

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

**CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

# Directors' report

## For the six months ended 31 December 2013

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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 period ended 31 December 2013 and the review report thereon.

### Directors

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

Mr Stuart Korchinski	Director since May 2009. Managing director from October 2009 to 23 September 2013. Chairman since 23 September 2013.
Mr Stephen Bizzell	Non-executive director since August 2010.
Mr Garry Crole	Non-executive director since June 2013.
Mr Matthew Morgan	Non-executive director since July 2008. Chairman from July 2008 to 23 September 2013.

### Review of Operations

Diversa has continued to build a superannuation services business incorporating trustee, administration, fund promotion, insurance and investments. Its growth to date has come from a combination of acquisitions, partnering, product enhancement and organic growth. The Group now has three established revenue generating business units: Trustee Services, Superannuation Services and Investment Services.

Each acquisition has enabled the Group to both integrate and re-configure its infrastructure and capabilities to deliver synergies, a better product and service offering and at the same time, enhancing the critical scale within each of its business units. Growth in the number and value of client funds is now the priority both organically and via acquisition. The efficiency gains which have been realised mean that the Group can now transition new clients to any one of the Group's services with marginal increases in the cost base and growing synergy benefits.

In the last six months the directors initiated a number of very significant programs to improve the balance sheet and reduce the overall expenses of the Group. Whilst these changes resulted in increased expenses in the current half year, they will have a materially positive impact on the future results and place the business in a far stronger position to record improved financial results.

The most significant of these initiatives occurred in September 2013 when the convertible note debt of \$5.6 million was extinguished. This will have a positive earnings impact by saving approximately \$0.7 million per annum in interest costs in future periods.

In addition, the board and executive management team were reorganised in September resulting in a reduction in operating costs. The directors remain committed to further initiatives that will enhance the Group's ability to achieve its critical scale objectives.

Operationally in this period, a significant commitment of resources was made to the implementation of APRA's new prudential standards, MySuper licence applications, the implementation of the new SuperStream Rollover standard and significantly, the commencement of providing services to the Law Employees Superannuation Fund (LESF). More detailed commentary on the operations of each of the business units follows.

#### Trustee Services

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

As at 31 December 2013, trustee services were provided to 18 funds with total funds under management of \$1.49 billion. The Trustee Services business unit focussed during the period on implementation and compliance 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. Revenue for the period for the Trustee Services business was \$831,030 with an EBITDA loss of \$156,150, an improvement on the corresponding EBITDA loss of \$201,769 in the prior corresponding period.

## Superannuation Services

The Superannuation Services business unit acts as a promoter and administrator of its own superannuation funds with a combined membership of approximately 8,600 individual customers with \$164 million of assets. At 31 December 2013, promotion and administration services were provided to:

- o Progress Superannuation Fund (PSF), a \$45 million fund with approximately 1,900 members
- o Managed Australian Retirement Fund (MARF), a \$42 million fund with approximately 3,500 members
- o Law Employees Superannuation Fund (LESF), a \$77 million fund with approximately 3,200 members.

In addition the Group leverages its capability to provide the following superannuation services to third parties (as at 31 December 2013):

- o Administration and promotion services to the Transport Industry Superannuation Fund, a \$103 million fund with approximately 7,400 members
- o Administration services to the OneStep Superannuation Fund, a \$12 million fund with approximately 80 members.

Diversa has also established Group Life and Salary Continuance insurance products that are provided to individuals and SMSF trustees directly and to employer groups.

As noted above, Diversa became the promoter of LESF during the period and commenced providing both trustee and administration services to its members. The focus will now shift in the coming period to further integrating LESF with the Group's other promoted super funds which will achieve operational cost synergies.

The Superannuation Services operations continue to be re-configured with changes being implemented to resourcing and systems to adapt to and accommodate the changing superannuation regulatory environment. The benefits of these changes are being realised and will continue in future periods as the scale of this business unit increases. Revenue for the period for the Superannuation Services business was \$1,211,593 with EBITDA profit of \$67,858 compared to \$93,860 in the prior corresponding period.

## Investment Services

Investment management services are currently provided to MARF, and the business unit 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%), which provides the Group and other third party clients with access to its Australian Financial Services Licence.

Revenue for the period for the Investment Services business was \$104,835 with an EBITDA profit of \$6,487 compared to an EBITDA loss of \$12,788 in the prior corresponding period.

## Corporate and other matters

During the period, both shareholder and convertible noteholder approvals were obtained to change the terms of issue of the convertible notes and the issue of shares on conversion of the notes. Following these approvals, the Group proceeded to convert the convertible notes into equity, resulting in the conversion of debt with a carrying value of approximately \$5.6 million at 30 June 2013 into equity.

During the period, the Company raised additional equity totalling \$1.25 million (before costs) by way of share placements.

Opportunities for growth through acquisition and partnership are continuing to be examined. Costs incurred relating to these activities, whether resulting in a transaction or not, have been expensed in accordance with the accounting standard requirements. During the period \$14,685 was expensed relating to due diligence and acquisition costs.

The results from operating activities contain two significant non-cash expense items of amortisation and depreciation of \$70,105 and share based payments expense (recorded in personnel expenses) of \$117,623. These expenses are calculated in accordance with the relevant accounting standards and accounting policies as disclosed.

The Group has carried forward tax losses of approximately \$98m which have not been brought to account.

During the period corporate activities not allocated to business units and mostly comprising listed company and general corporate costs produced an EBITDA loss of \$612,478 compared to an EBITDA loss of \$773,831 in the prior corresponding period.

## Looking forward

The growth in the superannuation industry is set to continue over the coming years as superannuation contributions are set to rise to 12% of salary by 2019. This will support ongoing demand for Diversa's core services from smaller superannuation funds and independent financial adviser groups seeking our specialist capabilities, rather than using the large institutional service providers which offer little scope for tailored solutions to their superannuation needs. In addition, we believe that the Group's own promoted superannuation funds will increasingly appeal to employer groups and employees looking for products with no commissions, fair value fees, consistent and flexible investment options and a range of member benefits such as competitive life and health insurance.

The Group's primary focus is to actively expand its current client base and critical scale in order to leverage the now well established service infrastructure. Rationalisation and re-configuration of the business units will continue in response to likely market and client changes. The Group will also selectively assess acquisition opportunities that would add to its existing operations. A number of opportunities have been, and are currently being considered.

Group revenue is generally earned as a percentage of client funds under management and administration and on a fee per member basis. Growth in revenue is expected as our clients' funds under management and administration grow, and as new clients are acquired. The quantum and timing of our current client's growth will directly impact the Group's immediate financial objective to become cash flow positive. Similarly, acquiring additional new client business remains a priority. Pleasingly, the sales activity undertaken in past periods continues to generate new clients that will progressively be on-boarded over the coming period. This will boost revenue from current levels.

The Board continues to expect that the restructuring costs made in this half will be rewarded over the coming periods. It is also confident that the current list of prospective clients, and the opportunity to acquire further scale or secure interests in both superannuation and investment management businesses, provide attractive growth potential.

## Events subsequent to reporting date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or 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 periods.

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2013.

This report is made with a resolution of the directors:



S Korchinski  
Chairman

Dated at Brisbane, this 27<sup>th</sup> February 2014.



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

To: the directors of Diversa Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Board'.

Stephen Board  
Partner

Brisbane  
27 February 2014

# Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2013

	Note	31 Dec 2013	31 Dec 2012
		\$	\$
Revenue from rendering of services		2,147,458	2,204,679
Other revenue		-	18,000
Occupancy expenses		(133,533)	(145,370)
Administrative expenses		(674,785)	(806,080)
Amortisation and depreciation		(70,105)	(103,770)
Personnel expenses		(2,006,782)	(2,091,932)
Other expenses		(26,641)	(73,826)
<b>Results from operating activities</b>		<b>(764,388)</b>	<b>(998,299)</b>
Finance income		14,066	15,003
Finance expense	3	(826,930)	(580,012)
<b>Net finance income/(expense)</b>		<b>(812,864)</b>	<b>(565,009)</b>
Share of profit/(loss) of equity accounted investees	4	11,667	2,440
<b>Loss before income tax</b>		<b>(1,565,585)</b>	<b>(1,560,868)</b>
Income tax expense/(benefit)		-	-
<b>Loss after income tax</b>		<b>(1,565,585)</b>	<b>(1,560,868)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(1,565,585)</b>	<b>(1,560,868)</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share (AUD)		(0.005)	(0.018)
Diluted earnings/(loss) per share (AUD)		(0.005)	(0.018)

The consolidated interim statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 14.

# Consolidated interim statement of changes in equity

For the six months ended 31 December 2013

	Note	Share capital	Share based payments reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2012		107,580,608	910,661	(107,953,511)	537,758
<b>Total comprehensive income/(loss) for the period</b>					
Loss for the period		-	-	(1,560,868)	(1,560,868)
<b>Total comprehensive loss for the period</b>		-	-	(1,560,868)	(1,560,868)
<b>Transactions with owners, recorded directly in equity</b>					
Shares issued		225,550	-	-	225,550
Convertible note interest payment - settled by shares		328,781	-	-	328,781
Share-based payment transactions		-	144,941	-	144,941
<b>Total transactions with owners</b>		554,331	144,941	-	699,272
<b>Balance at 31 December 2012</b>		<b>108,134,939</b>	<b>1,055,602</b>	<b>(109,514,379)</b>	<b>(323,838)</b>
Balance at 1 July 2013		109,395,382	506,758	(110,174,990)	(272,850)
<b>Total comprehensive income/(loss) for the period</b>					
Loss for the period		-	-	(1,565,585)	(1,565,585)
<b>Total comprehensive loss for the period</b>		-	-	(1,565,585)	(1,565,585)
<b>Transactions with owners, recorded directly in equity</b>					
Shares issued		1,224,294	-	-	1,224,294
Convertible note interest payment - settled by shares		330,667	-	-	330,667
Share-based payment transactions		-	(156,784)	274,407	117,623
Conversion of convertible notes		6,102,745	-	-	6,102,745
Exchange of performance rights		84,608	(84,608)	-	-
<b>Total transactions with owners</b>		<b>7,742,314</b>	<b>(241,392)</b>	<b>274,407</b>	<b>7,775,329</b>
<b>Balance at 31 December 2013</b>		<b>117,137,696</b>	<b>265,366</b>	<b>(111,466,168)</b>	<b>5,936,894</b>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 14.

# Consolidated interim balance sheet

As at 31 December 2013

	Note	31 Dec 2013	30 Jun 2013
		\$	\$
<b>Assets</b>			
Cash and cash equivalents		1,646,734	1,139,450
Trade and other receivables		791,738	816,493
<b>Total current assets</b>		<b>2,438,472</b>	<b>1,955,943</b>
Trade and other receivables		27,890	58,926
Investments in associates	4	90,246	78,579
Deferred tax assets		-	-
Property, plant and equipment		72,067	70,748
Intangible assets	5	5,300,568	5,359,579
<b>Total non-current assets</b>		<b>5,490,771</b>	<b>5,567,832</b>
<b>Total assets</b>		<b>7,929,243</b>	<b>7,523,775</b>
<b>Liabilities</b>			
Trade and other payables		1,650,011	1,934,599
Loans and borrowings	6	131,900	30,583
Employee benefits		181,422	200,365
<b>Total current liabilities</b>		<b>1,963,333</b>	<b>2,165,547</b>
Employee benefits		29,016	23,818
Loans and borrowings	6	-	5,607,260
<b>Total non-current liabilities</b>		<b>29,016</b>	<b>5,631,078</b>
<b>Total liabilities</b>		<b>1,992,349</b>	<b>7,796,625</b>
<b>Net assets/ (net liabilities)</b>		<b>5,936,894</b>	<b>(272,850)</b>
<b>Equity</b>			
Issued capital		117,137,696	109,395,382
Reserves		265,366	506,758
Accumulated losses		(111,466,168)	(110,174,990)
<b>Total equity/(deficiency)</b>		<b>5,936,894</b>	<b>(272,850)</b>

The consolidated interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 14.



# Consolidated interim statement of cash flow

For the six months ended 31 December 2013

	Note	31 Dec 2013	31 Dec 2012
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from operations		2,186,759	2,006,795
Cash paid to suppliers and employees		(2,577,015)	(2,460,493)
Cash generated from operations		(390,256)	(453,698)
Interest paid		(36,984)	(30,636)
Interest received		14,700	15,448
<b>Net cash used in operating activities</b>		<b>(412,540)</b>	<b>(468,886)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(12,413)	(8,071)
Deferred acquisition payments		(111,950)	(25,000)
<b>Net cash used in investing activities</b>		<b>(124,363)</b>	<b>(33,071)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,183,500	195,000
Payment of transaction costs relating to shares		(32,668)	(30,000)
Payment of transaction costs related to loans and borrowings		(106,645)	-
<b>Net cash from financing activities</b>		<b>1,044,187</b>	<b>165,000</b>
Net increase/(decrease) in cash and cash equivalents		507,284	(336,957)
Cash and cash equivalents at 1 July		1,139,450	1,266,998
<b>Cash and cash equivalents at 31 December</b>		<b>1,646,734</b>	<b>930,041</b>

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 14.

# Notes to the consolidated interim financial statements

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## 1. Significant accounting policies

### Reporting entity

Diversa Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2013 comprise the Company and its controlled entities (the "Group") and the Group's interest in associates.

The consolidated financial statements of the Group as at and for the year ended 30 June 2013 are available upon request from the Company's registered office at Level 9, Waterfront Place, 1 Eagle Street, Brisbane, Queensland 4000 or at [www.diversa.com.au](http://www.diversa.com.au).

### Statement of compliance

The interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporation Act 2001, and with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

The consolidated interim financial statements were approved by the Board of Directors on 27 February 2014.

### Basis of preparation

The consolidated interim 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 7 - Measurement of share based payments
- Note 1 - Going concern
- Note 5 - Intangibles

The accounting policies applied by the Group in this consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2013.

### Going Concern

The consolidated interim 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 \$1,565,585 for the six months ended 31 December 2013 (2012: loss of \$1,560,868). The Group had a cash balance of \$1,646,734 as at 31 December 2013 (30 June 2013: \$1,139,450) and a net operating cash outflow for the six months ended 31 December 2013 of \$412,540 (2012: net operating cash outflow of \$468,886). In addition, at 31 December 2013 the Group had a surplus in assets of 5,936,894 (30 June 2013: deficiency in assets \$272,850), and a surplus in current assets of \$475,139 (30 June 2013: deficiency in current assets \$209,604). 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.

Management have prepared cash flow projections which support the ability of the Group to continue as a going concern. 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 from the date of the directors' declaration. The Company also has a loan facility with a director related party with a facility limit of \$1,000,000 and a maturity date of 30 September 2015 which is currently undrawn.

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, and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

## 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:

- Superannuation Services - provision of administration and promotion services to superannuation funds and the issue of group risk products
- Investment Services - provision of investment management services
- 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 Chief Executive Officer. 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 arms' length basis.

	Superannuation Services		Trustee Services		Investment Services		Total	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
External revenues	1,211,593	1,232,283	831,030	877,366	104,835	95,030	2,147,458	2,204,679
Impairment losses	-		(11,956)		-		(11,956)	
Earnings before interest, tax, depreciation & amortisation (EBITDA)	67,858	93,860	(156,150)	(201,769)	6,487	(12,788)	(81,805)	(120,697)
Interest income	2,483	2,636	8,702	11,036	-	-	11,185	13,672
Interest expense	(1,656)	(761)	(3,178)	(3,573)	(875)	(1,133)	(5,709)	(5,467)
Depreciation and amortisation	(37,787)	(64,874)	(5,329)	(9,797)	-	(26,340)	(43,116)	(101,011)
Reportable segment profit/(loss) before income tax	30,898	30,861	(155,955)	(204,103)	5,612	(40,261)	(119,445)	(213,503)
Share of profit/(loss) of equity accounted investees	-	-	-	-	11,667	2,440	11,667	2,440
Reportable segment assets	4,159,205	4,189,952	2,926,339	2,734,246	358,487	446,215	7,444,031	7,370,413
Reportable segment liabilities	(384,197)	(430,286)	(558,515)	(657,958)	(92,533)	(103,500)	(1,035,245)	(1,191,744)
Investment in associates	-	-	-	-	90,246	89,949	90,246	89,949

## Reconciliation of reportable segment profit or loss

	31 Dec 2013	31 Dec 2012
Total profit/(loss) for the reportable segments	(119,445)	(213,503)
Unallocated amounts:		
Personnel expenses not included in reportable segments	(397,273)	(413,881)
Net finance expense not included in reportable segments	(818,340)	(573,214)
Other net corporate revenue and expenses	(242,194)	(362,710)
Share of profit/(loss) of equity accounted investee	11,667	2,440
Consolidated loss after income tax	(1,565,585)	(1,560,868)

### 3. Net finance income/(expense)

Interest income	14,066	15,003
Finance income	14,066	15,003
Interest expense	(36,984)	(30,636)
Unwinding of discount on deferred acquisition payments	-	(23,404)
Loan facility fee	(20,000)	-
Interest on convertible notes	(167,816)	(335,644)
Loss on conversion of convertible notes	(397,413)	-
Unwinding of discount on convertible notes	(98,072)	(190,328)
Expenses in relation to convertible note conversion	(106,645)	-
Finance expense	(826,930)	(580,012)

### 4. Investments in associates

The Group's share of profit for its equity accounted investees for the interim period ended 31 December 2013 was \$11,667 (2012: \$2,440). During the interim period ended 31 December 2013, the Group did not receive dividends from of it investment in equity accounted investees.

Investment in associates - opening balance	78,579	87,509
Add share of profit/(loss) of associates	11,667	(8,930)
Balance at 31 December 2013	90,246	78,579

### 5. Intangibles

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 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. Actual performance for the period to 31 December 2013 was not materially different from the forecasted cash flows at 30 June 2013 therefore there was no indicator of impairment of goodwill at 31 December 2013.

Refer to note 17 of the consolidated annual financial statements for the year ended 30 June 2013 for sensitivity disclosures.

## 6. Loans and borrowings

	31 Dec 2013	30 Jun 2013
<b>Current</b>		
Insurance premium funding	131,900	30,583
	131,900	30,583
<b>Non-current</b>		
<b>Convertible Notes</b>		
Carrying amount of liability at 1 July	5,607,260	5,155,611
Convertible notes converted	(6,102,745)	(107)
Unwinding of discount	98,072	451,756
Loss on conversion	397,413	-
Net proceeds	(5,607,260)	451,649
Carrying amount of liability at 31 December	-	5,607,260

On 13 September 2013, convertible noteholders and shareholders approved changes to the terms of issue of the convertible notes. Following this approval, all of the convertible notes on issue were converted into ordinary shares in accordance with the terms of the convertible notes as amended.

### Other borrowings

In November 2010, the Group entered into an unsecured loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with a director. 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 30 September 2015. As at 31 December 2013, the facility remained undrawn.

## 7. Share based payments

During the six month period ended on 31 December 2013, the total amount expensed in relation to share based payments was \$117,623 (2012: \$144,942). The Group issued the following performance rights as share based payments during the period:

Issue date	Number of instruments	Fair value	Performance targets	Vesting conditions
16 August 2013	8,307,501	\$0.01	See note (a)	See note (c)
16 August 2013	5,651,178	\$0.03	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 achievement 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	\$0.03
Share price at grant date	\$0.03	\$0.03
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%

## 8. Share capital

	Number of shares	
	31 Dec 2013	30 Jun 2013
On issue at 1 July	191,456,158	79,795,917
Convertible note interest payment (a)	12,247,054	33,245,395
Shares issued as consideration for acquisitions (b)	885,000	1,134,615
Shares issued pursuant to a placement (c)	41,666,668	-
Shares issued on conversion of convertible notes (d)	203,605,275	1,242
Shares issued to directors as remuneration (e)	1,303,705	2,645,511
Shares issued in exercise of performance rights (f)	1,692,150	1,349,900
Shares issued pursuant to an entitlement offer	-	73,283,578
Balance at 31 December	452,856,010	191,456,158

- (a) these shares were issued at a price of \$0.027 per share  
 (b) these shares were issued at a price of \$0.03 per share  
 (c) these shares were issued at a price of \$0.03 per share  
 (d) these shares were issued at an effective price of \$0.03 per share  
 (e) these shares were issued at a price of \$0.03 per share  
 (f) these shares were issued on exchange of performance rights at a fair value of \$0.05 per share

## 9. Related parties

During the period there were no material changes in related party transactions to those disclosed in the consolidated annual financial statements for the period ended 30 June 2013.

## 10. Subsequent events

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or 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 periods.

# Directors' declaration

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

- (1) the financial statements and notes set out on pages 6 to 14, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six months ended on that date; and
  - (b) complying with AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane, this 27<sup>th</sup> day of February 2014.

Signed in accordance with a resolution of the directors:



S Korchinski  
Chairman



## **Independent auditor's review report to the members of Diversa Limited**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Diversa Limited, which comprises the consolidated interim balance sheet as at 31 December 2013, consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 10 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 half-year's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Diversa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Diversa Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of the KPMG firm, written in dark ink.

KPMG

A handwritten signature of Stephen Board, written in dark ink.

Stephen Board  
Partner

Brisbane  
27 February 2014