DIVERSA LIMITED ABN 60 079 201 835
AND ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Directors' report

For the year ended 30 June 2012

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 2012 and the auditor's report thereon.

Directors

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

Name and independence status	Age	Experience, special responsibilities and other directorships
Mr Matthew Morgan Chairman Non-executive director Appointed: 2 July 2008	38	Mr Morgan is currently Head of Business Development for Integria Healthcare, a private equity backed aggregation of businesses in the consumer healthcare sector. Prior to his current role Mr Morgan was a Senior Investment Manager with QBF, a venture capital fund manager wholly owned by QIC. He was the first Australian selected to the prestigious Kauffman Fellows Program.
Mr Stuart Korchinski Managing director Appointed as a non-executive director: 26 May 2009 Appointed managing director: 16 October 2009	48	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 joint venture between Citi and State Street), a provider of superannuation administration services to industry, corporate and retail superannuation funds. He previously held the role of Managing Director of KAZ Business Services Limited, a leading supplier of outsourced services to the superannuation and funds management, insurance and financial services industries and Chief General Manager of Allianz's financial institution and direct insurance business.
Mr Stephen Bizzell Non-executive director Appointed: 25 August 2010	44	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. *Other current directorships:* Renison Consolidated Mines N.L. (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) *Former directorships in the last three years::* Bow Energy Limited (from 2004 to January 2012) Apollo Gas Limited (from 2009 to January 2011) Arrow Energy Limited (from 1999 to August 2010) Liquefied Natural Gas Limited (Alternate Director) (from 2007 to March 2010).
Mr Simon Poidevin OAM Non-executive director Appointed: 20 October 2011	53	Mr Poidevin is an executive director of Bizzell Capital Partners and 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. *Other current directorships:* Dart Energy Limited (from 2011)

Company secretary

Mr Angus Craig	41	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.

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	16	16	2	2
S Korchinski	16	16	2	2
S Bizzell	16	16	2	2
S Poidevin	11	11	2	2

A – Number of meetings attended

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

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

Principal activities

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

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

Operational and financial review

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

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 2012, the Group provided trustee services to 22 funds with total funds under management of $1.2 billion.

The integration of the business into the wider group has achieved costs savings and better usage of resources and an improved result year on year. The provision of superannuation trustee services is considered a key component of Diversa's service offering to clients.

Revenue for the period for the trustee services business was $1,687,407 (2011: $318,348 for 2.5 months) with an EBITDA loss of $1,029,795 including an impairment loss of $353,322 (2011: loss of $314,202 for 2.5 months).

Superannuation services

The Group provides the following superannuation services:

- superannuation (including insurance) administration and promotion services for the:
    - Transport Industry Superannuation Fund (TIS Fund), an $85 million fund with approximately 7,800 members as at 30 June 2012. The Group acquired the previous administrator's business and was appointed as administrator during the period
    - Bookmakers Superannuation Fund (BSF), a $67 million fund (2011:$110m) with approximately 2,000 members at 30 June 2012
    - Managed Australian Retirement Fund (MARF), a $40 million fund (2011:$43m) with approximately 4,000 members at 30 June 2012
- trustee and superannuation (including insurance) administration services to the OneStepSUPER Fund, a new fund established during the period by its promoter, OneVue Limited
- group life and salary continuance risk products to individuals directly and groups

During the period the Group continued to re-configure its superannuation services, including integrating some of its fund administration clients onto its go-forward administration platform, resulting in changes being implemented to resourcing and systems. The benefits of these changes are expected to be progressively realised in future periods.

An impairment loss on goodwill of $2,117,259 relating to businesses acquired in prior periods was also recorded within this business unit. This is largely a result of declining BSF fund assets and commensurate revenue earned.

Revenue for the period for the superannuation services business unit was $2,103,790 (2011: $1,912,681) with an EBITDA loss of $2,398,560 (2011: profit of $377,557). The decrease in earnings is due largely to the above mentioned goodwill impairment and additional costs to re-configure its service offering.

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 interests in Headland Global Investment Management Pty Ltd (49%), an absolute return manager, Huon Capital Pty Ltd (20%), an Australian equities manager and Centec Securities Pty Limited (49%) a provider of investment services.

As a result of the economic environment and performance of these businesses, some of the carrying values have been re-assessed. An impairment loss of $168,333 was recognised in the period in respect of the investments in Huon Capital Pty Ltd, Centec Securities Pty Ltd and Headland Global Investment Management Pty Ltd, an impairment loss of $103,577 was recognised in respect of receivables from Centec Securities Pty Ltd and Headland Global Investment Management Pty Ltd and a provision for impairment of a loan to Headland Global Investment Management Pty Ltd of $150,000 was recognised. Since the end of the financial period Headland Global investment Management Pty Ltd has ceased providing investment management services and is in the process of winding up its investment fund. In addition, an impairment loss has also been recognised in respect of goodwill relating to acquisitions in prior periods of $203,429.

Revenue for the period for the funds management business was $209,004 (2011: $215,318) with an EBITDA loss of $775,109 inclusive of the impairment losses of $625,339 noted above (2011: loss of $350,472). In addition, the loss from associates was $16,076 (2011: loss of $69,011).

Corporate and other matters

To provide working capital, the Group conducted a $2 million capital-raising during the period to fund deferred acquisition payments and provide working capital. The capital raising was conducted by way of a placement of ordinary shares and convertible notes along with a share purchase plan to existing shareholders.

As noted in detail in each of the business unit sections above, the Group has reviewed the carrying value of its intangible assets, investments and receivables in light of the ongoing challenging economic conditions and performance of the business units over recent periods, resulting in total impairment related losses of $3,152,488 (2011: $256,752).

During the period corporate activities not allocated to business units and mostly comprising listed company and general corporate costs produced an EBITDA loss of $1,329,632 (2011: loss of $1,367,201).

Looking forward

Looking forward, having established the core capabilities needed to progress its business strategy, the Group's primary focus will be on actively pursuing organic growth, realising integration related synergies from its acquisitions, further rationalisation and re-configuring of our 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 largely earned as a percentage of client funds under management and administration (FUMA). Organic growth in revenue will be delivered as our clients' respective businesses grow, and as new clients are acquired. Several of our current clients have now emerged from start-up phases and are forecasting more rapid growth underpinned by substantive plans. 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 position the Group to enjoy more significant future revenue and profit growth by focussing on being a multi-faceted product manufacturing partner to niche and adviser promoted superannuation funds 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 2012 can be summarised as follows:

	2012	2011	Change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(5,533,097)	(1,658,465)	
Amortisation and depreciation	(404,258)	(500,538)	
Results from operating activities	(5,937,355)	(2,159,003)	175%
Net finance income/(expense)	(771,381)	(303,875)	154%
Share of loss of equity accounted investees	(16,076)	(69,011)	
Loss before tax	(6,724,812)	(2,531,889)	166%

The EBITDA when compared to 2011 have been influenced by several factors including the recognition of impairment losses for $3,152,488,478 (2011: $256,752), the effect of a full year of operating the trustee services business contributing ($1,029,795) and challenging economic conditions influencing Funds under management of clients which is the basis from much of the Group's revenue.

Revenue and other income from ordinary activities increased from $2,468,048 to $4,029,395 (an increase of 63%) as a result of a full 12 months contribution from the trustee services business and growing revenue from the superannuation services business as a result of two clients to which administration and insurance administration services are being provided. The impact of the challenging economic climate and issues related to the global financial crisis and associated liquidity squeeze continue to affect underlying funds under management, particularly for BSF, resulting in lower revenue than anticipated for the year in relation to some clients.

Overall, expense levels increased from $4,627,051 to $9,966,750 (an increase of 115%). Significant additional expenses incurred during the period include the inclusion of trustee services for a full year, impairment losses of $3,152,488, increase in operating costs associated with providing services to new clients and the engagement of additional resources to the business in anticipation of increasing revenue in the coming periods and some one-off integration costs. Otherwise operating costs remained relatively consistent with budgets.

The net change in the cash balance of $316,212 includes payments for acquisitions and other investing activities totalling $854,984, a net operating cash outflow of $2,254,586 and proceeds from financing activities received during the period $3,425,812. For the six months ended 31 December 2011 the net operating cash outflow was $1,472,262, compared to the net operating cash outflow for the six months ended 30 June 2012 of $782,324. This demonstrates a significant improvement.

Significant changes in the state of affairs

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

Likely developments

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

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.

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

The Group reported a loss after tax of $6,724,812 for the year ended 30 June 2012 (2011: loss of $2,531,889). The Group has a cash balance of $1,266,998 as at 30 June 2012 (2011: $950,756) and a net operating cash outflow for the year ended 30 June 2012 of $2,254,586 (2011: net operating cash outflow of $1,063,443). There is accordingly some uncertainty as to the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent on:

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

The Company has convertible notes on issue (refer Note 21). Interest is payable on the convertible notes at a rate of 11% per annum. Under the terms of the convertible notes, the Company may, at its sole discretion, elect to pay the interest by the issue of shares in the Company. It is currently the Company's intention that interest will be paid in the form of shares for the 2013 financial year. The convertible notes mature on 30 September 2014.

As disclosed in Note 12, trade and other receivables at 30 June 2012 includes an amount of $229,000 relating to the share purchase plan conducted during the period. In addition, the Company is actively seeking investment from, or a corporate transaction with, an industry participant to assist in achieving greater scale, build a broader service and product offering and achieve synergies to enable the business to grow to reach a profitable position. These discussions are ongoing and timing of any result of any discussion is uncertain.

The Group has access to a short term unsecured loan facility of $1,700,000. This facility is undrawn at 30 June 2012 and is available to manage working capital requirements (if required). Further details are disclosed in Note 21.

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

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

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

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

Dividends

No dividend was paid or declared during the financial year (2011: 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 unsecured loan facility agreement was renegotiated resulting in an increased facility limit of $1,700,000 and maturity of 31 December 2013.

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

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian 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	2,100,661	155,609	500,000	-
S Bizzell	14,905,146	27,025,795	8,035,000	-
S Korchinski	1,145,561	1,007,483	6,000,000	1,270,000
S Poidevin	1,115,072	1,921,855	1,000,000	-

Share options

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company has granted 7,500,000 options exercisable at $0.11 on or before 31 October 2016 over unissued ordinary shares in the Company to key management personnel of the Group as part of their remuneration (2011: Nil).

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	7,500,000
31 December 2013	$0.11	2,000,000
31 March 2013	$0.25	6,000,000
30 November 2013	$0.20	4,000,000
		19,500,000

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 6,175,442 performance rights at a fair value of $0.05 over unissued ordinary shares in the Company to key management personnel and eligible employees of the Group as part of their remuneration (2011: nil), subject to performance targets in relation to the year ending 30 June 2012 and vesting restrictions over the period to August 2014. Since the end of the financial year, 3,580,842 performance rights were cancelled following assessment of the Group's performance against the performance targets.

Since the end of the financial year, the Company has granted 8,543,786 performance rights at a fair value of $0.05 each over unissued ordinary shares in the Company to key management personal and other eligible employees as part of the remuneration, subject to performance targets in relation to the year ending 30 June 2013 and vesting restrictions over the period to August 2015.

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	2,594,600
9 August 2012	$0.05	8,543,786
		11,138,386

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:

	2012 $	2011 $
Audit services:		
Auditors of the Group		
Audit and review of financial reports (KPMG Australia)	117,042	111,380
Other auditors:		
Audit and review of financial report (non KPMG firms)	14,128	10,000
	131,170	121,380
Services other than statutory audit:		
Taxation compliance services (KPMG Australia)	12,000	11,000
Other assurance services (KPMG Australia)	-	28,500
	12,000	39,500

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.

Financial performance

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 four financial years.

	2012 $	2011 $	2010 $	2009 $	2008 $
Revenue	4,029,395	2,468,048	3,079,681	802,075	5,472
EBITDA	(5,533,097)	(1,658,465)	(547,605)	(1,280,449)	(1,012,845)
Loss attributable to owners of company	(6,724,812)	(2,531,889)	(1,291,505)	(1,189,021)	(715,537)
Share price at 30 June	$0.045	$0.04	$0.095	$0.15	$0.195
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

As noted elsewhere in this report, historically employee performance has been measured with reference to qualitative factors including individual performance and achievement of performance targets. During the 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 during the period, resulting in a transitional phase to the remuneration structures in the Group.

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.

Long-term incentive

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

The Board may also approve the issue of shares under the Executive Officer Share Plan (as re-approved by shareholders on 24 November 2009). This Plan is available to directors, senior executives and other executives to acquire ordinary shares in the Company for no consideration as a component of their compensation 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.

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.

Service agreements

Non-Executive Directors

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

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

Managing Director and Executives

Employment agreements are entered into with the managing director and all executives. The amount of compensation is determined by the Board in accordance with the 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 2011 Annual General Meeting of shareholders, it was resolved to approve the Remuneration Report for the year ended 30 June 2011. 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 and rights 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) these shares did not vest with the director
(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)	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors										
M Morgan – Non Executive Chairman	2012	45,872	-	45,872	4,128	-	5,100	55,100	9.3%	9.3%
	2011	45,872	-	45,872	4,128	37,500(c)	-	87,500	42.9%	-
S Bizzell – Non Executive **Director**	2012	40,000	-	40,000	-	-	5,100	45,100	11.3%	11.3%
	2011	34,101	-	34,101	-	-	-	34,101	-	-
S Korchinski - Managing Director	2012	212,311	18,000	230,311	-	-	50,947	281,258	24.5%	18.1%
	2011	202,086	-	202,086	-	-	51,861	253,947	20.4%	20.4%
S Poidevin – Non Executive Director (appointed 20 October 2011)	2012	31,992	-	31,992	2,879	-	10,200	45,071	22.6%	22.6%
Executives										
A Craig - Chief Financial Officer/ Company Secretary	2012	187,027	-	187,027	16,101	17,985	16,498	237,611	14.5%	6.9%
	2011	179,127	-	179,127	15,296	19,800	-	214,223	9.2%	-
A de Vries - Head of Superannuation	2012	233,556	16,840	250,396	15,775	8,286	17,961	292,418	9.0%	6.1%
	2011	236,371	-	236,371	15,204	19,321	-	270,896	7.1%	-
V Parrott - Head of Funds Management	2012	219,291	15,400	234,691	19,495	5,493	17,557	277,236	8.3%	6.4%
	2011	170,150	-	170,150	14,532	17,577	-	202,259	8.7%	-

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

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

Short term incentive cash bonuses were paid to three executives during the year as noted on page 11 (2011: nil).

	Included in remuneration	% vested in year	% forfeited in year	Date paid
Directors				
S Korchinski	18,000	100%	-	2 December 2011
Executives				
A de Vries	16,840	100%	-	15 September 2011
V Parrott	15,400	100%	-	15 September 2011

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 2012	Grant date	Number of options vested during 2012	Fair value per option at grant date	Exercise price per option	Expiry date
Director						
S Korchinski	-	1 December 2009	1,000,000	$0.041	$0.20	30 November 2013
S Korchinski	2,000,000	29 November 2011	666,667	$0.016	$0.11	31 October 2016
M Morgan	500,000	29 November 2011	133,337	$0.016	$0.11	31 October 2016
S Bizzell	500,000	29 November 2011	133,337	$0.016	$0.11	31 October 2016
S Poidevin	1,000,000	29 November 2011	333,334	$0.016	$0.11	31 October 2016
Executives						
A Craig	1,000,000	29 November 2011	333,334	$0.016	$0.11	31 October 2016
A de Vries	1,000,000	29 November 2011	333,334	$0.016	$0.11	31 October 2016
V Parrott	1,000,000	29 November 2011	333,334	$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 2012	Issue date	Number of rights vested during 2012	Fair value per right at grant date	Expiry date
Director					
S Korchinski	1,000,000	29 February 2012	-	$0.05	29 February 2017
Executives					
A Craig	780,000	29 February 2012	-	$0.05	29 February 2017
A de Vries	960,940	29 February 2012	-	$0.05	29 February 2017
V Parrott	910,800	29 February 2012	-	$0.05	29 February 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%	-	2012(1)
S Korchinski	1,000,000	1 December 2009	-	-	2013(1)
S Korchinski	2,000,000	29 November 2011	34%	-	2012,2013,2104
M Morgan	500,000	29 November 2011	34%	-	2012,2013,2104
S Bizzell	500,000	29 November 2011	34%	-	2012,2013,2104
S Poidevin	1,000,000	29 November 2011	34%	-	2012,2013,2104
Executives					
A Craig	1,000,000	29 November 2011	34%	-	2012,2013,2104
A de Vries	1,000,000	29 November 2011	34%	-	2012,2013,2104
V Parrott	1,000,000	29 November 2011	34%	-	2012,2013,2104

	Rights granted		% vested in year (2)	% forfeited in year(3)	Financial years in which grant vests (4)
	Number	Date			
Directors					
S Korchinski	1,000,000	29 February 2012	-	-	2013, 2014, 2015*
Executives					
A Craig	780,000	29 February 2012	-	-	2013, 2014, 2015*
A de Vries	960,940	29 February 2012	-	-	2013, 2014, 2015*
V Parrott	910,800	29 February 2012	-	-	2013, 2014, 2015*

(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 rights were forfeited subsequent to the end of the period
(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 $
Directors			
S Korchinski	20,398	-	-
M Morgan	5,100	-	-
S Bizzell	5,100	-	-
S Poidevin	10,199	-	-
Executives			
A Craig	10,199	-	-
A de Vries	10,199	-	-
V Parrott	10,199	-	-

(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 2012.

This report is made with a resolution of the directors:

M. Morgan
Chairman

Dated at Brisbane this 28th September 2012

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 2012 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.

KPMG

KPMG

SBoard

Stephen Board
Partner

Brisbane
28 September 2012

Consolidated statement of comprehensive income

For the year ended 30 June 2012

	Note	Consolidated 2012	Consolidated 2011
Revenue from rendering of services		4,000,201	2,446,347
Other revenue	3	29,194	21,701
Occupancy expenses		(243,499)	(168,038)
Administrative expenses		(1,846,943)	(1,124,165)
Amortisation and depreciation		(404,258)	(500,538)
Personnel expenses	6	(4,306,754)	(2,281,136)
Impairment losses	5	(3,152,488)	(256,752)
Other expenses	4	(12,808)	(296,422)
Results from operating activities		**(5,937,355)**	**(2,159,003)**
Finance income		53,350	32,973
Finance expense		(824,731)	(336,848)
Net finance income/(expense)	8	**(771,381)**	**(303,875)**
Share of profit/(loss) of equity accounted investees	14	(16,076)	(69,011)
Loss before income tax		**(6,724,812)**	**(2,531,889)**
Income tax expense (benefit)	9	-	-
Loss after income tax		**(6,724,812)**	**(2,531,889)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(6,724,812)**	**(2,531,889)**
Earnings per share			
Basic earnings/(loss) per share **(**AUD**)**	10	(0.114)	(0.049)
Diluted earnings/(loss) per share **(**AUD**)**	10	(0.114)	(0.049)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 51.

Consolidated statement of changes in equity

For the year ended 30 June 2012

	Share capital	Share based payments reserve	Accumulated losses	Total equity
Balance at 1 July 2010	105,704,734	587,421	(98,757,645)	7,534,510
Total comprehensive income for the year				
Loss for the year	-	-	(2,531,889)	(2,531,889)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(2,531,889)	(2,531,889)
Transactions with owners, recorded directly in equity				
Shares issued	17,275	-	-	17,275
Share based payment transactions	9,045	139,363	14,134	162,542
Issue of convertible notes	297,532	-	-	297,532
Total transactions with owners	323,852	139,363	14,134	477,349
Balance at 30 June 2011	**106,028,586**	**726,784**	**(101,275,400)**	**5,479,970**
Balance at 1 July 2011	106,028,586	726,784	(101,275,400)	5,479,970
Total comprehensive income for the year				
Loss for the year	-	-	(6,724,812)	(6,724,812)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(6,724,812)	(6,724,812)
Transactions with owners, recorded directly in equity				
Shares issued	836,111	-	-	836,111
Convertible note interest payment – settled by shares	512,377	-	-	512,377
Issue of convertible notes – equity component	203,534	-	-	203,534
Share based payment transactions	-	183,877	46,701	230,578
Total transactions with owners	1,552,022	183,877	46,701	1,782,600
Balance at 30 June 2012	**107,580,608**	**910,661**	**(107,953,511)**	**537,758**

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 51.

Consolidated balance sheet

As at 30 June 2012

	Note	Consolidated 2012	2011
Assets			
Cash and cash equivalents	11	1,266,998	950,756
Trade and other receivables	12	855,498	2,309,395
Total current assets		**2,122,496**	**3,260,151**
Trade and other receivables	12	41,088	39,164
Investments in associates	14	87,509	271,918
Deferred tax assets	15	-	-
Property, plant and equipment	16	94,160	91,728
Intangible assets	17	5,517,113	8,245,854
Total non-current assets		**5,739,870**	**8,648,664**
Total assets		**7,862,366**	**11,908,815**
Liabilities			
Trade and other payables	20	1,835,457	3,264,566
Loans and borrowings	21	28,143	40,726
Employee benefits	22	190,302	198,325
Total current liabilities		**2,053,902**	**3,503,617**
Trade and other payables	20	115,095	462,195
Loans and borrowings	21	5,155,611	2,463,033
Total non- current liabilities		**5,270,706**	**2,925,228**
Total liabilities		**7,324,608**	**6,428,845**
Net assets		**537,758**	**5,479,970**
Equity			
Issued capital		107,580,608	106,028,586
Reserves		910,661	726,784
Accumulated losses		(107,953,511)	(101,275,400)
Total equity	23	**537,758**	**5,479,970**

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 20 to 51.

Consolidated statement of cash flows

For the year ended 30 June 2012

	Note	Consolidated 2012	2011
Cash flows from operating activities			
Cash receipts from operations		3,570,531	2,772,686
Cash paid to suppliers and employees		(5,855,338)	(3,845,249)
Cash generated from operations		(2,284,807)	(1,072,563)
Interest paid		(17,124)	(17,428)
Interest received		47,345	26,548
Net cash used in operating activities	27	**(2,254,586)**	**(1,063,443)**
Cash flows from investing activities			
Payments for acquisition of controlled entities (net of cash acquired)	18	-	(1,905,089)
Cash acquired on acquisition of controlled entity		-	613,974
Acquisition of businesses	18	(123,900)	-
Deferred acquisition payments		(550,000)	(665,728)
Loan to associate		(150,000)	-
Refund of security deposit		-	30,971
Acquisition of property, plant and equipment	16	(31,084)	(41,387)
Proceeds from sale property, plant and equipment		-	318
Net cash from investing activities		**(854,984)**	**(1,966,941)**
Cash flows from financing activities			
Proceeds from the issue of convertible notes	21	2,820,200	2,931,540
Payment of transaction costs relating to convertible notes		(72,398)	(222,225)
Proceeds from the issue of shares		722,641	-
Payment of transaction costs relating to shares		(44,631)	-
Net cash from financing activities		**3,425,812**	**2,709,315**
Net decrease in cash and cash equivalents		316,242	(321,069)
Cash and cash equivalents at 1 July		950,756	1,271,825
Cash and cash equivalents at 30 June	11	**1,266,998**	**950,756**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 51.

Notes to the consolidated financial statements

1. Significant accounting policies

Diversa Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 11 Waterfront Place, 1 Eagle Street, Brisbane, Queensland, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 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 28 September 2012.

(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 22 - Measurement of share based payments
- Note 19 - 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 with 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 2011, 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.

Going concern

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

The Group reported a loss after tax of $6,724,812 for the year ended 30 June 2012 (2011: loss of $2,531,889). The Group has a cash balance of $1,266,998 as at 30 June 2012 (2011: $950,756) and a net operating cash outflow for the year ended 30 June 2012 of $2,254,586 (2011: net operating cash outflow of $1,063,443). There is accordingly some uncertainty as to the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent on:

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

The Company has convertible notes on issue (refer Note 21). Interest is payable on the convertible notes at a rate of 11% per annum. Under the terms of the convertible notes, the Company may, at its sole discretion, elect to pay the interest by the issue of shares in the Company. It is currently the Company's intention that interest will be paid in the form of shares for the 2013 financial year. The convertible notes mature on 30 September 2014.

As disclosed in Note 12, trade and other receivables at 30 June 2012 includes an amount of $229,000 relating to the share purchase plan conducted during the period. In addition, the Company is actively seeking investment from, or a corporate transaction with, an industry participant to assist in achieving greater scale, build a broader service and product offering and achieve synergies to enable the business to grow to reach a profitable position. These discussions are ongoing and timing of any result of any discussion is uncertain.

The Group had access to a short term unsecured loan facility at 30 June 2012 of $1,100,000. Subsequent to year end this facility was increased to $1,700,000. The interest rate applicable to the facility is 10% per annum. This facility is undrawn at 30 June 2012 and is available to manage working capital requirements (if required). Further details are disclosed in Note 21.

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

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

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

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

(c) Basis of consolidation

(i) Business combinations

The Group has applied the acquisition method for the business combination disclosed in Notes 18 and 19.

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

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

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. A contingent liability of the acquirer in a business combination 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 value at the time of issue, 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 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 profit or loss statement when the services are provided.

(ii) Finance income and expenses

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

(iii) Rental income

Rental income from subleased property is recognised as other income.

(p) Expenses

(i) Operating lease payments

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

(q) Income tax

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

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

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

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

(r) Earnings per share

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

(s) Goods and services tax

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

2. Operating segments

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Managing Director. Segment 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	
	2012	2011	2012	2011	2012	2011	2012	2011
External revenues	209,004	215,318	2,103,790	1,912,681	1,687,407	318,348	4,000,201	2,446,347
Impairment losses	(625,339)	(256,752)	(2,117,259)	-	(376,240)	-	(3,118,838)	(256,752)
Earnings before interest, tax depreciation and amortisation (EBITDA)	(775,109)	(350,472)	(2,398,560)	351,337	(1,029,795)	(314,202)	(4,203,464)	(313,337)
Interest income	8,492	-	5,145	3,593	26,770	5,953	40,407	9,546
Interest expense	(196)	(4,573)	(39,064)	(23,337)	(10,433)	(6,593)	(49,693)	(34,503)
Depreciation and amortisation	(52,680)	(52,684)	(326,964)	(442,477)	(14,803)	(2,982)	(394,447)	(498,143)
Reportable segment profit/ (loss) before income tax	(819,493)	(407,729)	(2,759,443)	(110,884)	(1,028,261)	(317,826)	(4,607,197)	(836,439)
Share of profit/(loss) of equity accounted investees	(16,076)	(69,011)	-	-	-	-	(16,076)	(69,011)
Reportable segment assets	476,784	721,103	4,417,198	6,629,114	2,426,974	2,273,382	7,320,956	9,623,599
Reportable segment liabilities	(81,097)	(59,900)	(574,343)	(438,825)	(308,118)	(288,909)	(963,558)	(787,634)
Investment in associates	87,509	271,918	-	-	-	-	87,509	271,918

	Note	2012	2011
Reconciliation of reportable segment profit or loss			
Revenues			
Total revenue for reportable segments		4,000,201	2,446,347
Other revenue	3	29,194	21,701
Consolidated revenue		4,029,395	2,468,048
Profit or loss			
Total profit or loss for reportable segments		(4,607,197)	(836,439)
Unallocated amounts:			
Personnel expenses not included in reportable segments		(866,554)	(695,270)
Impairment loss		(33,650)	-
Other net corporate revenue and expenses		(1,201,335)	(931,169)
Share of profit/(loss) of equity accounted investee		(16,076)	(69,011)
Consolidated loss before income tax		(6,724,812)	(2,531,889)
Assets			
Total assets for reportable segments		7,320,956	9,623,599
Investments in equity accounted investee		87,509	271,918
Other unallocated amounts		453,901	2,013,298
Consolidated total assets		7,862,366	11,908,815
Liabilities			
Total liabilities for reportable segments		(963,558)	(787,634)
Other unallocated amounts		(6,361,050)	(5,641,211)
Consolidated total liabilities		(7,324,608)	(6,428,845)

Revenue from one major customer of the Superannuation Services segment represents approximately 26% (2011:45%) of the Group's total revenue. All segment revenues are earned in Australia and all segment assets are located in Australia.

	Note	Consolidated 2012	Consolidated 2011

3. Other income

Rental income		10,908	13,701
Other income		18,286	8,000
		29,194	21,701

4. Other expenses

Due diligence and acquisition costs		12,808	288,988
Other expenses		-	7,434
		12,808	296,422

		Note	Consolidated 2012	2011
5.	**Impairment losses**			
	Impairment loss on investment in associate		168,333	129,392
	Impairment loss on loan advanced to associate		150,000	-
	Impairment loss on goodwill	17	2,674,010	-
	Impairment loss on trade receivables		160,145	127,360
			3,152,488	256,752
6.	**Personnel expenses**			
	Wages and salaries		3,753,709	1,887,965
	Other associated personnel expenses		78,447	50,389
	Contributions to defined contribution superannuation funds		264,738	119,352
	Increase/(decrease) in employee benefits provisions	22	(8,025)	60,888
	Equity-settled share based payment transactions	22	217,885	162,542
			4,306,754	2,281,136
7.	**Auditors' remuneration**			
	Audit services:			
	Auditors of the Group (KPMG Australia):			
	Audit and review of financial reports		117,042	111,380
	Other auditors:			
	Audit and review of financial report (non KPMG firm)		14,128	10,000
			131,170	121,380
	Other services:			
	Auditors of the Group (KPMG Australia):			
	Taxation compliance services		12,000	11,000
	Other assurance services		-	28,500
			12,000	39,500
8.	**Net finance income/ (expense)**			
	Interest income		53,350	32,973
	Finance income		53,350	32,973
	Interest expense		(17,124)	(19,178)
	Unwinding of discount on deferred acquisition payments		(147,526)	(128,500)
	Unwinding of discount on convertible notes		(161,000)	-
	Interest on convertible notes		(499,081)	(189,170)
	Finance expense		(824,731)	(336,848)
	Net finance income/(expense)		(771,381)	(303,875)

	Note	Consolidated 2012	2011

9. Income tax expense

	Note	2012	2011
Current tax expense			
Current year		(1,054,988)	(524,186)
Adjustments for prior years		49,132	37,911
		(1,005,856)	(486,275)
Deferred tax expense			
Origination and reversal of temporary differences		164,211	100,004
Adjustments for prior years		(23,318)	(37,911)
Change in unrecognised temporary differences		(140,893)	(62,092)
Non-recognition of tax losses		1,005,856	486,275
		1,005,856	486,275
Total income tax expense		-	-
Numerical reconciliation between tax expense and pre-tax net loss			
Loss before tax		(6,724,812)	(2,531,889)
Income tax using the domestic tax rate of 30% (2011: 30%)		(2,017,444)	(759,567)
Decrease in income tax expense due to:			
Changes in unrecognised temporary differences		(140,893)	(62,092)
Increase in income tax expense due to:			
Non-deductible expenses		1,126,666	335,384
Under/ (over) provided in prior periods		25,815	-
Effect of tax losses not recognised		1,005,856	486,275
Income tax expense		-	-

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of $6,724,812 (2011: $2,531,889) and a weighted average number of ordinary shares outstanding of 59,208,188 (2011: 51,523,122), calculated as follows:

	Note	2012	2011
Loss attributable to ordinary shareholders			
Loss for the year		(6,724,812)	(2,531,889)
Loss attributable to ordinary shareholders		(6,724,812)	(2,531,889)
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	23	51,602,535	51,318,116
Effect of shares issued during the year		7,605,653	205,006
Weighted average number of ordinary shares at 30 June		59,208,188	51,523,122

	Note	Consolidated 2012	2011

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on loss attributable to ordinary shareholders of $6,724,812 (2011: $2,531,889) and a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, of 59,208,188 (2011: 51,523,122), calculated as follows:

	Note	2012	2011
Loss attributable to ordinary shareholders (diluted)			
Loss attributable to ordinary shareholders (basic)		(6,724,812)	(2,531,889)
Loss attributable to ordinary shareholders (diluted)		(6,724,812)	(2,531,889)
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)		59,208,188	51,523,122
Effect of share options and convertible notes on issue*		-	-
Weighted average number of ordinary shares (diluted) at 30 June		59,208,188	51,523,122

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

	2012	2011
Earnings per share		
Basic earnings per share	(0.114)	(0.049)
Diluted earnings per share	(0.114)	(0.049)

11. Cash and cash equivalents

	2012	2011
Bank balances	349,340	147,929
Short term deposits	917,658	802,827
Cash and cash equivalents	1,266,998	950,756
Cash and cash equivalents in the statement of cash flows	1,266,998	950,756

12. Trade and other receivables

	2012	2011
Current		
Trade receivables	447,670	308,276
Less impairment	(287,329)	(127,360)
Loan to associate	150,000	-
Less impairment	(150,000)	-
Other receivables and prepayments	695,157	2,128,479
	855,498	2,309,395
Non-current		
Security deposits	41,088	39,164
	41,088	39,164

Other receivables include $229,000 relating to the entitlement issue of convertible notes conducted during the period.

	Consolidated	
	2012	2011

13. Investments

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

14. Investments in associates

The Group's share of profit/(loss) for its equity accounted investees for the period owned was ($16,076) (2011: ($69,011)). During the period ended 30 June 2012, the Group did not receive dividends from any of its investments in equity accounted investees.

Investments in associates – opening balance	271,918	470,321
Less share of loss of associates	(16,076)	(69,011)
Less impairment losses	(168,333)	(129,392)
Balance at 30 June	87,509	271,918

The carrying value of the investments in associates is based on the Group's share of net assets. An impairment loss of ($168,333) has been recorded against an investment to net asset value at 30 June 2012.

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

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)

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

	Consolidated	
	2012	2011

15. Deferred tax assets

Unrecognised deferred tax assets

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

Undeducted temporary differences	2,470,441	2,595,308
Tax losses	25,345,685	25,054,395
	27,816,126	27,649,703

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
Cost			
Balance at 1 July 2010	46,740	15,000	61,740
Additions through a business combination	33,387	11,662	45,049
Other additions	41,387	-	41,387
Disposals	(233)	(15,000)	(15,233)
Balance at 30 June 2011	121,281	11,662	132,943
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
Depreciation and impairment losses			
Balance at 1 July 2010	(22,264)	(6,840)	(29,104)
Depreciation for the year	(18,865)	(724)	(19,589)
Disposals	233	7,245	7,478
Balance at 30 June 2011	(40,896)	(319)	(41,215)
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)
Carrying amounts			
At 1 July 2010	24,476	8,160	32,636
At 30 June 2011	80,385	11,343	91,728
At 1 July 2011	80,385	11,343	91,728
At 30 June 2012	84,292	9,868	94,160

17. Intangibles

	Consolidated			
	Customer contracts	Customer relationships	Goodwill	Total
Cost				
Balance at 1 July 2010	998,307	1,015,705	5,086,794	7,100,806
Acquisitions through a business combination	-	-	2,324,636	2,324,636
Adjustment to fair value	-	-	(29,498)	(29,498)
Balance at 30 June 2011	998,307	1,015,705	7,381,932	9,395,944
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
Amortisation and impairment				
Balance at 1 July 2010	(496,057)	(173,084)	-	(669,141)
Amortisation for the year	(310,249)	(170,700)	-	(480,949)
Balance at 30 June 2011	(806,306)	(343,784)	-	(1,150,090)
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)
Carrying amounts				
At 1 July 2010	502,250	842,621	5,086,794	6,431,665
At 30 June 2011	192,001	671,921	7,381,932	8,245,854
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

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

Impairment testing for cash-generating units containing goodwill

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

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

	Impairment loss		Carrying value	
	2012	2011	2012	2011
Superannuation services	2,117,259	-	3,197,431	5,006,720
Funds management	203,429	-	261,305	464,735
Trustee services	353,322	-	1,557,155	1,910,477
	2,674,010	-	5,015,891	7,381,932

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% (2011: 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 2013 to 2017 (2011: 5% for years 2013 to 2016)
- A pre-tax discount rate of 21% (2011: 21%) was applied in determining recoverable amount

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

The above estimates are sensitive to movements in the funds under management which directly correlates to revenue earned from these activities 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%	(188,043)	13,426	(178,111)	(352,728)
Decrease in FUM by 5%	194,895	31,401	26,045	252,341
Increase in discount rate to 23%	569,893	62,887	238,293	871,073
Decrease in discount rate to 19%	(780,225)	(34,315)	(353,322)	(1,167,862)

18. Acquisition of business

On 29 September 2011, the Group acquired the SuperAdmin Services business which provides superannuation administration services to the Transport Industry Superannuation Fund (TIS Fund), an $81 million transport industry fund with approximately 8,000 members. 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.

19. Acquisition of subsidiaries

Group risk pools business

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

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

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

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

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

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

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

Trustee services business

In the prior period, the Group acquired all of the issued capital of CCSL Limited, a superannuation trustee business which provides superannuation trustee services to a range of master trusts, corporate and insurance only superannuation funds.

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

The total consideration which may be payable is $2,417,943. A net payment of $1,605,089 was paid in cash during the year ended 30 June 2011, and $500,000 was paid in cash in the current period. The total deferred consideration which may be payable is $500,000.

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 $
Cash	613,974	-	613,974
Trade and other receivables	350,614	-	250,614
Property, plant and equipment	45,047	-	45,047
Trade and other creditors	(502,169)	-	(502,169)
Net identifiable assets and liabilities	507,466	-	507,466
Goodwill on acquisition			1,910,477
Total consideration paid or payable			2,417,943
Deferred consideration payable			(812,854)
Net cash outflow			1,605,089

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

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

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

20. Trade and other payables

	Consolidated 2012	Consolidated 2011
Current		
Trade payables and accrued expenses	967,957	787,925
Deferred acquisition payments	638,500	550,000
Other payables	229,000	1,926,641
	1,835,457	3,264,566
Non-current		
Deferred acquisition payments	115,095	462,195
	115,095	462,195

	Consolidated	
	2012	2011

21. Loans and borrowings

Current		
Insurance premium funding	28,143	40,726
	28,143	40,726
Non-current		
Convertible Notes		
Carrying amount of liability at 1 July	2,463,033	-
Proceeds from issue of convertible notes	2,870,200	3,232,546
Transaction costs	(135,088)	(471,981)
Unwinding of discount	161,000	-
Net proceeds	2,896,112	2,760,565
Amount classified as equity	(207,401)	(348,402)
Accreted interest	3,867	50,870
Carrying amount of liability at 30 June	5,155,611	2,463,033

The 55,479,496 convertible notes on issue at 30 June 2012 (2011: 29,386,776) have a face value or $0.11 and an interest rate of 11% paid semi annually. The notes are convertible at the election of the holder on or before 30 September 2014 at which time the convertible notes become redeemable by the Company, unless converted to ordinary shares by the holder before this date. Interest may be paid in the form or cash or shares at the Company's election. It is currently expected that interest will be paid in the form of shares during the 2013 financial year.

Other borrowings

In November 2010, the Group entered into an unsecured loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with a director. Subsequent to 30 June 2012, the loan facility terms were renegotiated with the total facility amount increasing to $1,700,000 and the repayment term extended to 31 December 2013. As at 30 June 2012, the facility remained undrawn.

22. Employee benefits

Current		
Liability for annual leave	190,302	198,325
	190,302	198,325

Share based payments - options

In August 2001 the Group established an Employee Option Plan (EOP) that entitled employees to purchase shares in the Company. Options issued under the EOP expire on their expiry date or 90 days after termination of the employee's contract. There are no voting or dividend rights attaching to the options. Voting rights will be attached to the unissued ordinary shares when the options are exercised. In accordance with the EOP the exercise price of the option is determined by reference to the closing market price of the Company's shares on the Australian 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
	2012	2012	2011	2011
Outstanding at 1 July	$0.213	4,461,538	$0.213	4,461,538
Forfeited during the year	$0.325	(461,538)	-	-
Exercised during the year	-	-	-	-
Granted during the year	$0.11	7,500,000	-	-
Outstanding at 30 June	$0.141	11,500,000	$0.213	4,461,538
Exercisable at 30 June		2,500,000		461,538

There were 11,500,000 options outstanding at 30 June 2012 issued under the EOP with exercise prices of between $0.11 and $0.20 (2010: $0.20 and $0.39) and a weighted average contractual life of 40 months (2011: 36 months). No options have been exercised during the year ended 30 June 2012 (2011: 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	2012	2011
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)

(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	$0.0085	$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	
		2012	2011
Shares granted in 2009 - equity settled		-	47,083
Shares granted in 2010 – equity settled		7,405	26,108
Shares granted in 2011 - equity settled		8,423	37,491
Shares granted in 2012 - equity settled		25,485	-
Options granted in 2010 – equity settled		22,473	51,860
Options granted in 2012 – equity settled		76,493	-
Performance rights in 2012 – equity settled		77,606	-
Total expense recognised as employee costs	6	217,885	162,542

23. Capital and reserves

Share capital	Company	
	Ordinary shares	
	2012	2011
On issue at 1 July	51,602,535	51,318,116
Convertible note interest payment (a)	10,578,553	-
Shares issued as consideration for acquisitions (b)	1,062,000	172,752
Shares issued pursuant to placements (c)	11,128,829	-
Shares issued pursuant to a Share Purchase Plan (c)	5,424,000	-
Shares issued to executives as remuneration (d)	-	111,667
On issue at 30 June – fully paid	79,795,917	51,602,535

(a) 4,520,847 shares were issued at a price of $0.045 in October 2011 and 6,057,706 shares were issued at a price of $0.05 in April 2012
(b) these shares were issued at a price of $0.05 as part consideration for the acquisition described in Note 18

(c) these shares were issued at a price of $0.05 to raise working and fund deferred acquisition payments described in Note 19
(d) These shares were issued at a price of $0.081 to an employee as part of their remuneration

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	7,500,000
31 December 2013	$0.11	2,000,000
31 March 2013	$0.25	6,000,000
30 November 2013	$0.20	4,000,000
		19,500,000

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	6,175,442
		6,175,442

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 Option Plan as described in Note 22.

24. Financial instruments

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

Credit risk

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

At the balance sheet date there were significant concentrations of credit risk. The Group's two most significant receivables account for 37% of the total receivables carrying amount at 30 June 2012 (2011: 87%). 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 $160,145 of the receivables are past due (2011: $146,111) and an impairment loss has been recognised in respect of $160,145 (2011: $127,360).

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 (2011: 55%) and 72% were non-current (2011: 45%).

Convertible notes represent 70% ($5,155,611) of total financial liabilities at 30 June 2012 (2011: $2,463,033). 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:

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)	-

2011 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	3,264,566	(3,264,566)	(2,764,566)	(500,000)	-	-	-
Non-current trade and other payables	462,195	(600,000)	-	-	(550,000)	(50,000)	-
Loans and borrowings	40,726	(40,726)	(40,726)	-	-	-	-
Convertible notes	2,463,033	(4,506,708)	(207.422)	(177,790)	(355,580)	(3,765,916)	-

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

Market risk

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

Sensitivity analysis

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

At both 30 June 2011 and 2012, 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 2012 these investments were written down to nil (2011: 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.

25. Commitments and contingencies

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2012	**2011**
Within one year	105,781	155,744
Between one and five year	-	51,184
	105,781	206,928

The Group leases office space under operating leases. The leases run on a month to month basis up to periods of 5 years with an option to renew for a further 5 years. Lease payments increase every year to reflect market rentals. During the year ended 30 June 2012 $227,274 was recognised as an expense in profit or loss in respect of operating leases (2011: $159,461). An amount of $10,908 was recognised as other income in respect of subleases (2011: $13,701).

Contingent liabilities

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

The directors are of the opinion that provision for payment of the maximum amount is not required in respect of this matter as it is not probable that the performance milestones will be satisfied in full, and accordingly have recorded a total of nil in payables as at 30 June 2012 (2011: nil).

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

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

26. Consolidated entities

	Country of Incorporation	Ownership interest	
		2012	**2011**
Parent entity			
Diversa Limited			
Subsidiaries			
CCSL Limited	Australia	100%	100%
Cotspalm Pty Ltd	Australia	-	100%
Pellias Pty Limited	Australia	100%	100%
Glykoz Pty Limited	Australia	100%	100%
Diversa Superannuation Services Limited (formerly Super Promoters Pty Ltd)	Australia	100%	100%
Super Promoters Unit Trust	Australia	100%	100%
Diversa Funds Management Pty Ltd	Australia	100%	100%
Property Services One Pty Ltd	Australia	100%	100%

Cotspalm Pty Ltd did not conduct any activities during the period and was deregistered.

	Note	Consolidated 2012	2011

27. Reconciliation of cash flows from operating activities

	Note	2012	2011
Cash flows from operating activities			
Loss for the period		(6,724,812)	(2,531,889)
Adjustments for:			
Depreciation	16	41,558	19,589
Loss on sale fixed assets		-	7,434
Share of loss of equity accounted investees		16,076	69,011
Discount unwind on deferred acquisition payments		147,526	128,500
Discount unwind on convertible notes		161,000	-
Amortisation of intangibles	17	362,700	480,949
Impairment loss on receivables	12	159,969	127,360
Impairment loss on loan to associate		150,000	-
Impairment loss on investment in associates	14	168,333	129,392
Impairment loss on goodwill	17	2,674,010	-
Shares issued for operating expenses		105,000	-
Shares issued to settle convertible note interest		512,377	-
Notes issued for operating expenses		-	51,250
Equity-settled share based payment expenses	22	217,885	162,542
Operating loss before changes in working capital and provisions		(2,008,378)	(1,355,862)
(Increase)/decrease in trade and other receivables		(405,641)	31,934
Increase/(decrease) in trade and other payables		167,456	199,597
Increase/(decrease) in provisions and employee benefits		(8,023)	60,888
Net cash from operating activities		(2,254,586)	(1,063,443)

28. Related parties

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

Directors	*Executives*
Matthew Morgan	Angus Craig
Stephen Bizzell	(Chief Financial Officer/Company Secretary)
Stuart Korchinski	Andrew De Vries
Simon Poidevin (appointed 20 October 2011)	(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	
	2012	**2011**
Short-term employee benefits	1,020,289	847,742
Post-employment benefits	58,378	49,638
Share based payments	155,127	155,642
	1,233,794	1,053,022

Individual directors’ and executives’ compensation disclosures

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

Key management personnel and director transactions

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

During the period, Bizzell Capital Partners Pty Ltd, an entity associated with Stephen Bizzell, provided corporate advisory and underwriting services to the Group totalling $75,803 (2011: $326,239). At the end of the period $229,000 is recorded as a receivable in relation to an underwriting agreement with Bizzell Capital Partners Pty Ltd (2011: $1,926,641).

The Group has entered into a loan facility arrangement with Bizzell Nominees Pty Ltd, an entity associated with Stephen Bizzell, as disclosed in Note 21. A fee was paid in the prior year totalling $10,000.

During the period, Dart Energy Limited, an entity associated with Stephen Bizzell, provided office space and related services to the Group totalling $52,593 (2011: $45,000).

The aggregate value of transactions during the period ended 30 June 2012 relating to key management personnel and their related parties were as follows:

	30 June 2012	**30 June 2011**
Provision of office premises	52,593	45,000
Loan establishment fee	-	10,000
Corporate advisory and underwriting fees	75,803	326,239
	128,396	381,239

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

Other related payables		
Directors’ fees	21,199	25,857
Provision of office premises	5,187	-
	26,386	25,857

Transactions with associates

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

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

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

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

	30 June 2012	30 June 2011
Rent	8,182	8,182
Accounting services	8,000	7,000
Operating expenses - to be reimbursed	84,703	174,893
Interest	10,615	-
Licencee fees	(10,000)	(6,667)
	101,500	183,408

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

Rent	18,182	8,182
Accounting services	11,500	7,000
Operating expenses - to be reimbursed	196,650	174,893
Interest	10,615	-
Licensee fees	(5,000)	(6,667)
	231,947	183,408

The Group has recorded an impairment loss on receivables of $103,577 on the amounts receivable from Centec Securities Pty Ltd for the operating expenses to be reimbursed (2011: $127,360), as disclosed in Note 14.

The Group has recorded an impairment loss on investment in associates of $nil on its investment in Centec Securities Pty Ltd (2011: $129,392), as disclosed in Note 14.

The Group has recorded an impairment loss on investment in associates of $49,463 on its investment in Huon Capital Pty Ltd (2011: nil), as disclosed in Note 14.

The Group has recorded an impairment loss on investment in associates of $118,870 on its investment in Headland Global Investment Management Pty Ltd (2011: nil), 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 26). The balance of the loan at the end of the period was $1,780,020 (2011: $1,419,377). 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 26). The balance of the loan at the end of the period was nil (2011: $1,240,799). The balance of this loan was converted to equity during the period. 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 compen-sation	Exercised	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
2012							
Directors							
M Morgan	153,846	500,000	-	(153,846)	500,000	166,667	166,667
S Bizzell	5,535,000	2,500,000(2)	-	-	8,035,000	2,166,667	7,701,667
S Poidevin	-	1,000,000	-	-	1,000,000	333,334	333,334
S Korchinski	4,000,000	2,000,000	-	-	6,000,000	1,666,667	666,667
Executives							
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
2011							
Directors							
M Morgan	153,846	-	-	-	153,846	-	153,846
S Bizzell	5,535,000(1)	-	-	-	5,535,000	-	5,535,000
S Korchinski	4,000,000	-	-		4,000,000	1,000,000	-
Executives							
A Craig	153,846	-	-	-	153,846	-	153,846

(1) Held at time of joining the Board
(2) Includes 2,000,000 options issued to an associated party for corporate advisory and underwriting services

3,000,000 options held by key management personnel are vested but not exercisable at 30 June 2012 (2011: 2,000,000 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 compen-sation	Exchanged	Lapsed	Held at end of year	Vested during the year	Vested and exercisable at end of year
2012							
Directors							
S Korchinski	-	1,000,000	-	-	1,000,000	-	-
Executives							
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	In lieu of fees	Purchases (2)	Sales	Other	Held at end of year
2012						
Directors						
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
Executives						
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
2011						
Directors						
M Morgan	2,457,992	-	50,000	-	(500,000)(3)	2,007,992
S Bizzell	4,565,000(1)	-	2,075,000	-	-	6,640,000
S Korchinski	-	-	-	-	-	-
Executives						
A Craig	895,011	-	100,000	-	244,445	1,239,456
A de Vries	291,437	-	100,000	-	242,222	633,659
V Parrott	350,000	-	-	-	-	350,000

(1) Held at time of joining the Board
(2) Includes shares issued as interest payments on convertible notes
(3) Shares were forfeited during period due to non-satisfaction of performance hurdles

Movements in convertible notes

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

	Held at beginning of year	Purchases	Sales	Other	Held at end of year
2012					
Directors					
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
Executives					
A Craig	150,000	-	-	-	150,000
A de Vries	27,625	-	-	-	27,625
V Parrott	-	-	-	-	-

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

29. Parent entity disclosures

As at, and throughout the year ended 30 June 2012, the parent company of the Group was Diversa Limited.

	Company	
	2012	**2011**
Results of the parent entity		
Loss for the year	(8,169,501)	(1,626,143)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(8,169,501)**	**(1,626,143)**
Financial position of the parent entity at year end		
Current assets	873,901	4,762,953
Total assets	6,111,129	11,835,013
Current liabilities	1,148,585	2,789,513
Total liabilities	6,304,196	5,641,180
Total equity of the parent entity comprising of:		
Share capital	107,580,608	106,028,586
Share based payments reserve	910,661	726,784
Retained losses	(108,684,336)	(100,561,537)
Total equity	**(193,067)**	**6,193,833**

30. Subsequent events

Since the end of the financial year, the unsecured loan facility agreement was renegotiated resulting in an increased facility limit of $1,700,000 and maturity of 31 December 2013.

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

Directors' declaration

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

   (a) the consolidated financial statements and notes that are set out on pages 16 to 51, 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 2012 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 2012.

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

Signed in accordance with a resolution of the directors:

M. Morgan
Chairman

Dated at Brisbane this 28th September 2012

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 2012, and consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the 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 2012 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).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1(b) 'Going Concern' in the financial report, which indicates that the Group incurred a net loss of $6,724,812 (2011: loss of 2,531,889) during the year ended 30 June 2012 and operating cash outflow of $2,254,586 (2011: outflow of $1,063,443). The ability of the Group to continue as a going concern is dependent upon a funding facility to be provided by a related party. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets, in particular goodwill and other intangible assets, and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

SBoard

Stephen Board
Partner

Brisbane
28 September 2012