DIVERSA

GROUP

2011 Annual Report

DIVERSA LIMITED ABN 60 079 201 835 AND ITS CONTROLLED ENTITIES

Contents

Corporate Directory

Directors
Mr Stephen Bizzell
Mr Stuart Korchinski (Managing Director)
Mr Matthew Morgan (Chairman)

Company Secretary
Mr Angus Craig

Registered Office
Level 11
Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Telephone: 07 3212 9250
Facsimile: 07 3221 1101
Email: mail@diversa.com.au
Website: www.diversa.com.au

Sydney Office
Level 7
222 Pitt Street
Sydney NSW 2000
Telephone: 1300 880 736

Melbourne Office
Level 16
114 William Street
Melbourne VIC 3000
Telephone: 03 9616 8600

Australian Business Number
60 079 201 835

Share Registry
Link Market Services Pty Limited
Locked Bag A14
Sydney South NSW 1235

Telephone: 02 8280 7454
Facsimile: 02 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Solicitors
McCullough Robertson Lawyers

Auditors
KPMG

Stock Exchange
The Company is listed on the Australian Securities Exchange (ASX Code: DVA)
The Home Exchange is Brisbane

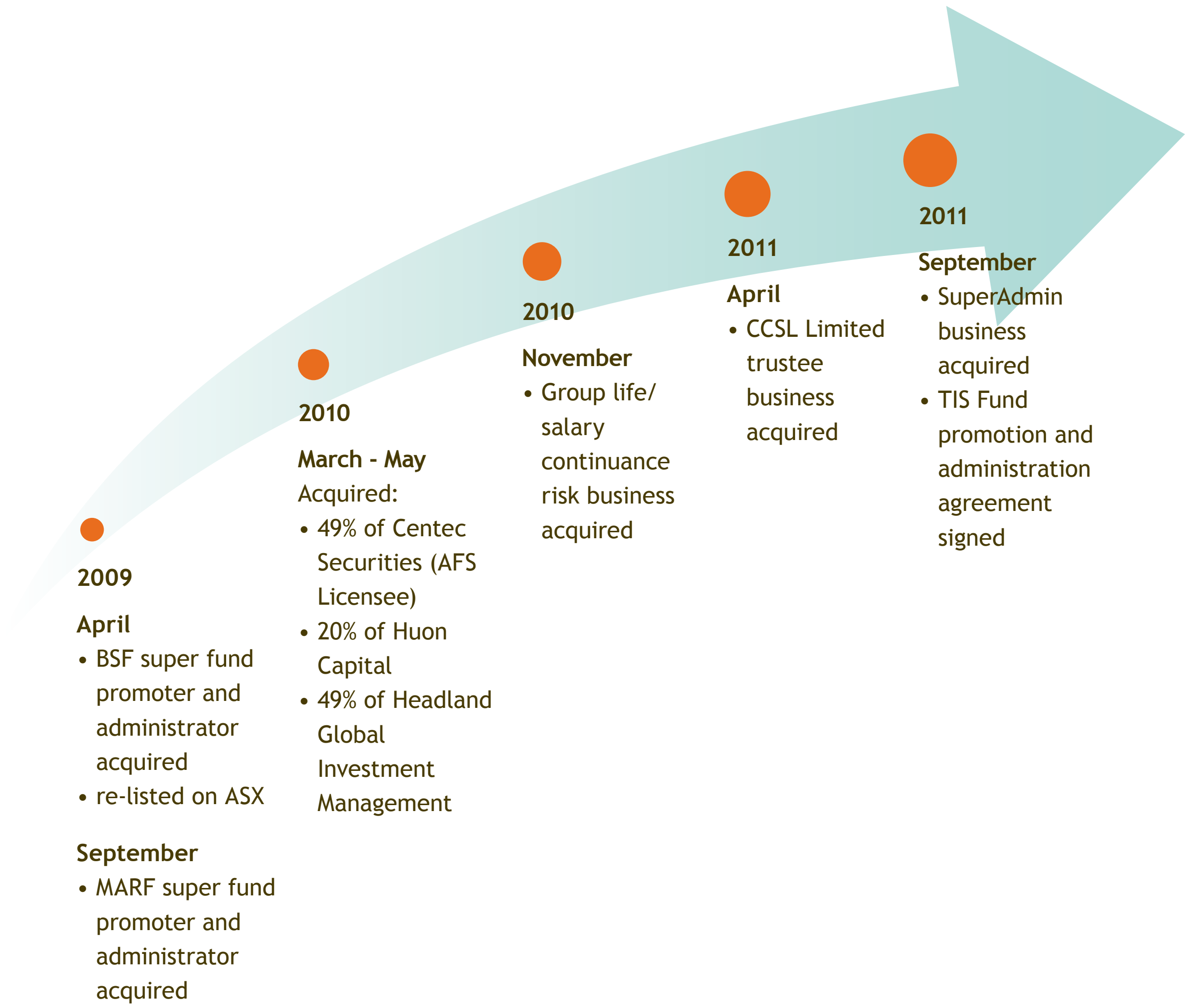
Report from the Chairman and Managing Director

Diversa Group's vision is to be a leading provider of products and services to the superannuation, insurance and funds management sectors. We will grow and prosper by offering innovative and valuable products and services to both individuals and to specialist superannuation fund, financial advisor and funds management clients.

In a rapidly reforming industry many business models are under review as a result of the Future of Financial Advice (FOFA) and Stronger Super reforms. We believe that our offering has wide appeal to our clients and business partners because it uniquely supports the rapid and efficient delivery of innovative products and services which enhances their overall customer proposition. We also believe that as our relationships with clients deepen and our capabilities broaden, our clients will choose to utilise more of our complementary offerings. This will accelerate our growth in the future.

The Building Blocks are in Place

The first phase of our strategy over the last two financial years has involved establishing an initial core capability and market position in the superannuation, funds management and trustee services sectors.
We also put in place a leadership team capable of executing on our strategy of commercialising this capability and achieving our vision.

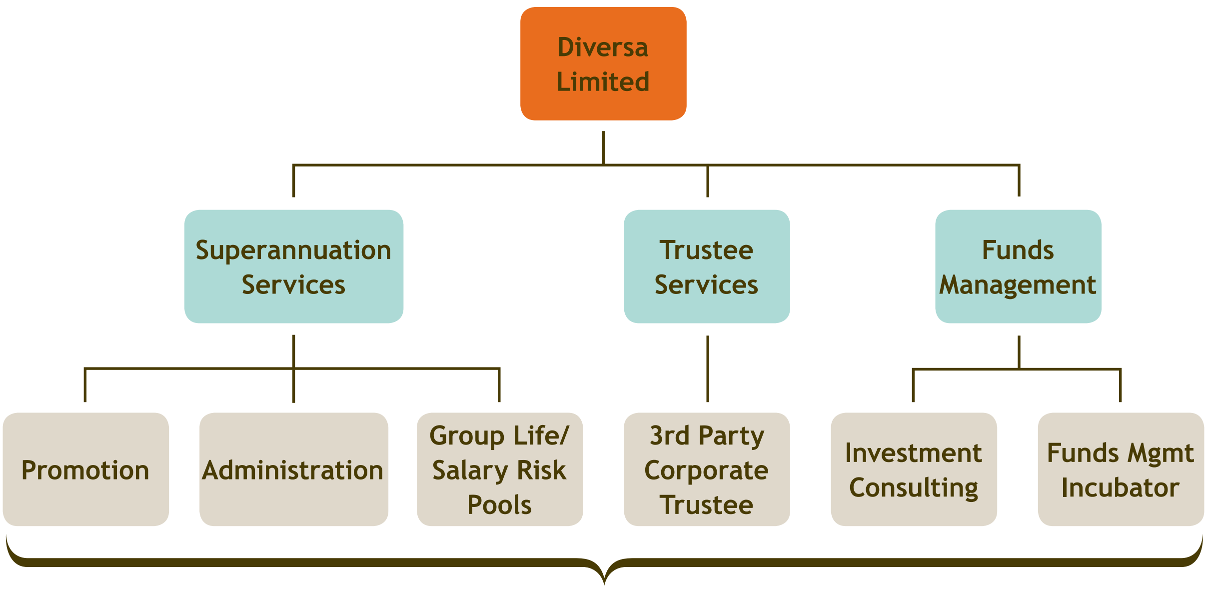


Diversa Group now operates in three business areas - superannuation services, trustee services and funds management which serve both individual customers and institutional business partners. Each of these areas offer their products and services either on a completely bundled and "white label" basis or individually as best suit our business partners. The former allows us to offer for example, a complete superannuation solution on behalf of a fund promoter.

Diversa Group's underlying annualised revenue has now grown to $4.7million. Our funds under management and administration (FUMA) are approximately $1.4billion. We service 136,000 individual members or investors that are customers of our 25 business partners. Our team of 27 professionals deliver products and services out of offices in Melbourne, Sydney and Brisbane.

The following charts are a summary of our current products and services generated from these three complementary business units:

Organisation Structure and Market Offerings



Diversa Promoted Superannuation	White Label Retail or Employer Superannuation	Superannuation Products or Services offered to Business Partners	Funds Management Incubator
• Bundled product solution • Managed Australian Retirement Fund • Bookmakers Superannuation Fund	• Bundled product solutions for Advisors and promoters	• Administration • Promotion and Product Mgmt • Trustee Services • Group Life/Salary Risk • Investment Consulting	• Equity investment in boutique fund managers • Incubator support services

Profile by Service

Promotion and Administration	Diversa Superannuation Services	$230 mn FUM-3 superannuation funds, 14,000 members Revenue* - $2.1 m
Group Life/Salary Risk Pools	Diversa Superannuation Services	2,500 insured individuals Revenue* - $0.4 m
Trustee	CCSL Limited	$1.1 bn FUA -22 superannuation clients Revenue* - $2.0 m
Investment Consulting	Diversa Funds Management	$43 mn FUM - 1 superannuation fund Revenue* - $0.2 m
Funds Management Incubator	Diversa Funds Management	Headland Global Huon Capital

*annualised revenue

Operations Review

The following provides a brief update on the significant activities during the year.

Superannuation

Our Superannuation business unit worked with the trustee and investment manager of Bookmakers Superannuation Fund (BSF) to successfully remove restrictions on redemptions and transfers during the period. Activities also commenced to take on the administration of the Managed Australian Retirement Fund (MARF), expected to be completed during the 2012 financial year. This will deliver on planned synergies and build further scale in our administration services offering.

During the latter part of the year, we commenced negotiations to acquire the assets of SuperAdmin Services, the administrator of the Transport Industry Superannuation Fund (TISF). This transaction was concluded subsequent to 30 June 2011. In parallel, Diversa Group has entered into a three year agreement with TISF to provide product management, promotion and administration services to its approximately 8,000 members.

In November 2010, Diversa Group acquired a group life and salary continuance risk pool business which enabled it to subsequently launch the Diversa Group Life and Salary Continuance Risk Pools as managed investment schemes. There are few similar risk products in the market and together with several unique features represents a significant innovation in the group insurance market.

The outlook for the superannuation business is one of continued growth with further development activity undertaken during the year expected to translate into new clients during the 2012 financial year.

Trustee Services

In April 2011, Diversa Group acquired the CCSL Limited (CCSL) superannuation trustee business. CCSL acts as a third party corporate trustee for clients including individual corporations, financial advisors, life insurers and universities.

The trustee business is well positioned to grow as the Future of Financial Advice (FOFA) reforms progress. This is driven by the growing trend for financial advisers or dealer groups to vertically integrate their traditional advice offering with product manufacturing capability. This enables them to compensate for lost revenue arising from the proposed elimination of volume related payments and/or commission. CCSL already acts as trustee for one such group and will scale its offering in this area to attract further clients.

The outlook for the trustee business is one of organic growth, similar to Superannuation.

Funds Management

As part of its longer term growth plans, Diversa Group is developing a funds management business. Following our appointment as investment manager for MARF in 2010, the funds management business unit focussed on rejuvenating the fund’s portfolio construction. In addition, we assisted our partially owned boutique fund managers, Huon Capital, an Australian equities manager and Headland Global Investment Management, an absolute return manager investing in currency, bonds and commodities, to enhance their market offerings.

Over the 2012 financial year, the funds management business will continue to focus on supporting our boutique manager partners to grow their business.

Financial Performance

The Diversa Group financial performance during the year was reflective of our early stage profile and our acquisition of the loss making but strategically valuable CCSL Limited trustee business. The performance is expanded upon in more detail in the Directors' report and is generally in line with our objective of establishing Diversa's foundation at the lowest possible capital cost. We expect Diversa Group's underlying financial performance to progressively improve as integration related savings are achieved and as newly signed pipeline clients come on stream and then grow their respective businesses with us. This will see further growth in revenue and a relatively lower costs base.

The Road Ahead

As we implement the next phase of our strategy, our focus will be on both completing the integration of our acquisitions so that we progressively operate as a single, cohesive organisation and on organically growing our business.

Diversa Group's objective during the next phase of its development is firmly on extracting value from the capability it has built to date. The building blocks that we have put in place have the capacity to accommodate much greater business scale at lower incremental costs. We believe that the industry reforms are largely developing as we anticipated which positions us well to deliver on our objectives. We will continue to accelerate our business development and partnering activities while still seeking opportunities to acquire businesses that complement our value proposition to clients and customers. We anticipate that the coming year will bring further positive changes and growth at Diversa Group.

Stuart Korchinski
Managing Director

Matt Morgan
Chairman

Directors' report

For the Year Ended 30 June 2011

The directors present their report together with the consolidated financial report of Diversa Limited and its controlled entities (the "Group") and the Group's interest in associates, for the financial year ended 30 June 2011 and the auditor's report thereon.

Directors

The directors of Diversa Limited (the "Company") at any time during or since the end of the financial year are:

Name and independence status	Age	Experience, special responsibilities and other directorships
Mr Matthew Morgan Chairman Non-executive director Appointed: 2 July 2008	37	Mr Morgan is currently Head of Business Development for Integria Healthcare, a private equity backed aggregation of brands in the natural products sector. Prior to his current role Mr Morgan was a Senior Investment Manager with QBF, a venture capital fund manager wholly owned by QIC. He was the first Australian selected to the prestigious Kauffman Fellows Program and currently also serves as a director of Relevare Pharmaceuticals.
Mr Stuart Korchinski Managing director Appointed as a non-executive director: 26 May 2009 Appointed managing director: 16 October 2009	47	Mr Korchinski was most recently the CEO of CitiStreet Australia (a joint venture between Citi and State Street), a provider of superannuation administration services to industry, corporate and retail superannuation funds. Stuart previously held the role of Managing Director of KAZ Business Services Limited, a leading supplier of outsourced services to the superannuation and funds management, insurance and financial services industries and Chief General Manager of Allianz's financial institution and direct insurance business. Stuart has significant experience in multiple sectors of the banking & finance industry including pension/superannuation, financial planning/advice, general and life insurance and IT services sectors.
Mr Stephen Bizzell Non-executive director Appointed: 25 August 2010	43	Mr Bizzell is Chairman of Bizzell Capital Partners, a boutique corporate advisory and funds management firm which focuses on small to mid-cap companies. He was formerly an executive director of Arrow Energy Limited, a role he held since co-founding the company in 1999 until its acquisition by Shell and PetroChina for $3.5 billion in August 2010. At Arrow he focused on strategic issues, business development and corporate finance matters. During the past three years Mr Bizzell also served as a director of the following ASX listed companies: Bow Energy Limited - 2004 to present Dart Energy Limited - 2010 to present Renison Consolidated Mines NL- 1996 to present Stanmore Coal Limited - 2009 to present Hot Rock Limited - 2010 to present Renaissance Uranium Limited - 2010 to present Apollo Gas Limited - 2009 to 2011 Arrow Energy Limited - 1999 to 2010.

Name and independence status	Age	Experience, special responsibilities and other directorships
Mr Timothy Brown Independent non-executive director Appointed: 21 August 2007 Resigned: 25 August 2010	49	Mr Brown is currently CEO of Vow Financial, a mortgage aggregation business. Prior to that he was employed by Macquarie Bank Limited as Head of Sales, Macquarie Intermediaries Solutions. Mr Brown has worked in the banking and finance industry for over 25 years and has held senior management positions in financial intermediaries such as Suncorp, LJ Hooker, Aussie Home Loans and AVCO Finance (acquired by GE Capital).
Mr Gregory Baynton Independent non-executive director Appointed: 2 July 2008 Resigned: 18 August 2010	42	Mr Baynton is Managing Director of Orbit Capital, a private, independent investment company that also provides corporate advisory services, focusing on capital raisings, preparation for Stock Exchange listing and listed investment opportunities. He has extensive experience in establishing and structuring new companies, and raising seed and venture capital. During the past three years Mr Baynton also served as a director of the following ASX listed companies: NextDC Limited - 2010 to present Tissue Therapies Limited - 2002 to present Coalbank Limited - 2001 to present PIPE Networks Limited - 2004 to 2010

Company Secretary

Mr Angus Craig	40	Angus Craig held the position of Company Secretary and Chief Financial Officer at the end of the financial year. He was appointed to these positions in August 2007. Previously he held the position of Company Secretary of Virotec International plc for seven years, and prior to that was a Senior Companies Advisor with the Australian Securities Exchange for six years.

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Meetings		Audit Committee	
	A	B	A	B
M Morgan	17	17	1	1
S Korchinski	16	17	1	1
S Bizzell	14	15	1	1
G Baynton	1	1	-	-
T Brown	2	2	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

The Board established an audit committee during the period, prior to this the Board as a whole performed this function.

Principal Activities

The principal activities of the Group are the provision of financial services, particularly the administration, promotion and trusteeship of superannuation funds and funds management.

During the year, the Group commenced its trustee services activities. There were no other significant changes in the nature of the activities of the Group.

Operational and Financial Review

The Group has continued to follow its stated strategy of building a differentiated wealth management business purpose built for the new, emerging regulatory environment. It is seeking to achieve this through acquisition, partnering and product/service innovation. The Group currently has three revenue generating business units, and their performance is discussed below.

Superannuation Services and Group Risk Products

The Group provides administration and promotion services to the Bookmakers Superannuation Fund (BSF). As at 30 June 2011, BSF had approximately $110 million under management on behalf of approximately 2,000 members. In March 2011, the transfer and redemption restrictions on members' balances which have been in place since September 2009 were lifted through working closely with the BSF trustee and investment manager. Following lifting of the restrictions, BSF has experienced fund outflows in line with expectations.

The Group provides administration and promotion services to the Managed Australian Retirement Fund (MARF) which manages approximately $43 million on behalf of approximately 4,300 members at 30 June 2011. The Group also earns administration fees on certain insurance products available to members of MARF.

During the period the Group conducted a review of its superannuation administration capabilities, with a view to offering administration services to additional funds resulting in some enhancements being implemented to improve its infrastructure, resourcing and systems, the benefits of which are expected to be realised in future periods.

In November 2010, the Group acquired a group life and salary continuance protection business which provides group life and salary continuance pooled risk products to superannuation funds (including some members of BSF), employers and individuals. The Group plans to build the business by actively expanding marketing and distribution of the products via financial intermediaries, affinity groups and directly. Since completion of this acquisition, the relevant regulatory requirements have been satisfied including AFSL variations being granted and two managed investment schemes have been registered in relation to these products.

Revenue for the period for the superannuation business was $1,912,681 (2010: $1,752,479) with an EBITDA of $377,557 (2010: $669,812). The decrease in earnings is due largely to the additional resources engaged to facilitate the changes noted above.

Funds Management

The Group provides investment management services to MARF and is systematically building further investment services capability to enable the offering of services to other superannuation funds in the future.

The Group also owns interests in Headland Global Investment Management Pty Limited (40%), an absolute return manager and Huon Capital Pty Ltd (20%), an Australian equities manager and Centec Securities Pty Limited (49%) a provider of investment services. These investments are recognised using equity accounting. An impairment loss of $129,392 was recognised during the period in respect of the investment in Centec and a provision for impairment of some receivables of $127,360.

Revenue for the period for the funds management business was $215,318 (2010: $179,380) with an EBITDA of ($350,472) (2010: $44,059). In addition, the loss from associates was $69,011 (2010: $24,876).

Trustee Services

On 15 April 2011, the Group completed the acquisition of CCSL Limited (CCSL), which is the holder of an extendable Registrable Superannuation Entity Licence (No.L0000758) and provides superannuation trustee services to a range of master trusts, corporate and insurance only super funds. Following adjustments $1,605,089 was paid in cash with a further $1,000,000 in total payable in 50% instalments over the next two years.

Work has commenced on integrating the business into the wider group to achieve cost savings and more efficient use of the expanded Group resources. The business had revenue of $318,348 and EBITDA of ($314,202) since the date of acquisition.

The Directors believe that the CCSL trustee services offering complements the Group's current service offerings of administration, product management, promotion and investment management services to superannuation funds.

Corporate and Other Matters

To fund the acquisition of the superannuation trustee business and provide working capital, the Group conducted a capital raising during the period. An underwritten placement and non-renounceable entitlement offer of convertible notes was conducted raising $5.2 million before costs. At the end of the period, an amount of $1.9 million was receivable under this offer.

The Group has continued to examine opportunities for growth through acquisition and partnership. Costs incurred relating to these activities, whether resulting in a transaction or not, have been expensed in accordance with the accounting standard requirements. During the period, $288,988 was expensed relating to due diligence and acquisition costs (2010: $139,314).

During the period corporate activities not allocated to business units and mostly comprising listed company and general corporate costs produced EBITDA of ($1,367,201) (2010: ($1,261,476)).

Looking Forward

Looking forward, having now acquired the initial core capabilities needed to progress its business strategy, the Group's primary focus will be on integrating its acquisitions, refining its service and product offerings, actively pursuing an organic growth strategy and selectively assessing acquisition opportunities that deepen its existing business operations. The board continues to believe that opportunities will arise to acquire or otherwise secure interests in both superannuation and funds management businesses which provide attractive growth potential. A number of opportunities have been, and are currently being considered. The board also believes that the Group's positioning as a multi-faceted product manufacturing partner to advisors, accountants and affinity groups will increasingly deliver growth opportunities as regulatory reform flows through the industry over the coming years.

Financial Review

The results of the Group for the year ended 30 June 2011 can be summarised as follows:

	2011	2010	Change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,658,465)	(547,605)	
Amortisation and depreciation	500,538	605,038	
Results from operating activities	(2,159,003)	(1,152,643)	87%
Net finance income/(expense)	(303,875)	(113,987)	167%
Share of loss of equity accounted investees	(69,011)	(24,875)	
Loss before tax	(2,531,889)	(1,291,505)	96%

The EBITDA when compared to 2010 have been influenced by several factors including an increase in due diligence and acquisition costs in the current period of $288,988 (2010: $139,314), the recognition of impairment losses for $256,752 (2010: nil) and the contribution of CCSL limited since the date of acquisition of EBITDA of ($314,844).

Revenue from ordinary activities decreased from $3,079,681 to $2,468,048 (a decrease of 20%), however when the one-off revenue relating to the provision of property service of $1,077,003 in the prior year is removed, revenue has actually increased 23% over the prior year due to 12 months of revenue for BSF and MARF and three months of revenue for CCSL as opposed to twelve months of revenue related to BSF, nine months of revenue relating to MARF and no revenue from CCSL. The impact of the global financial crisis and associated liquidity squeeze affected underlying funds under management, particularly for BSF, resulting in lower revenue than anticipated for the year.

Overall, expense levels increased from $4,232,324 to $4,627,692 (an increase of 9%) however when the one off property related expenses in the prior year are removed of $984,944, the increase is $1,380,312 (or 43%). Significant additional expenses incurred during the period include the inclusion of CCSL ($632,550), impairment losses of ($256,752), increase in due diligence and acquisition costs and the engagement of additional resources to the business in anticipation of increasing revenue in the coming year. Otherwise operating costs remained relatively consistent with budgets.

The net change in the cash balance of ($321,069) includes payments for acquisitions and other investing activities totalling ($1,966,941), a net operating cash outflow of ($1,063,443) and proceeds from financing activities received as of the end of the period of $2,709,315. The net cash used in operating activities includes costs associated with the acquisitions.

Significant Changes in the State of Affairs

With the exception of the matters stated in the Operational and Financial Review there have been no other significant changes in the state of affairs of the Group during the financial year under review.

Likely Developments

The directors consider that the Group has opportunities to expand through acquisition, investment and organic growth into a diversified financial services business. The Group is currently examining a number of potential opportunities. This expansion strategy is likely to require additional funds to be raised.

The consolidated financial report has been prepared on a going concern basis which assumes the Group will continue its operations and be able to meets its obligations as and when they become due and payable.

The Group has acquired the revenue generating businesses as described in Notes 18 and 19. The Group reported a loss after tax of $2,531,889 for the year ended 30 June 2011 (2010: loss of $1,291,505). The Group has a cash balance of $950,756 as at 30 June 2011 (2010: $1,271,825) and a net operating cash outflow for the year ended 30 June 2011 of $1,063,443 (2010: net operating cash outflow of $337,674). There is accordingly some uncertainty as to the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent on:

- the Group increasing revenue to achieve positive cash flows from existing operations; and/or
- the Group raising additional funding; and/ or
- the Group reducing expenditure to achieve positive cash flow from existing operations.

During the year the Company completed an issue of convertible notes (refer Note 21). Interest is payable on the convertible notes at a rate of 11% per annum. Under the terms of the convertible notes, the Company may, at its sole discretion, elect to pay the interest by the issue of shares in the Company. It is currently the Company's intention that interest will be paid in the form of shares for the 2012 financial year. The convertible notes mature on 30 September 2014.

As disclosed in Note 12, trade and other receivables at 30 June 2011 includes an amount of $1,926,641 relating to the entitlement issue of convertible notes conducted during the year. Of this amount, $850,000 was received in cash subsequent to year end, and binding commitments have been received for $1,076,641 subject only to the approval of shareholders being obtained to authorise the issue of the convertible notes. The previous approval to issue convertible notes lapsed and therefore the approval must be refreshed, and a shareholders' meeting to approve the issue of convertible notes (amongst other things) will be held in November 2011.

The Group also has access to a short term unsecured loan facility of $1,100,000. This facility is undrawn at 30 June 2011 and is available to manage working capital requirements (if required). Further details are disclosed in Note 21.

As noted in the Directors' report, the Group is pursuing a growth strategy which is likely to require additional funding to be obtained by the Group. If required, additional funding may be raised for working capital purposes in conjunction with a capital raising to fund an acquisition. In addition, the growth strategy will influence profitability due to scale of operations and the ability to achieve economies of scale, and synergies from complementary operations. It is expected that acquisitions of complementary businesses will generally be earnings accretive and therefore reduce the net cash outflow from operations for the Group.

In the current period, the Group has started incurring operating expenditure in anticipation of such growth, most notably in increased personnel costs. In the event that growth is not forthcoming, these resources will be surplus to the Group's requirements and may be reduced.

There is no assurance that the Group will be successful in its efforts to arrange additional financing. If adequate financing is not available, the Group may be required to delay, or cease its growth strategy, and reduce its operating expenditure.

The directors and management acknowledge that uncertainty remains over the ability of the Group to meet its ongoing funding requirements. In the event that the Group is not able to obtain additional funding and/or reduce expenditure in line with operating revenue, it may not be able to continue as a going concern and therefore may not be able to realise its assets, in particular goodwill and other intangible assets disclosed in Note 17, and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

Dividends

No dividend was paid or declared during the financial year (2010: nil).

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Events Subsequent to Reporting Date

Since the end of the financial year the Group entered into an agreement to acquire a business which provides superannuation administration services to the Transport Industry Superannuation Fund (TISF) for a total consideration of $354,000 in cash and shares payable over two years. As part of this transaction, the Group has been appointed as administrator to TISF for an initial period of three years.

Since the end of the financial year the Group has continued discussions with a number of parties regarding potential transactions involving the Group in line with its stated growth strategy. These discussions may result in acquisitions or investments in the near term however no binding arrangements exist, apart from that noted above, as at the date of this report.

Since the end of the financial year, the Company has received $850,000 in cash and binding commitments for $1,076,641, subject only to the approval of shareholders being obtained to authorise the issue of the convertible notes, relating to the underwritten entitlement issue of convertible notes. The previous approval to issue convertible notes lapsed prior to the date of receipt of the funds and therefore the approval must be refreshed, and a shareholders' meeting to approve the issue of convertible notes (amongst other things) will be held in November 2011.

Since the end of the financial year, the unsecured loan facility agreement was renegotiated resulting in an increased facility limit of $1,100,000 and maturity of 31 December 2012.

Apart from the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors’ Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Diversa Limited	Ordinary shares	Convertible Notes	Options over ordinary shares
M Morgan	2,007,992	98,424	153,846
S Bizzell	6,640,000	7,922,169	5,535,000
S Korchinski	400,000	550,000	4,000,000

Share Options

Options Granted to Directors And Officers of the Company

During or since the end of the financial year, the Company has not granted any options over unissued ordinary shares in the Company to any directors or the five most highly remunerated officers of the Group as part of their remuneration (2010: 4,000,000 options).

Unissued Shares Under Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of unissued shares under option
30 November 2011	$0.26	230,769
30 November 2011	$0.39	230,769
31 March 2013	$0.25	6,000,000
30 November 2013	$0.20	4,000,000
		10,846,153

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. Further details are included in the remuneration report.

Shares Issued on Exercise of Options

During or since the end of the financial year, no ordinary shares were issued by the Company as a result of the exercise of options.

Indemnification and Insurance Of Officers

Indemnification

The Company has agreed to indemnify the current directors of the Company and all former directors of the Company who held that position on or after 24 August 2001 against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

During the year the Company paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts. These contracts insure current and former directors and officers (as defined in the Corporations Act 2001) against certain liabilities arising in the course of their duties to the Company and its controlled entities. The directors have not included details of the nature of the liabilities covered, or the premium paid in respect of the contracts, as such disclosure is prohibited under the terms of the contracts.

Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2011 $	2010 $
Audit services:		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	111,380	91,314
Other auditors:		
Audit and review of financial report (non KPMG firms)	10,000	19,079
	121,380	110,393
Services other than statutory audit:		
Taxation compliance services (KPMG Australia)	11,000	11,000
Other assurance services (KPMG Australia)	28,500	-
	39,500	11,000

Remuneration Report - Audited

Principles of Compensation

Remuneration of directors and senior executives is referred to as compensation throughout this report.

The Board is responsible for compensation policies and packages applicable to directors and senior executives (key management personnel), who either make, or participate in making, decisions that affect the whole, or a substantial part of, the business of the consolidated entity, or have the capacity to affect significantly the Group's financial standing.

The Board is responsible for reviewing and approving the compensation of senior executives. The Board ensures the Group's compensation policies and procedures reward and motivate enhanced performance against the Group's objectives. In particular, the Board:

- ensures that the appropriate procedures exist to assess the compensation levels of senior executives; and
- ensures the Group adopts, monitors and applies appropriate compensation policies and procedures.

The overall objective of the Group's compensation policy is to ensure maximum stakeholder benefit from attracting and retaining high quality Board and key management personnel. A further objective of the policy is to foster a performance oriented culture. As the Group is in a growth phase, performance has been measured by reference to qualitative factors. Moving forward performance will also be measured against objective financial performance criteria.

The Group's compensation policy directs that the compensation package appropriately reflects the respective duties and responsibilities of employees and that compensation levels are competitive and motivating to people who possess the requisite level of skill and experience. Compensation packages include a mix of fixed and variable compensation, and short-and long-term performance based-incentives. Compensation packages are reviewed annually by the Board.

Financial Performance

	2011 $	2010 $	2009 $	2008 $	2007 $
Revenue	2,468,048	3,079,681	802,075	5,472	148,438
EBITDA	(1,658,465)	(547,605)	(1,280,449)	(1,012,845)	(3,951,844)
Share price at 30 June	$0.04	$0.095	$0.15	$0.195	$0.416

The table outlines historical performance over the past 5 years. To assist in understanding the above table, it is noted that:

- the Group underwent a change of business during the 2009 year from technology development to financial services;
- the Group conducted a share consolidation in 2009 and the share prices have been restated as required;
- the 2010 year includes a non-recurring revenue amount of $1,077,003, and corresponding expense amount of $984,944.

As noted elsewhere in this report, historically employee performance has been measured with reference to qualitative factors including individual performance and achievement of performance targets. It is anticipated that the remuneration structure of the Group will be revised in 2012 to provide a stronger link between overall Group performance and remuneration.

Short-Term Incentive Bonus

The compensation package of all employees of the Company has a base pay component plus discretionary bonuses to specified employees for the achievement of duties and responsibilities beyond the normal scope of the position held. There are no performance conditions and any bonus paid is subject to the discretion of the Board. Bonuses may take the form of cash or equity.

Long-Term Incentive

The Board, at its discretion, may approve the issue of options under the Employee Option Plan to executive directors, senior executives and other employees. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time.

The Board may also approve the issue of shares under the Executive Officer Share Plan (as re-approved by shareholders on 24 November 2009). This Plan is available to directors, senior executives and other executives to acquire ordinary shares in the Company for no consideration as a component of their compensation. Shares issued under the Plan rank equally with other fully paid ordinary shares. The number of shares offered and the imposition of restrictions such as the achievement of performance hurdles shall be as determined at the absolute discretion of the Board. However, the Board shall also take into account the actual and potential contribution of each eligible person to the performance of the Company and its controlled entities. All shares granted are held in trust on behalf of each eligible person and become unrestricted at the earliest of the following:

- the end of the period of ten years commencing at the time of acquisition of the shares by the trustee on behalf of the eligible person;
- all relevant restrictions imposed by the Board have been satisfied or released by the Board in its absolute discretion; or
- in accordance with the relevant clauses in the event where the eligible person ceases to be employed.

The Group has a policy that prohibits directors and executives who are granted share based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

Service Agreements

Non-Executive Directors

Directors' base fees are presently $40,000 per annum. The chairperson can receive up to twice the base fee. Total compensation for all non-executive directors last voted upon by shareholders at an Extraordinary General Meeting in 2001, is not to exceed $400,000 per annum. Each director has a letter of appointment in respect of their position.

Non-executive directors may receive part of their fees in the form of shares, subject to a pool limit, which is periodically recommended for approval by shareholders. The pool, which was approved by shareholders on 24 November 2009, is 2,500,000 shares. Non-executive directors do not receive performance related compensation (except specifically approved by shareholders in general meeting) or non-cash benefits. Non-executive directors are eligible to participate in the Employee Option Plan (subject to shareholder approval). Non-executive directors' retirement payments are limited to compulsory employer superannuation.

Managing Director and Executives

Employment agreements are entered into with the managing director and all executives. The amount of compensation is determined by the Board in accordance with the principles set out above. The agreements are unlimited in term, but are capable of termination on a maximum of three months notice. Executives are entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave together with any superannuation benefits.

The employment agreements outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Details of the nature and amount of each major element of remuneration of each director of the Company and all key management personnel of the Group:

		Short-term			Post-employment	Share-based payments				
		Salary & fees $	Shares in lieu of cash $	Total	Super-annuation benefits $	Value of shares $ (a)	Options and rights $ (b)	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors										
M Morgan - Non Executive Chairman	2011	45,872	-	45,872	4,128	37,500(c)	-	87,500	42.9%	-
	2010	77,416	21,800	99,216	900	125,000	-	225,116	55.5%	-
S Bizzell - Non- Executive Director (appointed 25 August 2010)	2011	34,101	-	34,101	-	-	-	34,101	-	-
S Korchinski - Managing Director	2011	202,086	-	202,086	-	-	51,861	253,947	20.4%	20.4%
	2010	168,135	-	168,135	-	-	85,858	253,993	33.8%	33.8%
T Brown - Non-Executive Director	2011	5,305		5,305	477	6,250	-	12,032	51.9%	-
(resigned 25 August 2010)	2010	25,362	9,500	34,862	3,138	93,750	-	131,750	71.2%	-
G Baynton - Non-Executive Director	2011	-	-	-	-	3,333	-	3,333	100.0%	-
(resigned 18 August 2010)	2010	38,000	-	38,000	-	50,000	-	88,000	56.8%	
Executives										
A Craig - Chief Financial Officer/ Company Secretary	2011	169,950	-	169,950	15,296	19,800	-	205,046	9.7%	-
	2010	152,500	12,500	165,000	14,850	-	-	179,850	-	-
A de Vries - Head of Superannuation	2011	228,961	-	228,961	15,204	19,321	-	263,486	7.3%	-
	2010	152,654	-	152,654	10,845	17,060	-	180,559	9.4%	-
V Parrott - Head of Funds Management	2011	161,468	-	161,468	14,532	17,577	-	193,577	9.1%	-
(appointed 26 April 2010)	2010	23,524	-	23,524	-	16,479	-	40,003	41.2%	-

Notes in Relation to the Table of Directors' and Executive Officers' Remuneration on the Previous Page

(a) the value of shares included as compensation is an allocation calculated at the date of grant and allocated over each reporting period from the date of issue to vesting date.

(b) the fair value of the options is calculated at the date of grant using a Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

(c) these shares did not vest with the director.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 December 2009	30 November 2013	$0.041	$0.20	$0.11	65%	4.5%	Nil

Details of Performance Related Remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on pages 18-20.

Analysis of Bonuses Included in Remuneration

There were no short-term incentive cash bonuses awarded as remuneration to any director or executive during the current year or in the prior year.

Equity Instruments

All options refer to options over ordinary shares of Diversa Limited, which are exercisable on a one-for-one basis under the Employee Option Plan

Options and Rights Over Equity Instruments Granted as Compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2011	Grant date	Number of options vested during 2011	Fair value per option at grant date	Exercise price per option	Expiry date
Director						
S Korchinski	-	-	1,000,000	$0.041	$0.20	30 November 2013

The options were provided at no cost to the recipients. No options have been granted during or since the end of the financial year. All options expire on the earlier of their expiry date or 90 days after termination of the individual's contract. In addition to a continuing employment service condition, the options granted during the year are subject to exercise hurdles in the periods after vesting.

Modification of Terms of Equity-Settled Share-Based Payment Transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Exercise of Options Granted as Compensation

No shares were issued on the exercise of options previously granted as compensation during the reporting period or prior period.

Analysis of Options and Rights Over Equity Instruments Granted as Compensation

Details of vesting profile of the options granted as remuneration to each key management person are detailed below.

	Options granted		% vested in year	% forfeited in year (a)	Financial years in which grant vests
	Number	Date			
Directors					
S Korchinski	1,000,000	1 December 2009	100%	-	2011*
S Korchinski	1,000,000	1 December 2009	-	-	2012*
S Korchinski	1,000,000	1 December 2009	-	-	2013*

(a) The % forfeited in the year represents the reduction of the maximum number of options available to vest due to a performance criteria not being achieved.
* these options are subject to exercise hurdles in the periods after vesting.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for financial year ended 30 June 2011.

This report is made with a resolution of the directors:

M. Morgan
Chairman

Dated at Brisbane this 28 September 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Diversa Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner

Brisbane

28 September 2011

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	Consolidated	
		2011	**2010**
Revenue from rendering of services		2,446,347	1,931,859
Other income	3	21,701	1,147,822
Occupancy expenses		(168,038)	(210,661)
Administrative expenses		(1,124,165)	(789,481)
Amortisation and depreciation		(500,538)	(605,038)
Personnel expenses	6	(2,281,136)	(1,502,886)
Impairment losses	5	(256,752)	-
Other expenses	4	(296,422)	(1,124,258)
Results from operating activities		**(2,159,003)**	**(1,152,643)**
Finance income		32,973	55,417
Finance expense		(336,848)	(169,404)
Net finance income/(expense)	**8**	**(303,875)**	**(113,987)**
Share of profit/(loss) of equity accounted investees	14	(69,011)	(24,875)
Loss before income tax		**(2,531,889)**	**(1,291,505)**
Income tax expense (benefit)	9	-	-
Loss after income tax		**(2,531,889)**	**(1,291,505)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(2,531,889)**	**(1,291,505)**
Earnings per share			
Basic earnings per share (AUD)	10	(0.049)	(0.026)
Diluted earnings per share (AUD)	10	(0.049)	(0.026)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 29 to 65.

Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2011

	Share capital	Share based payments reserve	Accumulated losses	Total equity
Balance at 1 July 2009	105,345,197	313,103	(97,512,920)	8,145,380
Total comprehensive income for the year				
Loss for the year	-	-	(1,291,505)	(1,291,505)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(1,291,505)	(1,291,505)
Transactions with owners, recorded directly in equity				
Shares issued	244,844	-		244,844
Share-based payment transactions	114,693	274,318	46,780	435,791
Total transactions with owners	359,537	274,318	46,780	680,635
Balance at 30 June 2010	**105,704,734**	**587,421**	**(98,757,645)**	**7,534,510**
Balance at 1 July 2010	105,704,734	587,421	(98,757,645)	7,534,510
Total comprehensive income for the year				
Loss for the year	-	-	(2,531,889)	(2,531,889)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(2,531,889)	(2,531,889)
Transactions with owners, recorded directly in equity				
Shares issued	17,275	-	-	17,275
Share-based payment transactions	9,045	139,363	14,134	162,542
Issue of convertible notes	297,532	-	-	297,532
Total transactions with owners	323,852	139,363	14,134	477,349
Balance at 30 June 2011	**106,028,586**	**726,784**	**(101,275,400)**	**5,479,970**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 29 to 65.

Consolidated Balance Sheet

As at 30 June 2011

	Note	Consolidated	
		2011	2010
Assets			
Cash and cash equivalents	11	950,756	1,271,825
Trade and other receivables	12	2,309,395	191,434
Total current assets		**3,260,151**	**1,463,259**
Trade and other receivables	12	39,164	70,134
Investments in associates	14	271,918	470,321
Deferred tax assets	15	-	-
Property, plant and equipment	16	91,728	32,636
Intangible assets	17	8,245,854	6,431,665
Total non-current assets		**8,648,664**	**7,004,756**
Total assets		**11,908,815**	**8,468,015**
Liabilities			
Trade and other payables	20	3,305,292	881,358
Employee benefits	22	198,325	52,147
Total current liabilities		**3,503,617**	**933,505**
Trade and other payables	20	462,195	-
Loans and borrowings	21	2,463,033	-
Total non- current liabilities		**2,925,228**	**-**
Total liabilities		**6,428,845**	**933,505**
Net assets		**5,479,970**	**7,534,510**
Equity			
Issued capital		106,028,586	105,704,734
Reserves		726,784	587,421
Accumulated losses		(101,275,400)	(98,757,645)
Total equity	**23**	**5,479,970**	**7,534,510**

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 29 to 65.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2011

	Note	Consolidated	
		2011	2010
Cash flows from operating activities			
Cash receipts from operations		2,772,686	2,921,246
Cash paid to suppliers and employees		(3,845,249)	(3,258,775)
Cash generated from operations		(1,072,563)	(337,529)
Interest paid		(17,428)	(55,422)
Interest received		26,548	55,277
Net cash used in operating activities	**27**	**(1,063,443)**	**(337,674)**
Cash flows from investing activities			
Payments for acquisition of controlled entities (net of cash acquired)	18	(1,905,089)	-
Cash acquired		613,974	-
Acquisition of businesses	19	-	(1,068,750)
Deferred acquisition payments		(665,728)	(141,406)
Refund of security deposit		30,971	-
Payments for investment in associated entities		-	(365,196)
Acquisition of property, plant and equipment	16	(41,387)	(5,000)
Proceeds from sale property, plant and equipment		318	-
Net cash from investing activities		**(1,966,941)**	**(1,580,352)**
Cash flows from financing activities			
Proceeds from the issue of convertible notes	21	2,931,540	-
Payment of transaction costs		(222,225)	-
Net cash from financing activities		**2,709,315**	**-**
Net decrease in cash and cash equivalents		(321,069)	(1,918,026)
Cash and cash equivalents at 1 July		1,271,825	3,189,851
Cash and cash equivalents at 30 June	**11**	**950,756**	**1,271,825**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 29 to 65.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Diversa Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 11 Waterfront Place, 1 Eagle Street, Brisbane, Queensland, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its controlled entities (the Group) and the Group's interest in associates.

The financial statements were authorised for issue by the Board of Directors on 28 September 2011.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards Board ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with the International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The consolidated financial statements are presented in Australian dollars which is the functional currency of the Company and have been prepared on a historical cost basis, except available-for-sale financial assets are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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 and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 20 - Measurement of share-based payments
- Note 18 - Business combinations
- Note 17 - Goodwill

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group, except as explained below.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied preparing this financial report:

- AASB 10 Consolidated Financial Statements introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. AASB 10 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is required when there is a change in the control conclusion. Early application is only available if AASB 11, AASB 12 and AASB 127 (2011) are applied at the same time. The Group has not yet determined the potential impact of the standard on the Group's Financial Statements
- AASB 127 Separate Financial Statements (2011) carries forward the existing accounting and disclosure requirements for separate financial statements with some minor clarifications. Retrospective application is generally applicable. Early application is only available if AASB 10, AASB 11, AASB 12 and AASB 128 (2011) are applied at the same time. The Group has not yet determined the potential impact of the standard on the Group's Financial Statements
- AASB 12 Disclosures of Interests in Other Entities contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associated and/or unconsolidated structured entities. AASB 12 will become mandatory for the group's 30 June 2014 financial statements. Early application is available only if AASB 10 and AASB 11 are applied at the same time. The Group has not yet determined the potential impact of the standard on the Group's Financial Statements
- AASB 13 Fair Value Measurement explains how to measure fair value when required to by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards. AASB 13 becomes mandatory for the Group's 30 June 2014 financial statements with prospective application required. AASB 13 is not expected to have a significant impact on the Group's Financial Statements.
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income makes a number of changes to the presentation of Other Comprehensive Income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items. The amendments will become mandatory for the Group's 30 June 2013 financial statements with retrospective application required. This standard is not expected to have a significant impact on the Group's Financial Statements
- AASB 9 Financial Instruments (December 2010) supersedes AASB 9 (2009) and relates to the classification and measurement of financial assets and financial liabilities. The requirements that were added are generally consistent with the equivalent requirements of AASB 139 Financial Instruments: Recognition and Measurement except in respect of the fair value options and certain derivatives linked to unquoted equity instruments. The requirements of AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9 were also added. AASB 9 (2010) will become mandatory for the Group's 30 June 2014 financial statements. Early adoption is permitted and entities may elect whether to apply AASB 9 (December 2010) or AASB 9 (December 2009). If adopted before 1 January 2013, the prior period is not required to be restated. AASB 9 is not expected to have a significant impact on the Group's Financial Statements.

Going concern

The consolidated financial report has been prepared on a going concern basis which assumes the Group will continue its operations and be able to meets its obligations as and when they become due and payable.

The Group has acquired the revenue generating businesses as described in Notes 18 and 19. The Group reported a loss after tax of $2,531,889 for the year ended 30 June 2011 (2010: loss of $1,291,505). The Group has a cash balance of $950,756 as at 30 June 2011 (2010: $1,271,825) and a net operating cash outflow for the year ended 30 June 2011 of $1,063,443 (2010: net operating cash outflow of $337,674). There is accordingly some uncertainty as to the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent on:

- the Group increasing revenue to achieve positive cash flows from existing operations; and/or
- the Group raising additional funding; and/ or
- the Group reducing expenditure to achieve positive cash flow from existing operations.

During the year the Company completed an issue of convertible notes (refer Note 21). Interest is payable on the convertible notes at a rate of 11% per annum. Under the terms of the convertible notes, the Company may, at its sole discretion, elect to pay the interest by the issue of shares in the Company. It is currently the Company's intention that interest will be paid in the form of shares for the 2012 financial year. The convertible notes mature on 30 September 2014.

As disclosed in Note 12, trade and other receivables at 30 June 2011 includes an amount of $1,926,641 relating to the entitlement issue of convertible notes conducted during the year. Of this amount, $850,000 was received in cash subsequent to year end, and binding commitments have been received for $1,076,641 subject only to the approval of shareholders being obtained to authorise the issue of the convertible notes. The previous approval to issue convertible notes lapsed and therefore the approval must be refreshed, and a shareholders' meeting to approve the issue of convertible notes (amongst other things) will be held in November 2011.

The Group also has access to a short term unsecured loan facility of $1,100,000. This facility is undrawn at 30 June 2011 and is available to manage working capital requirements (if required). Further details are disclosed in Note 21.

As noted in the Directors' report, the Group is pursuing a growth strategy which is likely to require additional funding to be obtained by the Group. If required, additional funding may be raised for working capital purposes in conjunction with a capital raising to fund an acquisition. In addition, the growth strategy will influence profitability due to scale of operations and the ability to achieve economies of scale, and synergies from complementary operations. It is expected that acquisitions of complementary businesses will generally be earnings accretive and therefore reduce the net cash outflow from operations for the Group.

In the current period, the Group has started incurring operating expenditure in anticipation of such growth, most notably in increased personnel costs. In the event that growth is not forthcoming, these resources will be surplus to the Group's requirements and may be reduced.

There is no assurance that the Group will be successful in its efforts to arrange additional financing. If adequate financing is not available, the Group may be required to delay, or cease its growth strategy, and reduce its operating expenditure.

The directors and management acknowledge that uncertainty remains over the ability of the Group to meet its ongoing funding requirements. In the event that the Group is not able to obtain additional funding and/ or reduce expenditure in line with operating revenue, it may not be able to continue as a going concern and therefore may not be able to realise its assets, in particular goodwill and other intangible assets disclosed in Note 17, and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

(c) Basis of consolidation

(i) Business combinations

The Group has applied the acquisition method for the business combination disclosed in Note 18.

For every business combination the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquire, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. A contingent liability of the acquirer in a business combination only if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination such as legal fees, due diligence costs and other professional and consulting fees are expenses as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recorded at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(d) Property, plant and equipment

(I) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(II) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases and are not recognised on the Group’s balance sheet.

(IV) Depreciation

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives in the current and comparative periods are as follows:

Computer equipment	3 to 8 years
Fixtures and fittings	3 to 8 years
Office equipment	3 to 10 years
Leasehold improvements	over term of lease

Residual values, useful lives and the depreciation methods are reviewed at the reporting date.

(e) Intangible assets

(I) Goodwill

Goodwill arises on the acquisition of a business. Goodwill represents the excess of the fair value of the consideration transferred over the net fair value of identifiable assets, liabilities and contingent liabilities acquired, all measured as of the acquisition date. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(II) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(III) Amortisation

Amortisation is recognised in profit and loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives in the current and comparative years are as follows:

Customer contracts 0.6 to 3.25 years

Customer relationships 3.6 to 8.25 years

Amortisation methods, useful lives and residual values are reviewed at the reporting date.

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value. Subsequent to initial recognition, trade and other receivables are measured at their amortised cost less impairment losses (see accounting policy (i)).

(g) Investment in equity securities

The Group's investments in equity securities are classified as available-for-sale financial assets. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy (i)), are recognised in other comprehensive income and presented within equity in a fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank accepted commercial bills and call deposits with an original maturity of three months or less.

(i) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy (p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

The recoverable amount of non-financial assets is the greater of its 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in profit and loss.

Goodwill that forms part of the carrying value of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Impairment of receivables is not recognised until objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. All individually significant receivables are assessed for specific impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For available-for-sale financial assets that are equity securities, the impairment reversal is recognised directly in other comprehensive income.

An impairment loss in respect of goodwill is not reversed.

(j) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options, are recognised as a deduction from equity, net of any tax effects.

(k) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity net of any tax benefit.

(l) Employee benefits

(i) Superannuation benefits

Contributions in relation to defined contribution plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

(ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iv) Share-based payment transactions

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met. For share-based payment awards with non vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition these financial liabilities are measured at amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

(o) Revenue

(i) Services rendered

Fees for services rendered are recognised in the profit or loss statement when the services are provided.

(ii) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance expense comprises interest expense on borrowings and unwinding of the discount on deferred acquisition liabilities.

(iii) Rental income

Rental income from subleased property is recognised as other income.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly owned entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity of the tax-consolidated group is Diversa Limited.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

2. Operating Segments

The Group operates predominately within the financial services industry in Australia. The Group has three reportable segments, as described below, which are the Group's business units. For each of the business units, the Managing Director reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

- Funds Management - funds management and the provision of investment management services
- Superannuation Services and Group Risk Products - provision of administration and promotion services to superannuation funds and the issue of group risk products
- Trustee Services - provision of third party superannuation trustee services.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

	Funds Management		Superannuation Services		Trustee Services		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
External revenues	215,318	179,380	1,912,681	1,752,479	318,348	-	2,446,347	1,931,859
Interest income	-	-	3,593	8,602	5,953	-	9,546	8,602
Interest expense	(4,573)	(19,884)	(23,337)	(36,117)	(6,593)	-	(34,503)	(56,001)
Depreciation and amortisation	(52,684)	(101,177)	(442,477)	(499,980)	(2,982)	-	(498,143)	(601,157)
Impairment losses	(256,752)	-	-	-	-	-	(256,752)	-
Reportable segment profit/ (loss) before income tax	(407,729)	(77,002)	(110,884)	142,317	(317,826)	-	(836,439)	65,315
Share of profit/ (loss) of equity accounted investees	(69,011)	(24,875)	-	-	-	-	(69,011)	(24,875)
Reportable segment assets	721,103	708,903	6,629,114	6,144,762	2,273,382	-	9,623,599	6,853,665
Reportable segment liabilities	(59,900)	(188,726)	(438,825)	(620,220)	(288,909)	-	(787,634)	(808,946)
Investment in associates	271,918	470,321	-	-	-	-	271,918	470,321

Reconciliation of reportable segment profit or loss

	Note	2011	2010
Revenues			
Total revenue for reportable segments		2,446,347	1,931,859
Other revenue	3	21,701	1,147,822
Consolidated revenue		2,468,048	3,079,681
Profit or loss			
Total profit or loss for reportable segments		(836,439)	65,315
Unallocated amounts:			
Property services income	3	-	1,077,003
Property services expense	4	-	(984,944)
Net finance costs on provision of property services		-	(91,345)
Personnel expenses not included in reportable segments		(695,270)	(946,117)
Other net corporate revenue and expenses		(931,169)	(386,540)
Share of profit/(loss) of equity accounted investee		(69,011)	(24,875)
Consolidated loss before income tax		(2,531,889)	(1,291,504)
Assets			
Total assets for reportable segments		9,623,599	6,853,665
Investments in equity accounted investee		271,918	470,321
Other unallocated amounts		2,013,298	1,144,029
Consolidated total assets		11,908,815	8,468,015
Liabilities			
Total liabilities for reportable segments		(787,634)	(808,946)
Other unallocated amounts		(5,641,211)	(124,559)
Consolidated total liabilities		(6,428,845)	(933,505)

Revenue from one major customer of the Superannuation Services segment represents approximately 45% (2010:44%) of the Group's total revenue.

All segment revenues are earned in Australia and all segment assets are located in Australia.

	Note	Consolidated	
		2011	2010

3. Other Income

Provision of property services		-	1,077,003
Rental income		13,701	70,819
Other income		8,000	-
		21,701	1,147,822

The provision of property services in the prior period relates to services provided in respect of certain properties controlled by the Bookmakers Superannuation Fund to facilitate their sale, including sourcing funding to complete the development and preparation of the properties for sale. This amount is considered to be non-recurring in nature.

4. Other Expenses

Provision of property services		-	984,944
Due diligence and acquisition costs		288,988	139,314
Other expenses		7,434	-
		296,422	1,124,258

The provision of property services in the prior period relates to expenses incurred in respect of certain properties controlled by the Bookmakers Superannuation Fund to facilitate their sale, including sourcing funding to complete the development and preparation of the properties for sale. This amount is considered to be non-recurring in nature. Further costs in relation to the provision of these services are included in Finance expense.

5. Impairment Losses

Impairment loss on investment in associate		129,392	-
Impairment loss on trade receivables		127,360	
		256,752	-

6. Personnel Expenses

Wages and salaries		1,887,965	981,122
Other associated personnel expenses		50,389	1,351
Contributions to defined contribution superannuation funds		119,352	57,050
Increase in employee benefits provisions	22	60,888	21,416
Equity-settled share-based payment transactions	22	162,542	441,947
		2,281,136	1,502,886

	Note	Consolidated	
		2011	2010

7. Auditors' Remuneration

Audit services:			
Auditors of the Company (KPMG Australia):			
Audit and review of financial reports		111,380	91,314
Other auditors:			
Audit and review of financial report (non KPMG firm)		10,000	19,079
		121,380	110,393
Other services:			
Auditors of the Company (KPMG Australia):			
Taxation compliance services		11,000	11,000
Other assurance services		28,500	-
		39,500	11,000

8. Net Finance Income/ (Expense)

Interest income		32,973	55,417
Finance income		32,973	55,417
Interest expense		(19,178)	(45)
Unwinding of discount on deferred acquisition payments		(128,500)	(113,982)
Interest on convertible notes		(189,170)	-
Interest expense property services	4	-	(55,377)
Finance expense		(336,848)	(169,404)
Net finance income/(expense)		(303,875)	(113,987)

9. Income Tax Expense

	Note	Consolidated	
		2011	2010
Current tax expense			
Current year		(524,186)	(322,055)
Adjustments for prior years		37,911	(60,733)
		(486,275)	(382,788)
Deferred tax expense			
Origination and reversal of temporary differences		100,004	282,924
Adjustments for prior years		(37,911)	42,251
Change in unrecognised temporary differences		(62,092)	(325,175)
Non-recognition of tax losses		486,275	382,788
		486,275	382,788
Total income tax expense		-	-
Numerical reconciliation between tax expense and pre-tax net loss			
Loss before tax		(2,531,889)	(1,291,505)
Income tax using the domestic tax rate of 30% (2010: 30%)		(759,567)	(387,452)
Decrease in income tax expense due to:			
Changes in unrecognised temporary differences		(62,092)	(325,175)
Increase in income tax expense due to:			
Non-deductible expenses		335,384	348,321
Under/ (over) provided in prior periods		-	(18,482)
Effect of tax losses not recognised		486,275	382,788
Income tax expense		-	-

10. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of $2,531,889 (2010: $1,291,505) and a weighted average number of ordinary shares outstanding of 51,523,122 (2010: 49,355,702), calculated as follows:

	Note	Consolidated	
		2011	2010
Loss attributable to ordinary shareholders			
Loss for the year		(2,531,889)	(1,291,505)
Loss attributable to ordinary shareholders		(2,531,889)	(1,291,505)
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	23	51,318,116	48,123,280
Effect of shares issued during the year		205,006	1,232,422
Weighted average number of ordinary shares at 30 June		51,523,122	49,355,702

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on loss attributable to ordinary shareholders of $2,531,889 (2010: $1,291,505) and a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, of 51,523,122 (2010: 49,355,702), calculated as follows:

Loss attributable to ordinary shareholders (diluted)			
Loss attributable to ordinary shareholders (basic)		(2,531,889)	(1,291,505)
Loss attributable to ordinary shareholders (diluted)		(2,531,889)	(1,291,505)
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)		51,523,122	49,355,702
Effect of share options and convertible notes on issue*		-	-
Weighted average number of ordinary shares (diluted) at 30 June		51,523,122	49,355,702

* Both the options and convertible notes on issue had exercise or conversion prices significantly higher than the average share price for the year. Accordingly, these securities options are considered anti-dilutive and have not been weighted as their conversion to ordinary shares would result in a decreased loss per share.

Earnings per share			
Basic earnings per share		(0.049)	(0.026)
Diluted earnings per share		(0.049)	(0.026)

	Consolidated	
	2011	2010

11. Cash and Cash Equivalents

Bank balances	147,929	200,227
Short term deposits	802,827	1,071,598
Cash and cash equivalents	950,756	1,271,825
Cash and cash equivalents in the statement of cash flows	950,756	1,271,825

12. Trade and Other Receivables

Current		
Trade receivables	308,276	59,419
Less impairment	(127,360)	-
Other receivables and prepayments	2,128,479	132,015
	2,309,395	191,434

Other receivables include $1,926,641 received after the end of the period relating to the entitlement issue of convertible notes conducted during the period.

Non-current		
Security deposits	39,164	70,134
	39,164	70,134

13. Investments

Non-current investments		
Investments – available-for-sale	593,223	593,223
Less impairment losses	(593,223)	(593,223)
	-	-

14. Investments in Associates

The Group's share of profit/(loss) for its equity accounted investees for the period owned was ($69,011) (2010: ($24,875)). During the period ended 30 June 2011, the Group did not receive dividends from any of its investments in equity accounted investees.

	Consolidated	
	2011	2010
Investments in associates	470,321	495,196
Less share of loss of associates	(69,011)	(24,875)
Less impairment losses	(129,392)	-
Balance at 30 June 2011	271,918	470,321

The carrying value of the investments in associates is based on a value in use model based on the same assumptions as outlined in Note 17.

An impairment loss of ($129,392) has been recorded against an investment following calculation of estimated value in use of one investment, and this investment has been impaired to net asset value at 30 June 2011.

Summary financial information for equity accounted investees, not adjusted for the percentage held by the Group is as follows:

2011	Ownership	Total assets	Total liabilities	Total revenue	Profit/ (Loss)	Share of net assets	Share of profit/ (loss) for period owned
Huon Capital Pty Ltd	20%	65,221	(58,986)	114,406	5,172	1,247	1,034
Headland Global Investment Management Pty Ltd	40%	28,415	(14,476)	52,189	(123,416)	5,575	(49,366)
Centec Securities Pty Ltd	49%	224,580	(64,693)	1,059,335	(42,202)	78,345	(20,679)
							(69,011)

2010	Ownership	Total assets	Total liabilities	Total revenue	Profit/ (Loss)	Share of net assets	Share of profit/ (loss) for period owned
Huon Capital Pty Ltd	20%	49,037	(47,974)	124,576	1,603	213	(6,396)
Headland Global Investment Management Pty Ltd	40%	157,591	(1,056)	-	(52,654)	62,614	(6,699)
Centec Securities Pty Ltd	49%	263,213	(62,612)	902,241	104,385	98,294	(11,780)
							(24,875)

15. Deferred Tax Assets

	2011	2010
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Undeducted temporary differences	2,595,308	2,736,030
Tax losses	25,054,395	24,908,513
	27,649,703	27,644,543

The deductible tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

16. Property, Plant and Equipment

	Note	Consolidated		
		Office equipment	Fixtures and fittings	Total
Cost				
Balance at 1 July 2009		41,740	15,000	56,740
Additions		5,000	-	5,000
Balance at 30 June 2010		46,740	15,000	61,740
Balance at 1 July 2010		46,740	15,000	61,740
Additions through a business combination		33,387	11,662	45,049
Other additions		41,387	-	41,387
Disposals		(233)	(15,000)	(15,233)
Balance at 30 June 2011		121,281	11,662	132,943
Depreciation and impairment losses				
Balance at 1 July 2009		3,647	4,800	8,447
Depreciation for the year		18,617	2,040	20,657
Disposals		-	-	-
Balance at 30 June 2010		22,264	6,840	29,104
Balance at 1 July 2010		22,264	6,840	29,104
Depreciation for the year		18,865	724	19,589
Disposals		(233)	(7,245)	(7,478)
Balance at 30 June 2011		40,896	319	41,215
Carrying amounts				
At 1 July 2009		38,093	10,200	48,293
At 30 June 2010		24,476	8,160	32,636
At 1 July 2010		24,476	8,160	32,636
At 30 June 2011		80,385	11,343	91,728

17. Intangibles

	Consolidated			
	Customer contracts	Customer relationships	Goodwill	Total
Cost				
Balance at 1 July 2009	693,801	610,566	4,345,352	5,649,719
Acquisitions through a business combination	304,506	405,139	741,442	1,451,087
Balance at 30 June 2010	998,307	1,015,705	5,086,794	7,100,806
Balance at 1 July 2010	998,307	1,015,705	5,086,794	7,100,806
Acquisitions through a business combination	-	-	2,324,636	2,324,636
Adjustment to fair value	-	-	(29,498)	(29,498)
Balance at 30 June 2011	998,307	1,015,705	7,381,932	9,395,944
Amortisation and impairment				
Balance at 1 July 2009	(66,258)	(18,502)	-	(84,760)
Amortisation for the year	(429,799)	(154,582)	-	(584,381)
Balance at 30 June 2010	(496,057)	(173,084)	-	(669,141)
Balance at 1 July 2010	(496,057)	(173,084)	-	(669,141)
Amortisation for the year	(310,249)	(170,700)	-	(480,949)
Balance at 30 June 2011	(806,306)	(343,784)	-	(1,150,090)
Carrying amounts				
At 1 July 2009	627,543	592,064	4,345,352	5,564,959
At 30 June 2010	502,250	842,621	5,086,794	6,431,665
At 1 July 2010	502,250	842,621	5,086,794	6,431,665
At 30 June 2011	192,001	671,921	7,381,932	8,245,854

Amortisation is recognised in amortisation and depreciation expense in the statement of comprehensive income.

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's business units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 2.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Consolidated	
	2011	2010
Superannuation administration	5,006,720	4,607,310
Funds management	464,735	479,484
Trustee services	1,910,477	-
	7,381,932	5,086,794

The recoverable amount of the cash-generating units was based on their value in use. At 30 June 2011, the recoverable amount of the cash-generating units exceed their carrying amount and, as a result, no impairment loss has been recognised in the statement of comprehensive income.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units and was based on the following key assumptions:

Cash flows were projected based on actual historical operating results for a five year forecast period. Cash flows beyond this forecast period were extrapolated using a constant growth rate of two percent (2010: 2%), which does not exceed the long term growth rate for the industry.

- Funds under management was forecast to grow at 0% in 2012, reflecting current difficult trading conditions, then 5% for years 2013 to 2016, reflecting an expectation of recovery in the economy at the end of the year ending 30 June 2012.
- A pre-tax discount rate of 21% (2010: 21%) was applied in determining recoverable amount.

The values assigned to the key assumptions represent management's assessment of future trends in the superannuation administration and funds management industry and are based on external sources and internal sources (historical data).

The above estimates are sensitive to movements in the funds under management which directly correlates to revenue earned from these activities. A three percent decrease in forecast funds under management would not have resulted in an impairment loss for the superannuation administration cost generating unit or the funds management cash generating unit.

Unless indicated otherwise, value in use during the year ended 30 June 2011 was determined similarly as during the year ended 30 June 2010.

18. Acquisition of Subsidiaries

Group risk pools business

On 17 November 2010, the Group acquired a group life and salary continuance business from Peter Mueller and Associates Pty Ltd. The business provides group life and salary continuance risk pool products to superannuation funds, employers and individuals.

The total consideration which may be payable is $414,161. The Group has paid $300,000 in cash. An additional cash payment of $114,161 is payable over a three year period.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Investment in Cotspalm Pty Limited	-	-	2
Net identifiable assets and liabilities	-	-	2
Goodwill on acquisition			414,159
Total consideration paid or payable			414,161
Deferred consideration payable			(114,161)
Net cash outflow			300,000

The Group incurred acquisition-related costs of $20,193 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the consolidated statement of comprehensive income.

From the date of acquisition to 30 June 2011, the business acquired contributed revenue of $22,221 and a loss of ($41,478). If the acquisition had occurred on 1 July 2010, management estimates that consolidated revenue would have been $2,533,977 and consolidated loss for the period would have been ($2,507,438). This represents the historical operating results of the business acquired and assumes a full period of amortisation of intangibles as if the acquisition occurred on 1 July 2010.

The goodwill recognised on the acquisition is attributable to the expected future value of the new business in insurance management. None of the goodwill recognised is expected to be deductible for income tax purposes.

Trustee services business

On 15 April 2011, the Group acquired all of the issued capital of CCSL Limited, a superannuation trustee business which provides superannuation trustee services to a range of master trusts, corporate and insurance only superannuation funds.

The acquisition was conducted to complement the Group's existing businesses, provide additional resources to the Group and in time is expected to provide a reduction in costs through economies of scale.

The total consideration which may be payable is $2,417,943. A net payment of $1,605,089 was paid in cash during the period. An additional payment of up to $500,000 may be payable on achievement of certain future performance hurdles. The directors currently believe that the performance hurdles will not be satisfied.
A post-tax discount rate of 15% has been applied to the deferred payment, resulting in the total deferred consideration which may be payable being currently estimated to be $812,854.

The acquisition had the following effect on the Group's entity's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Cash	613,974	-	613,974
Trade and other receivables	250,614	-	250,614
Property, plant and equipment	45,047	-	45,047
Trade and other creditors	(502,169)	-	(502,169)
Net identifiable assets and liabilities	507,466	-	507,466
Goodwill on acquisition			1,910,477
Total consideration paid or payable			2,417,943
Deferred consideration payable			(812,854)
Net cash outflow			1,605,089

The Group incurred acquisition related costs of $39,499 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the statement of comprehensive income.

From the date of acquisition to 30 June 2011, the business acquired contributed revenue of $318,348 and a loss of ($317,826). If the acquisition had occurred on 1 July 2010, management estimates that consolidated revenue would have been $3,701,296 and consolidated loss for the period would have been ($3,670,822). This represents the historical operating results of the business acquired and assumes a full period of amortisation of intangibles as if the acquisition occurred on 1 July 2010.

The goodwill recognised on the acquisition is attributable to the synergies expected to be achieved in the future from integrating the business into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

19. Acquisition of Business

In the prior period, the Group acquired the administration and investment management rights to the Managed Australian Retirement Fund (MARF). The acquisition was conducted to grow the Group's superannuation administration business, provide additional resources to the Group and in time is expected to provide a reduction in costs through economies of scale.

The total consideration which may be payable is $1,451,087. The Group paid $1,068,750 in cash and issued fully paid ordinary shares to a value of $56,250 which equated to 511,364 fully paid ordinary shares at a price of $0.11 per share based on the weighted average market price of the Company's shares traded over the five days prior to settlement. An additional payment of up to $375,000 may be payable on achievement of certain future performance hurdles. The directors currently believe that the performance hurdles will be satisfied. A post-tax discount rate of 15% has been applied to the deferred payment, resulting in the total deferred consideration which may be payable being estimated to be $365,808. The actual amount paid during the period was $336,359.

The acquisition had the following effect on the Group's entity's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts $	Fair value adjustments $	Recognised values on acquisition $
Intangible assets – contracts	-	304,506	304,506
Intangible assets – relationships	-	405,139	405,139
Net identifiable assets and liabilities	-	709,645	709,645
Goodwill on acquisition			741,442
Total consideration paid or payable			1,451,087
Consideration paid in shares			(56,250)
Deferred consideration payable			(326,087)
Net cash outflow			1,068,750

The Group incurred acquisition related costs of $21,401 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the statement of comprehensive income.

From the date of acquisition to 30 June 2010, the business acquired contributed revenue of $583,365 and profit of $47,568. If the acquisition had occurred on 1 July 2009, management estimates that consolidated revenue would have been $3,196,354 and consolidated loss for the period would have been ($1,270,538). This represents the historical operating results of the business acquired and assumes a full period of amortisation of intangibles as if the acquisition occurred on 1 July 2009.

The fair value of customer contracts and customer relationships has been determined using the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. Revenue and EBIT forecasts are based on management projections for the first three years and then a long term growth rate.

The goodwill recognised on the acquisition is attributable to the synergies expected to be achieved in the future from integrating the business into the Group's existing superannuation management business and the acquisition of a new business for the Group in funds management. None of the goodwill recognised is expected to be deductible for income tax purposes.

Pre-acquisition carrying amounts were determined based on applicable AASB's immediately before the acquisition. The goodwill recognised on the acquisition is attributable mainly to the acquisition of a new business for the Company (i.e. superannuation business).

20. Trade and Other Payables

	Consolidated	
	2011	2010
Current		
Trade payables and accrued expenses	828,651	212,179
Deferred acquisition payments	550,000	669,179
Other payables	1,926,641	-
	3,305,292	881,358
Non-current		
Deferred acquisition payments	462,195	-
	462,195	-

Other payables of $1,926,641 relate to the underwriting of the entitlement issue of convertible notes conducted during the period with convertible notes to be issued after the end of the period.

21. Loans and Borrowings

	Consolidated	
	2011	2010
Convertible Notes		
Proceeds from issue of convertible notes	3,232,546	-
Transactions costs	(471,981)	-
Net proceeds	2,760,565	-
Amount classified as equity	(348,402)	-
Accreted interest	50,870	-
Carrying amount of liability at 30 June	2,463,033	-

The convertible notes have a face value or $0.11 and an interest rate of 11% paid semi annually. The notes are convertible at the election of the holder on or before 30 September 2014 at which time the convertible notes become redeemable by the Company. Interest may be paid in the form or cash or shares. It is currently expected that interest will be paid in the form of shares during the 2012 financial year.

Other borrowings

In November 2010, the Group entered into an unsecured loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with a director. The total amount which may be drawn is $500,000 at a rate of 10% per annum repayable by December 2011. Subsequent to year end, the loan facility terms were renegotiated with the total facility amount increasing to $1,100,000 and the repayment term extended to 31 December 2012. As at 30 June 2011, the facility remained undrawn.

22. Employee Benefits

	Consolidated	
	2011	**2010**
Current		
Liability for annual leave	198,325	52,147
	198,325	52,147

Share based payments

In August 2001 the Group established an Employee Option Plan (EOP) that entitled employees to purchase shares in the Company. Options issued under the EOP expire on their expiry date or 90 days after termination of the employee’s contract. There are no voting or dividend rights attaching to the options. Voting rights will be attached to the unissued ordinary shares when the options are exercised. In accordance with the EOP the exercise price of the option is determined by reference to the closing market price of the Company’s shares on the Australian Stock Exchange at the date of grant. The terms and conditions of the grants made under the ESOP are as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
1 December 2009	1,000,000	Nil*	4 years
1 December 2009	1,000,000	Remain engaged on 1 December 10*	4 years
1 December 2009	1,000,000	Remain engaged on 1 December 11*	4 years
1 December 2009	1,000,000	Remain engaged on 1 December 12*	4 years
30 September 2008	230,769	Nil	3 years
30 September 2008	230,769	Remain engaged on 30 September 2009	3 years

*The options are also subject to exercise hurdle which requires that the ordinary shares must trade in excess of $0.30 for a period of five days in the period after vesting.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2011	2011	2010	2010
Outstanding at 1 July	$0.213	4,461,538	$0.456	852,307
Forfeited during the year	-	-	$0.611	(390,769)
Exercised during the year	-	-	-	-
Granted during the year		-	$0.20	4,000,000
Outstanding at 30 June	$0.213	4,461,538	$0.213	4,461,538
Exercisable at 30 June		461,538		461,538

There were 4,461,538 options outstanding at 30 June 2011 issued under the EOP with exercise prices of between $0.20 and $0.39 (2010: $0.20 and $0.78) and a weighted average contractual life of 36 months (2010: 36 months). No options have been exercised during the year ended 30 June 2011 (2010: no options exercised). The fair value of services received in return for share options granted is based on the fair value of share options granted, measured based on the Black-Scholes option-pricing model, with the following inputs:

Fair value of share options and assumptions	2011	2010
Fair value at grant date	-	$165,953
Share price at grant date	-	$0.11
Exercise price	-	$0.20
Expected volatility (weighted average volatility)	-	65%
Option life (expected weighted average life)	-	4 years
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	-	4.5%

Employee expenses	Note	Consolidated	
		2011	2010
Shares granted in 2009 - equity settled		47,083	268,750
Shares granted in 2010 – equity settled		26,108	33,539
Shares granted in 2011 - equity settled		37,491	-
Options granted in 2010 – equity settled		51,860	85,858
Shares acquired for directors in lieu of fees		-	17,550
Shares issued to directors in lieu of fees		-	36,250
Total expense recognised as employee costs	6	162,542	441,947

23. Capital and Reserves

Reconciliation of movement in capital and reserves

Consolidated	Note	Share capital	Share based payments reserve	Accumulated losses	Total equity
Balance at 1 July 2009		105,345,197	313,103	(97,512,920)	8,145,380
Total recognised income and expense		-	-	(1,291,505)	(1,291,505)
Shares issued in lieu of fees		47,643	-	-	47,643
Shares issued to executives		67,050	(33,511)	-	33,539
Shares issued on acquisitions		244,844	-	-	244,844
Equity-settled transactions, net of tax		-	307,829	46,780	354,609
Balance at 30 June 2010		105,704,734	587,421	(98,757,645)	7,534,510
Balance at 1 July 2010		105,704,734	587,421	(98,757,645)	7,534,510
Total recognised income and expense		-	-	(2,531,889)	(2,531,889)
Issue of convertible notes		297,532	-	-	297,532
Shares issued to executives		9,045	-	-	9,045
Shares issued on acquisitions		17,275	-	-	17,275
Equity-settled transactions, net of tax		-	139,363	14,134	153,497
Balance at 30 June 2011		106,028,586	726,784	(101,275,400)	5,479,970

Share capital	Company Ordinary shares	
	2011	2010
On issue at 1 July	51,318,116	48,123,280
Issued to directors and executives in lieu of cash	-	370,498
Shares issued as consideration for acquisitions	172,572	2,224,338
Shares issued to executives	111,667	600,000
On issue at 30 June – fully paid	51,602,355	51,318,116

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are issued.

Share based payments reserve

The share based payments reserve represents the fair value of equity settled share based remuneration under the Employee Option Plan as described in Note 22.

24. Financial Instruments

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business. The Group's audit committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company and the Group.

Credit risk

Credit risk arises principally from the Group's receivables and short term deposits. Exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were significant concentrations of credit risk. The Group's two most significant receivables account for 87% of the total receivables carrying amount at 30 June 2011 (2010: 99%). The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group limits its exposure to credit risk by investing in short term deposits with counter parties that have a high credit rating. Therefore management does not expect any counter party to fail to meet its obligations. At the balance date $146,111 of the receivables are past due (2010: nil) and an impairment loss has been recognised in respect of $127,360 (2010: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this by monitoring forecasts and cash flow to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. At the end of the prior period, 54% of the Group's liabilities were current (2010: 100%) and 45% were non-current (2010: nil).

Convertible notes represent 38% ($2,463,033) of total financial liabilities at 30 June 2011 (2010: nil). Under the terms of the convertible notes, holders may convert these notes to ordinary shares at any time.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 yrs	2-5 yrs	More than 5 yrs
Convertible notes	2,423,033	(4,506,708)	(207,422)	(177,790)	(355,580)	(3,765,916)	-

Pursuant to the terms of the convertible notes, contractual cash flows in the form of interest payments may at the election of the Company be paid in the form of shares rather than cash.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Group manages this risk by entering into term deposits with fixed interest rates to control market exposure.

Sensitivity analysis

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on profit.

At both 30 June 2010 and 2011, a reasonably possible change in interest rates would not have a material impact on the Group's financial statements.

Other market price risk

Equity price risk arises from available-for-sale equity securities held. The Group monitors the mix of available-for-sale investments. Investments are managed on an individual basis and all investment decisions are approved by the Board. At 30 June 2011, these investments were written down to nil (2010: nil)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	Note	Carrying amount	Fair value	Carrying amount	Fair value
		2011	2011	2010	2010
Cash and cash equivalents	11	950,756	950,756	1,271,825	1,271,825
Trade and other receivables	12	2,348,559	2,348,559	261,568	261,568
Trade and other payables	20	(3,767,487)	(3,767,487)	(881,358)	(881,358)
Loans and borrowings	21	(2,463,033)	(2,463,033)	-	-
		(2,931,205)	(2,931,205)	652,035	652,035

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade and other receivables/payables

All receivables/payables that have a remaining life of less than one year, the notional amount is deemed to reflect the fair value. Non-current payables have been discounted to their present value.

Loans and borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option

Capital management

The Board's policy is to safeguard the Group's ability to continue as a going concern so as to maintain investor, creditor and market confidence and to sustain future development of the business. Following completion of the acquisition of cash-generating businesses as described in Notes 18 and 19 and, as the Group's growth strategy is implemented, the policy will be expanded to becoming cash flow positive and achieving profitability. It is not anticipated that dividends will be paid in the short to medium term.

Total capital is calculated as equity shown on the balance sheet.

There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. Commitments and Contingencies

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2011	2010
Within one year	155,744	103,893
Between one and five year	51,184	63,946
	206,928	167,839

The Group leases office space under operating leases. The leases run on a month to month basis up to periods of 5 years with an option to renew for a further 5 years. Lease payments increase every year to reflect market rentals. During the year ended 30 June 2011 $159,461was recognised as an expense in profit or loss in respect of operating leases (2010: $210,661). An amount of $13,701 was recognised as other income in respect of subleases (2010: $70,819).

Contingent liabilities

The Group has contingent liabilities in the form of contingent consideration arising from the acquisitions described in in Notes 18 and 19. Payment of the contingent consideration is dependent on the achievement of performance milestones in relation revenue. The maximum amount payable under these agreements is $500,000 in cash.

The directors are of the opinion that provision for payment of the maximum amount is not required in respect of this matter as it is not probable that the performance milestones will be satisfied in full, and accordingly have recorded a total of nil in payables as at 30 June 2011 (2010: $303,371)

The Group has contingent liabilities in the form of contingent consideration arising from the acquisition of the interest in Huon Capital Pty Ltd. Payment of the contingent consideration is dependent on the achievement of performance milestones in relation to the average amount of funds under management. The maximum amount payable under these agreements is the issue of 1,500,000 ordinary shares.

The directors are of the opinion that provision for contingent consideration is not required in respect of this matter as it is not probable that the performance milestones will be satisfied, and accordingly have not recognised a liability in respect of this matter.

26. Consolidated entities

	Country of Incorporation	Ownership interest	
		2011	2010
Parent entity			
Diversa Limited			
Subsidiaries			
CCSL Limited	Australia	100%	0%
Cotspalm Pty Ltd	Australia	100%	0%
Pellias Pty Limited	Australia	100%	100%
Glykoz Pty Limited	Australia	100%	100%
Diversa Superannuation Services Limited (formerly Super Promoters Pty Ltd)	Australia	100%	100%
Super Promoters Unit Trust	Australia	100%	100%
Diversa Funds Management Pty Ltd	Australia	100%	100%
Property Services One Pty Ltd	Australia	100%	100%

27. Reconciliation of Cash Flows from Operating Activities

	Note	Consolidated	
		2011	2010
Cash flows from operating activities			
Loss for the period		(2,531,889)	(1,291,505)
Adjustments for:			
Depreciation	16	19,589	20,657
Loss on sale fixed assets		7,434	-
Share of loss of equity accounted investees		69,011	24,875
Discount unwind on deferred acquisition payments		128,500	113,981
Amortisation of intangibles	17	480,949	584,381
Impairment loss on receivables	12	127,360	-
Impairment loss on investment in associates	14	129,392	-
Equity-settled wages and salaries expense		-	47,644
Operating expenses paid in the form of equity		51,250	-
Equity-settled share-based payment expenses	22	162,542	388,147
Operating loss before changes in working capital and provisions		(1,355,862)	(111,820)
(Increase)/decrease in trade and other receivables		31,934	(169,759)
Increase/(decrease) in trade and other payables		199,597	(77,511)
Increase/(decrease) in provisions and employee benefits		60,888	21,416
Net cash from operating activities		(1,063,443)	(337,674)

28. Related Parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors	Executives
Matthew Morgan Stephen Bizzell (appointed 25 August 2010) Stuart Korchinski Gregory Baynton (resigned 18 August 2010) Timothy Brown (resigned 25 August 2010)	Angus Craig (Chief Financial Officer/Company Secretary) Andrew de Vries (Head of Superannuation) Vincent Parrott (Head of Funds Management)

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 6) is as follows:

	Consolidated	
	2011	2010
Short-term employee benefits	847,742	637,593
Post-employment benefits	49,638	29,733
Share-based payments	155,642	441,947
	1,053,022	1,099,273

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the directors' report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Key management personnel and director transactions

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

During the period, Bizzell Capital Partners Pty Ltd, an entity associated with Stephen Bizzell, provided corporate advisory and underwriting services to the Group. At the end of the period $1,926,641 is recorded as a receivable in relation to an underwriting agreement with Bizzell Capital Partners Pty Ltd.

During the period the Group entered into a loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with Stephen Bizzell, as disclosed in Note 21.

During the period, Dart Energy Limited, an entity associated with Stephen Bizzell, provided office space and related services to the Group.

The aggregate value of transactions during the period ended 30 June 2011 relating to key management personnel and their related parties were as follows:

	30 June 2011	30 June 2010
Rent	45,000	-
Loan establishment fee	10,000	-
Corporate advisory and underwriting fees	326,239	-
	381,239	-

Amounts payable to key management personnel and other related parties at reporting date were as follows:

Other related payables		
Directors' fees	25,857	-

Transactions with associates

During the period the Group entered into the transactions with the associates noted in Note 14 on terms no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During the period, the Group provided accounting services and office accommodation to Headland Global Investment Management Pty Ltd.

During the period, the Group provided accounting services to Huon Capital Pty Ltd.

During the period, the Group paid operating expenses on behalf of Centec Securities Pty Ltd. Centec Securities Pty Ltd provided financial services to the Group during the period.

Rent	8,182	-
Accounting services	7,000	-
Operating expenses - to be reimbursed	174,893	-
Licencee fees	(6,667)	-
	183,408	-

Amounts payable to or receivable from associates at reporting date were as follows:

Rent	8,182	-
Accounting services	7,000	-
Operating expenses - to be reimbursed	174,893	-
Licencee fees	(6,667)	-
	183,408	-

The Group has recorded an impairment loss on receivables of $127,360 on the amounts receivable from Centec Securities Pty Ltd for the operating expenses to be reimbursed (2010: nil), as disclosed in Note 14.

The Group has recorded an impairment loss on investment in associates of $129,392 on its investment in Centec Securities Pty Ltd (2010: nil), as disclosed in Note 14.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Diversa Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at beginning of year	Granted as compen-sation	Exercised	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
2011							
Directors							
M Morgan	153,846	-	-		153,846	-	153,846
S Bizzell	5,535,000 (1)	-	-	-	5,535,000	-	5,535,000
S Korchinski	4,000,000	-	-		4,000,000	1,000,000	-
G Baynton	153,846	-	-		153,846(2)	-	153,846(2)
Executives							
A Craig	153,846	-	-	-	153,846	-	153,846
2010							
Directors							
T Brown	153,846		-	(153,846)	-	-	-
M Morgan	153,846		-		153,846	76,923	153,846
G Baynton	153,846		-		153,846	76,923	153,846
S Korchinski	-	4,000,000	-		4,000,000	1,000,000	-
Executives							
A Craig	176,923	-	-	(23,077)	153,846	76,923	153,846

(1) Held at time of joining the board
(2) Held at time of leaving the Board

2,000,000 options held by key management personnel are vested but not exercisable at 30 June 2011 (2010: 1,000,000 options vested but not exercisable).

Movements in shares

The movement during the reporting period in the number of ordinary shares in Diversa Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at beginning of year	In lieu of fees	Purchases	Sales	Other	Held at end of the year
2011						
Directors						
M Morgan	2,457,992	-	50,000	-	(500,000)(3)	2,007,992
S Bizzell	4,565,000(1)	-	2,075,000	-	-	6,640,000
S Korchinski	-	-	400,000	-	-	400,000
G Baynton	940,000	-	-		(200,000)(3)	740,000(2)
T Brown	1,689,418	-	1,170		(375,000)(3)	1,315,588(2)
Executives						
A Craig	895,011	-	100,000	-	244,445	1,139,456
A de Vries	291,437	-	100,000	-	242,222	633,659
V Parrott	350,000	-	-	-	-	350,000
2010						
Directors						
T Brown	1,592,585	96,560				1,689,418
M Morgan	2,228,072	229,920	-	-	-	2,457,992
G Baynton	940,000	-	-	-	-	940,000
S Korchinski	-	-	-	-	-	-
Executives						
A Craig	776,539	99,145	19,327	-	-	895,011
A de Vries	-	-	41,437	-	250,000	291,437
V Parrott	-	-	-	-	350,000	350,000

(1) Held at time of joining the board
(2) Held at time of leaving the Board
(3) Shares were forfeited during period due to non-satisfaction of performance hurdles.

Movements in convertible notes

The movement during the reporting period in the number of convertible notes in Diversa Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at beginning of year	Purchases	Sales	Other	Held at end of the year
2011					
Directors					
M Morgan	-	98,424	-	-	98,424
S Bizzell	-	7,922,169	-	-	7,922,169
S Korchinski	-	550,000	-	-	550,000
G Baynton	-	-	-	-	-
T Brown	-	-	-	-	-
Executives					
A Craig	-	150,000	-	-	150,000
A de Vries	-	27,625	-	-	27,625
V Parrott	-	-	-	-	-

29. Parent Entity Disclosures

As at, and throughout the year ended 30 June 2011, the parent company of the Group was Diversa Limited.

	Company	
	2011	2010
Results of the parent entity		
Loss for the year	(1,626,143)	(1,332,659)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(1,626,143)**	**(1,332,659)**
Financial position of the parent entity at year end		
Current assets	4,762,953	3,206,441
Total assets	11,835,013	7,704,243
Current liabilities	2,789,513	361,615
Total liabilities	5,641,180	361,615
Total equity of the parent entity comprising of:		
Share capital	106,028,586	105,704,734
Share based payments reserve	726,784	587,421
Retained losses	(100,561,537)	(98,949,527)
Total equity	**6,193,833**	**7,342,628**

30. Subsequent Events

Since the end of the financial year the Group entered into an agreement to acquire a business which provides superannuation administration services to the Transport Industry Superannuation Fund (TISF) for a total consideration of $354,000 in cash and shares payable over two years. As part of this transaction, the Group has been appointed as administrator to TISF for an initial period of three years.

Since the end of the financial year the Group has continued discussions with a number of parties regarding potential transactions involving the Group in line with its stated growth strategy. These discussions may result in acquisitions or investments in the near term however no binding arrangements exist, apart from that noted above, as at the date of this report.

Since the end of the financial year, the Company has received $850,000 in cash and binding commitments for $1,076,641, subject only to the approval of shareholders being obtained to authorise the issue of the convertible notes, relating to the underwritten entitlement issue of convertible notes. The previous approval to issue convertible notes lapsed prior to the date of receipt of the funds and therefore the approval must be refreshed, and a shareholders' meeting to approve the issue of convertible notes (amongst other things) will be held in November 2011.

Since the end of the financial year, the unsecured loan facility agreement was renegotiated resulting in an increased facility limit of $1,100,000 and maturity of 31 December 2012.

Apart from the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

1. In the opinion of the directors of Diversa Limited ('the Company'):

   (a) the consolidated financial statements and notes that are set out on pages 29 to 65, and the Remuneration report in the directors' report, set out on pages 18 to 23, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2011.

3. The directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

M. Morgan
Chairman

Dated at Brisbane this 28 September 2011

Independent auditor's report to the members of Diversa Limited

Report on the financial report

We have audited the accompanying financial report of Diversa Limited (the company), which comprises the consolidated balance sheet as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to note 1(b) 'Going Concern' in the financial report. The ability of the Group to continue as a going concern is dependent upon raising additional funding from shareholders or other parties or the reduction of expenditure in line with available funding and operating cash flows. The outcome of the potential funding transactions cannot presently be determined with certainty. Accordingly, there is material uncertainty as to whether the Group will continue as a going concern and therefore, whether it will realise its assets, in particular goodwill and other intangible assets, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included on pages 18 to 23 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Diversa Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
28 September 2011

Corporate Governance Statement

The Board of directors of Diversa Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Diversa Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. Diversa Limited's Corporate Governance Statement is structured with reference to the Australian Stock Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition" which are as follows:

Principle 1 Lay solid foundations for management and oversight

Principle 2 Structure the Board to add value

Principle 3 Promote ethical and responsible decision making

Principle 4 Safeguard integrity in financial reporting

Principle 5 Make timely and balanced disclosures

Principle 6 Respect the rights of shareholders

Principle 7 Recognise and manage risk

Principle 8 Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with the ASX Guidelines.

ASX Principles and Recommendations	Summary of the Company's Position
Principal 1 – Lay solid foundations for management and oversight	
Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separate nomination committee. In the absence of a formally constituted nomination committee, the full Board is responsible for the proper oversight of the Board, the directors and senior management. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate committee.
Principal 2 – Structure board to add value	
Recommendation 2.1 – A majority of the board should be independent directors	The Company does not currently comply with the recommendation. The Company believes that given the size and scale of its operations, noncompliance by the Company with this Recommendation 2.1 will not be detrimental to the Company. While the Company does not presently comply with this Recommendation 2.1, the Company may consider appointing further independent directors in the future.
Recommendation 2.2 – The chair should be an independent director	From 1 April 2009 to 30 June 2010, the chair, Matthew Morgan, was engaged in a part-time executive role with the Company and accordingly is not considered an independent director under the ASX Guidelines. The Company believes that at this stage of the Company's development, it is a cost effective and practical means for managing the Company.

ASX Principles and Recommendations	Summary of the Company's Position
Recommendation 2.4 – The board should establish a nomination committee	The Board's view is that the Company is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek the advice of external advisors in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the establishment of a nomination committee to assist the Board in relation to the appointment of directors and senior management.
Principal 4 – Safeguard integrity in financial reporting	
Recommendation 4.2 – The audit committee should be structured so that it: Consists only of nonexecutive directors Consists of a majority of independent directors Is chaired by an independent chair, who is not chair of the board Has at least three members	The audit committee currently consists of the entire board of three directors and is chaired by Mr Stephen Bizzell, a non-executive director. It does not comply with the other requirements at this time as none of the directors are currently considered independent and an executive director is a member of the committee. The board may consider appointing independent directors in the future.
Principal 8 – Remunerate fairly and responsibly	
Recommendation 8.1 – The board should establish a remuneration committee	The Board has not established a remuneration committee and the full board performs this role. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such committee.

For further information on corporate governance policies adopted by the Company, refer to our website: www.diversa.com.au

Board

The Board has established and approved a formal Board Charter that outlines the roles and responsibilities of Directors and senior executives. This Charter is available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets.

At the date of this report:

In accordance with the Council's definition of independence above, none of the current Directors are considered to be independent:

Name	Position	Reason for not being independent
Matthew Morgan	Chairman	Mr Morgan acted in an executive capacity during the 2010 financial year
Stuart Korchinski	Managing director	Mr Korchinski is an executive of the Company
Stephen Bizzell	Non-executive director	Mr Bizzell and his associated entities hold in excess of 5% of the issued capital of the Company

The Company considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Diversa Limited due to their considerable industry and corporate experience.

Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
Matthew Morgan	3 years
Stuart Korchinski	2 year
Stephen Bizzell	1 year

The Chairman

The Chairman is elected by the full Board and is responsible for:

- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and Management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of Chairman.

Share Trading Policy

The Board has adopted a policy that restricts the time periods and circumstances in which Directors and employees can buy and sell shares in the Company. A copy of the Share Trading Policy is available on the Company's website. Further, in accordance with the provisions of the Corporations Act and the ASX Listing Rules, Directors advise ASX, through the Company, of any transactions conducted by them in shares in the Company.

Remuneration and Nomination Committees

Due to the size and scale of operations, Diversa Limited does not have separately established Remuneration or Nomination Committees. The full Board carries out the functions of Remuneration and Nomination Committees.

Audit and Risk Management Committee

During the year, Diversa Limited established an Audit Committee. A copy of the Audit Committee charter is available on the company's website. At this stage all of the current directors are members of the audit committee.

Risk Management

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management policies can be found on the Company's website. Diversa Limited is currently reviewing and updating its risk management system.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

While the design and implementation of a basic risk management and internal control system is in place a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board. As previously noted, the Company is currently reviewing and updating its risk management system and procedures, and adherence to providing formal reports is under review.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and they the system is operating effectively in all material aspects in relation to financial reporting risks.

Performance Evaluation

The full Board in carrying out the functions of the Remuneration and Nomination Committee, considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The performance of the individual members of the Board is considered at the regular meetings of the Board. No formal performance evaluation of the Directors was undertaken during the year ended 30 June 2011.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key Executives;
- Attraction of quality management to the Company;
- Performance incentives which allow to share the rewards of the success of Diversa Limited.

For details on the amount of remuneration and all monetary and non-monetary components for each of key management personnel during the period, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Diversa Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the Company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. A copy of the Continuous Disclosure Policy can be found within the Company's Corporate Governance Statement on the Company's website within the Corporate Governance section.

Communications

The Company has adopted a Communications Policy aimed at promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the policy can be found within the Company's Corporate Governance section on the Company's website in the Corporate Governance section. In addition the following information is made available on the Company's website:

- ASX announcements;
- Annual and half yearly reports.

ASX Additional Information

The following additional information is required by the ASX Listing Rules and not disclosed elsewhere in this report. The information presented is at 22 September 2011.

Distribution of Shareholders

Range	Number of shareholders	Number of shares	Number of noteholders	Number of convertible notes
1 - 1,000	1,979	452,204	89	24,695
1,001 - 5,000	489	1,128,882	30	66,971
5,001 - 10,000	184	1,589,107	16	127,644
10,001 - 100,000	183	5,430,556	28	1,075,425
100,001 and over	55	43,001,786	40	28,092,041
Total	**2,890**	**51,602,535**	**203**	**29,386,776**

The number of shareholders holding less than a marketable parcel of ordinary shares is 2,558.

Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

Other Equity Securities

There were the following unquoted options over unissued ordinary shares:

Number	Terms	Number of holders
230,769	Options exercisable at $0.26 each on or before 30 November 2011	3
230,769	Options exercisable at $0.39 each on or before 30 November 2011	3
6,000,000	Options exercisable at $0.25 each on or before 31 March 2013	1
4,000,000	Options exercisable at $0.20 each on or before 30 November 2013	1

There were no quoted options over unissued ordinary shares of the Company. There are no voting rights attached to the unissued ordinary shares.

Share Issues Conducted under the Diversa Executive Officer Share Plan

Since the last annual report, no shares were issued to directors under the Executive Officer Share Plan in lieu of cash payments otherwise payable in accordance with the prior approval of shareholders and ASX listing rule 10.14, in the prior year 125,302 shares were issued in lieu of fees otherwise payable in cash.

Substantial Shareholders

As at 22 September 2011, the Company had received the following substantial shareholder notices:

Date	Entity	Shareholding
24 April 2009	CPS Group Investments (No 1) Pty Limited <Staff Super Fund A/C>	5,000,000
23 April 2009	Sixth Erra Pty Ltd	2,500,000
23 April 2009	Angora Lane Pty Ltd <Angora Lane Super A/C>	2,500,000

Twenty Largest Shareholders as at 22 September 2011

Rank	Registered Name	Number of shares held	Percentage of issued capital
1	CPS Group Investments (No 1) Pty Limited	5,000,000	9.69%
2	JP Morgan Nominees Australia Limited (Cash Income a/c)	4,710,538	9.13%
3	Angora Lane Pty Ltd	2,500,000	4.84%
4	Sixth Erra Pty Ltd	2,500,000	4.84%
5	Queensland Investment Corporation	2,309,764	4.48%
6	BCP Alpha Investments Limited	2,075,000	4.02%
7	Mr Matthew Morgan (Aboliv Discretionary a/c)	1,769,467	3.43%
8	Bizzell Nominees Pty Ltd (Bizzell Family a/c)	1,690,000	3.28%
9	Pellias Pty Limited	1,442,171	2.79%
10	Mr Angus Craig	1,212,917	2.35%
11	Greylink Pty Ltd	1,000,000	1.94%
12	Davis Land Co Pty Limited (Superannuation Fund)	851,087	1.65%
13	Mr Peter Laurence Hayes-Williams & Mrs Barbara Hayes-Williams (P&B Hayes-Williams Super Fund a/c)	851,087	1.65%
14	Bizzell Capital Partners Pty Ltd	850,000	1.65%
15	Mr John Kennedy & Mrs Rea Kennedy (Kennedy Family Super a/c)	811,087	1.57%
16	Mr Christopher John Reay	800,871	1.55%
17	Bond Street Custodians Limited (Dsutho – V09704 a/c)	778,125	1.51%
18	Mr Peter Mueller (PWM Superannuation Fund a/c)	778,125	1.51%
19	Mr Ronald Prefontaine & Mrs Annabel Frances Prefontaine (Prefontaine Super Fund a/c)	750,000	1.45%
20	Longfield Capital Ventures Ltd	726,534	1.41%
	Sub Total	**33,406,773**	**64.74%**
	Balance of Register	**18,195,762**	**35.26%**
	TOTAL	**51,602,535**	**100.00%**

Twenty Largest Convertible Noteholders as at 22 September 2011

Rank	Name	Number of notes held	Percentage of total notes on issue
1	CPS Group Investments (No 1) Pty Limited	4,560,609	15.52%
2	Bizzell Capital Partners Pty Ltd	3,287,167	11.19%
3	BCP Alpha Investments Pty Ltd	2,450,000	8.34%
4	Bizzell Nominees Pty Ltd (Bizzell Family a/c)	2,051,667	6.98%
5	Angora Lane Pty Ltd (Angora Lane Super Fund a/c)	1,663,637	5.66%
6	Redlink Pty Ltd	1,333,333	4.54%
7	Citicorp Nominees Pty Limited	1,250,000	4.25%
8	Mr Richard Geoffrey Austin & Mrs Pamela Margaret Austin (Austin Super Fund a/c)	1,000,000	3.40%
9	Brydem Pty Ltd (Brydem Pty Ltd Super Fund a/c)	910,000	3.10%
10	Maroubra Investments Pty Limited	800,000	2.72%
11	Monal Pty Limited (Alan Cardy Super Fund a/c)	800,000	2.72%
12	Pakasoluto Pty Limited (Super Fund a/c)	694,000	2.36%
13	Limits Pty Limited (Dunacan Gamble Family a/c)	550,000	1.87%
14	Sk Advisory Pty Ltd (SK Super Fund a/c)	550,000	1.87%
15	Badenvale Pty Ltd	500,000	1.70%
16	Evisel Nominees Pty Limited	500,000	1.70%
17	Mrs Glenda Zoe Bizzell	454,545	1.55%
18	Mr Simon Poidevin	440,000	1.50%
19	Jaye Louise Gardner	400,000	1.36%
20	Mr Richard Anthon (Bizzell Foundation a/c)	363,636	1.24%
	Sub Total	**24,558,594**	**83.57%**
	Balance of Register	**4,828,182**	**16.42%**
	TOTAL	**29,386,776**	**100%**

Notes

DIVERSA
GROUP

Level 11 Waterfront Place
1 Eagles Street
Brisbane QLD 4000

T 07 3212 9250
F 07 3221 1101
W www.diversa.com.au