

**DIVERSA LIMITED** ABN 60 079 201 835  
**AND ITS CONTROLLED ENTITIES**

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

# Directors' report

For the year ended 30 June 2013

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 2013 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
<b>Mr Stuart Korchinski</b> Chairman Appointed as a non-executive director: 26 May 2009 Managing director: 16 October 2009 to 23 September 2013	49	Mr Korchinski has significant experience in multiple sectors of the banking and finance industry including pension/superannuation, financial planning/advice, general and life insurance and IT services sectors. He was most recently the CEO of CitiStreet Australia (a Citi and State Street joint venture). He previously held the roles of Managing Director of KAZ Business Services Limited (including AAS), and Chief General Manager of Allianz's financial institution and direct insurance business, and is a Chartered Accountant (Canada).
<b>Mr Stephen Bizzell</b> Non-executive director Appointed: 25 August 2010	45	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 in 2010 by Shell and PetroChina for \$3.5 billion. At Arrow he focused on strategic issues, business development and corporate finance matters. <i>Other current directorships:</i> Laneway Resources Ltd (from 1996) (Chairman) Stanmore Coal Limited (from 2009) Hot Rock Limited (from 2009) Renaissance Uranium Limited (from 2010) (Chairman) Dart Energy Limited (from 2010) Titan Energy Services Limited (from 2011) Armour Energy Limited (from 2012) Queensland Treasury Corporation (QTC) (from 2013) <i>Former directorships in the last three years::</i> Bow Energy Limited (from 2004 to January 2012) Apollo Gas Limited (from 2009 to January 2011) Arrow Energy Limited (from 1999 to August 2010)
<b>Mr Garry Crole</b> Non-executive director Appointed: 11 June 2013	50	Mr Crole is an experienced financial services professional who has held numerous senior executive positions with leading Australian companies such as Colonial Mutual Life. After working for Colonial Mutual Life as an executive in the early to late 1980s, Mr Crole founded the distribution network of Money Planners. He then became the CEO of the ASX-listed Deakin Financial Services Limited, a role he held through to 2001. Over the past 10 years, Mr Crole has been the joint Managing Director of InterPrac Limited, an unlisted public company specialising in providing the accounting industry access to financial services product and distribution capability.
<b>Mr Matthew Morgan</b> Non-executive director Appointed 2 July 2008 Chairman: 2 July 2008 to 23 September 2013	39	Mr Morgan is a co-founder of Diversa Group. He is the Principal of Millers Point Company an advisory business that provides consulting services to emerging companies with high growth or turnaround objectives. Matthew has over 10 years of executive management experience in private equity funded portfolio Companies and 7 years as a venture capitalist at QIC. He is experienced in capital raising and mergers and acquisitions and is Australia's first Kauffman Fellow.

<b>Mr Simon Poidevin OAM</b> Non-executive director Appointed: 20 October 2011 Resigned: 31 October 2012	54	Mr Poidevin is an experienced financial services industry executive. He was previously an executive director of Pengana Capital and before that he had 14 years with Citigroup in Australia, where he was a managing director and jointly headed the firm's Corporate Broking business. Mr Poidevin is also a former Wallaby who represented Australia in 59 Rugby Union Tests. He was awarded an OAM in 1988, inducted into the Australian Sports Hall of Fame in 1991 and honoured with a Centenary Medal in 2003.  <i>Other current directorships:</i> Dart Energy Limited (from 2011)
<b>Dr Ian Campbell</b> Non-executive director Appointed: 31 October 2012 Resigned: 11 June 2013	66	Dr Campbell holds a PhD in Electrical Engineering from the University of New South Wales and has 35 years experience in software and electronic commerce. Dr Campbell was a co-founder of the CPS group of companies, a business primarily engaged in 'build, own and operate' software based services, typically processing high transaction volumes and forging enduring relationships with large corporates.  <i>Other current directorships:</i> AnaeCo Limited (from 2009) Clarity OSS Limited (from 2005)

## Company secretary

<b>Mr Angus Craig</b>	42	Angus Craig held the position of Company Secretary and Chief Financial Officer, being appointed to these positions in August 2007. Angus is an experienced corporate administrator and manager. 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.
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## 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	2	2
S Korchinski	16	17	2	2
S Bizzell	16	17	2	2
S Poidevin	8	8	1	1
I Campbell	5	8	1	1
G Crole	1	1	-	-

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

## Principal activities

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

There were no other significant changes in the nature of the activities of the Group.

## Operational and financial review

The Group has continued to build a differentiated superannuation product and services business purpose built for the new, emerging regulatory environment. Its growth has come from a combination of organic growth, acquisition, partnering and product enhancement. The Group currently has three established revenue generating business units, trustee services, superannuation services and funds management, and their performance is discussed below.

Since inception, the Group has acquired and subsequently re-configured infrastructure and capabilities to enable the business units to deliver an enhanced service offering. 2013 was a very important year for the business with significant improvements in operating efficiencies and capabilities achieved. The Group's objective is to increase the scale of its operations to better utilise this infrastructure, as all aspects of the business now have capacity. Growth in the number and value of client funds is now the priority. The efficiency gains mean that the Group can now transition new clients from internal or 3rd party providers to any one of the Group's products and services with limited increase in the cost base.

The regulatory framework that the Group operates in continues to be materially altered with Stronger Super, SuperStream and Future of Financial Advice (FoFA) reforms all taking effect from 1 July 2013. This has resulted in significant commitment of resources to implementing APRA's new prudential standards, MySuper licence applications and monitoring implementation progress of the new SuperStream Rollover standard.

### Trustee services

The Group acts as superannuation trustee using its extendable Registrable Superannuation Licence (RSE) to a range of master trust, corporate and insurance only super funds.

As at 30 June 2013, the Group provided trustee services to 19 funds with total funds under management of \$1.25 billion (2012: 22 clients, \$1.25 billion). In addition, since the end of the year, the Group has been appointed as trustee of the Law Employees Superannuation Fund as noted below. The trustee services business unit has worked to implement and comply with the new APRA prudential standards for the Group as well as for its superannuation fund clients. It has continued to rationalise its operations and better utilise Group resources during the period, resulting in its financial performance continuing to improve. Revenue for the period for the trustee services business was \$2,003,219 (2012: \$1,687,407) with an EBITDA loss of \$90,906 (2012: loss of \$1,029,795).

### Superannuation services

The Group provides the following superannuation services:

- promoter and administrator of Diversa superannuation funds:
  - o Progress Superannuation Fund (Formerly Bookmakers Superannuation Fund), a \$53 million fund (2012:\$67m) with approximately 1,900 members at 30 June 2013
  - o Managed Australian Retirement Fund (MARF), a \$42 million fund (2012:\$40m) with approximately 3,490 members at 30 June 2013
- superannuation (including insurance) administration services for the:
  - o Transport Industry Superannuation Fund (TIS Fund), a \$95 million fund (2012:\$85m) with approximately 7,400 members at 30 June 2013
  - o OneStepSUPER Fund (OneStep), a \$11 million fund (2012:\$2m) with approximately 80 members at 30 June 2013
  - o from August 2013, trustee and administration services to the Law Employees Superannuation Fund (LESF), a \$78m fund with approximately 3,800 members at 30 June 2013.
- group life and salary continuance risk pool products to individuals and SMSF trustees directly and to groups

During the period, there was no change to the number of administration clients serviced by the Group. As noted above, from August 2013, administration services are being provided to LESF. The Group continued to re-configure its superannuation services, resulting in changes being implemented to resourcing and systems, along with considering and addressing the changing superannuation regulatory environment as noted above. The benefits of these changes are being realised and will be further realised in future periods as the scale of this business unit increases. Revenue for the period for the superannuation services business unit was \$2,342,988 (2012: \$2,103,790) with an EBITDA profit of \$86,133 (2012: loss of \$2,398,560).

### Funds Management

The Group provides investment management services to MARF, and has an objective of providing services to other superannuation funds in the future. The Group also owns an interest in Centec Securities Pty Limited (49%) a provider of investment services.

During the financial period the Group ceased to hold interests in Headland Global Investment Management Pty Ltd (49%) and Huon Capital Pty Ltd (20%). Both these companies ceased providing investment management services and wound up their investment funds during the period. Revenue for the period for the funds management business was \$201,945 (2012: \$209,004) with an EBITDA loss of \$4,357 (2012: loss of \$775,109). In addition, the loss from associates was \$8,930 (2012: loss of \$16,076).

## Corporate and other matters

To provide funds for the Group's growth strategy and to raise working capital, the Group conducted an entitlement offer of ordinary shares to existing shareholders raising approximately \$1 million (before costs) during the period.

The Group has continued to examine opportunities for growth through acquisition and partnership. Costs incurred relating to these due diligence and acquisition activities, whether resulting in a transaction or not, have been expensed during the period totalling \$110,924 (2012: \$12,808). During the period corporate activities not allocated to business units and mostly comprising listed company and general corporate costs produced an EBITDA loss of \$1,318,623 (2012: loss of \$1,329,632).

## Looking forward

Looking forward, the Group's primary focus is to actively pursue organic growth, realising integration related synergies from its previous acquisitions, further rationalisation and re-configuring of its superannuation and trustee services business in response to likely market and client changes and selectively assessing acquisition opportunities that deepen its existing business operations.

The Group's revenue is primarily earned as a percentage of client funds under management and administration (FUMA). Revenue is also earned based on a fee per member basis. Organic growth in revenue will be delivered as our clients' respective businesses grow, and as new clients are acquired. The eventual quantum and timing of our current client's growth will directly impact the Group's immediate financial objective to become cash flow profitable. Similarly, acquiring additional new client business remains a priority.

The Board continues to believe that the investment that has been made to date will be rewarded over the coming years. It also considers 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.

## Financial review

The results of the Group for the year ended 30 June 2013 can be summarised as follows:

	2013	2012	Change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,438,678)	(5,533,097)	
Amortisation and depreciation	(191,493)	(404,258)	
Results from operating activities	(1,630,171)	(5,937,355)	(73%)
Net finance income/(expense)	(1,177,564)	(771,381)	53%
Share of loss of equity accounted investees	(8,930)	(16,076)	
Loss before tax	(2,816,665)	(6,724,812)	(58%)

The EBITDA when compared to 2012 has been influenced by several factors including the improvement in the operating performance of both the superannuation services and trustee services business units and the absence of further recognition of impairment losses as experienced in the prior year of \$3,152,488.

Revenue and other income from ordinary activities increased from \$4,029,395 to \$4,566,358 (an increase of 13%) primarily as a result of a growing revenue from existing clients.

Overall, expense levels decreased from \$9,966,750 to \$6,196,529 (a decrease of 38%) with a significant expense in the prior year being impairment losses of \$3,152,488. When the impairment loss is disregarded the operating expenses in the prior year were \$6,814,262, indicating a 9% reduction in expenses year on year.

The net change in the cash balance of \$127,548 includes a net operating cash outflow of \$933,011, investing cash outflows of \$122,497 and net proceeds from financing activities received during the period \$927,960. The prior year net operating cash outflow was \$2,254,586, demonstrating a significant improvement in underlying operations.

## 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 significant 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. 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 as at the date of this report.

## Dividends

No dividend was paid or declared during the financial year (2012: 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 Company's convertible noteholders and shareholders have approved amendments to the terms of issue of the convertible notes. The principal changes to the terms of issue being an increase of the conversion ratio applicable on conversion of the Notes into shares from 1.11 to 3.67 shares for each Note converted, to authorise the Company to convert (at the Company's option) some or all of the Notes into shares at any time prior to the Maturity Date at the revised Conversion Ratio. Following these approvals, the Company has proceeded to convert all of the convertible notes on issue into shares. The effect of this conversion is that the liability being carried on the Company's balance sheet at 30 June 2013 of approximately \$5.6m has been converted to equity, significantly improving the Group's net asset position.

Since the end of the financial year, the Company conducted a capital raising by way of a placement of ordinary shares raising \$994,000, with a further \$256,000 committed by directors and/or director related entities subject only to receiving the approval of shareholders to issue the shares at the Annual General Meeting in November 2013. Share issue costs are estimated to be \$75,000.

Since the end of the financial year, the loan facility agreement with a director related entity described in Note 20 was amended resulting in a new facility limit of \$1,000,000 and maturity date of 31 December 2014. This loan facility is currently undrawn.

Apart from the matters 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 Securities 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	Performance Rights
M Morgan	5,483,079	155,609	500,000	-
S Bizzell	41,018,858	12,367,548	2,500,000	-
S Korchinski	4,563,476	1,007,483	6,000,000	1,345,000
G Crole	7,566,666	34,000	-	-

## 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 key management personnel of the Group as part of their remuneration (2012: 7,500,000 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
31 October 2016	\$0.11	7,166,666
31 December 2013	\$0.11	2,000,000
30 November 2013	\$0.20	4,000,000
		<hr/> 13,166,666

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.

## Performance Rights

### Performance Rights granted to directors and officers of the Company

During the financial year, the Company granted 8,543,786 performance rights at a fair values of \$0.0085 and \$0.05 over unissued ordinary shares in the Company to key management personnel and eligible employees of the Group as part of their remuneration (2012: 6,175,442), subject to performance targets in relation to the year ending 30 June 2013 and vesting restrictions over the period to August 2015. During or since the end of the financial year, 6,086,788 performance rights were cancelled following the non-achievement of performance targets or vesting conditions.

Since the end of the financial year, the Company has granted 13,958,677 performance rights at a fair values of \$0.01 and \$0.03 each over unissued ordinary shares in the Company to key management personal and other eligible employees as part of the remuneration (2012: 8,543,786), subject to performance targets in relation to the year ending 30 June 2014 and vesting restrictions over the period to August 2016.

### Unissued shares subject to performance rights

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

Issue date	Fair value	Number of unissued shares subject to performance rights
29 February 2012	\$0.05	1,116,900
9 August 2012	\$0.05	2,456,998
16 August 2013	\$0.03	13,958,677
		<hr/> 17,532,575

These performance rights 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 exchange of performance rights

During or since the end of the financial year, no performance rights were exchanged into ordinary shares.

## 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 Group'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 Group 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 Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor of the Group, 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:

	2013 \$	2012 \$
<b>Audit services:</b>		
Auditors of the Group		
Audit and review of financial reports (KPMG Australia)	143,426	117,042
<b>Other auditors:</b>		
Audit and review of financial report (non KPMG firms)	14,550	14,128
	157,976	131,170
<b>Services other than statutory audit:</b>		
Taxation compliance services (KPMG Australia)	47,500	12,000
	47,500	12,000

# 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 aims to ensure the Group's compensation policies and procedures reward and motivate enhanced performance against the Group's objectives. In particular, the Board aims to:

- ensure that the appropriate procedures exist to assess the compensation levels of senior executives; and
- ensure 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.

## Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous 5 financial years.

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Revenue and other income	4,566,358	4,029,395	2,468,048	3,079,681	802,075
EBITDA	(1,438,678)	(5,533,097)	(1,658,465)	(547,605)	(1,280,449)
Loss attributable to owners of company	(2,816,655)	(6,724,812)	(2,531,889)	(1,291,505)	(1,189,021)
Share price at 30 June	\$0.029	\$0.045	\$0.04	\$0.095	\$0.15
Dividends paid	nil	nil	nil	nil	nil
Return on capital employed*	-	-	-	-	-

\* as losses have been reported this metric is not considered meaningful

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
- the 2012 year includes impairment losses totalling \$3,152,488

During the prior period the Board has shifted the focus to having a stronger link with achieving measurable objectives to provide a stronger connection between overall Group performance and remuneration. A performance rights plan has been implemented with targets sets with a view to achieving improved group performance.

## Short-term incentive bonus

The compensation package of all employees of the Group 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.

## Performance Rights Plan

On 23 November 2011, shareholders approved the introduction of a Performance Rights Plan (PRP) for Group employees. It is proposed that going forward the PRP will largely replace the short term and long term incentive arrangements noted above.

The PRP is intended to attract and retain staff, motivate employees to improve Group performance and align the interests of employees with those of the Group and its shareholders. At the beginning of each financial year, the Company may award performance rights under the PRP to eligible employees as an incentive component of their remuneration package. The number of performance rights issued to the participating employees, and the conditions that must be met for those performance rights to vest, is to be determined by the Board each year.

Eligible employees will be given an opportunity to be awarded with performance rights (subject to vesting conditions) equal to an amount that is between 0% and 50% of the base salary of the relevant employee. For the performance rights to vest and have value in the hands of the employee, conditions will be imposed, including share price targets for the Company, the earnings of the Diversa Group and the revenue of the Diversa Group, together with individual key performance indicators, will need to be met. These performance targets have been chosen as it is considered that these measures align employees' interests with shareholders and are considered appropriate measures of growth and performance. Measurement of the achievement of these targets will occur subsequent to year end to which the targets relate in conjunction with the preparation of the financial statements for that period.

## 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 28 November 2012). 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 in lieu of cash which may be otherwise payable. 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 \$50,000 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 pursuant to the Executive Officer Share Plan. The pool, which was approved by shareholders on 28 November 2012, is 5,000,000 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 remuneration principles described earlier. 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.

#### **Services from remuneration consultants**

No external consultants were engaged during the current period or prior period to review or provide advice on remuneration matters.

#### **Shareholder voting on remuneration report**

At the 2012 Annual General Meeting of shareholders, it was resolved to approve the Remuneration Report for the year ended 30 June 2012. No specific feedback was received in relation to the remuneration report.

#### **Notes in relation to the table of key management personnel remuneration on the next 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 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) the fair value of the performance rights is calculated at the date of grant using a Monte Carlo simulation and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period
- (d) includes movements in leave entitlements

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

		Short-term			Post-employment	Share based payments				
		Salary & fees \$ (d)	Bonus \$	Total	Super-annuation benefits \$	Value of shares \$ (a)	Options and rights \$ (b)(c)	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
<b>Directors</b>										
<b>M Morgan - Non Executive Chairman</b>	2013	58,968	-	58,968	1,032	-	2,493	62,493	4.0%	4.0%
	2012	45,872	-	45,872	4,128	-	5,100	55,100	9.3%	9.3%
<b>S Bizzell - Non Executive Director</b>	2013	50,000	-	50,000	-	-	2,493	52,493	4.7%	4.7%
	2012	40,000	-	40,000	-	-	5,100	45,100	11.3%	11.3%
<b>S Korchinski - Managing Director</b>	2013	190,572	-	190,572	-	-	35,295	225,867	15.6%	15.6%
	2012	212,311	18,000	230,311	-	-	50,947	281,258	24.5%	18.1%
<b>S Poidevin - Non Executive Director</b> (appointed 20 October 2011)(resigned 31 October 2012)	2013	15,291	-	15,291	1,376	-	4,986	21,653	23%	23%
	2012	31,992	-	31,992	2,879	-	10,200	45,071	22.6%	22.6%
<b>I Campbell - Non Executive Director</b> (appointed 31 October 2012)(resigned 11 June 2013)	2013	29,722	-	29,722	-	-	-	29,722	-	-
<b>G Crole - Non Executive Director</b> (appointed 11 June 2013)	2013	3,611	-	3,611	-	-	-	3,611	-	-
<b>Executives</b>										
<b>A Craig - Chief Financial Officer/Company Secretary</b>	2013	197,065	-	197,065	16,101	-	20,244	233,410	8.7%	8.7%
	2012	187,027	-	187,027	16,101	17,985	16,498	237,611	14.5%	6.9%
<b>A de Vries - Head of Superannuation</b>	2013	244,947	-	244,947	16,470	2,452	23,803	287,672	9.0%	8.3%
	2012	233,556	16,840	250,396	15,775	8,286	17,961	292,418	9.0%	6.1%
<b>V Parrott - Head of Funds Management</b>	2013	232,412	-	232,412	20,122	-	22,803	275,337	8.3%	8.3%
	2012	219,291	15,400	234,691	19,495	5,493	17,557	277,236	8.3%	6.4%

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
29 November 2011	31 October 2016	\$0.016	\$0.11	\$0.045	65%	3.8%	nil
1 December 2009	30 November 2013	\$0.041	\$0.20	\$0.11	65%	4.5%	nil

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

Grant date	Expiry date	Fair value per right	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
29 February 2012	29 February 2017	\$0.05	\$0.00	\$0.05	n/a	n/a	nil
29 February 2012	29 February 2017	\$0.01	\$0.00	\$0.05	98%	3.6%	nil
9 August 2012	9 August 2017	\$0.05	\$0.00	\$0.05	n/a	n/a	nil
9 August 2012	9 August 2017	\$0.01	\$0.00	\$0.05	98%	3.6%	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 8-10.

#### Analysis of bonuses included in remuneration

No short term incentive cash bonuses were paid to executives during the year (2012: \$50,240).

#### 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. All rights refer to performance rights which are exchangeable on a one-for-one basis under the Performance Rights Plan.

#### Options and rights over equity instruments granted as compensation

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

	Number of options granted during 2013	Grant date	Number of options vested during 2013	Fair value per option at grant date	Exercise price per option	Expiry date
<b>Director</b>						
S Korchinski	-	1 December 2009	1,000,000	\$0.041	\$0.20	30 November 2013
S Korchinski	-	29 November 2011	666,666	\$0.016	\$0.11	31 October 2016
M Morgan	-	29 November 2011	166,666	\$0.016	\$0.11	31 October 2016
S Bizzell	-	29 November 2011	166,666	\$0.016	\$0.11	31 October 2016
S Poidevin	-	29 November 2011	333,333	\$0.016	\$0.11	31 October 2016
<b>Executives</b>						
A Craig	-	29 November 2011	333,333	\$0.016	\$0.11	31 October 2016
A de Vries	-	29 November 2011	333,333	\$0.016	\$0.11	31 October 2016
V Parrott	-	29 November 2011	333,333	\$0.016	\$0.11	31 October 2016

The options were provided at no cost to the recipients. No options have been granted 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 on 1 December 2009 are subject to exercise hurdles in the periods after vesting.

	Number of rights granted during 2013	Issue date	Number of rights vested during 2013	Fair value per right at grant date	Expiry date
<b>Director</b>					
S Korchinski	-	29 February 2012	135,000	\$0.05	29 February 2017
S Korchinski	1,000,000	9 August 2012	-	\$0.05	9 August 2017
<b>Executives</b>					
A Craig	-	29 February 2012	105,300	\$0.05	29 February 2017
A Craig	779,996	9 August 2012	-	\$0.05	9 August 2017
A de Vries	-	29 February 2012	129,750	\$0.05	29 February 2017
A de Vries	962,210	9 August 2012	-	\$0.05	9 August 2017
V Parrott	-	29 February 2012	123,000	\$0.05	29 February 2017
V Parrott	910,800	9 August 2012	-	\$0.05	9 August 2017

The rights were provided at no cost to the recipients. Since the end of the financial year a number of these rights have been cancelled. All rights are subject to performance targets and expire on non-achievement of these targets. Rights are also subject to vesting criteria and expire on non-achievement of these criteria.

#### 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 or rights granted as compensation

No shares were issued on the exercise of options or exchange of performance rights 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	Financial years in which grant vests
	Number	Date			
Directors					
S Korchinski	1,000,000	1 December 2009	100%	-	2013(1)
S Korchinski	2,000,000	29 November 2011	33%	-	2012,2013,2014
M Morgan	500,000	29 November 2011	33%	-	2012,2013,2014
S Bizzell	500,000	29 November 2011	33%	-	2012,2013,2014
S Poidevin	1,000,000	29 November 2011	33%	33%	2012,2013
Executives					
A Craig	1,000,000	29 November 2011	33%	-	2012,2013,2014
A de Vries	1,000,000	29 November 2011	33%	-	2012,2013,2014
V Parrott	1,000,000	29 November 2011	33%	-	2012,2013,2014

	Number	Rights granted Date	% vested in year (2)	% forfeited in year(3)	Financial years in which grant vests (4)
<b>Directors</b>					
S Korchinski	1,000,000	29 February 2012	13.5%	73%	2013, 2014, 2015*
S Korchinski	1,000,000	9 August 2012	-	-	2014,2015,2016
<b>Executives</b>					
A Craig	780,000	29 February 2012	13.5%	73%	2013, 2014, 2015*
A Craig	779,996	9 August 2012	-	-	2014,2015,2016
A de Vries	960,940	29 February 2012	13.5%	73%	2013, 2014, 2015*
A de Vries	962,210	9 August 2012	-	-	2014,2015,2016
V Parrott	910,800	29 February 2012	13.5%	73%	2013, 2014, 2015*
V Parrott	910,800	9 August 2012	-	-	2014,2015,2016

- (1) these options are subject to exercise hurdles in the periods after vesting
- (2) Some rights vested subsequent to the end of the period
- (3) Some further rights were forfeited subsequent to the end of the period in relation to the 9 August 2012 issue
- (4) Vesting is to occur over two years after determination of achievement of targets if the employee remains engaged by the Group

#### Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below.

	Granted in year \$ (a)	Value of options exercised in year \$	Lapsed in year \$
<b>Directors</b>			
S Bizzell	-	-	586,383
S Poidevin	-	-	4,306

- (a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

#### Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for financial year ended 30 June 2013.

This report is made with a resolution of the directors:



M. Morgan  
Director

Dated at Brisbane this 30<sup>th</sup> September 2013



***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, the audit for the financial year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG' in a cursive, stylized font.

KPMG

A handwritten signature in black ink that reads 'Board' in a cursive, stylized font.

Stephen Board  
Partner

Brisbane  
30 September 2013

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

		Consolidated	
	Note	2013	2012
Revenue from rendering of services		4,548,152	4,000,201
Other revenue	3	18,206	29,194
Occupancy expenses		(255,242)	(243,499)
Administrative expenses		(1,514,786)	(1,846,943)
Amortisation and depreciation		(191,493)	(404,258)
Personnel expenses	6	(4,122,258)	(4,306,754)
Impairment losses	5	(1,826)	(3,152,488)
Other expenses	4	(110,924)	(12,808)
<b>Results from operating activities</b>		<b>(1,630,171)</b>	<b>(5,937,355)</b>
Finance income		28,476	53,350
Finance expense		(1,206,040)	(824,731)
<b>Net finance income/(expense)</b>	8	<b>(1,177,564)</b>	<b>(771,381)</b>
Share of profit/(loss) of equity accounted investees	14	(8,930)	(16,076)
<b>Loss before income tax</b>		<b>(2,816,665)</b>	<b>(6,724,812)</b>
Income tax expense/(benefit)	9	-	-
<b>Loss after income tax</b>		<b>(2,816,665)</b>	<b>(6,724,812)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(2,816,665)</b>	<b>(6,724,812)</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share (AUD)	10	(0.024)	(0.114)
Diluted earnings/(loss) per share (AUD)	10	(0.024)	(0.114)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 49.

# Consolidated statement of changes in equity

For the year ended 30 June 2013

	Share capital	Share based payments reserve	Accumulated losses	Total equity
Balance at 1 July 2011	106,028,586	726,784	(101,275,400)	5,479,970
<b>Total comprehensive income/(loss) for the year</b>				
Loss for the year	-	-	(6,724,812)	(6,724,812)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(6,724,812)	(6,724,812)
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued	836,111	-	-	836,111
Share based payment transactions	-	183,877	46,701	230,578
Convertible note interest payment - settled by shares	512,377	-	-	512,377
Issue of convertible notes - equity component	203,534	-	-	203,534
<b>Total transactions with owners</b>	1,552,022	183,877	46,701	1,782,600
<b>Balance at 30 June 2012</b>	<b>107,580,608</b>	<b>910,661</b>	<b>(107,953,511)</b>	<b>537,758</b>
Balance at 1 July 2012	107,580,608	910,661	(107,953,511)	537,758
<b>Total comprehensive income/(loss) for the year</b>				
Loss for the year	-	-	(2,816,665)	(2,816,665)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(2,816,665)	(2,816,665)
<b>Transactions with owners, recorded directly in equity</b>				
Exercise of performance rights	67,496	(67,496)	-	-
Shares issued	1,085,695	-	-	1,085,695
Convertible note interest payment - settled by shares	661,583	-	-	661,583
Share based payment transactions	-	(336,407)	595,186	258,779
<b>Total transactions with owners</b>	1,814,774	(403,903)	595,186	2,006,057
<b>Balance at 30 June 2013</b>	<b>109,395,382</b>	<b>506,758</b>	<b>(110,174,990)</b>	<b>(272,850)</b>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 20 to 49.

# Consolidated balance sheet

As at 30 June 2013

	Note	Consolidated	
		2013	2012
<b>Assets</b>			
Cash and cash equivalents	11	1,139,450	1,266,998
Trade and other receivables	12	816,493	855,498
<b>Total current assets</b>		<b>1,955,943</b>	<b>2,122,496</b>
Trade and other receivables	12	58,926	41,088
Investments in associates	14	78,579	87,509
Deferred tax assets	15	-	-
Property, plant and equipment	16	70,748	94,160
Intangible assets	17	5,359,579	5,517,113
<b>Total non-current assets</b>		<b>5,567,832</b>	<b>5,739,870</b>
<b>Total assets</b>		<b>7,523,775</b>	<b>7,862,366</b>
<b>Liabilities</b>			
Trade and other payables	19	1,934,599	1,835,457
Loans and borrowings	20	30,583	28,143
Employee benefits	21	200,365	190,302
<b>Total current liabilities</b>		<b>2,165,547</b>	<b>2,053,902</b>
Trade and other payables	19	-	115,095
Employee benefits	21	23,818	-
Loans and borrowings	20	5,607,260	5,155,611
<b>Total non-current liabilities</b>		<b>5,631,078</b>	<b>5,270,706</b>
<b>Total liabilities</b>		<b>7,796,625</b>	<b>7,324,608</b>
<b>Net assets/(net liabilities)</b>		<b>(272,850)</b>	<b>537,758</b>
<b>Equity</b>			
Issued capital		109,395,382	107,580,608
Reserves		506,758	910,661
Accumulated losses		(110,174,990)	(107,953,511)
<b>Total equity/(deficiency)</b>	22	<b>(272,850)</b>	<b>537,758</b>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 20 to 49.

# Consolidated statement of cash flows

For the year ended 30 June 2013

	Note	Consolidated	
		2013	2012
<b>Cash flows from operating activities</b>			
Cash receipts from operations		4,417,339	3,570,531
Cash paid to suppliers and employees		(5,320,883)	(5,855,338)
Cash generated from operations		(903,544)	(2,284,807)
Interest paid		(59,567)	(17,124)
Interest received		30,100	47,345
<b>Net cash used in operating activities</b>	26	<b>(933,011)</b>	<b>(2,254,586)</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses	18	-	(123,900)
Deferred acquisition payments		(111,950)	(550,000)
Loan to associate		-	(150,000)
Acquisition of property, plant and equipment	16	(10,547)	(31,084)
<b>Net cash from investing activities</b>		<b>(122,497)</b>	<b>(854,984)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of convertible notes	20	-	2,820,200
Payment of transaction costs relating to convertible notes		-	(72,398)
Proceeds from the issue of shares		1,112,803	722,641
Payment of transaction costs relating to shares		(184,843)	(44,631)
<b>Net cash from financing activities</b>		<b>927,960</b>	<b>3,425,812</b>
Net decrease in cash and cash equivalents		(127,548)	316,242
Cash and cash equivalents at 1 July		1,266,998	950,756
<b>Cash and cash equivalents at 30 June</b>	11	<b>1,139,450</b>	<b>1,266,998</b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 49.

# Notes to the consolidated financial statements

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## 1. Significant accounting policies

Diversa Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 9 Waterfront Place, 1 Eagle Street, Brisbane, Queensland, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its controlled entities (the "Group") and the Group's interest in associates. The Group is a for-profit entity and primarily is involved in the financial services industry (see Note 2).

The financial statements were authorised for issue by the Board of Directors on 30 September 2013.

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') 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 21 - Measurement of share based payments
- Note 18 - Business combinations
- Note 1(b) - Going concern
- 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 to the current year presentation.

### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for:

- AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements removes the requirements to include key management personnel disclosures in the notes to the financial statements. The amendments will become mandatory for the Group's 2014 financial statements. The changes are 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 meet its obligations as and when they become due and payable.

The Group reported a loss after tax of \$2,816,665 for the year ended 30 June 2013 (2012: loss of \$6,724,812). The Group has a cash balance of \$1,139,450 as at 30 June 2013 (2012: \$1,266,998) and a net operating cash outflow for the year ended 30 June 2013 of \$933,011 (2012: net operating cash outflow of \$2,254,586). In addition, at 30 June 2013 the Group had a deficiency in assets of \$272,850 (2012: net assets of \$537,758) and a deficiency in current assets of \$209,604 (2012: net current assets of \$68,594). 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.

Since the end of the financial year, as set out in note 29, the parent entity of the Group, Diversa Limited, has

- converted from debt to equity convertible notes which had a carrying value at 30 June 2013 of approximately \$5.6 million
- raised additional equity of \$994,000 (before share issue costs of approximately \$75,000) with a further \$256,000 committed by directors and / or director related entities subject only to receiving the approval of shareholders to issue the shares at the Annual General Meeting in November 2013
- amended a loan facility agreement with a director related entity resulting in a new facility limit of \$1,000,000 and maturity date of 31 December 2014. This loan facility is currently undrawn.

Management have prepared cash flow projections which support the ability of the Group to continue as a going concern, having taken into account the subsequent events outlined above.

Accordingly, the directors are of the opinion that the Group will be able to continue as a going concern for a period of at least 12 months for the date of the directors' declaration.

In the event that the Group is not able to continue as a going concern it 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 acquiree, 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 arises 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 expensed 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 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.

**(iii) 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 (q)), 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. The fair value of performance rights 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 rights. The fair value of the rights granted is measured using a Monte Carlo simulation, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of rights for which the related service and non-market vesting conditions are met.

**(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 consolidated statement of 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 consolidated statement of profit or loss 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 earnings before interest, tax depreciation and amortisation (EBITDA) 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	
	2013	2012	2013	2012	2013	2012	2013	2012
External revenues	201,945	209,004	2,342,988	2,103,790	2,003,219	1,687,407	4,548,152	4,000,201
Impairment losses	(132)	(625,339)	-	(2,117,259)	(1,694)	(376,240)	(1,826)	(3,118,838)
Earnings before interest, tax depreciation and amortisation (EBITDA)	(4,357)	(775,109)	86,133	(2,398,560)	(90,906)	(1,029,795)	(9,130)	(4,203,464)
Interest income	-	8,492	5,663	5,145	19,324	26,770	24,987	40,407
Interest expense	(2,671)	(196)	(5,519)	(39,064)	(10,932)	(10,433)	(19,122)	(49,693)
Depreciation and amortisation	(39,514)	(52,680)	(129,847)	(326,964)	(16,617)	(14,803)	(185,978)	(394,447)
Reportable segment profit/ (loss) before income tax	(46,542)	(819,493)	(43,570)	(2,759,443)	(99,131)	(1,028,261)	(189,243)	(4,607,197)
Share of profit/(loss) of equity accounted investees	(8,930)	(16,076)	-	-	-	-	(8,930)	(16,076)
Reportable segment assets	329,382	476,784	4,164,792	4,417,198	2,817,826	2,426,974	7,312,000	7,320,956
Reportable segment liabilities	(68,979)	(81,097)	(394,829)	(574,343)	(416,389)	(308,118)	(880,197)	(963,558)
Investment in associates	78,579	87,509	-	-	-	-	78,579	87,509

	Note	2013	2012
<b>Reconciliation of reportable segment profit or loss</b>			
<b>Revenues</b>			
Total revenue for reportable segments		4,548,152	4,000,201
Other revenue	3	18,206	29,194
Consolidated revenue and other income		4,566,358	4,029,395
<b>Profit or loss</b>			
Total profit or loss for reportable segments		(189,243)	(4,607,197)
Unallocated amounts:			
Personnel expenses not included in reportable segments		(814,387)	(866,554)
Impairment loss		-	(33,650)
Other net corporate revenue and expenses		(1,804,105)	(1,201,335)
Share of profit/(loss) of equity accounted investee		(8,930)	(16,076)
Consolidated loss before income tax		(2,816,665)	(6,724,812)
<b>Assets</b>			
Total assets for reportable segments		7,312,000	7,320,956
Investments in equity accounted investee		78,579	87,509
Other unallocated amounts		133,196	453,901
Consolidated total assets		7,523,775	7,862,366
<b>Liabilities</b>			
Total liabilities for reportable segments		(880,197)	(963,558)
Other unallocated amounts		(6,916,428)	(6,361,050)
Consolidated total liabilities		(7,796,625)	(7,324,608)

Revenue from one major customer earned by all segments represents approximately 17% (2012:26%) of the Group's total revenue. All segment revenues are earned in Australia and all segment assets are located in Australia.

		Consolidated	
	Note	2013	2012

### 3. Other income

Rental income	-	10,908
Other income	18,206	18,286
	18,206	29,194

### 4. Other expenses

Due diligence and acquisition costs	110,924	12,808
	110,924	12,808

		Note	Consolidated	
			2013	2012
5.	<b>Impairment losses</b>			
	Impairment loss on investment in associate		-	168,333
	Impairment loss on loan advanced to associate		-	150,000
	Impairment loss on goodwill	17	-	2,674,010
	Impairment loss on trade receivables		1,826	160,145
			1,826	3,152,488
6.	<b>Personnel expenses</b>			
	Wages and salaries		3,525,439	3,753,709
	Other associated personnel expenses		53,716	78,447
	Contributions to defined contribution superannuation funds		253,500	264,738
	Increase/(decrease) in employee benefits provisions		33,882	(8,025)
	Equity-settled share based payment transactions	21	255,721	217,885
			4,122,258	4,306,754
7.	<b>Auditors' remuneration</b>			
	<b>Audit services:</b>			
	Auditors of the Group (KPMG Australia):			
	Audit and review of financial reports		143,426	117,042
	Other auditors:			
	Audit and review of financial report (non KPMG firm)		14,550	14,128
			157,976	131,170
	<b>Other services:</b>			
	Auditors of the Group (KPMG Australia):			
	Taxation compliance services		47,500	12,000
			47,500	12,000
8.	<b>Net finance income/(expense)</b>			
	Interest income		28,476	53,350
	Finance income		28,476	53,350
	Interest expense		(59,567)	(17,124)
	Unwinding of discount on deferred acquisition payments		(23,404)	(147,526)
	Unwinding of discount on convertible notes		(451,756)	(161,000)
	Interest on convertible notes		(671,313)	(499,081)
	Finance expense		(1,206,040)	(824,731)
	Net finance income/(expense)		(1,177,564)	(771,381)

		Consolidated	
	Note	2013	2012
<b>9. Income tax expense</b>			
Current tax expense			
Current year		(957,211)	(1,054,988)
Adjustments for prior years		(15,523)	49,132
		(972,734)	(1,005,856)
Deferred tax expense			
Origination and reversal of temporary differences		(18,545)	164,211
Adjustments for prior years		(164,721)	(23,318)
Change in unrecognised temporary differences		180,244	(140,893)
Non-recognition of tax losses		975,756	1,005,856
		972,734	1,005,856
Total income tax expense		-	-
<b>Numerical reconciliation between tax expense and pre-tax net loss</b>			
Loss before tax		(2,816,665)	(6,724,812)
Income tax using the domestic tax rate of 30% (2012: 30%)		(845,000)	(2,017,444)
Decrease in income tax expense due to:			
Changes in unrecognised temporary differences		180,244	(140,893)
Increase in income tax expense due to:			
Non-deductible expenses		306,587	1,126,666
Under/(over) provided in prior periods		(180,244)	25,815
Effect of tax losses not recognised		(437,343)	1,005,856
Income tax expense		-	-
<b>10. Earnings per share</b>			
Basic earnings per share			
The calculation of basic earnings per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of \$2,816,665 (2012: \$6,724,812) and a weighted average number of ordinary shares outstanding of 115,773,526 (2012: 59,208,188), calculated as follows:			
<b>Loss attributable to ordinary shareholders</b>			
Loss for the year		(2,816,665)	(6,724,812)
Loss attributable to ordinary shareholders		(2,816,665)	(6,724,812)
<b>Weighted average number of ordinary shares</b>			
Issued ordinary shares at 1 July	22	79,795,917	51,602,535
Effect of shares issued during the year		35,977,609	7,605,653
Weighted average number of ordinary shares at 30 June		115,773,526	59,208,188

		Consolidated	
	Note	2013	2012

#### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on loss attributable to ordinary shareholders of \$2,816,665 (2012: \$6,724,812) and a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, of 115,773,526 (2012: 59,208,188), calculated as follows:

#### Loss attributable to ordinary shareholders (diluted)

Loss attributable to ordinary shareholders (basic)	(2,816,665)	(6,724,812)
Loss attributable to ordinary shareholders (diluted)	(2,816,665)	(6,724,812)

#### Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	115,773,526	59,208,188
Effect of share options and convertible notes on issue*	-	-
Weighted average number of ordinary shares (diluted) at 30 June	115,773,526	59,208,188

\* 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 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	(0.024)	(0.114)
Diluted earnings per share	(0.024)	(0.114)

## 11. Cash and cash equivalents

Bank balances	333,703	349,340
Short term deposits	805,747	917,658
Cash and cash equivalents	1,139,450	1,266,998
Cash and cash equivalents in the statement of cash flows	1,139,450	1,266,998

## 12. Trade and other receivables

<b>Current</b>		
Trade receivables	522,029	447,670
Less impairment	(247,134)	(287,329)
Loan to associate	-	150,000
Less impairment	-	(150,000)
Other receivables and prepayments	541,598	695,157
	816,493	855,498
<b>Non-current</b>		
Security deposits	58,926	41,088
	58,926	41,088

		Consolidated	
		2013	2012

### 13. Investments

<b>Non-current investments</b>		
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 (\$8,930) (2012: (\$16,076)). During the period ended 30 June 2013, the Group did not receive dividends from any of its investments in equity accounted investees.

Investments in associates – opening balance	87,509	271,918
Less share of loss of associates	(8,930)	(16,076)
Less impairment losses	-	(168,333)
Balance at 30 June	78,579	87,509

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

2013	Ownership	Total assets	Total liabilities	Total revenue	Profit/(Loss)	Share of net assets	Share of profit/ (loss) for period owned
Centec Securities Pty Ltd	49%	233,407	(66,518)	122,063	(18,225)	81,776	(8,930)
							(8,930)
2012	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%	60,291	(63,540)	56,615	(3,146)	(650)	(175)
Headland Global Investment Management Pty Ltd	40%	68,513	(202,352)	54,325	(145,974)	(53,536)	(25,065)
Centec Securities Pty Ltd	49%	244,015	(58,109)	91,266	18,702	91,094	9,164
							(16,076)

		Consolidated	
		2013	2012

## 15. Deferred tax assets

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Undeducted temporary differences	2,638,742	2,470,441
Tax losses	26,716,967	25,345,685
	29,355,709	27,816,126

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

	Consolidated		
	Office equipment	Fixtures and fittings	Total
<b>Cost</b>			
Balance at 1 July 2011	121,281	11,662	132,943
Additions through a business combination	12,906	-	12,906
Other additions	31,084	-	31,084
Balance at 30 June 2012	165,271	11,662	176,933
Balance at 1 July 2012	165,271	11,662	176,933
Other additions	8,110	2,437	10,547
Disposals	(7,832)	(4,862)	(12,694)
Balance at 30 June 2013	165,549	9,237	174,786
<b>Depreciation and impairment losses</b>			
Balance at 1 July 2011	(40,896)	(319)	(41,215)
Depreciation for the year	(40,083)	(1,475)	(41,558)
Balance at 30 June 2012	(80,979)	(1,794)	(82,773)
Balance at 1 July 2012	(80,979)	(1,794)	(82,773)
Depreciation for the year	(28,621)	(5,338)	(33,959)
Disposals	7,832	4,862	12,694
Balance at 30 June 2013	(101,768)	(2,270)	(104,038)
<b>Carrying amounts</b>			
At 1 July 2011	80,385	11,343	91,728
At 30 June 2012	84,292	9,868	94,160
At 1 July 2012	84,292	9,868	94,160
At 30 June 2013	63,781	6,967	70,748

## 17. Intangibles

	Consolidated			
	Customer contracts	Customer relationships	Goodwill	Total
<b>Cost</b>				
Balance at 1 July 2011	998,307	1,015,705	7,381,932	9,395,944
Acquisitions through a business combination	-	-	307,969	307,969
Balance at 30 June 2012	998,307	1,015,705	7,689,901	9,703,913
Balance at 1 July 2012	998,307	1,015,705	7,689,901	9,703,913
Acquisitions through a business combination	-	-	-	-
Balance at 30 June 2013	998,307	1,015,705	7,689,901	9,703,913
<b>Amortisation and impairment</b>				
Balance at 1 July 2011	(806,306)	(343,784)	-	(1,150,090)
Impairment	-	-	(2,674,010)	(2,674,010)
Amortisation for the year	(192,001)	(170,699)	-	(362,700)
Balance at 30 June 2012	(998,307)	(514,483)	(2,674,010)	(4,186,800)
Balance at 1 July 2012	(998,307)	(514,483)	(2,674,010)	(4,186,800)
Amortisation for the year	-	(157,534)	-	(157,534)
Balance at 30 June 2013	(998,307)	(672,017)	(2,674,010)	(4,344,334)
<b>Carrying amounts</b>				
At 1 July 2011	192,001	671,921	7,381,932	8,245,854
At 30 June 2012	-	501,222	5,015,891	5,517,113
At 1 July 2012	-	501,222	5,015,891	5,517,113
At 30 June 2013	-	343,688	5,015,891	5,359,579

Amortisation is recognised in amortisation and depreciation expense in the consolidated statement of profit or loss.

### 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 after impairment are as follows:

	Impairment loss		Carrying value	
	2013	2012	2013	2012
Superannuation services	-	2,117,259	3,197,431	3,197,431
Funds management	-	203,429	261,305	261,305
Trustee services	-	353,322	1,557,155	1,557,155
	-	2,674,010	5,015,891	5,015,891

The recoverable amount of the cash-generating units was based on their value in use.

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 for a five year forecast period. Cash flows beyond this forecast period were extrapolated using a constant growth rate of 3% (2012: 2%), which does not exceed the long term growth rate for the industry.

- Funds under management (FUM) was forecast to grow at 3% for years 2014 to 2018 (2012: 3% for years 2013 to 2017)
- A pre-tax discount rate of 15% (2012: 15%) 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 and the discount rate applied. A summary of changes to the impairment recognised resulting from changes in these variables is as follows:

	Effect on impairment loss recognised			
	Superannuation Services	Funds Management	Trustee Services	Total
Increase in FUM by 5%	-	-	-	-
Decrease in FUM by 5%	-	-	76,240	76,240
Increase in discount rate to 17%	364,875	-	271,195	636,070
Decrease in discount rate to 13%	-	-	-	-

## 18. Acquisition of business

In the prior period, the Group acquired the SuperAdmin Services business which provides superannuation administration services to the Transport Industry Superannuation Fund (TIS Fund). The total consideration which may be payable is \$320,875. The Group paid \$123,900 in cash and 1,062,000 shares at a market value of \$0.05 totalling \$53,100 and additional payments of up to \$143,875 are payable over a two 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 \$
Plant and equipment on acquisition	12,906	-	12,906
Goodwill on acquisition			307,969
Total consideration paid or payable			320,875
Consideration paid in shares			(53,100)
Deferred consideration payable			(143,875)
Net cash outflow			123,900

The Group incurred acquisition related costs of \$12,808 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 2012, the business acquired contributed revenue of \$521,252 and profit of \$109,852. If the acquisition had occurred on 1 July 2011, management estimates that consolidated revenue would have been \$4,115,726 and consolidated loss for the period would have been \$6,688,194. 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 2011. The goodwill recognised on the acquisition is attributable to the expected future value of the new business in superannuation promotion and administration. None of the goodwill recognised is expected to be deductible for income tax purposes.

	Consolidated	
	2013	2012

## 19. Trade and other payables

<b>Current</b>		
Trade payables and accrued expenses	1,296,099	967,957
Deferred acquisition payments	638,500	638,500
Other payables	-	229,000
	<u>1,934,599</u>	<u>1,835,457</u>
<b>Non-current</b>		
Deferred acquisition payments	-	115,095
	<u>-</u>	<u>115,095</u>

The repayment terms of some of the deferred acquisition payments have been extended during the year.

## 20. Loans and borrowings

<b>Current</b>		
Insurance premium funding	30,583	28,143
	<u>30,583</u>	<u>28,143</u>
<b>Non-current</b>		
<b>Convertible Notes</b>		
Carrying amount of liability at 1 July	5,155,611	2,463,033
Proceeds from issue of convertible notes	-	2,870,200
Transaction costs	-	(135,088)
Convertible note converted	(107)	-
Unwinding of discount	451,756	161,000
Net proceeds	<u>451,649</u>	<u>2,896,112</u>
Amount classified as equity	-	(207,401)
Accreted interest	-	3,867
Carrying amount of liability at 30 June	<u>5,607,260</u>	<u>5,155,611</u>

The 55,478,254 convertible notes on issue at 30 June 2013 (2012: 55,479,496) have a face value of \$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, unless converted to ordinary shares by the holder before this date. Interest may be paid in the form of cash or shares at the Company's election. It is currently expected that interest will be paid in the form of shares during the 2014 financial year.

### Other borrowings

In November 2010, the Group entered into a loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with a director. Subsequent to 30 June 2013, the loan facility terms were renegotiated with the total facility amount reduced to \$1,000,000 and the repayment term extended to 31 December 2014. As at 30 June 2013, the facility remained undrawn.

## 21. Employee benefits

	Consolidated	
	2013	2012
Current		
Liability for annual leave	200,365	190,302
	200,365	190,302
Non-current		
Liability for long service leave	23,818	-
	23,818	-

### Employee Share Option Plan

In August 2001 the Group established an Employee Share Option Plan (ESOP) that entitled employees to purchase shares in the Company. Options issued under the ESOP 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 ESOP the exercise price of the option is determined by reference to the closing market price of the Company's shares on the Australian Securities 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	Exercise price	Vesting conditions	Contractual life of options
1 December 2009	1,000,000	\$0.20	Nil*	4 years
1 December 2009	1,000,000	\$0.20	Remain engaged on 1 December 10*	4 years
1 December 2009	1,000,000	\$0.20	Remain engaged on 1 December 11*	4 years
1 December 2009	1,000,000	\$0.20	Remain engaged on 1 December 12*	4 years
29 November 2011	2,500,000	\$0.11	Nil	5 years
29 November 2011	2,500,000	\$0.11	Remain engaged on 29 November 12	5 years
29 November 2011	2,500,000	\$0.11	Remain engaged on 29 November 13	5 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
	2013	2013	2012	2012
Outstanding at 1 July	\$0.141	11,500,000	\$0.213	4,461,538
Forfeited during the year	\$0.11	(333,333)	\$0.325	(461,538)
Exercised during the year	-	-	-	-
Granted during the year	-	-	\$0.11	7,500,000
Outstanding at 30 June	\$0.14	11,166,667	\$0.141	11,500,000
Exercisable at 30 June		4,999,997		2,500,000

There were 11,166,667 options outstanding at 30 June 2013 issued under the ESOP with exercise prices of between \$0.11 and \$0.20 (2012: \$0.11 and \$0.20) and a weighted average contractual life of 29 months (2012: 40 months). No options have been exercised during the year ended 30 June 2013 (2012: 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	2013	2012
Fair value at grant date	-	\$0.016
Share price at grant date	-	\$0.045
Exercise price	-	\$0.11
Expected volatility (weighted average volatility)	-	65%
Option life (expected weighted average life)	-	5 years
Expected dividends	-	Nil
Risk-free interest rate (based on government bonds)	-	3.8%

#### Share based payments - performance rights

In November 2011 the Group established a Performance Rights Plan (PRP) that enables eligible employees to be issued with performance rights which are exchangeable into shares in the Company subject to the satisfaction on performance targets and vesting criteria. Rights issued under the PRP expire on the determination of performance targets or vesting criteria not being satisfied. There are no voting or dividend rights attaching to the rights. Voting rights will be attached to the unissued ordinary shares when the rights are exercised. The terms and conditions of the grants made under the PRP are as follows:

Issue date	Number of instruments	Fair value	Performance targets	Vesting conditions
29 February 2012	3,580,842	\$0.0085	See note (a)	See note (c)
29 February 2012	2,594,600	\$0.05	See note (b)	See note (c)
9 August 2012	4,228,675	\$0.01	See note (a)	See note (c)
9 August 2012	4,315,111	\$0.05	See note (b)	See note (c)

- (a) earnings and share price targets, valued using the Monte Carlo model
- (b) business unit and personal performance, valued using the Black Scholes model
- (c) employees must remain engaged by the Group at the time of vesting. Vesting occurs 50% at time of determination of achievable of targets, 25% after one year and 25% after two years

Fair value of performance rights and assumptions	(a)	(b)
Fair value at grant date	\$0.01	\$0.05
Share price at grant date	\$0.05	\$0.05
Exercise price	\$0.00	\$0.00
Expected volatility (weighted average volatility)	98%	98%
Expected dividends	Nil	Nil
Risk-free interest rate (based on government bonds)	3.6%	3.6%

## Employee expenses – share based payments

	Note	Consolidated	
		2013	2012
Shares granted in 2010 – equity settled		-	7,405
Shares granted in 2011 – equity settled		2,709	8,423
Shares granted in 2012 – equity settled		-	25,485
Options granted in 2010 – equity settled		5,762	22,473
Options granted in 2012 – equity settled		37,402	76,493
Performance rights granted in February 2012 – equity settled		34,994	77,606
Performance rights granted in August 2012 – equity settled		174,854	-
Total expense recognised as employee costs	6	255,721	217,885

## 22. Capital and reserves

Share capital	Company	
	Ordinary shares	
	2013	2012
On issue at 1 July	79,795,917	51,602,535
Convertible note interest payment (a)	33,245,395	10,578,553
Shares issued as consideration for acquisitions (b)	1,134,615	1,062,000
Shares issued pursuant to an entitlement offer (c)	73,283,578	-
Shares issued on conversion of convertible notes	1,242	-
Shares issued pursuant to placements	-	11,128,829
Shares issued pursuant to a Share Purchase Plan	-	5,424,000
Shares issued in exercise of performance rights (e)	1,349,900	-
Shares issued to directors as remuneration (d)	2,645,511	-
On issue at 30 June – fully paid	191,456,158	79,795,917

- (a) 16,605,226 shares were issued at a price of \$0.0198 in October 2012 and 16,640,169 shares were issued at a price of \$0.02 in April 2013
- (b) these shares were issued at a price of \$0.0234 as part consideration for the acquisition described in Note 18
- (c) these shares were issued at a price of \$0.015 pursuant to a non-renounceable entitlement offer
- (d) 1,457,992 shares were issued at a price of \$0.015 and 1,187,519 shares were issued at a price of \$0.02
- (e) these shares were issued on exchange of performance rights at a fair value of \$0.05 per share

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.

### Options

Expiry date	Exercise price	Number of unissued shares under option
31 October 2016	\$0.11	7,166,667
31 December 2013	\$0.11	2,000,000
30 November 2013	\$0.20	4,000,000
		13,166,667

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

#### Performance Rights

Issue date	Fair value	Number of unissued shares subject to performance rights
29 February 2012	\$0.05	1,116,900
9 August 2012	\$0.05	8,233,494
		<hr/> 9,350,394 <hr/>

These performance rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

#### Share based payments reserve

The share based payments reserve represents the fair value of equity settled share based remuneration under the Employee Share Option Plan and Performance Rights Plan as described in Note 21.

## 23. 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 17% of the total receivables carrying amount at 30 June 2013 (2012: 37%). 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 \$75,222 of the receivables are past due (2012: \$160,145) and an impairment loss has been recognised in respect of \$24,557 (2012: \$160,145).

#### 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 current period, 28% of the Group's liabilities were current (2012: 28%) and 72% were non-current (2012: 72%).

Convertible notes represent 72% (\$5,607,260) of total financial liabilities at 30 June 2013 (2012: \$5,155,611). 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:

2013							
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
Current trade and other payables	1,934,599	(1,934,599)					
Non-current trade and other payables	-	-	-	-	-	-	-
Loans and borrowings	30,583	(30,583)	(30,583)	-	-	-	-
Convertible notes	5,607,260	(7,109,561)	(335,651)	(335,651)	(6,438,259)	-	-

2012							
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
Current trade and other payables	1,835,457	(1,835,457)	(1,335,457)	(500,000)	-	-	-
Non-current trade and other payables	115,095	(138,500)	-	-	(138,500)	-	-
Loans and borrowings	28,143	(28,143)	(28,143)	-	-	-	-
Convertible notes	5,155,611	(7,781,000)	(335,651)	(335,651)	(671,302)	(6,438,396)	-

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 2012 and 2013, 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 2013 these investments were written down to nil (2012: nil).

#### Fair values

The fair values of financial assets and liabilities approximate their book carrying values at balance date.

#### Estimation of fair values

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

#### 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 a cash-generating business as described in Note 18 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.

## 24. Commitments and contingencies

#### Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2013	2012
Within one year	89,257	105,781
Between one and five year	142,452	-
	231,709	105,781

The Group leases office space under an operating lease with a term of three years with an option of a further 36 months. The option period runs until January 2019. Lease payments are adjusted each year to reflect CPI movements. During the year ended 30 June 2013 \$221,375 was recognised as an expense in profit or loss in respect of operating leases (2012: \$227,274). An amount of \$nil was recognised as other income in respect of subleases (2012: \$10,908).

## 25. Consolidated entities

	Country of Incorporation	Ownership interest	
		2013	2012
<b>Parent entity</b>			
Diversa Limited			
<b>Subsidiaries</b>			
CCSL Limited	Australia	100%	100%
Pellias Pty Limited	Australia	100%	100%
Glykoz Pty Limited	Australia	100%	100%
Diversa Superannuation Services Limited	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%

Property Services One Pty Ltd did not conduct any activities during the period and was sold for net asset value.

		Consolidated	
		2013	2012

## 26. Reconciliation of cash flows from operating activities

Cash flows from operating activities			
Loss for the period		(2,816,665)	(6,724,812)
<i>Adjustments for:</i>			
Depreciation	16	33,959	41,558
Share of loss of equity accounted investees		8,930	16,076
Discount unwind on deferred acquisition payments		23,404	147,526
Discount unwind on convertible notes		451,773	161,000
Amortisation of intangibles	17	157,534	362,700
Impairment loss on receivables	5	1,826	159,969
Impairment loss on loan to associate		-	150,000
Impairment loss on investment in associates	14	-	168,333
Impairment loss on goodwill	17	-	2,674,010
Shares issued for operating expenses		131,060	105,000
Shares issued to settle convertible note interest		661,583	512,377
Equity-settled share based payment expenses	21	255,721	217,885
<b>Operating loss before changes in working capital and provisions</b>		<b>(1,090,875)</b>	<b>(2,008,378)</b>
(Increase)/decrease in trade and other receivables		(206,596)	(405,641)
Increase/(decrease) in trade and other payables		330,579	167,456
Increase/(decrease) in provisions and employee benefits		33,881	(8,023)
<b>Net cash from operating activities</b>		<b>(933,011)</b>	<b>(2,254,586)</b>

## 27. 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*

Matthew Morgan  
Stephen Bizzell  
Stuart Korchinski  
Simon Poidevin (appointed 20 October 2011) (resigned 31 October 2012)  
Ian Campbell (appointed 31 October ) (resigned 11 June 2013)  
Garry Crole (appointed 11 June 2013)

### *Executives*

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	
	2013	2012
Short term employee benefits	1,022,589	1,020,289
Post employment benefits	55,101	58,378
Share based payments	114,569	155,127
	<b>1,192,259</b>	<b>1,233,794</b>

## 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 are as follows. .

During the period, Bizzell Capital Partners Pty Ltd, an entity associated with Stephen Bizzell, provided corporate advisory and underwriting services to the Group totalling \$75,891 (2012: \$75,803). At the end of the period \$nil is recorded as a receivable in relation to an underwriting agreement with Bizzell Capital Partners Pty Ltd (2012: \$229,000).

The Group has entered into a loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with Stephen Bizzell, as disclosed in Note 20.

During the period, Bizzell Capital Partners Pty Ltd, an entity associated with Stephen Bizzell, provided office space and related services to the Group totalling \$47,722 (2012: \$52,593).

During the period, the Group paid operating expenses relating to Centec Securities Pty Ltd on behalf of entities related to Stephen Bizzell, totalling \$30,000 (2012: \$54,394)\*.

The aggregate value of transactions during the period ended 30 June 2013 relating to key management personnel and their related parties were as follows:

	30 June 2013	30 June 2012
Provision of office premises	47,722	52,593
Corporate advisory and underwriting fees	75,891	75,803
Operating expenses paid on behalf of related entities	30,000	54,934*
	<b>153,613</b>	<b>183,330</b>

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

Other related payables and (receivables)		
Directors' fees	50,000	21,199
Provision of office premises	-	5,187
Operating expenses paid on behalf of related entities	(56,987)	(51,667)*
	<b>(6,987)</b>	<b>(25,281)</b>

\* Comparative restated to disclose previously undisclosed amount

### Transactions with associates

During the previous period the Group entered into transactions with the associates noted in Note 14.

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

During the previous 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.

	30 June 2013	30 June 2012
Rent	-	8,182
Accounting services	-	8,000
Operating expenses - to be reimbursed	120	84,703
Interest	-	10,615
Licencee fees	(10,000)	(10,000)
	(9,880)	101,500

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

Rent	-	18,182
Accounting services	-	11,500
Operating expenses - to be reimbursed	202,342	196,650
Interest	-	10,615
Licensee fees	-	(5,000)
	202,342	231,947

The Group has recorded an impairment loss on receivables of \$132 on the amounts receivable from Centec Securities Pty Ltd for the operating expenses to be reimbursed (2012: \$103,577), as disclosed in Note 14.

### Transactions with subsidiaries

During the period the Company provided an unsecured loan to Diversa Funds Management Pty Ltd, a wholly owned subsidiary (refer Note 25). The balance of the loan at the end of the period was \$1,815,020 (2012: \$1,780,020). The loan is non-interest bearing with no fixed repayment terms.

During the period the Company provided an unsecured loan to Diversa Superannuation Services Limited, a wholly owned subsidiary (refer Note 25). The balance of the loan at the end of the period was nil (2012: nil). The loan is non-interest bearing with no fixed repayment terms.

## 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 compensation	Exercised	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
<b>2013</b>							
<b>Directors</b>							
M Morgan	500,000	-	-	-	500,000	166,666	333,333
S Bizzell	8,035,000	-	-	(5,535,000)	2,500,000	166,666	2,333,333
S Korchinski	6,000,000	-	-	-	6,000,000	1,666,666	1,333,333
S Poidevin	1,000,000	-	-	(333,333)	666,667	333,333	666,667
<b>Executives</b>							
A Craig	1,000,000	-	-	-	1,000,000	333,333	666,667
A de Vries	1,000,000	-	-	-	1,000,000	333,333	666,667
V Parrott	1,000,000	-	-	-	1,000,000	333,333	666,667

<b>2012</b>							
<b>Directors</b>							
M Morgan	153,846	500,000	-	(153,846)	500,000	166,667	166,667
S Bizzell	5,535,000	2,500,000(1)	-	-	8,035,000	2,166,667	7,701,667
S Korchinski	4,000,000	2,000,000	-	-	6,000,000	1,666,667	666,667
S Poidevin	-	1,000,000	-	-	1,000,000	333,334	333,334
<b>Executives</b>							
A Craig	153,846	1,000,000	-	(153,846)	1,000,000	333,334	333,334
A de Vries	-	1,000,000	-	-	1,000,000	333,334	333,334
V Parrott	-	1,000,000	-	-	1,000,000	333,334	333,334

(1) Includes 2,000,000 options issued to an associated party for corporate advisory and underwriting services

4,000,000 options held by key management personnel are vested but not exercisable at 30 June 2013 (2012: 3,000,000 options vested but not exercisable).

The movement during the reporting period in the number of rights 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 compensation	Exchanged	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
<b>2013</b>							
<b>Directors</b>							
S Korchinski	1,000,000	1,000,000	(135,000)	(730,000)	1,135,000	135,000	-
<b>Executives</b>							
A Craig	780,000	779,996	(105,300)	(569,400)	885,296	105,300	-
A de Vries	960,940	962,210	(129,750)	(701,440)	1,091,960	129,750	-
V Parrott	910,800	910,800	(123,000)	(664,800)	1,033,800	123,000	-

	Held at beginning of year	Granted as compensation	Exchanged	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
<b>2012</b>							
<b>Directors</b>							
S Korchinski	-	1,000,000	-	-	1,000,000	-	-
<b>Executives</b>							
A Craig	-	780,000	-	-	780,000	-	-
A de Vries	-	960,940	-	-	960,940	-	-
V Parrott	-	910,800	-	-	910,800	-	-

Performance rights are subject to performance targets and vesting criteria.

#### 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	Purchases (1)(2)	Sales	Other (3)(4)	Held at end of year
<b>2013</b>					
<b>Directors</b>					
M Morgan	2,100,661	3,382,418	-	-	5,483,079
S Bizzell	14,904,146	26,255,413	-	-	41,159,559
S Korchinski	1,145,561	3,417,915	-	-	4,563,476
S Poidevin	1,115,072	749,752	-	(1,864,824)	-
I Campbell	-	19,053,658	-	(19,053,658)	-
G Crole	-	7,166,666	-	-	7,166,666
<b>Executives</b>					
A Craig	1,675,014	1,828,573	-	-	3,503,587
A de Vries	691,296	853,367	-	-	1,544,663
V Parrott	350,000	643,334	-	-	993,334
<b>2012</b>					
<b>Directors</b>					
M Morgan	2,007,992	92,669	-	-	2,100,661
S Bizzell	6,640,000	8,264,146	-	-	14,904,146
S Korchinski	-	1,145,561	-	-	1,145,561
S Poidevin	-	1,115,072	-	-	1,115,072
<b>Executives</b>					
A Craig	1,239,456	12,132	-	423,426	1,675,014
A de Vries	633,659	57,637	-	-	691,296
V Parrott	350,000	-	-	-	350,000

#### 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 (1)	Sales	Other (3)	Held at end of year
<b>2013</b>					
<b>Directors</b>					
M Morgan	155,609	-	-	-	155,609
S Bizzell	27,025,795	-	-	-	27,025,795
S Korchinski	1,007,483	-	-	-	1,007,483
S Poidevin	1,921,855	-	-	(1,921,855)	-
I Campbell	-	5,704,316	-	(5,704,316)	-
<b>Executives</b>					
A Craig	150,000	-	-	-	150,000
A de Vries	27,625	-	-	-	27,625
V Parrott	-	-	-	-	-
<b>2012</b>					
<b>Directors</b>					
M Morgan	98,424	57,185	-	-	155,609
S Bizzell	7,922,169	19,103,626	-	-	27,025,795
S Korchinski	550,000	457,483	-	-	1,007,483
S Poidevin	-	1,921,855	-	-	1,921,855
<b>Executives</b>					
A Craig	150,000	-	-	-	150,000
A de Vries	27,625	-	-	-	27,625
V Parrott	-	-	-	-	-
(1)	Held at time of joining the board				
(2)	Includes shares issued as interest payments on convertible notes				
(3)	Held at the time of leaving the board				
(4)	Shares issued as a performance bonus				

## 28. Parent entity disclosures

As at, and throughout the year ended 30 June 2013, the parent company of the Group was Diversa Limited.

	Company	
	2013	2012
<b>Results of the parent entity</b>		
Loss for the year	(2,618,531)	(8,169,501)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(2,618,531)</b>	<b>(8,169,501)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	629,156	873,901
Total assets	6,110,865	6,111,129
Current liabilities	1,309,145	1,148,585
Total liabilities	6,916,406	6,304,196
<b>Total equity of the parent entity comprising of:</b>		
Share capital	109,395,382	107,580,608
Share based payments reserve	506,758	910,661
Retained losses	(110,707,681)	(108,684,336)
<b>Total equity</b>	<b>(805,541)</b>	<b>(193,067)</b>

## 29. Subsequent events

Since the end of the financial year, the Company's convertible noteholders and shareholders have approved amendments to the terms of issue of the convertible notes. The principal changes to the terms of issue being an increase of the conversion ratio applicable on conversion of the Notes into shares from 1.11 to 3.67 shares for each Note converted, to authorise the Company to convert (at the Company's option) some or all of the Notes into shares at any time prior to the Maturity Date at the revised Conversion Ratio. Following these approvals, the Company has proceeded to convert all of the convertible notes on issue into shares. The effect of this conversion is that the liability being carried on the Company's balance sheet at 30 June 2013 of approximately \$5.6m has been converted to equity, significantly improving the Group's net asset position.

Since the end of the financial year, the Company conducted a capital raising by way of a placement of ordinary shares raising \$994,000, with a further \$256,000 committed by directors and/or director related entities subject only to receiving the approval of shareholders to issue the shares at the Annual General Meeting in November 2013. Share issue costs are estimated to be \$75,000.

Since the end of the financial year, the loan facility agreement with a director related entity described in Note 20 was amended resulting in a new facility limit of \$1,000,000 and maturity date of 31 December 2014. This loan facility is currently undrawn.

Apart from the matters 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

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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 16 to 49, and the Remuneration report in the directors' report, set out on pages 8 to 14, 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 2013 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 2013.
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  
Director

Dated at Brisbane this 30<sup>th</sup> September 2013



## **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 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 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 consolidated financial report of the Group complies 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.

#### *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 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1(a).

**Report on the remuneration report**

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Stephen Board  
Partner

Brisbane  
30 September 2013