



SIX MONTHLY REPORT  
30 SEPTEMBER 2009

Investment Research Group Ltd

## 6 MONTHLY REPORT TO 30 SEPTEMBER 2009

### DIRECTOR 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 member of the Royal Bank of Scotland Australian Advisory Council. He is also 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.



**Brent King  
(Managing Director)**

Brent King is the founder of Viking Capital Ltd which was renamed Investment Research Group Ltd in August 2008. He is the largest shareholder in the Group. Brent was the founder and the Managing Director of the Dorchester Group of companies for 17 years until he resigned on 1/12/2005. Brent holds a number of public and private directorships including being a Director of New Zealand Cricket and Finzsoft Limited. 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 Wheeler  
(Director)**

Mark Wheeler initially trained as a civil engineer before commencing his commercial career. This has involved a range of senior management roles, culminating in his involvement in mergers and acquisitions, before becoming a major private investor in his own right. In 1999 Mark was head hunted by the PDL Group to be General Manager of PDL's New Zealand plastic operations. He led the successful management buyout of PDL Plastics in conjunction with ANZ Private Equity (ANZPE), forming Alto Plastics, where Mark held the position of Managing Director. In 2004 Alto merged with the listed Vertex to form Alto Holdings, with Mark being the Managing Director and significant shareholder until it was sold in 2006 to Visy Industrial Packaging. The merged business employed over 850 staff, had 9 manufacturing sites and a turnover in excess of \$170m.

Through his family trusts and private companies, Mark operates a diversified range of investments including managed funds, bonds, equities, private equity, farming, infrastructure and property investment, all of which he approaches with the aim of creating shareholder value.

Mark holds a number of public and private directorships including being on the Boards of Pakari Ltd, Aquilco Ltd, Clevedon Trust Co Ltd, Clearspan Property Assets Ltd and Clearspan Property Ltd.

# Managing Director's Report

The 6 months to 30 September 2009 have been very tough for our company, the Investment Research Group. We have suffered from the after effects of the Global credit Crisis where we have had to write down the carrying value of assets in the 31 March 2009 year. This created significant pressure on the Group during this period as we completed accounts, interacted with, auditors, bankers and NZX.

The costs of this were significant, both in Dollar terms as well as indirect costs of diversion of management time and resource. We are not a large group so there is limited management capacity to deal with such issues without moving the focus from the market.

I am pleased to report that we are over that. We have reduced costs, we have increased revenues, we have raised capital and we have reduced debt.

The final stage of this has been the rights issue to shareholders which closes in December.

What Businesses do we operate?



## Media

IRG operates a number of media titles. These are all focused on the Investment sector and give readers information, opinions and data.

- New Zealand Investor
- McEwen Investment Report (MIR)
- On Line Research
- IRG Yearbook



## Retail Financial Services

This business is the former Equity Investment Advisers & Sharebrokers Ltd and offers information, sharebroking and transactional services to our clients from its Auckland office.

## Bay of Plenty Office

Our Tauranga based advisors and financial planning business (previously Ellerie Cornwell). This business offers transactional, advisory and financial planning services to our clients, both in the Bay of Plenty and also in other regions around the country.



## Internet Financial Services

MoneyOnline is a web based investment business, providing information, data and products. The site has over 40,000 hits per month. Clients can download investment statements and can complete their investments electronically.



We have seen very significant growth in these areas and we expect this to continue.

## Outlook

The world financial markets have shown a massive recovery. This has probably been quicker and greater than anyone really expected. We have seen benefits from this. We have increased our market share substantially and we are seeing ongoing support for our products and services.

Currently our Media products sales volumes are all at levels higher than any other time in the last 5 years. The trading operations of the IRG Equity Desk are at an all time high. We have seen new offerings that are attractive to clients. We have increased the number of clients that we are providing services to. We have attracted new clients and reestablished contact with many former clients.

Currently we are working hard to reduce debt further and to develop our businesses further.

If current trends continue we will see a modest profit for the 2nd 6 months which will add to the profit for the first period.

Although we are not where we wish the Group to be we have made solid progress in very uncertain times. We have a group well positioned to take advantage of any uplift in the economy. Shareholders will note that we have increased the Group's equity by over \$650,000 during the period to 30/9/09. We have further strengthened the Group balance sheet by reducing debt and increasing equity, following the allotment that was approved at the Annual Meeting.

## Summary

It has been a tough and at times brutal start to the year.

All directors and staff are working hard and are committed to returning the business to acceptable and growing profit levels.

We thank all shareholders for their support during this tough year.

# Investment Research Group Limited

## Income statement

### for the six months ended 30 September 2009

	<b>Note</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 Unaudited NZ\$</b>
<b><u>Income</u></b>			
Consulting and other revenue from services		1,430,932	1,601,611
Interest received		135,991	-
<b>Total income</b>		<b>1,566,923</b>	<b>1,601,611</b>
<b><u>Expenses</u></b>			
Audit fees paid for audit of the financial statements		25,000	25,828
Directors fees		70,000	-
Employee benefits		583,280	836,510
Interest		98,740	102,162
Other costs		393,291	515,041
Change in fair value of financial assets classified at fair value through profit and loss		386,240	-
<b>Total expenses</b>		<b>1,556,551</b>	<b>1,479,541</b>
<b>Profit (loss) before income tax expense</b>		<b>10,372</b>	<b>122,070</b>
Income tax benefit	2	(91,526)	-
<b>Profit (loss) from continuing operations</b>		<b>(81,154)</b>	<b>122,070</b>
<b><u>Earnings per share:</u></b>			
Basic (cents per share)		(0.001)	0.0012
Diluted (cents per share)		(0.001)	0.0012

# Investment Research Group

## Statement of changes in equity

### for the six months ended 30 September 2009

	<b>Note</b>	<b>Six Months to 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 Unaudited NZ\$</b>
<b>Opening balance</b>		5,063,181	1,947,408
Profit for the period		(81,154)	122,070
Total recognised income and expenses		<u>4,982,027</u>	<u>2,069,478</u>
Shares issued for cash		120,000	294,338
Shares issued in acquiring investments		150,000	
Shares issued as warrants exercised		-	240,000
Other movements		<u>270,000</u>	<u>534,338</u>
<b>Closing balance</b>	<b>9</b>	<u><u>5,252,027</u></u>	<u><u>2,603,815</u></u>

# Investment Research Group Limited

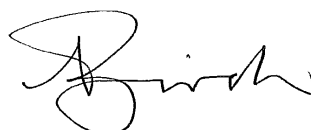
## Balance sheet

### as at 30 September 2009

	Note	Six Months to 30/9/08 Unaudited NZ\$	Six Months to 30/9/09 Unaudited NZ\$	Group 2009 Audited NZ\$
<b>Current assets</b>				
Trade and other receivables	4	1,175,831	415,140	310,171
Loans receivable	5	1,908,571	-	-
Investments in equity securities		468,952	-	-
Customer database held for resale		-	-	345,010
<b>Total current assets</b>		<b>3,190,487</b>	<b>415,140</b>	<b>655,181</b>
<b>Non-current assets</b>				
Deferred tax asset		937,386	1,586,712	1,586,712
Loans receivable	5	1,125,000	115,961	62,618
Property, plant and equipment	6	490,518	154,580	158,545
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	2,107,250	2,107,250
<b>Total non-current assets</b>		<b>5,926,035</b>	<b>5,406,451</b>	<b>5,257,074</b>
<b>Total assets</b>		<b>9,116,522</b>	<b>5,821,591</b>	<b>5,912,255</b>
<b>Current liabilities</b>				
Cash and cash equivalents	3	362,867	171,541	326,179
Trade and other payables		642,148	169,169	580,962
Income in advance and accruals		-	218,939	557,962
BNZ loan facility	10	754,034	601,476	2,075,357
Other unsecured loan		-	60,000	60,000
<b>Total current liabilities</b>		<b>1,396,182</b>	<b>1,221,125</b>	<b>3,599,848</b>
<b>Term Liabilities</b>				
BNZ loan facility	10	2,043,313	1,252,168	-
Other unsecured loan		425,000	744,483	365,000
<b>Total term liabilities</b>		<b>2,468,313</b>	<b>1,996,651</b>	<b>365,000</b>
<b>Total liabilities</b>		<b>3,864,495</b>	<b>3,217,776</b>	<b>3,964,848</b>
<b>Net assets</b>		<b>5,252,027</b>	<b>2,603,815</b>	<b>1,947,407</b>
<b>Equity</b>				
Issued capital	9	18,223,803	19,313,979	18,779,641
Retained earnings	9	(12,971,776)	(16,710,164)	(16,832,234)
<b>Total equity</b>	9	<b>5,252,027</b>	<b>2,603,815</b>	<b>1,947,407</b>



**Director**  
16 December 2009



**Director**  
16 December 2009

# Investment Research Group Limited

## Cash flow statement

### for the six months ended 30 September 2009

	Note	Six Months to 30/9/08 Unaudited NZ\$	Six Months to 30/9/09 Unaudited NZ\$
<b>Cash flows from operating activities</b>			
Interest received		6,235	-
Receipts from customers		1,223,081	1,496,642
Payments to suppliers and employees		(1,093,746)	(2,127,471)
Interest paid		(98,786)	(102,162)
Net cash used in operating activities	12	36,784	(732,991)
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary		(1,074,219)	
Payment for property, plant and equipment		(67,352)	
Proceeds on sale of investment securities		52,352	
Net Proceeds from sale of customer database			434,323
Net cash used in investing activities		(1,089,219)	434,323
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		120,000	294,338
Proceeds from financing facilities		-	400,000
Payment for financing facilities		(201,833)	(241,032)
Net cash provided by financing activities		(81,833)	453,306
<b>Net increase in cash and cash equivalents</b>		(1,134,268)	154,638
<b>Cash and cash equivalents at the beginning of the financial period</b>		766,401	(326,179)
<b>Cash and cash equivalents at the end of the financial period</b>	3	(362,867)	(171,541)

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2009

## 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 and investment services to individuals and 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 16 December 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 2009 to 30 September 2009.

#### (c) Comparative amounts

Investment Research Group Limited comparative 2008 figures are for the period from 1 April 2008 to 30 September 2008.

#### (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 2009

## 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 2009

## 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 recognised 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 2009

## 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 2009

## 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. 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 2009

## 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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
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 13 'Customer Loyalty Programmes'	1 July 2008	31 March 2010

NZ IFRIC 15 'Agreements for the Construction of Real Estate'	1 January 2009	31 March 2010
NZ IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	31 March 2010
NZ IFRIC 17 'Distributions of Non-Cash Assets to Owners'	1 July 2009	31 March 2011
NZ IFRIC 18 'Transfers of Assets from Customers'	1 July 2009	31 March 2011
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 2011
NZ IAS 27 'Consolidated and Separate Financial Statements' – revised 2008	1 July 2009	31 March 2011
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 (2008)	1 January 2009	31 March 2010
Amendments to NZ IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items	1 July 2009	31 March 2011
Embedded Derivatives (Amendments to NZ IFRIC 9 and NZ IAS 39)	**	31 March 2010
Improving Disclosures about Financial Instruments (Amendments to NZ IFRS 7 Financial Instruments: Disclosures)	1 January 2009	31 March 2010
Omnibus Amendments (2009)		
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	1 July 2009	31 March 2011
	***	31 March 2011

\* 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.

\*\*This Standard is effective for annual periods ending on or after 30 June 2009 and must be applied retrospectively.

\*\*\*The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

## 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 2009

## 2. Income taxes

### Tax expense / (benefit)

	<b>Six Months to 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 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	91,526	-
Effect of changes in tax rates and laws		
<b>Total tax benefit</b>	<b>91,526</b>	<b>-</b>
<i>The total charge for the year can be reconciled to the accounting profit as follows:</i>		
Profit (loss) before income tax expense	(81,154)	122,070
Income tax expense / (benefit) calculated at 30% (LY33)	(24,346)	40,283
Revaluations of equity investments not held for resale	115,872	-
Deferred tax benefit released	-	(40,283)
<b>Total tax (benefit) cost</b>	<b>91,526</b>	<b>-</b>

The amount of tax benefit not shown in the balance sheet is \$515,455.

## 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 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 Unaudited NZ\$</b>
Cash held at the Bank of New Zealand:	(362,867)	(171,541)

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2009

#### 4. Trade and other receivables

	<b>Six Months to 30/9/08 NZ\$</b>	<b>Six Months to 30/9/09 NZ\$</b>
Trade and other receivables	1,735,293	415,140
<i>Less</i> Allowance for doubtful debts	(559,462)	-
	<u>1,175,831</u>	<u>415,140</u>

During the prior 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 0% ( Last Year 15%) with all loans due for repayment within twelve months.

	<b>Six Months to 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 Unaudited NZ\$</b>
<i>Current</i>		
Loans receivable	1,908,571	-
<i>Less</i> allowance for doubtful debts	-	-
	<u>1,908,571</u>	<u>-</u>
<i>Non-current</i>		
Loans receivable	1,125,000	115,961
	<u>3,033,571</u>	<u>115,961</u>

The fair values of the assets above are as follows:

	<b>Six Months to 30/9/08 Unaudited NZ\$</b>	<b>Six Months to 30/9/09 Unaudited NZ\$</b>
Loans receivable:	<u>3,033,571</u>	<u>115,961</u>

# Investment Research Group Limited

## Notes to the financial statements

### for the six months ended 30 September 2009

## 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 2008</b>	<b>79,274</b>	<b>1,510,985</b>	<b>1,590,259</b>
Additions	475,682	-	475,682
Disposals		(1,510,985)	(1,510,985)
<b>Balance at 30 September 2008</b>	<b>554,956</b>	-	<b>554,956</b>
Reclassify	(326,398)	-	(326,398)
<b>Balance at 31 March 2009</b>	<b>228,558</b>	-	<b>228,558</b>
Additions	13,268		13,268
<b>Balance at 30 September 2009</b>	<b>241,826</b>		<b>241,826</b>
<i>Accumulated depreciation and impairment</i>			
<b>Balance at 31 March 2008</b>	<b>31,547</b>	<b>458,985</b>	<b>490,532</b>
Depreciation expense	32,891	172,000	55,242
Disposals		(630,985)	(481,336)
<b>Balance at 30 September 2008</b>	<b>64,438</b>	-	<b>64,438</b>
Depreciation	5,575		5,575
<b>Balance at 31 March 2009</b>	<b>70,013</b>	-	<b>70,013</b>
Depreciation	17,233		17,233
<b>Accumulated balance at 30 September 2009</b>	<b>87,246</b>	-	<b>87,246</b>
<b>Carrying Value at 30 September 2008</b>	<b>490,518</b>	-	<b>490,518</b>
<b>Carrying Value at 31 March 2009</b>	<b>158,545</b>	-	<b>158,545</b>
<b>Carrying Value at 30 September 2009</b>	<b>154,580</b>	-	<b>154,580</b>

During the March 2009, 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

	<b>Group 2009 NZ\$</b>	<b>Group 2008 NZ\$</b>
Opening balance	1,441,949	1,441,949
Movement		
Goodwill on acquisition	-	-
Goodwill derecognised on disposal	-	-
Closing balance	1,441,949	1,441,949

The goodwill has been allocated to one cash generating unit, being IRG Portfolio. The recoverable amount of goodwill was assessed with reference to value in use which uses financial budgets approved by the directors covering a five year period and using a discount factor of 15% per annum.

Cash flow projections during the forecast period are based on increasing gross margin through the expansion of the number of staff at commission levels that are broadly consistent with those currently being earned by this business. The cash flows beyond that five year period have been extrapolated in perpetuity assuming no growth. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash generating unit.

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2009

#### 8. Customer database

In May 2008 Investment Research Group purchased the customer databases of Equity Investment Advisors and MoneyOnLine for at total cost of \$1,755,611 which was settled by a vendor loan of \$425,000, prepaid revenue (in Advance) of \$425,000 and the remainder in cash.

In September 2008 Investment Research Group Limited purchased the customer database of Ellerie Cornwall (in Tauranga) for \$524,147 which was settled by cash and \$150,000 of issued shares.

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. During the year to 31 March 2009, Investment Research Group invested an additional \$100,662 of costs. Subsequent to 31 March 2009 this database was sold for \$500,000.

#### 9. Issued capital and retained earnings

Shares were issued through the period as follows

	<b>Shares Issued</b>	<b>Six Months to 30/9/08 NZ\$</b>	<b>Six Months to 30/9/09 NZ\$</b>	<b>Group 2009 NZ\$</b>
Opening balance	73,741,775	17,953,803	18,779,641	17,953,803
Ordinary shares issued to new investors for cash at between 2.25 and 2.5 cents per share	14,202,000		348,500	-
Ordinary shares issued as warrants were exercised for cash at 5 cents per share	4,005,372		240,000	
Ordinary shares issued to new investors for cash at between 5 and 8.0 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		150,000
Ordinary shares issued as warrants were exercised for cash at 4 cents per share	6,643,910			279,557
Ordinary shares issued to new investors for cash at between 5 and 8.50 cents per share	6,411,765	150,000		370,000
	<b>107,979,087</b>	<b>18,223,803</b>	<b>2,535,907</b>	<b>18,753,360</b>
Capital raising expenses			(54,162)	(36,337)
Staff share scheme shares allocated				62,618
		<b>18,223,803</b>	<b>19,313,979</b>	<b>18,779,641</b>
Retained deficit at period end		(12,971,776)	(16,710,164)	(16,832,234)
Closing balance		<b>5,252,027</b>	<b>2,603,815</b>	<b>1,947,407</b>

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2009

#### 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.

		<b>Six Months to 30/9/08</b>	<b>Six Months to 30/9/09</b>	<b>Group 2009</b>
		<b>NZ\$</b>	<b>NZ\$</b>	<b>NZ\$</b>
Overdraft facility		362,867	171,541	326,179
Freeze Dryer facility	(including accrued interest)	672,347	-	-
Flexible facility	(awaiting conversion to equity)	-	400,000	-
Fixed Term Loan		2,150,000	1,853,644	2,075,357
Vendor Finance		400,000	404,483	425,000
		<b>3,585,214</b>	<b>2,829,668</b>	<b>2,826,536</b>

#### 11. Segmental reporting

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

	<b>Investment related activities 2009</b>	<b>Financial advice and market commentary 2009</b>	<b>Total 2009</b>
	<b>NZ\$</b>	<b>NZ\$</b>	<b>NZ\$</b>
Revenue	-	1,601,611	1,601,611
Assets	1,702,673	4,118,918	5,821,591
Results	-	122,070	122,070
Liabilities	2,598,127	619,649	3,217,776
Capital additions	-	13,268	13,268
Depreciation and amortization	-	17,233	17,233

	<b>Investment related activities 2008</b>	<b>Financial advice and market commentary 2008</b>	<b>Total 2008</b>
	<b>NZ\$</b>	<b>NZ\$</b>	<b>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

# Investment Research Group Limited

## Notes to the financial statements

### for the year ended 30 September 2009

## 12. Notes to the cash flow statement

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

	<b>Six Months to 30/9/09 NZ\$</b>
Net profit (loss) for the period	122,070
<i>Adjustment for non cash items</i>	
Fees paid by other than cash	(77,274)
Depreciation	17,233
<i>Adjustment for items shown in investment activities</i>	
Realised profit	(179,235)
<i>Adjustment for movements in working capital items</i>	
Trade and other receivables	(104,969)
Trade and other payables / employment entitlements	(510,816)
Net cash outflow from operating activities	<u>(732,991)</u>

## 13. Contingencies and commitments

During the prior period the company signed a lease to rent level 13 and level 14 of 57 Fort Street for a term through to May 2014 with a total commitment of \$1,049,350 (2008: nil).

	Within one year NZ \$	1 to 5 years NZ \$	More than 5 years NZ\$
Lease on Fort Street Premises	203,100	812,400	33,850

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 2009	Ownership interest and voting rights 2008
IRG Portfolio Limited (formerly Investment Research Group Limited)	New Zealand	31 March	100 %	100 %
Viking Share Plan Trustee Limited	New Zealand	31 March	100 %	100 %
Viking Capital Bonds Limited	New Zealand	31 March	100 %	100 %
IRG Media (formerly Nordic Trading Limited)	New Zealand	31 March	100 %	100 %
Investment Research Group (BOP) Limited	New Zealand	31 March	100%	100 %
IRG Equity Investment Advisors Limited	New Zealand	31 March	100%	100 %
Equity Investment Advisers & Sharebrokers Limited	New Zealand	31 March	100%	100 %
MoneyOnLine 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**

In October 2009, the \$400,000 new loan was converted into 17,777,779 Ordinary Shares.

An issue of Renounceable Rights of one for four shares at 2.25 cents per right was announced and is due to close on 22 December 2009.

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

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**Auditors**

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8 Nelson St  
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**Bankers**

Bank of New Zealand

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**Websites**

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[www.equity.co.nz](http://www.equity.co.nz)

[www.moneyonline.co.nz](http://www.moneyonline.co.nz)

[www.shareclub.co.nz](http://www.shareclub.co.nz)

[www.shareinfo.co.nz](http://www.shareinfo.co.nz)

[www.newzealandinvestor.co.nz](http://www.newzealandinvestor.co.nz)

[www.irgbop.co.nz](http://www.irgbop.co.nz)