments in technology.

##### Investments in equity securities

The company has chosen to classify investments at fair value through profit and loss as the investments are being actively managed.

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

## 2. Income taxes

### Tax expense / (benefit)

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
<i>Tax expense / (benefit) comprises</i>		
Deferred tax benefit relating to the origination and reversal of temporary differences / unused tax losses and credits	49,732	91,526
Effect of changes in tax rates and laws		
<b>Total tax benefit</b>	<b>49,732</b>	<b>91,526</b>

*The total charge for the year can be reconciled to the accounting profit as follows:*

Profit (loss) before income tax expense	(3,453,195)	(81,154)
Income tax expense / (benefit) calculated at 30% (LY33)	(1,139,554)	(24,346)
Revaluations of equity investments not held for resale	1,256,789	115,872
Imputation credits attached to dividends received	(76,503)	-
Other adjustments	-	-
Effect of deferred tax balance due to the change in income tax rate from 33% to 30%	-	-
<b>Total tax (benefit) cost</b>	<b>49,732</b>	<b>91,526</b>

The tax rate used for the 2008 and 2007 reconciliations above is the corporate tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

The corporate tax rate in New Zealand was changed from 33% to 30% with effect from 1 April 2008. This revised rate has not impacted the current tax payable but will do so in future periods. However the impact of the tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

## 3. Cash and cash equivalents

The cash and cash equivalents are held at the Bank of New Zealand in trading and call accounts.

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
Cash held at the Bank of New Zealand:	848,180	(362,867)

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 4. Trade and other receivables

	<b>Six Months to 30/9/07 NZ\$</b>	<b>Six Months to 30/9/08 NZ\$</b>
Trade and other receivables	524,571	1,735,293
Less Allowance for doubtful debts	-	(559,462)
	<u>524,571</u>	<u>1,175,831</u>

During the period the Freeze Dryers have been sold with the final payment due in March 2009 of \$755,000.

#### 5. Loans receivable

The loans receivable are loans made to third parties on normal commercial lending terms and secured over assets of the borrower (security is in the form of company shares). All loans are regarded as fully recoverable with in the terms of the contractual obligations of the borrower and are disclosed at amortised cost (which is also fair value). The average interest earned is 15% with all loans due for repayment within twelve months.

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
<i>Current</i>		
Loans receivable	4,144,768	1,908,571
Less allowance for doubtful debts	-	-
	<u>4,144,768</u>	<u>1,908,571</u>
<i>Non-current</i>		
Loans receivable	1,125,000	1,125,000
	<u>5,269,768</u>	<u>3,033,571</u>

The fair values of the assets above are as follows:

	<b>Six Months to 30/9/07 Unaudited NZ\$</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>
Loans receivable:	<u>5,269,768</u>	<u>3,033,571</u>

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2008

#### 6. Property, plant and equipment

<i>Group</i>	<b>Computer equipment NZ\$</b>	<b>Plant NZ\$</b>	<b>Total NZ\$</b>
<i>Cost</i>			
<b>Balance at 31 March 2007</b>	<b>41,486</b>	<b>1,510,985</b>	<b>1,552,471</b>
Additions	15,039	-	15,039
<b>Balance at 30 September 2007</b>	<b>56,525</b>	<b>1,510,985</b>	<b>1,567,510</b>
Additions	22,749	-	37,788
<b>Balance at 31 March 2008</b>	<b>79,274</b>	<b>1,510,985</b>	<b>1,590,259</b>
Additions	<b>475,682</b>	-	<b>475,682</b>
Disposals	-	<b>(1,510,985)</b>	<b>(1,510,985)</b>
<b>Balance at 30 September 2008</b>	<b>554,956</b>	-	<b>554,956</b>
<i>Accumulated depreciation and impairment</i>			
<b>Balance at 31 March 2007</b>	<b>3,648</b>	-	<b>3,648</b>
Depreciation expense	8,724	76,690	3,648
<b>Balance at 30 September 2007</b>	<b>12,372</b>	<b>76,690</b>	<b>3,648</b>
Depreciation	19,175	142,694	247,283
Impairment	-	239,601	239,601
<b>Balance at 31 March 2008</b>	<b>31,547</b>	<b>458,985</b>	<b>490,532</b>
Depreciation	32,891	22,351	55,242
Disposals	-	(481,336)	(481,336)
<b>Accumulated balance at 30 September 2008</b>	<b>64,438</b>	-	<b>64,438</b>
<b>Carrying Value at 30 September 2007</b>	<b>41,153</b>	<b>1,434,025</b>	<b>1,478,178</b>
<b>Carrying Value at 31 March 2008</b>	<b>47,727</b>	<b>1,052,000</b>	<b>1,099,727</b>
<b>Carrying Value at 30 September 2008</b>	<b>490,518</b>	-	<b>490,518</b>

During the period Investment Research Group Limited sold the freeze dryers to the party purchasing the ICP Bio (in receivership) business. Also Investment Research Group Limited acquired assets as part of the purchase of the businesses of Equity Investment Advisors, MoneyOnline and Ellerie Cornwall.

#### 7. Goodwill

Goodwill arises from the 100% acquisition of Investment Research Group Limited (IRG) on 1 March 2007. The data business within IRG was sold to NZX during March 2007 for \$1,430,000 (with a profit on sale of \$281,762).

The goodwill of the investment in IRG \$1,441,949 (being the \$2,545,870 paid less the assets sold of \$1,103,921).

The goodwill is valued, taking into consideration the revenues and profit generated to 31 March 2008, as branding, intellectual property and client data bases taking into consideration the performance of the entities. The value of goodwill is not impaired.

#### 8. Customer database

In March 2008 Investment Research Group Limited purchased the customer database of a financial advisor for \$282,683 which was settled by issuing shares in the company.

In May 2008 Investment Research Group Limited purchased the customer databases, rights to revenue streams and intellectual property of MoneyOnline and Equity Investment Advisors \$1,128,004.

In September 2008 Investment Research Group Limited purchased the customer databases, rights to revenue streams and intellectual property of Ellerie Cornwall in Tauranga for \$520,495.

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2008

#### 9. Issued capital and retained earnings

Shares were issued through the period as follows

	Shares Issued	Six Months to 30/9/07 NZ\$	Six Months to 30/9/08 NZ\$	Group 2008 NZ\$
Opening balance	68,260,762	16,504,872	17,953,803	16,504,872
Ordinary shares issued to new investors for cash at between 15.3 and 16.2 cents per share	1,334,359			206,200
Ordinary shares issued as warrants were exercised for cash and in lieu of expenses at either 25 or 30 cents per share	3,145,572	259,214		810,047
Ordinary shares issued at between 17 and 20 cents per share, to acquire investments	2,412,847			432,684
Ordinary shares issued to Viking Share Plan Trustee Limited at 25 cents per share	4,500,000			-
Ordinary shares issued to new investors for cash at between 5 and 8 cents per share	1,411,765		120,000	-
Ordinary shares issued at 9.6 cents per share, to acquire investments	1,562,500		150,000	-
	<u>78,127,805</u>	<u>16,764,086</u>	<u>18,223,803</u>	<u>17,953,803</u>
Retained earnings for the period		(795,298)	(12,971,776)	(12,890,622)
Closing balance		<u>15,968,788</u>	<u>5,252,027</u>	<u>5,063,181</u>

#### 10. Loan Facilities

Investment Research Group Limited has renegotiated its facility with the Bank of New Zealand.

Investment Research Group has an overdraft facility of \$500,000 and a four year fixed facility of \$2,150,000, with the remaining facility is fixed until the final payment for the freeze dryers in March 2009. Vendor finance was provided for the acquisition of a business.

		Six Months to 30/9/07 NZ\$	Six Months to 30/9/08 NZ\$	Group 2008 NZ\$
Overdraft facility		-	362,867	-
Freeze Dryer facility	(including accrued interest)	1,032,253	672,347	870,514
Flexible facility		2,053,757		2,150,000
Fixed Term Loan			2,150,000	
Vendor Finance			400,000	
		<u>3,086,010</u>	<u>3,585,214</u>	<u>3,020,514</u>

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2008

#### 11. Segmental reporting

All operations, assets, and revenues are generated within New Zealand. Below is the activity based segmental report

	<b>Investment related activities 2008 NZ\$</b>	<b>Financial advice and market commentary 2008 NZ\$</b>	<b>Total 2008 NZ\$</b>
Revenue	135,991	1,430,932	1,566,923
Assets	5,194,909	3,921,613	9,116,522
Results	(348,989)	359,361	10,372
Liabilities	3,222,347	642,148	3,864,495
Capital additions	-	475,682	475,682
Depreciation and amortization	22,351	32,891	55,242

	<b>Investment related activities 2007 NZ\$</b>	<b>Financial advice and market commentary 2007 NZ\$</b>	<b>Total 2007 NZ\$</b>
Revenue	1,635,389	394,169	2,029,558
Assets	19,242,993	287,098	19,530,091
Results	(3,295,213)	(7,712)	(3,502,925)
Liabilities	3,480,928	80,375	3,561,303
Capital additions	-	15,039	15,039
Depreciation and amortization	77,999	7,685	85,684

#### 12. Notes to the cash flow statement

##### Reconciliation of net surplus with cash flow from operations

	<b>Six Months to 30/9/08 NZ\$</b>
Net profit (loss) for the period	(81,154)
<i>Adjustment for non cash items</i>	
Fees paid by other than cash	(368,167)
Depreciation	55,242
Taxation benefit	91,526
<i>Adjustment for items shown in investment activities</i>	
Realised and unrealised losses	386,240
<i>Adjustment for movements in working capital items</i>	
Trade and other receivables	(207,851)
Trade and other payables / employment entitlements	160,948
Net cash outflow from operating activities	<u>36,784</u>

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2008

#### 13. Contingencies and commitments

The company has guaranteed a bank bond of \$1,662,370 for a client. The client has pledged residential property to the company that if the company is called upon for the guarantee the properties are to be used first to settle the guarantee.

There are no other contingencies or commitments outstanding at balance date.

#### 14. Subsidiaries

Name of entity	Country of incorporation	Balance date	Ownership interest and voting rights 2008	Ownership interest and voting rights 2007
IRG Portfolio Limited (formerly Investment Research Group Limited)	New Zealand	31 March	100 %	100 %
IRG Equity Investment Advisors Limited	New Zealand	31 March	100 %	Not incorporated
IRG Media Limited	New Zealand	31 March	100 %	Not incorporated
Investment Research Group (BOP) Limited	New Zealand	31 March	100 %	Not incorporated
Equity Investment Advisers and Sharebrokers Limited	New Zealand	31 March	100 %	Not incorporated
MoneyOnLine Limited	New Zealand	31 March	100 %	Not incorporated
Viking Share Plan Trustee Limited	New Zealand	31 March	100 %	100 %
Viking Capital Bonds Limited	New Zealand	31 March	100 %	100 %
Nordic Trading Limited	New Zealand	31 March	100 %	100 %

During the six months to 30 September 2008, IRG Equity Investment Advisors Limited, IRG Media Limited, Investment Research Group (BOP) Limited, Equity Investment Advisers and Sharebrokers Limited and MoneyOnline Limited were incorporated to accommodate the acquisitions of businesses.

#### 15. Subsequent events

An issue of three sets of warrants was issued to shareholders on 13 November 2008. The details of the offer are as follows;

- December 2008 warrants at 4 cents, issued at 1 warrant for every 10 shares held.
- December 2009 warrants at 5 cents, issued at 1 warrant for every 10 shares held.
- June 2011 warrants at 6 cents, issued at 1 warrant for every 3 shares held.

There are no other material events that would affect the result as presented.



(Formerly Ellerie Cornwall)



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**McEwen**

I N V E S T M E N T R E P O R T

**Solicitors**

Minter Ellison Rudd Watts  
PO Box 3798  
88 Shortland Street  
Auckland

**Share Registrar**

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna  
Private Bag 92-119  
Auckland 1142

**Auditors**

Deloitte  
PO Box 33  
8 Nelson Street  
Auckland

**Bankers**

Bank of New Zealand

## **Contact Details**

### **Investment Research Group**

PO Box 1314, Auckland 1140

Level 13, 57 Fort Street, Auckland

Phone: (09) 304 0145 - Fax: (09) - 358 3858

Email: [enquiries@irg.co.nz](mailto:enquiries@irg.co.nz) - Website: [www.irg.co.nz](http://www.irg.co.nz)

Phone: Brent King (021) 632 660 - Email: [brent.king@irg.co.nz](mailto:brent.king@irg.co.nz)

Phone: Mark Simpson (021) 544 816 - Email: [mark.simpson@irg.co.nz](mailto:mark.simpson@irg.co.nz)