

***Nexus Bonds Limited***

ABN 23 101 744 389

**Interim financial report for the half-year ended  
31 December 2011**

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## ***Nexus Bonds Limited*** **Directors' report**

The directors present their report together with the financial report of Nexus Bonds Limited ("the Company") for the half-year ended 31 December 2011 and the auditor's report thereon.

### **Directors**

The directors of the Company at any time during or since the end of the financial period are:

Name and Qualifications	Experience and special responsibilities
Mr Richard J Nettleton LLB	A solicitor with over 40 years legal experience. A director of a number of companies including BNY Trust Australia Limited and Marathon Asset Management (Australia) Limited. Director since 19 August 2002.
Mr Stephen J Treanor	A financial consultant who has advised numerous corporations on debt financing alternatives and risk management. He has extensive expertise in the securitisation of financial assets and is a director of several associated special funding corporations. In addition to a lengthy career in commercial banking in the United States he worked for Moody's Investors Service until 1993 where he held various roles including managing director of its Australasian operations. Director since 19 August 2002.
Mr Peter A G Pynes	Peter Pynes has in excess of 18 years experience in capital markets. He has previously worked at Deutsche Bank as a Director, Global Markets where he gained extensive knowledge of structured debt product as well as capital raising and syndication. Peter holds directorships in several private investment companies. Appointed 23 September 2009.

### **Principal activities**

The principal activities of the Company from its establishment on 19 August 2002 has been the issuance of portfolio linked notes (ie. notes linked to the creditworthiness of a portfolio of companies), the placement of note proceeds on deposit, and entering into portfolio agreements.

There have been no note issuances during the half-year, and no other significant changes in the nature of the activities of the Company since establishment.

### **Review and result of operations**

The loss amounted to (\$57) (Half-year 2010: loss (\$59,000)).

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

***Nexus Bonds Limited***  
**Directors' Report**

**Rounding of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Auditor's independence declaration**

A copy of the auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2011. There were no non-audit services performed.

Dated at Sydney this 8<sup>th</sup> day of March 2012.

Signed in accordance with a resolution of the directors:

\_\_\_\_\_  
Director

***Nexus Bonds Limited***  
**Auditor's Independence Declaration**

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

To: the directors of Nexus Bonds Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011, there have been:

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

KPMG

Shaun Kendrigan  
*Partner*

Sydney  
8th March 2012

**Draft**

**Auditor to provide on letterhead**

***Nexus Bonds Limited***  
**Statement of Comprehensive Income**  
For the half-year ended 31 December 2011

	Note	Half-year	
		2011 \$'000	2010 \$'000
Interest income	2	-	784
Interest expense	2	-	(762)
<b>Net interest income</b>		<u>-</u>	<u>22</u>
Net trading income	2	-	-
Other income		-	19
Administrative and other expenses	2	-	(100)
<b>Profit before income tax</b>		<u>-</u>	<u>(59)</u>
Income tax expense	12	-	-
		<u>-</u>	<u>(59)</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>(59)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 9 to 19.

***Nexus Bonds Limited***  
**Statement of Financial Position**  
As at 31 December 2011

	Note	31 December 2011 \$'000	30 June 2011 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3	3	3
Receivables	5	15	15
Financial assets at fair value through profit and loss	6	<u>56,564</u>	<u>55,308</u>
<b>Total assets</b>		<u><b>56,582</b></u>	<u>55,326</u>
<b>LIABILITIES</b>			
Current tax liabilities	4	-	-
Trade and other payables	7	16	16
Financial liabilities at fair value through profit and loss	8	<u>56,564</u>	<u>55,308</u>
<b>Total liabilities</b>		<u><b>56,580</b></u>	<u>55,324</u>
<b>Net assets</b>		<u><b>2</b></u>	<u>2</u>
<b>EQUITY</b>			
Share capital	9	-	-
Retained earnings		<u>2</u>	<u>2</u>
<b>Total equity</b>		<u><b>2</b></u>	<u>2</u>

The above statement of financial position should be read in conjunction with the accompanying notes set out on pages 9 to 19.

***Nexus Bonds Limited***  
**Statement of changes in equity**  
For the half-year ended 31 December 2011

	Note	Half-year 2011 \$'000	2010 \$'000
Total equity at the beginning of the half-year		<u>2</u>	<u>102</u>
Total comprehensive income		<u>-</u>	<u>(59)</u>
Total equity at the end of the half-year		<u>2</u>	<u>43</u>

The above Statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 9 to 19.

**Nexus Bonds Limited****Cash flow statement**

For the half-year ended 31 December 2011

		<b>Half-year</b>	
	Note	<b>2011</b>	2010
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Cash payments in the course of operations		-	(60)
Interest received		-	854
Derivative premium received		-	506
Interest paid		-	(1,337)
Income tax paid		-	(2)
<b>Net cash outflow from operating activities</b>	11(ii)	<u>-</u>	<u>(39)</u>
<b>Cash flows from investing activities</b>			
Proceeds from loans		-	35,000
<b>Net cash inflow from investing activities</b>		<u>-</u>	<u>35,000</u>
<b>Cash flows from financing activities</b>			
Repayment of bond upon maturity		-	(35,000)
<b>Net cash outflow from financing activities</b>		<u>-</u>	<u>(35,000)</u>
<b>Net decrease in cash and cash equivalents</b>		-	(39)
Cash and cash equivalents at the beginning of the half-year		<b>3</b>	279
<b>Cash and cash equivalents at the end of the half-year</b>	11(i)	<u><b>3</b></u>	<u>240</u>

The above cash flow statement should be read in conjunction with the accompanying notes set out on pages 9 to 19.



*Nexus Bonds Limited*  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**1. Summary of significant accounting policies**

Nexus Bonds Limited (“the Company”) is a company domiciled in Australia. The interim financial report was authorised for issue by the Directors on 8th March 2012.

**(a) Statement of compliance**

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting (“AASB 134”) and the Corporations Act 2001. The interim financial report of the Company also complies with the interpretations adopted by the International Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company during the half-year.

*Nexus Bonds Limited*  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**1. Summary of significant accounting policies (continued)**

**(b) Basis of preparation of the half-year financial report**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated. The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

The financial report has been prepared on the basis of historical costs except that derivative financial instruments and financial instruments designated at fair value through profit and loss are stated at their fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of this financial report in conformity with AASB 134 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial report are the valuation of derivatives measured at fair value (refer to note 6 & 8).

**(c) Revenue recognition**

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST).

Interest from interest-bearing assets and liabilities, including financial instruments designated at fair value through profit and loss, is recognised on an accrual basis over the life of the asset or liability based on the constant effective yield reflected in the terms of the contract.

Financial instruments at fair value through profit and loss: Net trading income comprises realised and unrealised gains and losses from derivatives and other financial instrument at fair value through profit and loss. Derivative premium is treated as realised gains and losses on derivatives.

*Nexus Bonds Limited*  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**1. Summary of significant accounting policies (continued)**

**(d) Income Tax**

Income tax on the profit for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position 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.

**(e) Cash and cash equivalents**

Cash includes cash on hand and at bank and short-term deposits at call.

**(f) Receivables**

Loans and receivables are initially recognised at fair value on the date that they are originated and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

**(g) Payables**

Payables include amounts to be paid in the future for goods or services received and are initially recognised at fair value and subsequently measured at amortised cost.

*Nexus Bonds Limited*

**Notes to the financial statements**

For the half-year ended 31 December 2011

**1. Summary of significant accounting policies (continued)**

**(h) Interest-bearing liabilities**

Interest-bearing liabilities are classified as other financial liabilities and are recognised initially at fair value, net of the fair value of embedded derivatives. Subsequent to initial recognition, they are stated at amortised cost with interest recognised as interest expense, using the effective interest method.

**(i) Financial instruments at fair value through profit and loss**

This category has two sub-categories: financial assets and liabilities held for trading and those designated at fair value through profit and loss at inception. Derivatives are categorised as held for trading unless they are designated as hedges.

**(i) Financial assets at fair value through profit and loss**

The credit linked deposit (the Deposit Account for Nexus 4 Topaz Notes) is designated at fair value through profit and loss and initially recognised at fair value. Subsequent to initial recognition, it is stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income as Net trading income. Fair value is determined by reference to the market price of the related Nexus 4 Topaz Notes, or the value determined by use of a pricing model if a quoted market price is not available, on the basis that it is an offsetting risk position.

**(ii) Financial liabilities at fair value through profit and loss**

The Nexus 4 Topaz Notes are designated at fair value through profit and loss and are recognised initially at fair value. Subsequent to initial recognition, they are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the Statement of Comprehensive Income as Net trading income. Fair value is calculated based on the mid price quoted on the ASX if an active market exists for the Note. If an active market does not exist, management establishes fair value by use of a valuation technique, such as a pricing model that incorporates market data and discounted cash flow techniques.

***Nexus Bonds Limited***  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**1. Summary of significant accounting policies (continued)**

**(i) Financial instruments at fair value through profit and loss (continued)**

**(iii) Derivatives**

The Company is exposed to credit risk from its activities of issuing portfolio agreements. The Company has not adopted hedge accounting under AIFRS. Therefore, all derivatives held for economic hedging purposes are accounted for as trading instruments.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement as Net trading income. Fair value is the estimated amount that the entity could receive or pay to terminate the swap at the Balance sheet date, using pricing models incorporating market data and discounted cash flow techniques.

**(iv) Embedded Derivatives**

The interest-bearing liabilities issued by the Company are determined to contain embedded derivatives that must be bifurcated and recognised at fair value if the instrument is not designated as a financial instrument at fair value through profit and loss. These derivatives may have a fair value of zero at the date of initiating the transaction. The change in fair value of bifurcated derivatives will substantially or fully offset the change in fair value of other derivatives transacted by the Company. The portion of any coupon payments made on interest-bearing liabilities that relate to an embedded derivative that has been recognised separately are included in the determination of the fair value of the derivative and therefore not recognised within interest expense.

**(j) Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. Significant receivables are individually assessed for impairment. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

**(k) Administrative and other expenses**

Services fees arise under a Services Deed whereby a servicer has been appointed to administer the Company. The Services Deed includes the provision of general administrative support and assistance as well as the payment of various fees and expenses, including audit fees on behalf of the Company. These transactions are on normal commercial terms.

***Nexus Bonds Limited***  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**2. Profit before income tax expense**

Profit before income tax expense has been arrived at after crediting/(expensing) the following items:

		<b>Half-year 2011 \$'000</b>	<b>Half-year 2010 \$'000</b>
Interest income			
- Cash		-	6
- Loans – related party	(i)	-	778
		<u>-</u>	<u>784</u>
Net trading income / (expense)			
- Derivatives – related party	(ii)	-	612
- Embedded derivatives	(iii)	-	(612)
- Financial assets at fair value – related party	(iv)	1,256	3,160
- Financial liabilities at fair value	(iv)	(1,256)	(3,160)
		<u>-</u>	<u>-</u>
Interest expense			
- Interest-bearing liabilities	(v)	-	(762)
		<u>-</u>	<u>(762)</u>
Administrative and other expenses		-	(100)
		<u>-</u>	<u>(100)</u>

Explanation of significant components of profit before income tax expense:

- (i) Loans: Interest income in prior years consists of interest earned on deposits or loans to related parties.
- (ii) Derivatives: Derivative premium of \$nil (2010: \$456,000) and gains of \$nil (2010: \$156,000) on portfolio agreements were recognised during the period as Net trading income.
- (iii) Embedded derivatives: Imputed derivative premium paid of \$nil (2010: (\$456,000)) and losses of \$nil (2010: (\$156,000)) were recognised during the period. The loss recognised on embedded derivatives that are recognised separately from the related note security fully offsets the gain recognised on derivatives.
- (iv) The credit linked deposit and related Nexus 4 Topaz Notes (NXHBD) are remeasured to their fair value resulting in offsetting trading income and expense of \$1,256,100 (2010: \$3,160,000), respectively. The movement in fair value consists of the unrealised movement attributable to market price movements.
- (v) Interest expense recognised on Interest-bearing liabilities is the total amount due to noteholders in relation to the current period of \$nil (2010: \$(306,000)). This excludes imputed derivative premium of \$nil (2010: \$(456,000)) on the embedded derivatives, which is recognised separately in trading income (refer iii).
- (vi) Administrative expenses consist mostly of directors' fees and operating agent fees.

***Nexus Bonds Limited***  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**3. Cash and cash equivalents**

	<b>31 December 2011 \$'000</b>	30 June 2011 \$'000
Current account	<u>3</u>	<u>3</u>

All cash assets are interest bearing and are held with large banks which have an investment grade credit rating. The carrying value of cash assets approximates its fair value.

**4. Current Tax Liabilities**

*Provision for current income tax*

Movements during the year were as follows:

Balance at beginning of the period	-	2
Income tax paid during the period	-	(2)
Balance at end of the year	<u>-</u>	<u>-</u>

**5. Receivables**

**Short term receivables**

Other receivables	<u>15</u>	<u>15</u>
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***Nexus Bonds Limited***  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

<b>6. Financial assets at fair value through profit and loss</b>	<b>31 December 2011 \$'000</b>	<b>30 June 2011 \$'000</b>
Credit linked deposit – related party	<b>56,564</b>	55,308

The Company has entered into a credit linked deposit with Deutsche Bank AG which has exposed the Company to the creditworthiness of a portfolio of companies ('reference entities'). Interest is receivable based on a floating interest rate which reflects changes in the credit market's view of the reference entities and changes in market interest rates.

As a result of credit events in the prior period, the Income Factor used to calculate interest payable on the credit linked deposit has reduced to zero. As such, no further interest is payable. The deposit matures on 23 June 2015. The deposit has been designated as a financial asset at fair value through profit and loss. The deposit and credit linked notes are managed and their performance monitored on a fair value basis (refer Note 8).

<b>7. Trade and other payables</b>		
Accrued management fees – related party	<b>16</b>	16
	<b>16</b>	16

<b>8. Financial liabilities at fair value through profit and loss</b>	<b>31 December 2011 \$'000</b>	<b>30 June 2011 \$'000</b>
Credit linked note – Nexus4 Topaz Notes	<b>56,564</b>	55,308

Nexus Topaz 4 Notes: Notes issued amounting to \$79,000,000 that are 10 year, interest-bearing securities paying interest at a floating rate of 2.60% over the 180 day Bank Bill Rate for the first half year interest period. Thereafter interest is payable based on a floating interest rate which reflects changes in the credit market's view of companies in the portfolio as well as changes in the market interest rates.

As a result of credit events in the prior period, the Income Factor used to calculate interest payable on Nexus 4 Notes has reduced to zero. As such, no further interest is payable. The notes mature on 23 June 2015. These notes have been designated as financial liabilities at fair value through profit and loss. The notes and related credit linked deposit are managed and their performance monitored on a fair value basis (refer Note 6).



***Nexus Bonds Limited***  
**Notes to the financial statements**  
For the half-year ended 31 December 2011

**9. Share capital**

<b>Issued and paid-up share capital</b>	<b>\$</b>	<b>\$</b>
1 ordinary share, fully paid	<u><b>1</b></u>	<u><b>1</b></u>

There have been no movements in share capital since incorporation.

**10. Segment Information**

*Geographical segment*

The Company's operations are conducted solely in Australia.

*Business segment*

The Company operates solely in the financial services sector.

**11. Notes to the Cash flow statement**

**(i) Reconciliation of cash**

For the purposes of the Cash flow statement, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts repayable on demand. Cash as at the end of the financial period as shown in the Cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	<b>Half-year</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash assets	<u><b>3</b></u>	<u><b>240</b></u>

**(ii) Reconciliation of profit after income tax to net cash provided by operating activities**

(Loss)/Profit after tax	-	(58)
<u><i>Changes in assets and liabilities:</i></u>		
Decrease in interest receivable	-	75
Decrease in derivative premium receivable	-	49
Decrease in other receivables	-	11
Decrease in interest payable	-	(124)
Increase in other payables	-	10
(Decrease)/Increase in current tax liabilities	-	(2)
Net cash provided by /(used in) operating activities	<u><b>-</b></u>	<u><b>(39)</b></u>

## ***Nexus Bonds Limited***

### **Notes to the financial statements**

For the half-year ended 31 December 2011

#### **12. Taxation**

Income tax expense for the half-year presented is the expected tax payable on the taxable income for the half-year, calculated as the estimated average annual effective income tax rate applied to the profit before income tax for the half-year. Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Income tax instalments paid that exceed amounts due at the period end are recognised as a current tax asset.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the estimated average annual effective income tax rate for the half-year. The primary component of the entity's recognised deferred tax assets and liabilities include temporary differences related to the remeasurement of derivatives at fair value. The change in deferred tax asset was \$nil during the half-year.

#### **13. Related parties**

##### **Key management personnel**

The directors are the key management personnel of the Company. The names of each person holding the position of director of the Company during the financial period are Messrs RJ Nettleton, SJ Treanor and PAG Pynes. No director has entered into a material contract with the Company during the financial period.

##### **Transactions**

The Company has significant transactions and a management agreement with Deutsche Bank AG (Sydney). Balances with related parties are detailed in Notes 6 and 7.

For the half-year ended 31 December 2011 the Company received from Deutsche Bank AG (Sydney) interest of \$nil (2010: \$778,295) and premiums under the portfolio agreements of \$nil (2010: \$456,390).

Operating expenses incurred by the Company are paid by the Operating agent, Deutsche Bank AG. The operating agent is reimbursed for these expenses to the extent that there are funds available after repayment to bondholders.

#### **14. Events subsequent to balance date**

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

#### **15. Additional Information**

Nexus Bonds Limited, is incorporated and domiciled in Australia.

The registered office:

Level 16  
Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000

The number of employees at year end was Nil.

***Nexus Bonds Limited***  
**Directors' Declaration**

In the opinion of the directors of Nexus Bonds Limited (the Company):

- (a) the financial statements and notes set out on pages 5 to 18 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2011, and of its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (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.

Dated at Sydney this 8<sup>th</sup> day of March 2012

Signed in accordance with a resolution of the directors:

**Auditor to provide on letterhead**

\_\_\_\_\_  
Director

***Nexus Bonds Limited***  
**Independent review report**

**Independent auditor's review report to the members of Nexus Bonds Limited**

**Report on the financial report**

We have reviewed the accompanying half-year financial report of Nexus Bonds Limited, which comprises the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the half-year's end.

*Directors' responsibility for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Nexus Bonds Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

***Nexus Bonds Limited***  
**Independent review report**

*Conclusion*

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

Shaun Kendrigan  
*Partner*

Sydney, 8th March 2012