

## MARKET ANNOUNCEMENT



### INVESTMENT RESEARCH GROUP LIMITED

#### Notice of Annual Meeting

Investment Research Group Limited (the Company) gives you notice that the annual meeting of shareholders will be held at the Park Lane Motor Lodge, 222 Greenlane West, commencing at 11.00am on 7<sup>th</sup> December 2010.

The Explanatory Notes which accompany this Notice of Meeting set out the details of the transactions which are the subject of the resolutions and the approval required for each resolution by the shareholders of the Company pursuant to the NZAX Listing Rules, the Companies Act 1993, the constitution of the Company and the Takeovers Code Approval Order 2000 (Takeovers Code).

The business of the meeting will be:

Chairman's introduction

**1. Resolution 1: Annual report**

To receive and consider the Annual Report, including the audit report and financial statements, for the year ended 31 March 2010, and to consider, and if thought fit to pass, the following ordinary resolution:

“That the Annual Report, including the audit report and financial statements, for the year ended 31 March 2010 be received.”

**2. Resolution 2: Auditors**

To consider and, if thought fit, to pass the following ordinary resolution in accordance with sections 196 and 197 of the Companies Act 1993:

“That Staples Rodway be appointed as auditors of the Company to:

- (a) hold office from the conclusion of this annual meeting until the conclusion of the next annual meeting; and
- (b) audit the financial statements of the Company, and the Company's group financial statements, for the accounting period next after this annual meeting,

and that the directors of the Company be authorised to fix the remuneration of \$40,000.00 as auditors of the Company for the ensuing year.”

**3. Resolution 3: Re-election of Director**

To consider and, if thought fit, to pass the following ordinary resolution:

“That Brent Douglas King, who retires by rotation and is eligible for re-election, be elected as a director of the Company.”

**4. Resolution 4: Re-election of Director**

To consider and, if thought fit, to pass the following ordinary resolution:

“That Marvin Yee, having been appointed since the last annual meeting and who therefore retires and is eligible for election, be elected as an independent director of the Company.”

**5. Resolution 5: Directors’ Remuneration**

To consider and, if thought fit, to pass the following ordinary resolution pursuant to NZAX Listing Rule 3.4.1:

- (a) to ratify and confirm the Directors’ fees for all previous financial years up to and including the financial year ended 31 March 2010 (as disclosed in the Company’s annual reports received and considered by shareholders at previous annual meetings); and
- (b) to approve payment of Directors’ fees up to a maximum of \$80,000 in aggregate per annum for each financial year of the Company, beginning with the financial year ended 31 March 2011;
- (c) to approve payment of such remuneration paid after the date of this notice, at the discretion of the Board of the Company, either in part or in whole by way of issue of ordinary shares, provided the issue is made in accordance with NZAX Listing Rule 7.3.7 (or any successor to that Rule), and otherwise on the terms and conditions described in the Explanatory Notes.

**6. Resolution 6: Repayment of Debt of \$519,531.72, owed by the Company to Snowdon Peak Investments Limited, by the issue of shares**

To consider and, if thought fit, to pass the following ordinary resolution pursuant to NZAX Listing Rules 7.3.1, 7.5 and 9.2.1 and the Company’s constitution and for the purposes of Rule 7(d) of the Takeovers Code:

“That the shareholders approve the issue by the Company of 57,725,747 fully paid ordinary shares in the Company to Snowdon Peak Investments Limited at an issue price of 0.9 cents per share in payment of interest free loans totalling \$519,531.72 previously made to the Company by Snowdon Peak Investments Limited.

**7. Resolution 7: Delisting**

To consider and, if thought fit, to pass the following ordinary resolution to approve the Board of the Company taking the following steps (but with there being no obligation on the Board to do so):

- (a) cancelling the Company's listing with NZX, if and when determined by the Board of the Company, in accordance with the rules of NZX Limited applying to the Company, and subject to such conditions as NZX may impose under those rules as a condition of cancellation, and
- (b) all steps the Board of the Company may take to effect the cancellation of its Listing in accordance with those rules and any conditions that NZX may impose."

#### NZX Approval

NZX has approved this notice in accordance with NZAX Rule 6.1

#### Explanatory Notes

Explanatory Notes on the resolutions are set out below.

#### Independent Adviser's Report

The Takeovers Code requires the Company to obtain an independent adviser's report in relation to Resolution 6, and for that report to be contained in or to accompany this Notice of Meeting. The purpose of that report is to assess the merits of the proposed allotment of shares under Resolution 6. Doubtless Strategic Limited has prepared such a report and a copy of their report accompanies this Notice of Meeting.

In their Report Doubtless Strategic Limited stress that it is not the purpose of this report to opine on the merits of the proposed resolution, or of the proposed transaction, upon the King interests. On page 17 their report summarises the key merits of the proposed allotment, as they are relevant to those persons entitled to vote on an ordinary resolution approving such an allotment.

#### Ordinary Resolution

All resolutions are ordinary resolutions. An ordinary resolution means a resolution passed by a simple majority of votes of shareholders of the Company entitled to vote and voting.

#### Directors' recommendation

The Directors (other than Brent King in relation to Resolution 6 where he abstains from making a recommendation) unanimously recommend that you vote in favour of the Resolutions.

#### Voting Restrictions

By virtue of NZAX Listing Rule 9.3:

- (a) Each director and each associated person of a director shall not be entitled to vote in respect of Resolution 5 above relating to the payment of directors' remuneration; and
- (b) Snowdon Peak Investments Limited and each associated person of Snowdon Peak Investments Limited will not be eligible to vote on resolution 6 relating to the conversion of debt of \$519,531.72 owed by the Company to Snowdon Peak Investments Limited,

and any votes cast by such person or persons in relation to the relevant resolution will be disregarded by the Company (unless such votes are cast by such person acting as a proxy to

a person entitled to vote on the resolution and in accordance with that person's express instructions).

In accordance with the footnote to NZAX Listing Rule 5.4.1(b), NZX has required that Resolution 7 to approve the delisting be approved by an ordinary resolution of shareholders of the Company who are Members of the Public under the definition contained in the NZAX Listing Rules. Each of Snowdon Peak Investments Limited and Grant Keith Baker & Donna Jean Baker & Lewis Thomas Grant hold 10% or more of the shares in the Company. Accordingly, each of them, and their respective associates, is not considered to be a member of the public. As a result of this, each such person will not be entitled to vote on Resolution 7. All other shareholders of the Company will be entitled to vote on Resolution 7.

By virtue of Rule 17(2) of the Takeovers Code, Snowdon Peak and its associates are prohibited from voting on Resolution 6.

#### Proxies and representatives

Shareholders may exercise their right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in their place. A proxy need not be a shareholder of the Company. The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose. A body corporate shareholder may appoint a representative to attend the meeting on its behalf. A proxy form is enclosed with this notice.

If you wish to vote by proxy you must complete the form and produce it to the Company by delivering it to the Company's Share Registrar, Computershare Investor Services Ltd, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland or by posting it to The Share Registrar, Investment Research Group Limited, c/- Computershare Investor Services Ltd, Private Bag 92119, Auckland 1020, New Zealand (in each case), so as to be received no later than 48 hours before the meeting is due to begin (i.e before 11.00am on 3<sup>rd</sup> December 2010).

#### Warrant Holders

Warrant holders may attend the meeting but are not entitled to vote at the meeting.

By order of the Board

Sir William Birch  
Chairman  
19<sup>TH</sup> November 2010

## **EXPLANATORY NOTES**

### **Resolution 3 – Re-election of Director**

The Company currently has 3 directors. One of those directors (Brent King) is standing down by rotation, and offering himself for re-election. No additional nominations have been received by the Company.

#### **Brent King**

B Com, CA, CMA

Brent is the founder of the Company and his investment company is the largest shareholder in the Company. Brent was also the founder and Managing Director of the Dorchester Group of Companies for 17 years until he resigned in 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.

### **Resolution 4 - Re-election of Director**

#### **Marvin Yee**

As Mr Yee was appointed as a Director by the Directors after the last annual meeting, he is required by NZAX Listing Rule 3.2.3 to retire at the meeting but is eligible for re-election at the meeting.

Marvin Yee is the founder and Managing Director of CyberCom Global, a specialist internet service provider for the hospitality industry. He has grown the company via a combination of mergers, acquisitions and organic growth into a technology group with offices in 6 countries. CyberCom presently operates in New Zealand, Australia, Singapore, Malaysia, Cambodia and Fiji. It is the largest hospitality internet service provider in New Zealand and the second largest technology provider in Fiji. It is also the Hewitt Packard centre for the South Pacific.

A graduate from Auckland and Massey University, Mr Yee has an MBA specialising in accounting and finance. He holds numerous directorships with various companies in different industries throughout the Asia Pacific. He was the past Chairman of the New Zealand Young Professionals and is currently the incoming President for the Rotary Club of Birkenhead.

## **Resolution 5 – Directors’ Remuneration**

Resolution 5 ratifies and confirms the directors’ fees for all previous financial years and proposes a cap of \$80,000 (for all directors taken together) for the current financial year ending 31 March 2011, and for each subsequent financial year. By ratifying these fees shareholders approve the actions of the directors in setting these fees. All the fees have previously been disclosed in annual reports for previous financial years that shareholders have formally received by resolution at previous meetings.

Directors’ fees totalled \$117,600 and \$140,000 for the financial years ended 31 March 2007 and 31 March 2008 respectively. There were no directors’ fees for the financial years ended 31 March 2009 and 31 March 2010.

The resolution expresses the remuneration payable to directors (other than the Managing Director) as a monetary sum payable to all directors taken together in any financial year, beginning with the financial year ending 31 March 2011.

The resolution also allows all or part of directors’ remuneration to be paid, at the discretion of the Board, through the issue of ordinary shares credited as fully paid up in accordance with NZAX Listing Rule 7.3.7 (or any successor to that Rule).

Any shares issued as payment for remuneration will be credited as fully paid on the following terms:

- (a) subject to the Board being satisfied as to the matters in (f) below, as soon as practicable after the release by the Company of its interim and annual results to the market, the Board will have the option to pay directors’ fees in cash or through a combination of cash and an issue of shares, or wholly through the issue of shares, for the relevant period preceding payment;
- (b) such shares can only be issued after the end of the financial year (or financial half year) to which that remuneration relates;
- (c) the price for any such shares issued to directors will be the volume weighted average market price of the Company’s ordinary shares over the 20 business days before the issue occurs;
- (d) all shares issued to directors as remuneration for directors’ fees will rank equally in all respects with all other fully paid ordinary shares in the Company on issue at the time of issue of the shares;
- (e) the Board will only issue shares to directors in lieu of fees if the Board is satisfied that the consideration for, and the terms of, the issue of the shares, are fair and reasonable to the Company and to all existing shareholders, and that the issue will not give rise to any breach by the Company of any statutory or NZAX Listing Rules requirements;
- (f) any shares issued to directors as remuneration for directors’ fees must be issued within two months of the announcement by the Company of its interim and annual results or otherwise the cash equivalent must be paid.

NZAX Listing Rule 3.4.1 requires that the shareholders of the Company approve the remuneration payable to the directors of the Company by means of an Ordinary Resolution, and the fact that the remuneration is payable either in whole or in part by way of an issue of shares. Listing Rule 9.3.1 disqualifies any director or any associated person of a director from voting on this Resolution.

Resolution 6: Repayment of Debt of \$519,531.72, owed by the Company to Snowdon Peak Investments Limited, by the issue of shares

Shareholders are being asked to approve the issue by the Company of 57,725,747 fully paid ordinary shares in the Company to Snowdon Peak Investments Limited (Snowdon Peak) at an issue price of 0.9 cents per share in payment of interest free loans (Loans) totalling \$519,531.72 (Debt) previously made to the Company by Snowdon Peak.

The Loans were made to provide the Company with additional funds to assist the Company with its funding requirements. The Loans comprise (1) a Loan of \$9,261.97 made on 12 February 2010; (2) a Loan of \$20,000.00 made on 22 February 2010; and (3) a Loan of \$14,493.75 made on 12 March 2010; (4) a Loan of \$15,000.00 made on 31 March 2010; (5) a Loan of \$35,000.00 made on 15 April 2010; (6) a Loan of \$30,000.00 made on 20 April 2010; (7) a Loan of \$16,500.00 made on 16 June 2010; (8) a Loan of \$15,000.00 made on 21 June 2010; (9) a Loan of \$9,276.00 made on 24 June 2010; (10) a Loan of \$125,000.00 made on 5 July 2010; (11) a Loan of \$75,000.00 made on 12 July 2010; (12) a Loan of \$50,000.00 made on 12 July 2010; (13) a Loan of \$50,000.00 made on 26 August 2010; (14) a Loan of \$35,000.00 made on 2 September 2010; (15) a Loan of \$20,000.00 made on 15 September 2010. The Loans were made on the following terms:

- (a) the Loans are repayable on demand;
- (b) the Loans are interest free.

Demand for repayment of the loans has not been made but the Company wishes to repay them by the issue of shares and Snowdon Peak has agreed to this, subject to shareholders approval being obtained (shareholder approval is required for the reasons set out below).

The Company proposes to issue the shares to repay the loans as soon as practical after the meeting (so long as shareholders have passed Resolution 6).

- (a) Listing Rules

Shareholder approval is required for the transaction described in Resolution 6 on account of NZAX Listing Rule 7.3.1, which prevents the Company from repaying the Debt by the issue of shares unless either:

- (a) shareholder approval is obtained for the precise terms and conditions of the specific proposal; or
- (b) the offer is made in accordance with a number of limited exceptions provided by NZAX Listing Rules 7.3.4 to 7.3.11.

NZAX Listing Rule 7.5 also has potential application to the repayment of the Debt by the issue of shares. NZAX Listing Rule 7.5 requires shareholder approval of any issue of securities if there is a significant likelihood that the issue will result in a person materially increasing their ability to exercise or direct the exercise of (either then or at any future

time) effective control of an issuer. The shares to be issued on repayment of the Debt to shares will materially increase the ability of Snowdon Peak to exercise, or direct the exercise of, effective control of the Company in the future. Accordingly, the Company has decided to seek shareholder approval of the repayment of the Debt by the issue of shares on this ground.

Shareholder approval is also required for the transaction described in Resolution 6 on account of NZAX Listing Rule 9.2.1 (NZAX Rule 9.2.1).

NZAX Rule 9.2.1 requires shareholder approval of a Material Transaction if a Related Party is or is likely to become, a direct or indirect party to that Material Transaction, or to at least one of a related series of transactions of which the Material Transaction forms part.

The Transaction described in Resolution 6 is a Material Transaction because it involves the Company repaying the debt by issuing shares having a market value in excess of 10% of the Company's average market capitalisation.

"Related Party" is defined in NZAX Listing Rule 9.2.3 and includes a person who, at the time of a Material Transaction, is the holder of 10% or more of the Company's shares, or any person who is an "Associated Person" of the Company or of a director or executive officer of the Company. "Associated Person" is defined in NZAX Listing Rule 1.7.

The transaction described in Resolution 6 is with Snowdon Peak, which holds 24.39% of the voting rights attaching to shares in the Company and is therefore a Related Party of the Company under the NZAX Listing Rules for the purposes of each of these Resolutions.

As required by NZAX Rule 9.2.5 (b), this notice is accompanied by a certificate from the directors of the Company (other than Brent King who is interested in the transaction) certifying their opinion that the terms of the transaction are fair and reasonable to shareholders and in the best interests of the company.

(b) Takeovers Code

The Company is a "code company" for the purposes of the Takeovers Code.

The effect of Rule 6 of the Takeovers Code is that a person who holds or controls 20% or more of the voting rights in a code company may not hold or control an increased percentage of the voting rights except in accordance with the provisions of the Takeovers Code.

Shareholder approval is required for the purposes of the Takeovers Code for the repayment of the debt by the issue of shares in the Company. This is because the repayment of the Debt by the issue of shares in the Company will increase Snowdon Peak's voting rights in the Company and Snowdon Peak already holds or controls more than 20% of the voting rights in the Company. Resolution 6 relates, among other things, to this further shareholder approval.

Snowdon Peak currently holds 37,098,855 (24.39)% of the voting rights in the Company. The repayment of the Debt (of \$519,531.72) by the issue of shares will require the issue of 57,725,747 shares to Snowdon Peak at \$0.009 per share. The shares to be issued to Snowdon Peak represent 37.95% of the aggregate of all existing voting securities in the Company and all voting securities to be allotted pursuant to Resolution 6. Accordingly Snowdon Peak's shareholding in the Company upon repayment of the Debt by the issue of shares will be 94,824,602 shares, being 45.19% of the 209,822,406 shares (and voting



securities) that will then be on issue. The aggregate of the percentages of all voting securities in the Company that will be held or controlled by Snowdon Peak and its associates upon repayment of the Debt by the issue of shares is 45.19%.

The consideration for the proposed issue of shares to Snowdon Peak, being the repayment of the Debt, will be satisfied upon and in exchange for the issue of those shares.

The reasons for the allotment of the shares in the Company to Snowdon Peak in repayment of the Debt are as follows:

- (a) the issue of shares enables the Company to discharge the liability to repay the Debt without recourse to the Company's cash reserves and/or the Company having to make further borrowings; and
- (b) the repayment of the Debt by the issue of shares assists the Company to maintain its liquidity and improves its capital to debt ratio, and therefore strengthens the Company's balance sheet at a time when funding is difficult to obtain and the Company is looking to reduce its debt commitments as much as possible.

The allotment of shares under Resolution 6 if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.

Snowdon Peak has confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between Snowdon Peak and any other person (other than between Snowdon Peak and the Company in respect of the matters referred to in this Notice of Meeting) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company.

As required by Rule 18 of the Takeovers Code a report has been obtained from Doubtless Strategic Limited, the independent adviser approved by the Takeovers Panel, on the merits of the proposed allotment of voting securities that would result from the repayment of the Debt by the issue of shares in the Company.

In their Report Doubtless Strategic Limited stress that it is not the purpose of this report to opine on the merits of the proposed resolution, or of the proposed transaction, upon the King interests. On page 17 their report summarises the key merits of the proposed allotment, as they are relevant to those persons entitled to vote on an ordinary resolution approving such an allotment.

A full copy of this report accompanies this Notice of Meeting.

Shareholders will need to weigh up the proposal carefully and consult their own professional adviser as appropriate.

The Company's Directors (other than Brent King, who is a director of Snowdon Peak and has accordingly abstained from voting) unanimously recommend that shareholders vote in favour of the proposed Resolution to repay the Debt by the issue of shares in the Company because they are of the opinion that:

- (a) the amount of the Debt to be repaid by the issue of shares is an amount owed by the Company to Snowdon Peak;

- (b) the shares to be issued to Snowdon Peak in repayment of the Debt have an aggregate issue price equal to the amount of the debt, with the issue price representing a 39.6% premium to the volume weighted average share price of 0.64 cents for the Company's shares for the 20 business days ending on the date prior to the date of issue of the Independent Adviser's Report dated 29 October 2010;
- (c) the repayment of the Debt by the issue of shares enables the Company to discharge the liability to repay the Debt without recourse to the Company's cash reserves and/or the Company having to make further borrowings; and
- (d) the repayment of the Debt by the issue of shares assists the Company to maintain its liquidity and improves its capital to debt ratio, and therefore strengthens the Company's balance sheet at a time when funding is difficult to obtain and the Company is looking to reduce its debt commitments as much as possible.

#### **Resolution 7 - Delisting**

NZAX Listing Rule 5.4.1 enables the Company to make a written request to NZX that it cease to be Listed. NZX may then cancel the Listing on or subject to certain conditions. These conditions may include a requirement that the Company obtain the prior approval of shareholders to the delisting.

Accordingly, to facilitate a delisting, approval is sought under NZAX Listing Rule 5.4.1 to a delisting. The Company considers that its size is now such that it cannot justify the costs of Listing for the foreseeable future. The annual administrative costs of maintaining the listing of the Company on the NZAX are approximately \$150,000 to \$200,000 per year. However it will cost approximately \$15,000 to delist from the NZAX. Delisting will mean that the Company will not need to obtain shareholder approval for share issues or related party transactions and will have greater flexibility to undertake major transactions without shareholder approval. However, Shareholders will continue to have their rights under the Companies Act 1993 and the Company will still be governed by the Takeovers Code. Shares would no longer be tradeable on any market, but shareholders will be able to trade their shares through Computershare Investor Service Limited or an internal registry maintained by the Company. The internal registry would be available from the time of delisting. The timing of the delisting will be at the Board's discretion. The Board's current intention is to delist in the current financial year. The Board will provide the market with at least one month's advance notice of the delisting.