

DIVERSA

GROUP

28 November 2013

ASX MARKET RELEASE

Chairman's Address to Annual General Meeting

The presentation by the Chairman to the Annual General Meeting to be held today is attached.

Angus Craig
Company Secretary



Diversa Limited

Annual General Meeting

28 November 2013

Diversa's Business

A Superannuation industry products and services company:

- **Manufacturer and distributor** of Diversa-promoted superannuation and insurance products to individual customers via multiple channels - intermediaries, employers and direct
 - Law Employees Superannuation Fund
 - Managed Australian Retirement Fund
 - Progress Super
 - Diversa Group Life and Salary Continuance Pools
- **Service provider** to superannuation promoters:
 - Trustee services
 - Promoter services
 - Superannuation and insurance administration services
 - Investment management services

Diversa's Vision

We aspire to be a specialist, boutique superannuation, insurance and investment management group that offers innovative and valuable products and services to superannuation fund members and to other niche superannuation, advisor and funds management clients.

FY13 Overview

- Improving financial performance in FY2013
 - Increase in annual Group revenue from \$4m to \$4.5m
 - Underlying loss from operations of \$1.2m (2012: loss of \$2.2m)
 - Improving trustee services business performance with underlying loss of \$0.1m vs. \$0.7m and \$1.5 m in the two prior years
 - Cash outflows reducing on a monthly basis, evidenced by stronger second half operating performance
- Growth in new business
 - Funds under Trusteeship, Management and Administration (FUTMA) increased from \$1.28 billion at 2012 AGM to \$1.58 billion today
 - New trustee and group insurance pool clients
- Integration program
 - Several key initiatives achieved, remainder to be completed in FY14
- Improved balance sheet following conversion of convertible note into equity and \$1.25m capital raising in September/October 2013
 - Flow through benefits expected in new business growth

Improving Financial Performance

	June 2013 (6 mths)	Dec 2012 (6 mths)	June 2012 (6 mths)	Dec 2011 ⁽³⁾ (6 mths)
	\$'000	\$'000	\$'000	\$'000
Revenue	2,354	2,223	2,034	1,996
Result from operating activities	(632)	(998)	(4,135)	(1,802)
Add back:				
Non cash items ⁽¹⁾	216	231	3,194	581
Underlying loss from operations ⁽²⁾	(416)	(767)	(941)	(1,221)
<i>Improvement over prior period</i>	<i>45%</i>	<i>18%</i>	<i>23%</i>	
Number of fund clients	21	20	21	18
Number of employees	24	25	26	25

(1) Non cash items include: amortisation and depreciation, share based payments expense and impairment losses

(2) Used as a proxy for 'cash' operating result although timing of actual cash flows may differ

(3) December 2011 was the first full 6 months of ownership of the trustee services business

Pro-forma Balance Sheet: post capital raising and note conversion

Balance Sheet	June 2013 (\$'000)	Adjustments	Pro-forma June 2013 (\$'000)
Cash	1,140	1,250 ⁽¹⁾	2,390
Trade and other receivables	816		816
Total current assets	1,956		3,209
Total non-current assets	5,568		5,568
Total assets	7,524		8,777
Total current liabilities	2,166		2,166
Loans and borrowings	5,607	(5,607) ⁽²⁾	-
Other non-current liabilities	24		24
Total non-current liabilities	5,631		24
Total liabilities	7,797		2,190
Net assets	(273)	6,857	6,587
Total equity	(273)	6,857	6,587

Pro-forma adjustments:

(1) Cash raised before costs of \$1.25m by the issue of 41.7m shares at \$0.03 per share

(2) Conversion of all convertible notes on issue into ordinary shares on the basis announced on 13 September 2013

No other adjustments have been included, nor any adjustments for trading since 30 June 2013

Business Update

- New Business
 - Law Employees Super Fund - \$80 million, 3,800 member transition completed August 2013 - appointed as trustee and administrator
 - Crescent Wealth Superannuation Fund, Australia's first Sharia compliant superannuation fund - appointed as trustee
 - Group Life Pool distribution agreement with InterPrac Financial Planning for the National Tax and Accountants Association's (NTAA) 8,500 member firms
 - Growing pipeline of potential clients
- Integration Program
 - Transitions of acquired TISF and MARF Brisbane-based administration function into Diversa Sydney administration unit
 - Transition of LESF to Diversa Sydney administration unit completed in September
 - Commensurate staff reductions achieved
- Ongoing cost containment including 20%+ reductions in director and executive remuneration for remainder of FY14

Business Update - continued

- Diversa investment management services for MARF delivered better than median returns during FY13 (balanced strategy returned 15.22% versus industry median of 14.7% after all expenses)
- Superannuation reform
 - Project to achieve compliance with new APRA prudential standards completed
 - MySuper RSE license variation lodged
 - Successful application for TISF
 - Application for LESF - expected to be granted to December 2013

Business Update - Niche strategy focus continues

Strategy #1 - Super Fund Aggregation

Market
Smaller super funds
< \$1.5 billion

Value Proposition - Merge super funds

- Scale benefits
- Improved financial capacity
- Increased expertise
- Access to capital
- Listed structure offers potential for valuable exit

Superannuation Product and Services Company

Revenue generating functions

Trustee
(% of Assets)

Promotion & Administration
(% of Assets)

Insurance Product & Administration
(% of Premium)

Investment Management
(% of Assets)

Key Products and Services

Diversa Super
and Pension
Funds

Diversa Group
Life/Sal Cont
Pools

CCSL
Trustee
Services

Diversa
Administration/
Promotion Services

Diversa
Investment
Services

Key Metrics

Funds under
Promotion
(\$180m, 10,000
members, 3 funds)

Insurance
(\$3m
premium,
12,300 lives)

Funds under
Trusteeship
(\$1.2billion,
22 funds)

Funds under
Administration
(\$280m, 18,000
members, 5 funds)

Funds under
investment
management
(\$45m)

Strategy #2 - 3rd Party Service Provider

Market

- Independent Advisors
- Accountants
- SMSF
- Super Funds

Value Proposition

- Close partnership with advisers and super funds to deliver tailored, specialist products and services that support their business goals

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Outlook

- Continue with organic growth focus but also seek inorganic growth opportunities in the changing superannuation environment
 - Potential new trustee clients
 - ERF consolidation
 - Transitions from other trustees
 - More Group Life distribution agreements
 - Further M&A opportunities under consideration
- Standardisation of Diversa-promoted superannuation funds to achieve greater economies of scale benefits
 - MARF, Progress and LESF
- Continued improvement in financial performance



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