

DIVERSA LIMITED
ABN 60 079 201 835

APPENDIX 4E

Preliminary Final Report

for the year ended 30 June 2014
(previous period: 1 July 2010 to 30 June 2013)

Results for Announcement to the Market			
	Change	2014 A\$'000	2013 A\$'000
Revenue from ordinary activities	decreased 4%	4,387	4,566
Loss from ordinary activities after tax attributable to members	increased 70%	(4,782)	(2,817)
Net loss attributable to members	increased 70%	(4,782)	(2,817)
<i>Discussion of the Group's results is disclosed in the attached operational and financial review.</i> No dividend has been declared.			
Net tangible assets per share		2014 \$0.0002	2013 (\$0.029)
Details of associates and joint venture entities Refer to Note 11 for further information.			
This Preliminary Final Report is based on the Financial Report for the year ended 30 June 2014, which is in the process of being audited. Angus Craig Company Secretary 29 August 2014			

Operational and financial review

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 has two established revenue generating business units: Trustee Services (including Investment Services) and Superannuation 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.

During the period 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 limited reduction to expenses in the current year, they will have a 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 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 2013 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.

The Group also announced two key acquisitions on 1 July 2014 (signed after the close of business on 30 June 2014) being the acquisition of The Trust Company (Superannuation) Limited (TTCSL), a third party trustee business similar to the Group's existing Trustee Services business, and a 30% interest in Tranzact Financial Services Pty Limited which provides services to the Smartsave Members Choice Superannuation Fund. These services are similar to those provided by the existing Superannuation Services business. The Board believes that these acquisitions will be transformational for the Group's resources, operations and financial performance in future periods.

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 administration and trustee services to the Law Employees Superannuation Fund (LESF) and administration services to the Super Money Rollover Fund (SMERF).

Trustee Services

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

As at 30 June 2014, trustee services were provided to 16 funds with assets totally \$1.1 billion. During the period, the Trustee Services business unit focussed on the implementation and compliance with the new APRA prudential standards for the Trustee Services business as well as for its superannuation fund clients.

On 30 June 2014, Diversa Limited entered into an agreement to acquire The Trust Company (Superannuation) Limited (TTCSL), an entity which provides superannuation trustee services to approximately 15 funds with assets totalling approximately \$3.1 billion. It is intended these businesses be integrated during the coming year.

Investment services (previously reported as a separate business unit) are currently provided to the Managed Australian Retirement Fund (MARF), and it is intended to provide 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 Trustee Services business (including Investment Services) was \$1,797,735 (2013: \$2,205,164) with an EBITDA loss of \$797,482 (2013:\$95,263). This includes impairment losses of \$581,956 as a consequence of anticipated growth of existing client revenue not being achieved.

Superannuation Services

The Superannuation Services business unit acts as a promoter and administrator of its own and third party superannuation funds with 130,600 members with \$326 million of assets.

At 30 June 2014, promotion and administration services were provided to:

- Managed Australian Retirement Fund (MARF), a \$40 million fund with approximately 3,300 members
- Law Employees Superannuation Fund (LESF), an \$84 million fund with approximately 3,200 members
- Administration services to the Super Money Eligible Rollover fund (SMERF), a \$66 million eligible rollover fund with approximately 115,000 members.

In addition the Group leverages its capability to provide the following superannuation services to third parties:

- Administration and promotion services to the Transport Industry Superannuation Fund, a \$105 million fund with approximately 7,300 members
- Administration and promotion services to the Progress Superannuation Fund (PSF), a \$31 million fund with approximately 1,800 members.

The Group 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, the Group 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 to achieve operational cost synergies.

Also as noted above, the Group commenced providing administration services to SMERF during the period. It also ceased providing administration services to the OneStep Superannuation Fund.

On 30 June 2014, Diversa Limited entered into an agreement to acquire 30% interest in Tranzact Financial Services Pty Ltd (TFS) with options over the remaining 70% interest. TFS provides administration, promotion and investment services to the Smartsave Members Choice Superannuation Fund, a \$208 million fund with approximately 11,000 members.

An impairment loss has been recognised in the Superannuation Services business unit of \$1,715,000 relating to the carrying value of goodwill recognised on acquisition of Super Promoters Pty Ltd, a business which provided administration and promotion services to the PSF (formerly Bookmakers Superannuation Fund) acquired in 2009. The PSF has had significant exposure to impaired and illiquid investments resulting in a significant decline in its size. The impairment loss reflects the impact of this decline.

The Superannuation Services business unit continues 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 \$2,589,697 (2013:\$2,342,988) with an EBITDA loss of \$1,397,429 (including the impairment noted above), compared to an EBITDA profit of \$86,133 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 to equity with a carrying value of approximately \$5.6 million at 30 June 2013.

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 continue 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 \$91,787 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 \$369,754 and share based payments expense (recorded in personnel expenses) of \$190,255. 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 \$1,355,670 compared to an EBITDA loss of \$1,318,623 in the prior corresponding period.

Looking forward

The growth in the superannuation industry will continue over the coming years as the superannuation guarantee charge is set to rise to 12% of salaries by 2019. This will support ongoing demand for Diversa's core services from smaller superannuation funds, independent financial adviser groups and fund promoters 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, competitive 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 continue to leverage the 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 continue to selectively assess acquisition opportunities that would add to its existing operations and scale.

Group revenue is generally earned as a percentage of client funds under trusteeship and administration and on a fee per member basis. Growth in revenue is expected as our clients' funds under trusteeship and administration grow, and as new clients are acquired. The quantum and timing of our current clients' growth will directly impact the Group's immediate financial objective to become cash flow positive. Similarly, acquiring 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 periods. This will boost revenue from current levels.

The Board continues to expect that the restructuring costs made in this period will be rewarded over the coming periods by making the business more scalable. 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.

Financial review

The results of the Group for the year ended 30 June 2014 can be summarised as follows:

	2014	2013	Change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(3,555,494)	(1,438,678)	
Amortisation and depreciation	(369,754)	(191,493)	
Results from operating activities	(3,925,246)	(1,630,171)	141%
Net finance income/(expense)	(869,545)	(1,177,564)	(26%)
Share of profit/(loss) of equity accounted investees	12,535	(8,930)	
Loss before tax	(4,782,256)	(2,816,665)	70%

EBITDA when compared to 2013 has been influenced by several factors including the improvement in the underlying operating performance of the superannuation services unit, offset by the recognition of impairment losses of \$2,296,956.

Revenue and other income from ordinary activities decreased from \$4,566,358 to \$4,387,432 (a decrease of 4%).

Overall, expense levels increased from \$6,196,529 to \$8,312,678 (an increase of 34%) with a significant expense in the current year being impairment losses of \$2,296,956. When the impairment loss is disregarded, the operating expenses in the current year were \$6,015,722, indicating a 3% reduction in expenses year on year.

The net change in the cash balance of \$59,838 includes a net operating cash outflow of \$600,546 (2013:\$933,011 outflow), investing cash outflows of \$379,451 (2013:\$122,497 outflow) and net proceeds from financing activities received during the period of \$1,039,835 (2013: \$927,960 inflow). The decrease in net operating cash outflow continues to demonstrate significant improvement in underlying operations.

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. 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.

Events subsequent to reporting date

Since the end of the period the Company has announced the following:

- On 1 July 2014, the Company announced that it had entered into an agreement to acquire 100% of The Trust Company (Superannuation) Limited, a company which operates a third party superannuation trustee business, for \$2.65m;
- On 1 July 2014, the Company announced that it had entered into an agreement to acquire 30% of Tranzact Financial Services Pty Ltd, a company which provides administration, promotion and investment services to the Smartsave 'Members Choice' Superannuation Master Plan, for \$2.85m with a put and call option to acquire the remaining 70% interest for a further \$6.65m over a period of 24 months. The call option is at the Company's discretion and may be exercised between January and June 2015, and the put option is exercisable from July to December 2015 subject to minimum revenue criteria being satisfied by TFS. In the event the call option is not exercised, the vendor is entitled to buy back the 30% interest in TFS for \$2.85m;
- On 3 July 2014, the Company announced that it had raised \$3.04 million (before costs) by way of a placement of 112,519,020 ordinary shares to professional and sophisticated investors; and
- On 30 July 2014, the Company announced that it would raise \$4.41 million (before costs) by way of an underwritten entitlement offer to shareholders resulting in the issue of 163,249,977 ordinary shares.

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.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
Revenue from rendering of services		4,387,432	4,548,152
Other income	3	-	18,206
Occupancy expenses		(255,149)	(255,242)
Administrative expenses		(1,442,492)	(1,514,786)
Amortisation and depreciation		(369,754)	(191,493)
Personnel expenses	6	(3,856,540)	(4,122,258)
Impairment losses	5	(2,296,956)	(1,826)
Other expenses	4	(91,787)	(110,924)
Results from operating activities		(3,925,246)	(1,630,171)
Finance income		26,324	28,476
Finance expense		(895,869)	(1,206,040)
Net finance income/(expense)	7	(869,545)	(1,177,564)
Share of profit/(loss) of equity accounted investees	11	12,535	(8,930)
Loss before income tax		(4,782,256)	(2,816,665)
Income tax expense/(benefit)		-	-
Loss after income tax		(4,782,256)	(2,816,665)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,782,256)	(2,816,665)
Earnings per share			
Basic earnings/(loss) per share (AUD)	8	(0.0125)	(0.0243)
Diluted earnings/(loss) per share (AUD)	8	(0.0125)	(0.0243)

The statement of comprehensive income is to be read in conjunction with the notes to the financial report.

Consolidated statement of changes in equity

For the year ended 30 June 2014

	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
Total comprehensive income/(loss) for the year				
Loss for the year	-	-	(2,816,665)	(2,816,665)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(2,816,665)	(2,816,665)
Transactions with owners, recorded directly in equity				
Exercise of performance rights	67,496	(67,496)	-	-
Shares issued	1,086,695	-	-	1,086,695
Convertible note interest payment - settled by shares	661,583	-	-	661,583
Share based payment transactions	-	(336,407)	595,186	258,779
Total transactions with owners	1,814,774	(403,903)	595,186	2,006,057
Balance at 30 June 2013	109,395,382	506,758	(110,174,990)	(272,850)
Balance at 1 July 2013	109,395,382	506,758	(110,174,990)	(272,850)
Total comprehensive income/(loss) for the year				
Loss for the year	-	-	(4,782,256)	(4,782,256)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(4,782,256)	(4,782,256)
Transactions with owners, recorded directly in equity				
Exercise of performance rights	84,608	(84,608)	-	-
Shares issued, net of transaction costs	1,269,293	-	-	1,269,293
Convertible note interest payment - settled by shares	330,668	-	-	330,668
Convertible notes converted	6,102,745	-	-	6,102,745
Share based payment transactions	-	(81,473)	271,733	190,255
Total transactions with owners	7,787,314	(166,081)	271,733	7,892,966
Balance at 30 June 2014	117,182,696	340,677	(114,685,513)	2,837,860

The statement of changes in equity is to be read in conjunction with the notes to the financial report.

Consolidated balance sheet

As at 30 June 2014

		Consolidated	
	Note	2014	2013
Assets			
Cash and cash equivalents	9	1,199,288	1,139,450
Trade and other receivables	10	688,201	816,493
Total current assets		1,887,489	1,955,943
Trade and other receivables	10	27,892	58,926
Investments in associates	11	91,114	78,579
Deferred tax assets		-	-
Property, plant and equipment	12	112,189	70,748
Intangible assets	13	2,730,890	5,359,579
Total non-current assets		2,962,085	5,567,832
Total assets		4,849,574	7,523,775
Liabilities			
Trade and other payables	14	1,710,802	1,934,599
Loans and borrowings	15	26,609	30,583
Employee benefits		241,247	200,365
Total current liabilities		1,978,658	2,165,547
Employee benefits		33,056	23,818
Loans and borrowings	15	-	5,607,260
Total non-current liabilities		33,056	5,631,078
Total liabilities		2,011,714	7,796,625
Net assets/(net liabilities)		2,837,860	(272,850)
Equity			
Issued capital		117,182,696	109,395,382
Reserves		340,677	506,758
Accumulated losses		(114,685,513)	(110,174,990)
Total equity/(deficiency)		2,837,860	(272,850)

The balance sheet is to be read in conjunction with the notes to the financial report.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
Cash flows from operating activities			
Cash receipts from operations		4,438,374	4,417,339
Cash paid to suppliers and employees		(4,965,167)	(5,320,883)
Cash generated from operations		(526,794)	(903,544)
Interest paid		(100,923)	(59,567)
Interest received		27,171	30,100
Net cash used in operating activities	18	(600,546)	(933,011)
Cash flows from investing activities			
Deferred acquisition payments		(311,950)	(111,950)
Acquisition of property, plant and equipment	12	(67,501)	(10,547)
Net cash used in investing activities		(379,451)	(122,497)
Cash flows from financing activities			
Proceeds from the issue of shares		1,183,500	1,112,803
Payment of transaction costs relating to financing activities		(143,665)	(184,843)
Net cash from financing activities		1,039,835	927,960
Net decrease in cash and cash equivalents		59,838	(127,548)
Cash and cash equivalents at 1 July		1,139,450	1,266,998
Cash and cash equivalents at 30 June	9	1,199,288	1,139,450

The statement of cash flows is to be read in conjunction with the notes to the financial report.

Notes to the consolidated financial statements

1. Significant accounting policies

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited Financial Report. The Financial Report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act.

The Preliminary Final Report is presented in Australian dollars and has been prepared on a historical cost basis.

The accounting policies adopted in this report have been applied consistently to all periods presented in the Preliminary Final Report, and have been applied consistently by all entities in the Group.

This Report is based on the Financial Report for the year ended 30 June 2014, which is in the process of being audited. The directors currently expect an audit opinion to be issued on similar terms to the audit opinion provided in relation to the financial statements for the year ended 30 June 2013.

2. Operating segments

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

- 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. This segment also include investment services which was previously considered as a separate segment.

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 CEO. 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

	Superannuation Services		Trustee Services		Total	
	2014	2013	2014 ⁽¹⁾	2013	2014	2013
			(Restated) ⁽¹⁾			
External revenues	2,589,697	2,342,988	1,797,735	2,205,164	4,387,432	4,548,152
Impairment losses	(1,715,000)	-	(581,956)	(1,826)	(2,296,956)	(1,826)
Earnings before interest, tax depreciation and amortisation (EBITDA)	(1,397,429)	86,133	(797,482)	(95,263)	(2,194,911)	77,374
Interest income	4,890	5,663	17,037	19,324	21,927	24,987
Interest expense	(5,063)	(5,519)	(9,753)	(13,603)	(14,816)	(19,122)
Depreciation and amortisation	(352,464)	(129,847)	(12,024)	(56,131)	(364,488)	(185,978)
Reportable segment profit/ (loss) before income tax	(1,750,066)	(43,570)	(802,222)	(145,673)	(2,552,288)	(189,243)
Share of profit/(loss) of equity accounted investees	-	-	12,535	(8,930)	12,535	(8,930)
Reportable segment assets	2,374,211	4,164,792	2,338,505	3,147,208	4,712,715	7,312,000
Reportable segment liabilities	(673,445)	(394,829)	(535,841)	(485,368)	(1,209,286)	(880,197)
Investment in associates	-	-	91,114	78,579	91,114	78,579

(1) In the prior period a third segment was disclosed being Investment Services, which now forms part of the Trustee Services segment.

	Note	2014	2013
Reconciliation of reportable segment profit or loss			
Revenues			
Total revenue for reportable segments		4,387,432	4,548,152
Other revenue	3	-	18,206
Consolidated revenue and other income		4,387,432	4,566,358
Profit or loss			
Total profit or loss for reportable segments		(2,552,288)	(189,243)
Unallocated amounts:			
Personnel expenses not included in reportable segments		(706,260)	(814,387)
Other net corporate revenue and expenses		(1,536,243)	(1,804,105)
Share of profit/(loss) of equity accounted investee	11	12,535	(8,930)
Consolidated loss before income tax		(4,782,256)	(2,816,665)
Assets			
Total assets for reportable segments		4,712,715	7,312,000
Investments in equity accounted investee		91,114	78,579
Other unallocated amounts		45,745	133,196
Consolidated total assets		4,849,574	7,523,775
Liabilities			
Total liabilities for reportable segments		(1,209,286)	(880,197)
Other unallocated amounts		(802,429)	(6,916,428)
Consolidated total liabilities		(2,011,715)	(7,796,625)

Revenue from one major customer earned by all segments represents approximately 22% (2013:17%) of the Group's total revenue. All segment revenues are earned in Australia and all segment assets are located in Australia.

	Note	Consolidated	
		2013	2013
3. Other income			
Other income		-	18,206
		-	18,206
4. Other expenses			
Due diligence and acquisition costs		91,787	110,924
		91,787	110,924

		Consolidated	
	Note	2014	2013
5. Impairment losses			
Impairment loss on intangibles	13	2,285,000	-
Impairment loss on trade receivables		11,956	1,826
		<u>2,296,956</u>	<u>1,826</u>
6. Personnel expenses			
Wages and salaries		3,208,934	3,525,439
Other associated personnel expenses		158,518	53,716
Contributions to defined contribution superannuation funds		248,712	253,500
Increase/(decrease) in employee benefits provisions		50,121	33,882
Equity-settled share based payment transactions		190,255	255,721
		<u>3,856,540</u>	<u>4,122,258</u>
7. Net finance income/(expense)			
Interest income		26,324	28,476
Finance income		<u>26,324</u>	<u>28,476</u>
Interest expense		(78,423)	(59,567)
Loan facility fee		(47,500)	-
Unwinding of discount on deferred acquisition payments		-	(23,404)
Unwinding of discount on convertible notes		(204,716)	(451,756)
Loss on conversion of convertible notes		(397,413)	-
Interest on convertible notes		(167,817)	(671,313)
Finance expense		<u>(895,869)</u>	<u>(1,206,040)</u>
Net finance income/(expense)		<u>(869,545)</u>	<u>(1,177,564)</u>
8. Earnings per share			
Basic earnings per share			
The calculation of basic earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of \$4,782,256 (2013: \$2,816,665) and a weighted average number of ordinary shares outstanding of 383,417,662 (2013: 115,773,526), calculated as follows:			
Loss attributable to ordinary shareholders			
Loss for the year		(4,782,256)	(2,816,665)
Loss attributable to ordinary shareholders		<u>(4,782,256)</u>	<u>(2,816,665)</u>
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	16	191,456,158	79,795,917
Effect of shares issued during the year		191,961,504	35,977,609
Weighted average number of ordinary shares at 30 June		<u>383,417,662</u>	<u>115,773,526</u>
Earnings per share			
Basic earnings per share		<u>(0.00125)</u>	<u>(0.0243)</u>

		Consolidated	
	Note	2014	2013
9. Cash and cash equivalents			
Bank balances		381,263	333,703
Short term deposits		818,025	805,747
Cash and cash equivalents		1,199,288	1,139,450
Cash and cash equivalents in the statement of cash flows		1,199,288	1,139,450
10. Trade and other receivables			
Current			
Trade receivables		387,632	522,029
Less impairment		(259,090)	(247,134)
Other receivables and prepayments		559,659	541,598
		688,201	816,493
Non-current			
Security deposits		27,892	58,926
		27,892	58,926

11. Investments in associates

The Group's share of profit/(loss) for its equity accounted investees for the period owned was \$12,535 (2013: (\$8,930)). During the period ended 30 June 2014, the Group did not receive dividends from any of its investments in equity accounted investees.

Investments in associates - opening balance	78,579	87,509
Less share of profit/(loss) of associates	12,535	(8,930)
Balance at 30 June	91,114	78,579

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

2014	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%	244,974	(41,702)	342,122	25,581	99,603	12,535
							12,535

12. Property, plant and equipment

	Consolidated		
	Office equipment	Fixtures and fittings	Total
Cost			
Balance at 1 July 2012	165,271	11,662	176,933
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
Balance at 1 July 2013	165,549	9,237	174,786
Additions	67,501	-	67,501
Balance at 30 June 2014	233,050	9,237	242,287
Depreciation and impairment losses			
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)
Balance at 1 July 2013	(101,768)	(2,270)	(104,038)
Depreciation for the year	(24,553)	(1,507)	(26,060)
Balance at 30 June 2014	(126,321)	(3,777)	(130,098)
Carrying amounts			
At 1 July 2012	84,292	9,868	94,160
At 30 June 2013	63,781	6,967	70,748
At 1 July 2013	63,781	6,967	70,748
At 30 June 2014	106,729	5,460	112,189

13. Intangibles

	Consolidated			
	Customer contracts	Customer relationships	Goodwill	Total
Cost				
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
Balance at 1 July 2013	998,307	1,015,705	7,689,901	9,703,913
Acquisitions through a business combination	-	-	-	-
Balance at 30 June 2014	998,307	1,015,705	7,689,901	9,703,913
Amortisation and impairment				
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)
Balance at 1 July 2013	(998,307)	(672,017)	(2,674,010)	(4,344,334)
Amortisation for the year	-	(343,688)	-	(343,688)
Impairment loss	-	-	(2,285,000)	(2,285,000)
Balance at 30 June 2014	(998,307)	(1,015,705)	(4,959,010)	(6,973,022)
Carrying amounts				
At 1 July 2012	-	501,222	5,015,891	5,517,113
At 30 June 2013	-	343,688	5,015,891	5,359,579
At 1 July 2013	-	343,688	5,015,891	5,359,579
At 30 June 2014	-	-	2,730,890	2,730,890

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	
	2014	2013	2014	2013
Superannuation services	(1,715,000)	-	1,482,430	3,197,431
Trustee services ⁽¹⁾	(570,000)	-	1,248,460	1,818,460
	(2,285,000)	-	2,730,890	5,015,891

(1) The Investment Services segment now forms part of the Trustee Services segment

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% (2013: 3%), which does not exceed the long term growth rate for the industry.
- Cash flows for 2015 and 2016 were based on budgeted earnings
- Cash flows was forecast to grow at 10% for years 2017 to 2019 (2013: 3% for years 2014 to 2018)
- A pre-tax discount rate of 13% (2013: 15%) was applied in determining recoverable amount

As a result of the cash flows generated by the business units in the current period being less than previous projections, future cash flow growth was moderated accordingly resulting in impairments being recognised in the current period.

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).

		Consolidated	
		2014	2013
14. Trade and other payables			
Current			
Trade payables and accrued expenses		1,410,802	1,296,099
Deferred acquisition payments		300,000	638,500
		<u>1,710,802</u>	<u>1,934,599</u>
15. Loans and borrowings			
Current			
Insurance premium funding		26,609	30,583
		<u>26,609</u>	<u>30,583</u>
Non-current			
Convertible Notes			
Carrying amount of liability at 1 July		5,607,260	5,155,611
Convertible note converted		(6,102,745)	(107)
Unwinding of discount		98,072	451,756
Loss on conversion		397,413	-
Net proceeds		<u>(5,607,260)</u>	<u>451,649</u>
Carrying amount of liability at 30 June		<u>-</u>	<u>5,607,260</u>

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 a loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with a director. The total facility amount as at 30 June 2014 was \$1,000,000 and the repayment term was 30 September 2015. As at 30 June 2014, the facility remained undrawn.

16. Capital and reserves

Share capital	Company	
	Ordinary shares	
	2014	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 an entitlement offer	-	73,283,578
Shares issued on conversion of convertible notes (c)	203,605,275	1,242
Shares issued pursuant to a placement (d)	41,666,668	-
Shares issued in exercise of performance rights (e)	1,692,150	1,349,900
Shares issued to directors as remuneration (f)	2,948,779	2,645,511
On issue at 30 June - fully paid	454,501,084	191,456,158

(a) these shares were issued at a price of \$0.027

(b) these shares were issued at a price of \$0.03

(c) these shares were issued at a price of \$0.03

(d) these shares were issued at a price of \$0.03

(e) these shares were issued on exchange of performance rights at a fair value of \$0.03 per share

(f) These shares were issued at a price of \$0.03

Options

Expiry date	Exercise price	Number of unissued shares under option
31 October 2016	\$0.11	7,166,667

Performance Rights

Issue date	Fair value	Number of unissued shares subject to performance rights
29 February 2012	\$0.05	529,000
9 August 2012	\$0.05	1,165,512
16 August 2013	\$0.03	12,754,940
		14,449,452

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

17. Consolidated entities

	Country of Incorporation	Ownership interest	
		2014	2013
Parent entity			
Diversa Limited			
Subsidiaries			
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%
L.E.S.F Pty Ltd (1)	Australia	100%	-
(1) Acquisition of a non-operating company for \$4			

		Consolidated	
		2014	2013
18.	Reconciliation of cash flows from operating activities		
	Cash flows from operating activities		
	Loss for the period	(4,782,256)	(2,816,665)
	<i>Adjustments for:</i>		
	Depreciation	12 26,060	33,959
	Share of profit/(loss) of equity accounted investees	11 (12,535)	8,930
	Discount unwind on deferred acquisition payments	-	23,404
	Discount unwind on convertible notes	-	451,773
	Amortisation of intangibles	13 343,693	157,534
	Impairment losses	5 2,296,956	1,826
	Shares issued for operating expenses	96,263	131,060
	Shares issued to settle convertible note interest	330,669	661,583
	Capital raising costs amortisation	221,882	-
	Accreted interest	273,602	-
	Equity-settled share based payment expenses	190,255	255,721
	Operating loss before changes in working capital and provisions	(1,015,411)	(1,090,875)
	(Increase)/decrease in trade and other receivables	147,369	(206,596)
	Increase/(decrease) in trade and other payables	217,376	330,579
	Increase/(decrease) in provisions and employee benefits	50,120	33,881
	Net cash from operating activities	(600,546)	(933,011)

On behalf of the Board

Angus Craig
Company Secretary
Diversa Limited
29 August 2014