

issuer Nexus Bonds Limited
ABN 23 101 744 389

arranger Deutsche Bank AG
ABN 13 064 165 162

co-managers ABN AMRO Morgans Limited
ABN 49 010 669 726
Montagu Stockbrokers Pty Ltd
ABN 46 009 368 432

nexus™ 10.25%* yieldbonds
prospectus

Deutsche Bank



nexusbonds™

*Interest amounts and principal outstanding may be reduced in certain limited circumstances as set out in this Prospectus.
Nexus Yield Bonds are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

important information

Note to Investors

The repayment of your principal, payment of interest and the performance of Nexus Bonds Limited (**Nexus**), each as described in this Prospectus, are not guaranteed by Deutsche Bank AG (**Deutsche Bank**), nor any related parties or associates of Deutsche Bank. Neither Deutsche Bank nor any of its related parties or associates makes any representation or gives any guarantee or assurance as to the performance of Nexus, the payment of any interest payment on Nexus Yield Bonds, the repayment of amounts invested or any particular rate of overall return. Nexus Yield Bonds do not represent a deposit or any other type of liability of Deutsche Bank or any related parties or associates of Deutsche Bank. Nexus Yield Bonds are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Deutsche Bank has entered into certain arrangements with Nexus, which are described in this Prospectus.

None of Permanent Nominees (Aust.) Ltd (ACN 000 154 441), any of the Co-Managers or any of their related parties or associates makes any representations or gives any guarantee or assurance as to the performance of Nexus, the payment of any interest payment on Nexus Yield Bonds, the repayment of amounts invested or any particular rate of overall return.

This Prospectus

This Prospectus is dated 31 October 2002 and was lodged with ASIC on 31 October 2002. ASIC takes no responsibility for the contents of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Jurisdiction

No action has been taken to register or qualify Nexus Yield Bonds or the Offer, or otherwise permit a public offering of Nexus Yield Bonds, in any jurisdiction outside Australia. This Prospectus does not constitute an offer to any person to whom, or in any place in which, it would be unlawful to make such an offer. The distribution of this Prospectus in any jurisdiction outside Australia may be restricted by law and therefore any person who receives this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Availability of Prospectus

This Prospectus without the Application Forms will be made available during the exposure period by being posted on Nexus' website at "www.nexusbonds.com.au/prospectus.html". The exposure period commences on the date of this Prospectus and will be for 7 days although it may be extended by a further 7 days up to 14 days. Paper copies of this Prospectus including the Application Forms are available free of charge during the Offer Period only by calling any of the Co-Managers (see page 65 for a list of the Co-Managers and their contact numbers) or the information line on 1800 880 303.

Only investors with an Australian address may apply for Nexus Yield Bonds.

Nexus is prohibited from processing applications during the exposure period.

Applications received during the exposure period will not be processed until after the expiry of this period.

Defined words

Certain capitalised words used in this Prospectus have defined meanings. A Glossary of these terms is set out on page 62. References to \$ are to Australian dollars.

Risks of investing

The terms of Nexus Yield Bonds, and a discussion of the risks associated with investing in Nexus Yield Bonds, are described in this Prospectus. Potential investors should read the whole of this Prospectus carefully. This Prospectus cannot take into account the investment objectives, financial situation and particular needs of each potential investor. It is recommended that before making a decision to apply for Nexus Yield Bonds you consult your broker, financial planner, accountant or other professional adviser.

ASX listing

Application will be made for the listing of Nexus and the quotation of Nexus Yield Bonds on the ASX within 7 days from the date of this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

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key offer information

Summary of key dates

Offer opens at 9.00am (Sydney time) 8 November 2002 (Opening Date)

Offer closes at 5.00pm (Sydney time) 28 November 2002 (Closing Date)

Nexus Yield Bonds issued 3 December 2002 (Issue Date)

These dates are indicative only and may change. The Arranger has the right to close the Offer early or extend the Closing Date without notice. Potential investors who wish to apply for Nexus Yield Bonds are encouraged to submit their Application Form as soon as possible after the Offer opens.

Application information

Application price per Nexus Yield Bond \$100

Minimum investment is 100

Nexus Yield Bonds \$10,000

Additional investments must be in

multiples of 10 Nexus Yield Bonds \$1,000

See Section 3 and the Application Form for instructions on how to apply for Nexus Yield Bonds. Applications will only be accepted through one of the Co-Managers or your broker or licensed securities adviser. Nexus will not accept any application sent directly to Nexus or the Registrar.



about nexus bonds limited

Investors are becoming more sophisticated and have a wide variety of individual needs.

Nexus has been established to provide investors with investment opportunities normally only available to the professional investment community.

Through its arrangements with Deutsche Bank, Nexus is developing new investment products for investors.

These investment products are designed to:

- provide defined risk profiles, maturities and returns; and
- take advantage of financial products and investment opportunities investors may not have been previously able to access.

Nexus Yield Bonds are the first investment opportunity to be offered by Nexus.

Nexus Yield Bonds are designed to deliver:

- a return of 10.25% per annum;
- a 5 year term;
- a defined risk profile;
- no application, management or exit fees payable to Nexus; and
- the ability to trade Nexus Yield Bonds on the ASX.

nexus yield bonds at a glance

Issuer	Nexus Bonds Limited.
Type of security	<p>Nexus Yield Bonds are debt securities that pay interest at a fixed rate of 10.25% per annum twice-yearly over their Term.</p> <p>Nexus' ability to pay this enhanced return is a result of Bondholders being exposed to the creditworthiness of 40 well-known Australian and international companies with investment grade credit ratings from Standard & Poor's.</p> <p>Interest amounts and principal outstanding may be reduced if there is a severe weakening in the financial position of one or more of these companies as set out in this Prospectus.</p>
Interest rate	10.25% per annum.
Term	5 years.
Issue price	\$100 per Nexus Yield Bond.
Minimum investment	\$10,000 (100 Nexus Yield Bonds).
Minimum issue size	\$50 million.
Fees	Investors do not pay application, management or exit fees to Nexus.
Listing	Nexus will apply to have Nexus Yield Bonds quoted on the ASX.

Read this prospectus You should read this Prospectus in full before deciding whether to apply for Nexus Yield Bonds. It is recommended that you consult your broker, financial planner, accountant or other professional adviser before making a decision to apply.

How to apply? You may apply for Nexus Yield Bonds between 8 November 2002 and 28 November 2002. These dates are indicative only. The Arranger may close the Offer early or extend the Closing Date without notice. Information about how to apply is set out in Section 3.

Any questions? A question-and-answer summary of Nexus Yield Bonds is set out in Section 2. If you have any further questions about the Offer, please call:

- one of the Co-Managers (see page 65 for a list of Co-Managers and their contact numbers), or
- the information line on 1800 880 303 (Monday to Friday 9.00 am to 5.00 pm - Sydney time).

nexus yield bonds have been designed to
10.25% deliver a return of
per annum
over a **5 year** term
with a defined risk profile attracting **no** application, management or exit **fees**
and with the ability
to **trade** nexus yield bonds
on the **asx**

10.25% per annum return and 5 year term

Nexus Yield Bonds have been designed to deliver a fixed 10.25% per annum return over a 5 year term.

Nexus is able to pay a 10.25% return on Nexus Yield Bonds through the use of financial instruments which expose Bondholders to the creditworthiness of 40 well-known Australian and international companies with investment grade credit ratings from Standard & Poor's.

Defined risk profile

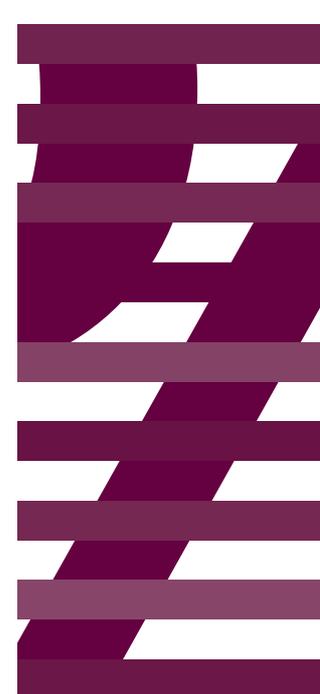
The key risk associated with investing in Nexus Yield Bonds is if one or more of the above companies experiences a severe weakening in its financial position to the extent that its senior unsecured debt may not be repaid in full when due.

No application, management or exit fees

No application, management or exit fees are payable by investors to Nexus.

Ability to sell on the ASX

Nexus will apply to have Nexus Yield Bonds quoted on the ASX so they can be traded.



section 1

investment summary

Set out below is a summary of the Offer and the terms of Nexus Yield Bonds. This information is a summary only. You should read this Prospectus in full.

1.1 General

Details

Offer structure

Nexus intends to issue a minimum of 500,000 Nexus Yield Bonds at \$100 each, to raise \$50 million, with the ability to accept over-subscriptions of up to a further \$50 million.

Applications must be for a minimum of 100 Nexus Yield Bonds at \$100 each (\$10,000).

Issuer

Nexus Bonds Limited.

Type of security

Nexus Yield Bonds are interest bearing debt securities.

Bondholders are exposed to the creditworthiness of a Portfolio of 40 well-known Australian and international companies with investment grade credit ratings from Standard & Poor's. See Sections 1.5 to 1.7.

Use of proceeds

Proceeds raised from the issue of Nexus Yield Bonds will be deposited with Deutsche Bank. See Section 2.4.

Listing

Nexus will apply for official quotation of Nexus Yield Bonds on the ASX.

1.2 Term

Details

Term

5 years.

Nexus Yield Bonds may be redeemed early or repaid late in certain limited circumstances. See Sections 6.3 and 8.1.

1.3 Principal

Details

Principal Amount

\$100.

The Principal Amount may be reduced in certain limited circumstances as set out in this Prospectus. See Section 1.6.

1.4 Interest

Details

Interest rate

Fixed at 10.25% per annum.

Interest amount

Calculated at the interest rate on the outstanding Principal Amount.

Interest payment dates

Interest is payable in arrears every six months. The first interest payment date is six months after the Issue Date.

1.5 Portfolio

Details

Composition¹

The Portfolio consists of 40 well-known Australian and international companies rated investment grade by Standard & Poor's, one of the world's largest rating agencies. Each company in the Portfolio will have an equal weighting. Details of the companies in the Portfolio are set out on page 9 and a brief overview of each company is provided in the Appendix.

Role of the Portfolio

Bondholders receive interest at the rate of 10.25% per annum in exchange for taking credit risk on the companies in the Portfolio. See Section 1.6.

Bondholders are not directly or indirectly investing in any of the companies in the Portfolio.

Bondholders' returns are **not** directly affected by:

- a fall in the share price of a company in the Portfolio;
- non-payment of a dividend by a company in the Portfolio;
- movements in foreign exchange rates; or
- changes in the credit rating of a company in the Portfolio.

Portfolio Size

The exposure of Bondholders to the Portfolio is based on a Portfolio Size of \$1 billion and the amount of the senior unsecured debt obligations (to be selected) of each company in the Portfolio will be \$25 million¹. If the amount raised from the Offer exceeds \$50 million, these amounts will increase proportionately.

¹ Subject to variation in limited circumstances (see Section 8.4).

section 1

investment summary

1.6 Portfolio link to Bondholders **Details**

The payment of interest amounts and the repayment of your investment amount at maturity will be made in full, except in certain limited circumstances.

These circumstances are if there is a severe weakening in the financial position of any company in the Portfolio as a result of insolvency, debt restructuring or a failure to make payments in respect of borrowed money when due which causes a Company Event (see Section 2.7).

If there is a Company Event, there may be a loss if the market value of that company's debt is then worth less than 100% of its principal amount.

If there are losses arising from Company Events, these are borne in the following sequence:

- the Deutsche Bank Protection Amount covers the first \$15 million² of any losses on the Portfolio; and
- Nexus Yield Bonds take the next \$50 million² of any losses on the Portfolio up to the full amount of their Principal Amount.

Subsequent interest amounts will be calculated on the reduced Principal Amount. If the Principal Amount is reduced to zero, Nexus will not be obliged to pay or repay any further amounts to Bondholders.

See Sections 2.11 and 5 for more information on the impact of losses on Nexus Yield Bonds.

1.7 Companies in the Portfolio **Details**

The table opposite provides a list of the companies in the Portfolio. It also shows the Standard & Poor's rating category and current issuer credit rating for the senior unsecured debt of each company in the Portfolio. The credit ratings are current as at the date of this Prospectus. There will be no amendment or adjustment to the composition of the companies in the Portfolio if the credit rating of any of the companies changes after the date of this Prospectus.

A Standard & Poor's issuer credit rating is a current assessment by Standard & Poor's of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts) as they fall due. It does not apply to any specific financial obligation. The term "AAA" is used to describe the highest quality corporate debt. All of the companies in the Portfolio are investment grade rated (i.e. "BBB-" or higher).

² The Deutsche Bank Protection Amount and the Bondholder exposure amount will increase proportionately if more than \$50 million of Nexus Yield Bonds are issued.

1.7 Companies in the Portfolio (continued)

The table below starts with credit quality that is assessed to be the strongest. See Section 2.8 for definitions of Standard & Poor's credit rating categories and the Appendix for a brief overview of each company in the Portfolio.

Rating category		Company names	S&P issuer credit rating
AAA	GE	General Electric Capital Corporation	AAA
AA	Siemens	Siemens AG	AA-
	Telstra	Telstra Corporation Limited	AA-
A	AXA	AXA SA	A+
	Bayer	Bayer AG	A+
	Caterpillar	Caterpillar Inc.	A+
	GPT	GPT Management Limited as the responsible entity of the General Property Trust	A+
	IBM	International Business Machines Corporation	A+
	JP Morgan	J.P. Morgan Chase & Co.	A+
	Merrill	Merrill Lynch & Co., Inc.	A+
	Rio	Rio Tinto Limited	A+
	Optus	SingTel Optus Pty Limited	A+
	AMP	AMP Group Holdings Limited	A
	AGL	Australian Gas Light Company Limited (The)	A
	BHP	BHP Billiton Limited	A
	Campbells	Campbell Soup Company	A
	Dow	Dow Chemical Company (The)	A
	Philip Morris	Philip Morris Companies Inc.	A
	TCNZ	Telecom Corporation of New Zealand Limited	A
	Westfield	Westfield Management Limited as the responsible entity of the Westfield Trust	A
	Coca-Cola	Coca-Cola Amatil Limited	A-
	CSR	CSR Limited	A-
	Duke	Duke Capital Corporation	A-
	Hewlett-Packard	Hewlett-Packard Company	A-
	HFC	Household Finance Corporation	A-
	John Deere	Deere & Company	A-
	Lend Lease	Lend Lease Corporation Limited	A-
	PBL	Publishing & Broadcasting Limited	A-
	QBE	QBE Insurance Group Limited	A-
	Wesfarmers	Wesfarmers Limited	A-
	Woodside	Woodside Petroleum Limited	A-
	Woolworths	Woolworths Limited	A-
BBB	Amcor	Amcor Limited	BBB+
	Coles	Coles Myer Limited	BBB+
	DaimlerChrysler	DaimlerChrysler AG	BBB+
	Fosters	Foster's Group Limited	BBB+
	Qantas	Qantas Airways Limited	BBB+
	Southcorp	Southcorp Limited	BBB+
	Disney	Walt Disney Company (The)	BBB+
	News Corp	News Corporation Limited (The)	BBB-

section 1

investment summary

1.7 Companies in the Portfolio (continued)

Details

Credit rating category distribution

The diagram below shows the distribution of the companies in the Portfolio within the Standard & Poor's major credit rating categories (see Section 2.8 for Standard & Poor's rating definitions).

As shown, all companies in the Portfolio are currently investment grade rated with 2.5% rated AAA, 5% rated AA, 72.5% rated A and 20% rated BBB respectively in the major rating categories.



1.7 Companies in the Portfolio (continued)

Details

Key features

- The highest rated company is General Electric Capital Corporation (AAA). News Corporation Limited (The) (BBB-) is the lowest rated company.
- The Portfolio is fixed for the Term, subject to certain limited exceptions (see Section 8.4).
- The Portfolio consists of 40 well-known Australian & international companies.
- There is an equal weighting of the senior unsecured debt of each company in the Portfolio³.
- All companies in the Portfolio are members of well established corporate groups.
- The Portfolio includes some of the largest companies listed on the ASX.

³ The weighting of a company in the Portfolio can change only in limited circumstances (see Section 8.4).

section 2

answers to key questions

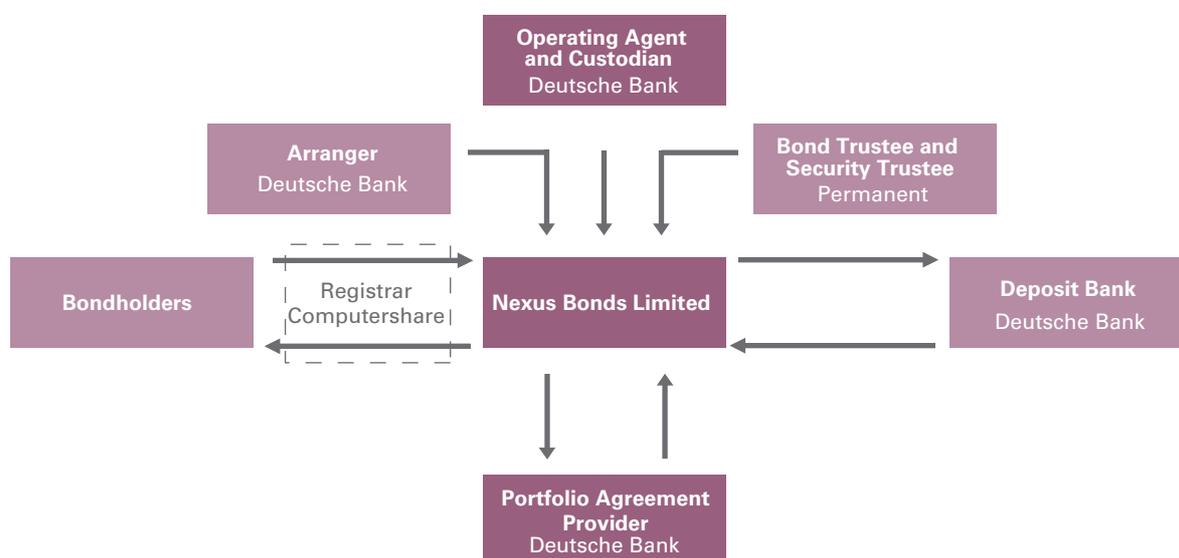
2.1 Who is the issuer?

The issuer of Nexus Yield Bonds is Nexus Bonds Limited, an Australian limited liability company incorporated under the Corporations Act.

Nexus has been established for the purpose of making the Offer of Nexus Yield Bonds. Nexus may issue other securities in the future, although the assets relating to those issues will be segregated from the assets relating to Nexus Yield Bonds. See Section 4 for more details.

2.2 Who provides services to Nexus?

Nexus' key service providers include Deutsche Bank, Permanent and Computershare. Nexus has entered into arrangements with each of them for the purpose of the ongoing management of Nexus and the administration of Nexus Yield Bonds (see Section 4.4 for more information). The diagram below shows the relationships between Nexus and its key service providers.



2.3 What are Nexus Yield Bonds?

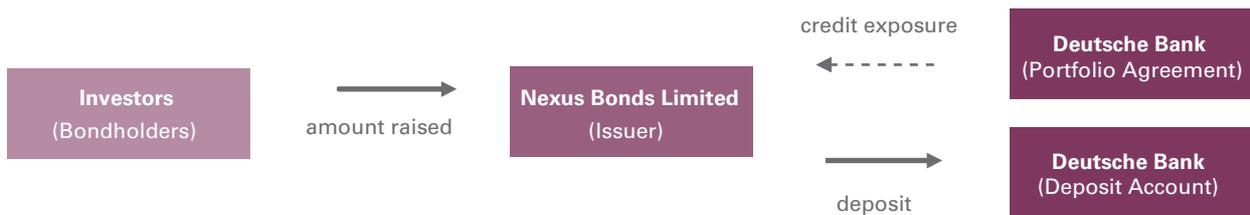
Nexus Yield Bonds are debt securities that:

- pay investors interest at a fixed rate of 10.25% per annum, twice-yearly over the Term; and
- are repaid to investors at the end of the Term.

Interest amounts and principal outstanding may be reduced in certain limited circumstances as set out in this Prospectus.

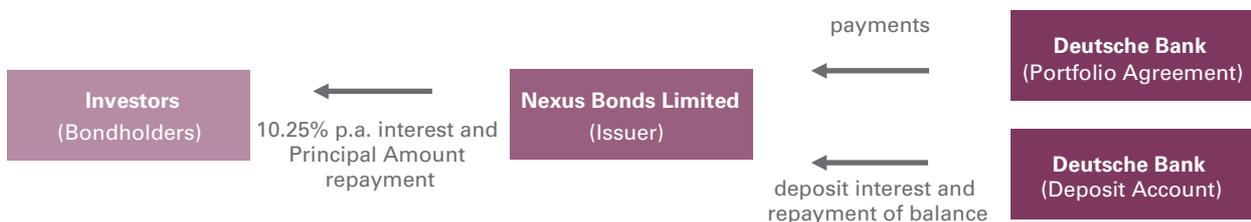
2.4 Where does my money go?

- The amount raised from the issue of Nexus Yield Bonds will be placed in the Deposit Account with Deutsche Bank.
- Nexus has entered into a Portfolio Agreement with Deutsche Bank under which Nexus will receive payments from Deutsche Bank in exchange for taking credit risk on the companies in the Portfolio. Nexus is not directly or indirectly investing in any of the companies in the Portfolio, however it has credit exposure to the companies in the Portfolio as set out in this Prospectus.



2.5 How is my return generated?

- Over the Term, Nexus will receive both interest payments from the Deposit Account and payments under the Portfolio Agreement from Deutsche Bank in return for taking credit risk on the Portfolio.
- The combination of the interest received on the Deposit Account and the payments under the Portfolio Agreement will enable Nexus to pay the 10.25% per annum interest due on Nexus Yield Bonds.



At the end of the Term, Nexus will receive the repayment of the deposit from Deutsche Bank (less any amount which Nexus has paid or is required to pay to Deutsche Bank under the Portfolio Agreement) and use that amount to repay the Principal Amount due on Nexus Yield Bonds.

section 2

answers to key questions

2.6 What is the Portfolio Agreement?

It is a contract between Nexus and Deutsche Bank relating to the Portfolio.

As well as providing approximately half the amounts required to enable Nexus to pay interest on Nexus Yield Bonds at 10.25% per annum, the Portfolio Agreement also creates credit exposure to the companies in the Portfolio.

2.7 What is a Company Event?

In summary, a Company Event occurs only if a company in the Portfolio:

- becomes insolvent or bankrupt;
- fails to pay when due at least \$1 million in respect of borrowed money; or
- has at least \$10 million of borrowed money which it owes adversely restructured, due to deterioration in its creditworthiness.

A Company Event is **not**:

- a fall in the share price of a company in the Portfolio;
- non-payment of a dividend by a company in the Portfolio; or
- changes in the credit rating of a company in the Portfolio.

Bondholders are not directly affected by movements in foreign exchange rates.

See Section 8.4 for further details on Company Events.

2.8 How can I assess the likelihood of a Company Event?

While there is no way to measure with absolute certainty the likelihood of a company experiencing a Company Event, one of the most widely used ways to assess the creditworthiness of companies is to refer to credit ratings issued by credit rating agencies.

A credit rating is a current assessment by a credit rating agency of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (ie. its debts). This assessment focuses on the company's capacity to meet its financial commitments as they become due. It does not apply to any specific financial obligation.

The table in Section 1.7 sets out the current Standard & Poor's credit rating for each of the companies in the Portfolio.

The table below provides the Standard & Poor's rating definitions as well as the current Portfolio weighting in each of the major rating categories as at the date of this Prospectus.

Rating Category	Definition	Portfolio Weighting
AAA	An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is EXTREMELY STRONG .	2.5%
AA	An obligation rated 'AA' differs from the highest rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on the obligations is VERY STRONG .	5%
A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still STRONG .	72.5%
BBB	An obligation rated 'BBB' exhibits ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.	20%

↑ investment grade ↑

↓ speculative grade ↓

BB, B, CCC, CC & C	Obligations rated 'BB' to 'C' are regarded as having significant SPECULATIVE CHARACTERISTICS . 'BB' indicates the least degree of speculation and 'C' the highest. Whilst such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.	0.0%
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Source: Standard & Poor's

It should be noted that a credit rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor (a company), as it does not comment on market price or suitability for a particular investor.

section 2

answers to key questions

2.9 How have Standard & Poor's ratings performed?

Standard & Poor's regularly produce a default study which calculates the incidence of defaults across all rating classes over varying periods.

The Standard & Poor's default events are similar (but not identical) to the Company Events under Nexus Yield Bonds as summarised in Section 2.7.

Standard & Poor's records a default:

- on the first occurrence of a payment default on any financial obligation of a company; or
- when holders of a company's debt accept substitute instruments with reduced interest, longer maturities or any other diminished financial term.

The table below (extracted from the Standard & Poor's 2001 Rating Performance Study) shows the cumulative default history for the 4 investment grade rating categories from 1 to 5 years. The study is global and covers the period from 1981 to 2001.

The significance of these historical default rates is that there has been a correlation between Standard & Poor's ratings and the incidence of default. That is, the higher the rating the lower the incidence of default.

Investment grade default history

Rating	Year 1	Year 2	Year 3	Year 4	Year 5
AAA	0.00%	0.00%	0.03%	0.07%	0.10%
AA	0.01%	0.03%	0.08%	0.16%	0.26%
A	0.05%	0.14%	0.24%	0.40%	0.57%
BBB	0.26%	0.62%	0.99%	1.57%	2.16%

Source: Standard & Poor's

These historical default rates provide a measure of the historical accuracy of Standard & Poor's ratings. However, they are not necessarily indicative of the likelihood of a Company Event occurring in respect of any company in the Portfolio.

2.10 What happens if a Company Event occurs?

A determination is made to see if the market value of a selected senior unsecured debt obligation of the relevant company in the Portfolio has fallen below its principal amount (i.e. less than 100%).

- If it has not fallen, then there is no impact on Nexus Yield Bonds.
- If it has fallen, then a loss amount is calculated based on the fall in market value below 100% and the weighting of the company in the Portfolio.

See Sections 2.11 and 5 for further information on the impact of a Company Event on Nexus Yield Bonds.

2.11 If a Company Event occurs, and a loss amount arises, how will that impact on Nexus Yield Bonds?

The allocation of Portfolio losses is shown diagrammatically below.

If a Company Event occurs with respect to a company in the Portfolio and, as a result, there is a loss amount calculated in respect of that event, the loss will be allocated under the Portfolio Agreement as follows:

(1) First loss amount:

Bondholders are not exposed to the first \$15 million of losses on the Portfolio. This is referred to as the Deutsche Bank Protection Amount.⁴

(2) Second loss amount:

If there are Portfolio losses in excess of the \$15 million Deutsche Bank Protection Amount⁴, then these excess losses will be allocated to Bondholders. This is referred to as the Bondholder Exposure Amount.

In the event there are excess losses allocated to Bondholders:

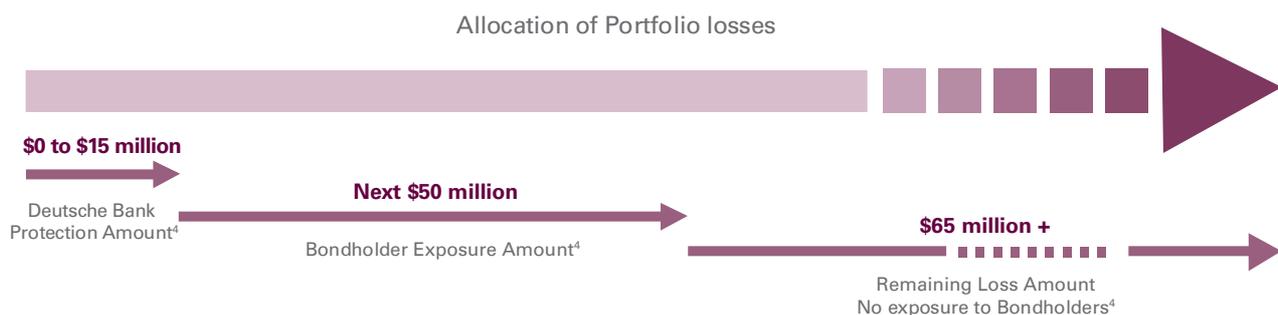
- the aggregate outstanding Principal Amount of Nexus Yield Bonds will reduce by the relevant amount of allocated excess losses; and
- Bondholders will receive less interest for the rest of the Term, as interest will be calculated on the reduced Principal Amount, but still using the fixed rate of 10.25% per annum.

Losses are borne proportionately by all Bondholders.

The Principal Amount of Nexus Yield Bonds outstanding may be reduced to zero and Nexus will not be obliged to pay or repay any further amounts in such circumstances (other than any interest which has accrued on Nexus Yield Bonds up to the time when the Principal Outstanding was reduced to zero).

(3) Remaining loss amount:

Losses in excess of \$65 million⁴ are called the Remaining Loss Amount.



See Section 5 for more information on allocation of losses following a Company Event.

⁴ If the amount raised from the Offer exceeds \$50 million, the Portfolio Size, the amount of the senior unsecured debt obligations of each company in the Portfolio, the Deutsche Bank Protection Amount, the Bondholder Exposure Amount and the Remaining Loss Amount will each increase proportionately.

section 2

answers to key questions

2.12 Will I be able to obtain early repayment of my Nexus Yield Bonds?

You are not entitled to obtain repayment of Nexus Yield Bonds prior to the Maturity Date.

You will have the opportunity to sell your Nexus Yield Bonds before the Maturity Date on the ASX. However, there is no certainty of liquidity.

Early redemption events relating to changes in law, directives or regulation are described in Section 8.1.

2.13 What are the tax implications of holding or selling Nexus Yield Bonds?

The taxation implications of holding or selling Nexus Yield Bonds will depend on each Bondholder's individual circumstances. Prospective investors should obtain their own taxation advice. If relevant, you should also seek advice on the treatment of holding Nexus Yield Bonds for the purpose of pension or other Government benefits to which you may be entitled. See Section 7 for some taxation information.

2.14 How do I apply for Nexus Yield Bonds?

Detailed information on how to invest is provided in Section 3.



section 3

how to invest

3.1 Application information

When to apply:

From 9.00 am 8 November 2002 to 5.00 pm 28 November 2002

The Offer is scheduled to open at 9.00am (Sydney time) on 8 November 2002 and is expected to close at 5.00pm (Sydney time) on 28 November 2002.

Applications for Nexus Yield Bonds must be received in accordance with the instructions in this Section by no later than 5.00pm (Sydney time) on 28 November 2002.

Nexus may close the Offer early or extend the Closing Date without notice.

Potential investors who wish to apply are encouraged to submit their Application Form as soon as possible after the Offer opens.

If the Closing Date is varied, subsequent dates may also be varied accordingly.

Who may apply:

Australian resident investors

Only investors with an Australian address may apply for Nexus Yield Bonds under the Offer.

How to apply:

Apply through a Co-Manager or your broker or licensed securities adviser

Applications for Nexus Yield Bonds may only be made through a Co-Manager or your broker or licensed securities adviser.

Your completed Application Form and payment must be lodged with a Co-Manager or your broker or licensed securities adviser.

To apply for Nexus Yield Bonds:

■ Complete the Application Form:

You must complete an Application Form attached to, or accompanying, this Prospectus in accordance with the instructions set out on page 64, the Application Form and accompanying notes. Photocopied Application Forms will not be accepted.

■ Return your Application Form:

■ Broker firm application:

If you received a firm allocation of Nexus Yield Bonds from a Co-Manager to the Offer, you must:

1. return your completed Application Form to that Co-Manager;
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution; and
3. make it payable according to the instructions provided by that Co-Manager.

■ General application:

If you did not receive a firm allocation of Nexus Yield Bonds from a Co-Manager to the Offer, you must:

1. return your completed Application Form to a Co-Manager or your broker or licensed securities adviser;
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution; and
3. make it payable to "Nexus Yield Bonds Application Account" and crossed "Not Negotiable".

Failure to comply with these instructions may mean that your application is not accepted.

Minimum application size:

\$10,000

Applications must be for a minimum of \$10,000 (100 Nexus Yield Bonds), and thereafter in multiples of \$1,000 (10 Nexus Yield Bonds).

The issue price is \$100 per Nexus Yield Bond.

Application money is payable in full with your application for Nexus Yield Bonds.

Application fees:

None

No application, management or exit fees are payable by applicants or holders of Nexus Yield Bonds to Nexus.

section 3

how to invest

3.2 Acceptance of applications and refunds

A duly submitted Application Form constitutes an offer to subscribe for Nexus Yield Bonds on the terms set out in this Prospectus.

Acceptance of your offer is constituted by entry of your name in the Register as the holder of Nexus Yield Bonds, and will take effect immediately on entry without prior notice to you.

Allocation of Nexus Yield Bonds will be at the discretion of the Arranger and, where relevant, the Co-Managers.

The distribution of broker firm allocations will be at the discretion of the relevant Co-Manager and will be subject to the terms of relevant arrangements between the Arranger and the Co-Managers.

Applications may be subject to scaling back and some Applications may be rejected in full if there is demand for Nexus Yield Bonds beyond the maximum issue size. This may include scaling back below the stated minimum application of 100 Nexus Yield Bonds.

If you are allotted less than the number of Nexus Yield Bonds you applied for, you will receive a refund of your excess application money as soon as practicable after the Closing Date. No interest will be payable on any application money, whether refunded or not. Nexus will retain interest on any application money.

The minimum issue size is \$50 million (500,000 Nexus Yield Bonds). Nexus and the Arranger have the right at any time to withdraw the Offer. If the above amount is not raised or the Offer is withdrawn no Nexus Yield Bonds will be issued and all application money will be refunded without interest.

Over subscriptions may be accepted up to a further \$50 million (500,000 additional Nexus Yield Bonds).

3.3 ASX listing

An application will be made to the ASX within 7 days after the date of this Prospectus for official quotation of Nexus Yield Bonds (the expected ASX listing code is "NXBHA").

If quotation is not granted on the ASX, Nexus Yield Bonds will not be issued and all application money will be refunded without interest.

It is expected that trading of Nexus Yield Bonds on the ASX will commence on 5 December 2002.

CHES and Holding Statements

Nexus will apply to participate in CHES and, in accordance with the Listing Rules and the SCH Business Rules, will maintain an electronic issuer-sponsored sub-register and an electronic CHES sub-register. These two sub-registers together will make up Nexus' principal register of Nexus Yield Bonds. Nexus will not issue certificates to Bondholders.

Following the issue or transfer of Nexus Yield Bonds to successful applicants, Bondholders will receive an initial statement of holding (similar to a bank statement) that sets out the number of Nexus Yield Bonds which have been allocated to them in the Offer. This statement also will provide details of a Bondholders' Holder Identification Number (HIN) in the case of a holding on the CHES sub-register, or Security Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

Bondholders will be required to quote their HIN or SRN, as applicable, in all dealings with a broker or the Registrar. These statements will be dispatched to successful applicants as soon as practicable after the Issue Date.

Bondholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the Register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Bondholder's sponsoring broker, in the case of a holding on the CHES sub-register, or through the Registrar in the case of a holding on the issuer sponsored sub-register. Nexus or the Registrar may charge a fee for these additional issuer sponsored statements.

Transfer of Nexus Yield Bonds

If Nexus Yield Bonds are officially quoted on the ASX, they may be transferred in any manner permitted by the CHES system. Before registration of any such transfer, Nexus may require any documents which the rules of the uncertificated system require or permit Nexus to require be provided to it to authorise registration. A transfer is not effective until registered.

Nexus must register a transfer of a Nexus Yield Bond to or by a person who is entitled to do so as a result of death or bankruptcy of a Bondholder in accordance with all applicable laws on providing such evidence of entitlement as Nexus may require.

section 3

how to invest

3.4 Commissions, stamp duty and GST

No commission or stamp duty will be payable by applicants on Nexus Yield Bonds. Stamp duty is not payable on transfers of Nexus Yield Bonds.

Nexus has agreed that the Arranger may make payments of certain commissions out of its own funds to the Co-Managers, other brokers or licensed securities advisers in relation to applications for Nexus Yield Bonds.

Related bodies corporate of Deutsche Bank may receive some of these commission payments.

Payments of interest and repayment of principal on Nexus Yield Bonds are not subject to GST.

3.5 Prospectus

During the exposure period and the Offer period this Prospectus (without Application Forms) will be available by being posted on Nexus' website "www.nexusbonds.com.au/prospectus.html".

Applications may only be made on an Application Form attached to, or accompanying, this Prospectus.

During the Offer Period, you can request paper copies of the Prospectus including the Application Form and any supplementary documentation, free of charge by telephoning:

- the Arranger; or
- any one of the Co-Managers (see page 65 for a list of their contact numbers).

3.6 Enquiries

If you require assistance to complete the Application Form, you should contact any of the Co-Managers (see page 65 for a list of their contact numbers) or the information line on 1800 880 303.

If you are unclear as to any matter or are uncertain if Nexus Yield Bonds are a suitable investment for you, you should contact a Co-Manager or your broker, financial planner, accountant or other professional adviser.



section 4

the issuer

4.1 Who is Nexus?

Nexus is the issuer of Nexus Yield Bonds.

Nexus is an Australian limited liability company incorporated under the Corporations Act.

Nexus has entered into arrangements with Deutsche Bank and various other service providers to deliver investment opportunities to potential investors.

These arrangements are discussed in Section 4.4.

At the date of this Prospectus, Nexus has no other business and Nexus Yield Bonds are the first investment opportunity to be offered by Nexus.

Nexus may issue other bonds and debt securities in the future. See Section 4.5 for a description of the segregation of the assets of Nexus in connection with other issues of securities.

The 'Nexus' and 'Nexus Bonds' trademarks are intended to be registered in the name of Deutsche Bank and licensed to Nexus.

4.2 The Board

The individuals on the Board of Nexus are:

Richard J Nettleton

Richard Nettleton is a solicitor. He was a partner at Mallesons Stephen Jaques until 1994, where he now is a consultant. He is a director of a number of companies, mainly in the financial services industry, including Standard Chartered Grindlays Bank Limited and Guardian Trust Australia Limited.

Douglas W (Bill) O'Neill

Bill O'Neill is a corporate finance specialist with 35 years industry experience and has been involved in over 150 stock market takeovers. He has acted as a consultant to KPMG Corporate Finance and uses his extensive industry experience to provide guidance on transactions. His previous roles included senior corporate finance positions at HSBC Investment Banking Group and Morgan Grenfell.

Stephen J Treanor

Stephen Treanor is a credit risk specialist who has advised corporates on financing and securitisation as well as risk management through insurance-based capital structures since 1993. From 1986 to 1993 he worked for Moody's Investors Service where he held various roles including Managing Director of its Australasian offices, and had global responsibility for credit ratings and research for metals and mining companies. He is director of a number of securitisation companies.

4.3 Financial position

Immediately following the Issue Date the statement of financial position of Nexus (assuming that \$50 million is raised by the issue of Nexus Yield Bonds and taking into account that all costs relating to the issue will be paid by Deutsche Bank) will be:

Assets		\$
Deposit	50,000,000	
Cash	1	
Total	50,000,001	

Liabilities and share capital		\$
Nexus Yield Bonds	50,000,000	
Issued share capital	1	
Total	50,000,001	

It is not expected that Nexus will earn anything other than nominal profits after payment of operating expenses and fees to Deutsche Bank. Deutsche Bank has agreed with Nexus to pay the operating expenses of Nexus including directors' fees and fees payable to Permanent and Computershare, subject to limited conditions if an event of default has occurred in respect of the Nexus Yield Bonds. Nexus agrees to reimburse Deutsche Bank for these payments to the extent it has sufficient funds available to it.

Nexus is not a member of the Deutsche Bank group. The Share Capital of Nexus is held on trust for the benefit of charitable organisations.

As Nexus is a special purpose company, its service providers and security structure are important to its ability to perform its obligations in connection with Nexus Yield Bonds.

These arrangements are described in Section 8. A brief summary of the role of each service provider is set out in Section 4.4.

section 4

the issuer

4.4 Who provides services to Nexus?

Nexus has entered into arrangements for the purpose of the ongoing management of Nexus and the administration of Nexus Yield Bonds.

A brief summary of the role of each service provider is set out below. A summary of material contracts, including some of the arrangements with the service providers, is set out in Section 8.

Each of Deutsche Bank, Permanent and Computershare act as independent contractors, and not as partners, officers or employees of Nexus.

Service provider	Responsibility
Deutsche Bank	<ul style="list-style-type: none"> ■ As operating agent: Deutsche Bank is responsible for the day to day administration and management of the business of Nexus. ■ As custodian: Deutsche Bank is responsible for holding and keeping in safe custody the money and certain other property of Nexus. This does not include the amount raised from the issue of Nexus Yield Bonds which will be kept in the Deposit Account (which is held by Deutsche Bank as deposit bank). ■ As arranger: Deutsche Bank is responsible for arranging the initial distribution and sale of Nexus Yield Bonds. ■ As transaction counterparties: Deutsche Bank acts as the deposit bank (all proceeds from the issue are deposited with Deutsche Bank) and the counterparty to Nexus under the Portfolio Agreement.
Permanent	<ul style="list-style-type: none"> ■ As bond trustee: Permanent is responsible for holding on trust for the benefit of Bondholders the right to enforce Nexus' obligations under the Nexus Yield Bonds. It calls meetings of Bondholders when required under the Bond Trust Deed and the Corporations Act. It would represent the Bondholders at any meetings of the secured creditors of Nexus. ■ As security trustee: Permanent also acts as trustee for all of the secured creditors of Nexus. It is the Security Trustee who is authorised to enforce the security on behalf of the secured creditors of Nexus.
Computershare	<ul style="list-style-type: none"> ■ As registrar: Computershare is responsible for the establishment and maintenance of the Register of Nexus Yield Bonds. It is the Register which ultimately determines who is the registered holder of Nexus Yield Bonds.

About Deutsche Bank

Deutsche Bank AG is a banking company with limited liability incorporated under the laws of the Federal Republic of Germany. Deutsche Bank AG is the parent company of a group consisting of banks, capital market companies, fund management companies, mortgage banks and a property finance company, installment financing and leasing companies, insurance companies, research and consultancy companies and other domestic and foreign companies. This group has about 2,000 branches and offices engaged in banking business and other financial business worldwide. As of 30 June 2002, based on United States generally accepted accounting practice, the Deutsche Bank group had total assets of \$1,665 billion and total shareholders' equity of \$70.19 billion. These amounts have been converted from Euro at the rate of E1.00=A\$1.8519.

It is anticipated that Deutsche Bank's Interim Report as at 30 September 2002 will be released on 31 October 2002. At the date of this Prospectus, Deutsche Bank enjoys a credit rating of AA- (as rated by Standard & Poor's), Aa3 negative outlook (as rated by Moody's) and AA- (as rated by Fitch IBCA).

Further information on Deutsche Bank's financial position and ratings is available on the bank's website "www.db.com".

4.5 How are Nexus Yield Bonds secured?

Nexus has given a fixed and floating charge over most of its assets to Permanent as Security Trustee (goodwill, certain cash and certain future-acquired real property are excluded). The charged assets include the rights of Nexus to the Deposit Account and its rights under the Portfolio Agreement.

The obligations of Nexus under Nexus Yield Bonds are secured under the charge, as well as the obligations of Nexus to Deutsche Bank, Permanent and Computershare in connection with Nexus Yield Bonds. The terms of the security require that amounts owing to Permanent and to Deutsche Bank under the Portfolio Agreement and Deposit Deed are paid first, with the remainder being used to pay amounts owing under Nexus Yield Bonds. Anything left after Nexus Yield Bonds are paid would be used to pay other amounts owing to Deutsche Bank and amounts owing to Computershare and, finally, be kept by Nexus.

Nexus Yield Bonds are limited recourse securities, meaning that the rights of Bondholders against Nexus are limited by the security arrangements. See Section 8.

The charge also secures amounts which become owing by Nexus if other securities are issued by it in the future and the assets which Nexus acquires in relation to those other securities. However, the assets of Nexus which are referable to one issue of securities (including, without limitation, Nexus Yield Bonds) are not available to meet the obligations of Nexus under another issue of securities. For example, this means that the Deposit Account is not available to repay securities issued by Nexus other than Nexus Yield Bonds.

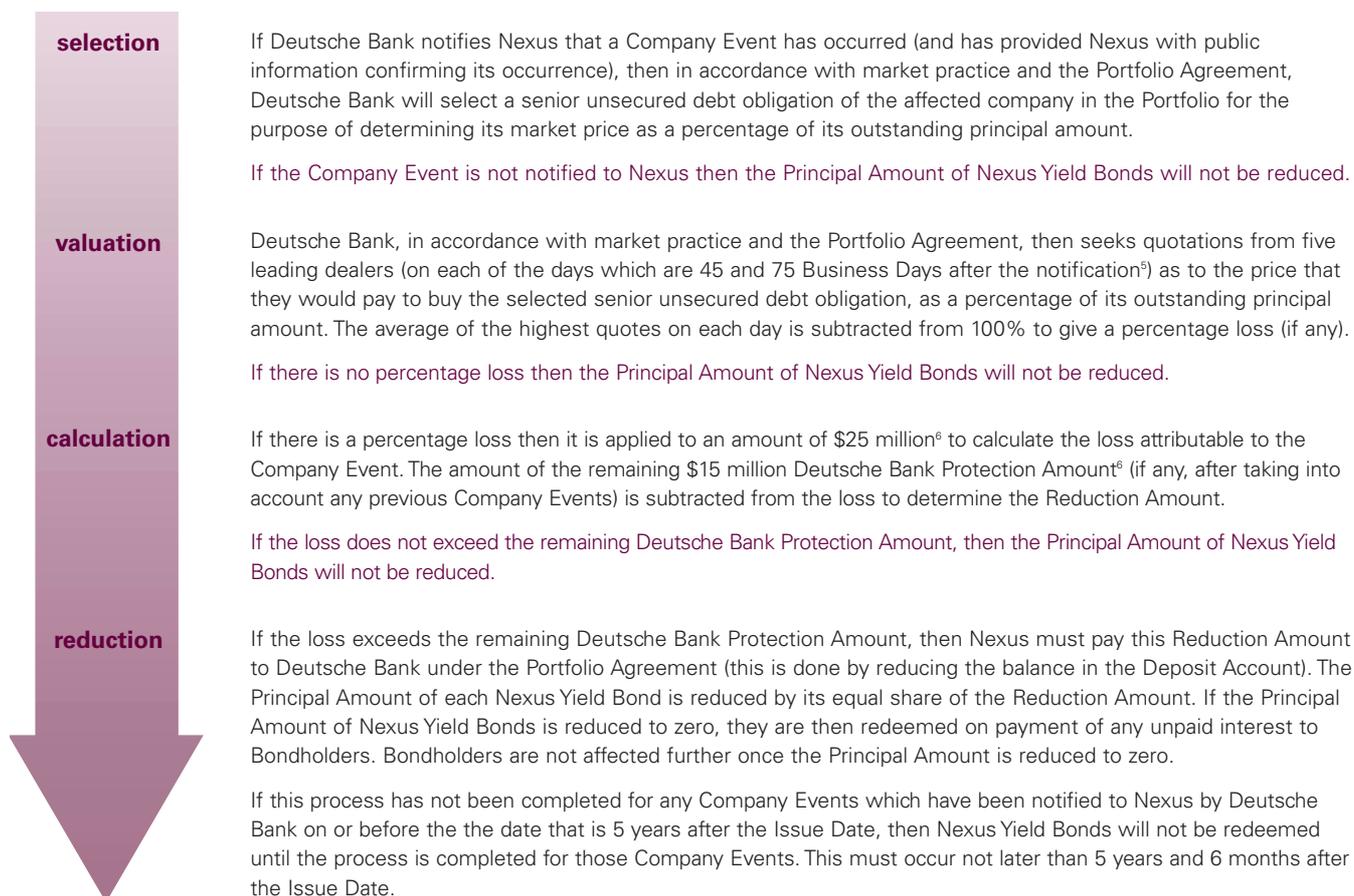
section 5

Company Event process

5.1 Description

If a Company Event occurs to a company in the Portfolio, a process set out in the Portfolio Agreement must be followed before Bondholders could be affected (if they are affected at all).

This process is summarised below. It is described in more detail in Section 8.4.

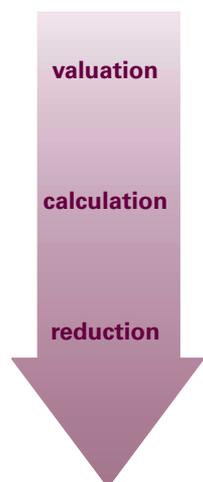


⁵ This timing can be accelerated if Nexus Yield Bonds are redeemed early.

⁶ If the amount raised from the Offer exceeds \$50 million, the Portfolio Size, the amount in respect of each company in the Portfolio and the Deutsche Bank Protection Amount will each increase proportionately. Each company amount will continue to be equal to one-fortieth of the initial notional amount of the senior unsecured debt of all the companies in the Portfolio, regardless of any subsequent Company Event and Reduction Amount calculation (except in certain limited circumstances as described in Section 8.4).

5.2 Example

Set out below is a numerical example of the effect of two successive Company Events on the Principal Amount and interest payments of Nexus Yield Bonds. The example is provided by way of illustration only of the operation of the provisions of the Portfolio Agreement and the Company Event process described in Section 5.1. The example is not a projection or a forecast of the performance of the Portfolio, Nexus or Nexus Yield Bonds. The assumptions used in the example are used only for the purpose of illustrating how returns may be affected by Company Events. Nexus makes no statement as to the likelihood of a Company Event occurring or the likely value of the senior unsecured debt obligations of a company in the Portfolio following a Company Event.



First Company Event

After the occurrence of a Company Event, notification to Nexus and selection of the relevant senior unsecured debt obligation, Deutsche Bank seeks quotations from 5 leading dealers (45 and 75 Business Days after the notification) as to the price that they would pay to buy the selected senior unsecured debt obligation, as a percentage of its outstanding principal amount.

In this example, it is assumed the average of the highest quotes obtained on each day is 90%. This is subtracted from 100% to give a 10% market value loss.

The 10% market value loss is applied to the company's proportion of the Portfolio Size to calculate the loss amount as follows:

$$\begin{aligned}\text{Loss amount} &= 10\% \times (\text{Portfolio Size} \times \text{company weighting}) \\ &= 10\% \times (\$1 \text{ billion}^7 \times 2.5\%) \\ &= \$2.5 \text{ million}\end{aligned}$$

The Reduction Amount is equal to the loss amount calculated above, less the remaining Deutsche Bank Protection Amount (if any).

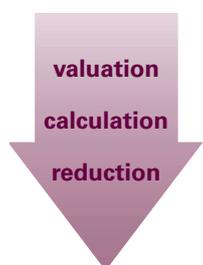
Since the \$2.5 million loss amount is less than the \$15 million Deutsche Bank Protection Amount, no loss amount would be allocated to Bondholders. However, in this example, the remaining Deutsche Bank Protection Amount would be reduced from \$15 million to \$12.5 million.

Second Company Event

If it is assumed that there is another Company Event and there is a market value loss of 70% for the relevant company, then the loss amount would be calculated as \$17.5 million ($70\% \times \$1 \text{ billion}^7 \times 2.5\%$).

To calculate the Reduction Amount, only the losses in excess of the remaining Deutsche Bank Protection Amount (which then stands at \$12.5 million following the First Company Event) are allocated to Bondholders. Therefore the Reduction Amount would be \$5 million (\$17.5 million minus the remaining Deutsche Bank Protection Amount of \$12.5 million).

If this occurred, the aggregate Principal Amount of Nexus Yield Bonds would be reduced by the Reduction Amount (i.e. from \$50 million to \$45 million).



Were both the Company Events described in this example to happen, the total Principal Amount of Nexus Yield Bonds held by an investor who had purchased 100 Nexus Yield Bonds for \$10,000 would be reduced to \$9,000 (being that Bondholder's proportionate share of the reduction in the Principal Amount of all Nexus Yield Bonds). The Principal Amount of each Nexus Yield Bond would be reduced from \$100 to \$90. The 10.25% interest rate would be applied to this reduced Principal Amount to determine the amount of interest subsequently payable on Nexus Yield Bonds.

This process is repeated for all Company Events (if any) that are notified to Nexus by Deutsche Bank on or before the date that is 5 years after the Issue Date. The maximum loss that can be allocated to Bondholders as a result of a single Company Event is \$25 million⁷.

The Principal Amount on a Nexus Yield Bond may reduce to zero. On a worst case, this could occur after the occurrence of three Company Events. Bondholders are not required to make up losses beyond the Issue Price of their Nexus Yield Bonds.

⁷ If the amount raised from the Offer exceeds \$50 million, the Portfolio Size, the amount in respect of each company in the Portfolio, the Deutsche Bank Protection Amount and the maximum loss amount that can be allocated to Bondholders as a result of a single Company Event will each increase proportionately. See also Section 8.4 for details of other circumstances in which these amounts may vary.

section 6

investment risks

6.1 Introduction

Before applying for Nexus Yield Bonds, you should consider whether Nexus Yield Bonds are suitable for you.

You should be aware that there are risks associated with investing in Nexus Yield Bonds. In particular, you should carefully consider each of the following risks, as well as the other information in this Prospectus. There may also be other risks that are not detailed in this Prospectus.

Some of the following risks apply generally to any investment, while others are specific to Nexus Yield Bonds.

Many of these risks are outside the control of Nexus.

6.2 Risks associated with the Portfolio

Bondholders are exposed to the risk that the market value of the senior unsecured debt obligation of a company in the Portfolio is less than its outstanding principal amount following the occurrence of a Company Event.

The occurrence of such an event will depend on a range of factors beyond the control of Nexus. These factors include:

- the financial performance and other internal factors of the relevant company in the Portfolio; and
- economic conditions and other external factors and their impact on the relevant company in the Portfolio.

Following a Company Event, the market value of the senior unsecured debt obligations of the relevant company could be influenced by external factors such as prevailing market conditions and variances between independent bid prices obtained from dealers from whom quotes are requested. If no bid prices can be obtained in accordance with the Portfolio Agreement then the quotations are taken to be equal to zero.

6.3 Risks associated with Nexus Yield Bonds

Liquidity/price fluctuations on the ASX

Although Nexus Yield Bonds will be quoted on the ASX, Bondholders are exposed to the risk that:

- there will not be a liquid market on the ASX for Nexus Yield Bonds during the Term; and
- the trading price of Nexus Yield Bonds will fluctuate and may fall below the Issue Price or the price at which Bondholders purchased Nexus Yield Bonds.

Interest rate risk

Interest on Nexus Yield Bonds will be fixed at 10.25% per annum for the Term. No adjustment will be made to the rate of interest paid to Bondholders as other market based interest rates rise or fall over the Term.

Early and late repayment risk

Nexus Yield Bonds may be repaid early in certain limited circumstances related to changes in law, directives or regulations before the date which is 5 years after the Issue Date as described in Section 8.1.

If Nexus has been notified of a Company Event on or before the date that is 5 years after the Issue Date and the relevant Reduction Amount has not been calculated, then Nexus Yield Bonds will not be repaid until the Reduction Amount has been calculated and settled (late repayment is limited to a maximum of 5 years and 6 months after the Issue Date).

6.4 Risks associated with Nexus

Nexus Yield Bonds are limited recourse securities.

If Nexus were to default under Nexus Yield Bonds (events of default are described in Section 8.3), then the Security Trustee can enforce the charge granted by Nexus only over the property of Nexus relating to Nexus Yield Bonds (primarily the rights of Nexus under the Deposit Account and the Portfolio Agreement). It will then use any proceeds recovered to repay Nexus Yield Bonds and the amounts owing by Nexus to Permanent, Deutsche Bank and Computershare in the order described in Section 4.5.

Bondholders are not entitled to take any further action against Nexus once these recovery proceeds have been paid, even if they were insufficient to repay Nexus Yield Bonds in full (or at all).

Any other property of Nexus (relating to other issues of securities by Nexus) is not available to repay Nexus Yield Bonds.

Bondholders are not entitled to take direct action against Nexus. The rights against Nexus in respect of Nexus Yield Bonds will be exercisable by the Bond Trustee on behalf of the Bondholders or the Security Trustee on behalf of all secured creditors.

6.5 Risks associated with Deutsche Bank

Although Deutsche Bank enjoys a credit rating of AA- (as rated by Standard & Poor's), Aa3 negative outlook (as rated by Moody's) and AA- (as rated by Fitch IBCA) at the date of this Prospectus, Bondholders are nevertheless exposed to Deutsche Bank credit risk.

Further information on Deutsche Bank's financial position and ratings is available on the bank's website "www.db.com".

section 7

taxation information

MALLESONS STEPHEN JAQUES

30 October 2002

The Directors
Nexus Bonds Limited
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Dear Sirs

Introduction

This Opinion has been prepared for inclusion in the Prospectus dated 31 October 2002 in respect of Nexus Yield Bonds to be acquired under the Prospectus.

The purpose of this Opinion is to explain, in broad terms, the principal income taxation consequences to certain investors arising from an acquisition of Nexus Yield Bonds under the Prospectus. It is not being provided as a basis on which a potential investor should make an investment decision. That decision requires a review of all of the materials presented in the Prospectus.

This Opinion focuses on the position of an Australian resident investor who subscribes for Nexus Yield Bonds under the Prospectus, who does not carry on the business of trading or dealing in securities and who holds their Nexus Yield Bonds on capital account.

This Opinion is necessarily general in nature and does not take into account the specific circumstances of each individual investor. A potential investor should not rely on this Opinion but should obtain specific tax advice that is referable to his or her individual circumstances prior to making an investment decision in relation to Nexus Yield Bonds.

This Opinion is given in relation to the law prevailing, together with known administrative practice, at the date of this Opinion. Investors should note that these laws, the interpretation of them by the Courts, and administrative practice can change at any time.

Interest Payments to Bondholders

Interest payments by Nexus to a Bondholder under Nexus Yield Bonds will be assessable income in the hands of the Bondholder.

Generally, the amount will be assessable at the time the interest is paid to the Bondholder. However, a Bondholder who carries on a business in respect of which it generally recognises interest income on an accruals basis should recognise the interest income on a daily accruals basis, to the extent that Nexus Yield Bonds are held as part of that business.

Sale or Redemption of Nexus Yield Bonds

Nexus Yield Bonds should be treated as "traditional securities" for income tax purposes.

If a Bondholder sells a Nexus Yield Bond, any gain arising on the sale should be assessable income to the Bondholder at the time the sale occurs. Any such gain is calculated by reference to the difference between the consideration received on the sale and the Issue Price or, where the Bondholder purchased Nexus Yield Bond otherwise than on the initial issue, that Bondholder's cost of acquisition.

If a Bondholder sells a Nexus Yield Bond, or the Nexus Yield Bond is redeemed, for an amount less than the Issue Price (or the Bondholder's cost of acquisition where appropriate), an allowable deduction from income should be available for the Bondholder in the year of income during which the sale or redemption occurs. To the extent that a Nexus Yield Bond is redeemed for less than its Issue Price such an allowable deduction should generally arise for Nexus Yield Bonds acquired on the initial issue.

A capital loss will not arise for a Bondholder on a sale or redemption of a Nexus Yield Bond to the extent that an allowable deduction is available.

Tax File Numbers

There should be no deduction on account of tax on payments of interest under Nexus Yield Bonds to Bondholders resident in Australia (or non residents receiving interest through a permanent establishment in Australia), provided the Bondholder provides Nexus with a Tax File Number (TFN), Australian Business Number (ABN) or evidence of an appropriate exemption. The collection of TFN information is authorised and its use and disclosure is strictly regulated by Australian taxation and privacy laws. A Bondholder need not quote their TFN or their TFN exemption category to Nexus if they do not wish to do so.

If the Bondholder does not quote their TFN (or TFN exemption category) to Nexus, generally tax will be deducted from distributions made to the Investor at the highest marginal personal tax rate plus the Medicare levy. If the Bondholder quotes their TFN (or TFN exemption category) no tax will be taken out of distributions made to the Bondholder.

If the Bondholder makes their investment in the course of furtherance of an enterprise carried on by the Bondholder, the Bondholder may quote their ABN as an alternative to quoting their TFN.

Details of whether a Bondholder falls within an exemption category (and the relevant exemption category number) are available from the Australian Taxation Office.

Concluding Comments

This Opinion does not purport to give advice to any specific Bondholder, as each Bondholder's tax position will depend on the Bondholder's individual circumstances. To the maximum extent permitted by law, neither this firm nor any partner or employee of this firm accepts any responsibility howsoever arising to any Bondholder from any statements, conclusions or opinion expressed herein. Bondholders should seek their own professional tax advice regarding their individual circumstances.

Yours faithfully

Mallesons Stephen Jaques

section 8

material contracts

This Section contains a summary of the material contracts entered into by Nexus with Deutsche Bank and Permanent in relation to Nexus Yield Bonds. This Prospectus contains only a summary of the material contracts and their substantive terms. In reading this Section 8, you should consult the additional definitions applicable to this Section which are set out in Section 8.8.

8.1 Terms and conditions of Nexus Yield Bonds

The terms and conditions of Nexus Yield Bonds are contained in the Bond Trust Deed (see Section 8.2 below) and the Master Trust Deed (see Section 8.3 below). They are summarised here separately for ease of reference.

Form of Nexus Yield Bonds

Nexus Yield Bonds are secured, limited recourse debt securities of Nexus constituted by the Bond Trust Deed and take the form of entries in the Register. For the purposes of section 283BH of the Corporations Act, Nexus Yield Bonds are "unsecured notes".

Undertaking to pay

In respect of each Nexus Yield Bond, Nexus has undertaken with the relevant Bondholder and the Bond Trustee to pay the amounts due and payable in respect of that Nexus Yield Bond in accordance with the Bond Trust Deed and the Master Trust Deed. The payment of an amount due under a Nexus Yield Bond to either the Bondholder or the Bond Trustee discharges the obligation of Nexus to pay that amount under the Nexus Yield Bond to each of the Bondholder and the Bond Trustee. Nexus Yield Bonds rank equally amongst themselves.

Interest

Interest is payable on each Nexus Yield Bond on each Interest Payment Date and on the Redemption Date. Interest is calculated at the rate of 10.25% per annum on the current Principal Amount. Interest accrues daily. Calculations of interest are to be made by Nexus on the basis of the provisions set out in the Bond Trust Deed.

Nexus has irrevocably directed Deutsche Bank to pay into an account nominated by the Registrar amounts due to Nexus under the Portfolio Agreement and the Deposit Deed which equal the amount of interest payable on Nexus Yield Bonds.

Nexus will pay default interest on unpaid amounts under Nexus Yield Bonds which have become due and payable but only to the extent that it receives default interest under the Deposit Deed and the Portfolio Agreement.

Repayment and late repayment

In respect of each Nexus Yield Bond, Nexus agrees to repay the Repayment Amount on the Maturity Date unless the Nexus Yield Bond has been previously redeemed. The making of this payment discharges the obligations of Nexus in connection with each Nexus Yield Bond in full whether or not the Repayment Amount for a Nexus Yield Bond is less than the Issue Price.

The Maturity Date will be later than the date which is 5 years after the Issue Date if, on that date, Reduction Amounts have not become payable for all Company Events notified to Nexus under the Portfolio Agreement. In these circumstances the Maturity Date is the earlier of the date that the last of these Reduction Amounts is payable and the date that is 5 years and 6 months after the Issue Date.

Register of Nexus Yield Bonds

Nexus has agreed to keep an up-to-date register of the holdings of Nexus Yield Bonds which includes the details of each Bondholder and the number of Nexus Yield Bonds held by each Bondholder.

The persons whose names are registered as the Bondholders of a Nexus Yield Bond will be treated as the absolute owners of that Nexus Yield Bond.

A Bondholder must advise Nexus of any change to the information recorded in the Register.

The record date for each Interest Payment Date is 7 calendar days before that Interest Payment Date.

Nexus is not liable for any mistake in the Register except to the extent the mistake is attributable to its own fraud, gross negligence or willful default.

Nexus has arranged for the Registrar to maintain the Register on its behalf.

Transfers of and payments under Nexus Yield Bonds

Provisions relating to transfers of and payments under Nexus Yield Bonds are set out in the Master Trust Deed. Payments to Bondholders will be made according to the information recorded in the Register. Transfers and payments in respect of Nexus Yield Bonds registered on CHESSESS will be made in accordance with the rules and regulations of CHESSESS.

Deductions and withholdings

If a law requires Nexus to deduct an amount in respect of taxes from a payment under a Nexus Yield Bond such that the Bondholder or the Bond Trustee would not actually receive on the due date the full amount provided for under the Nexus Yield Bond, then Nexus will deduct the amount for the taxes and pay it to the relevant authority. Nexus is not obliged to pay any additional amounts to the Bondholder or the Bond Trustee.

Early redemption

Nexus Yield Bonds can be redeemed before the Maturity Date if, following any change in, the making of, any change in the interpretation of, or any change in compliance with any law, official directive or request, Nexus receives an opinion from an independent expert to the effect that the return to Nexus is, or will be, reduced such that it affects the ability of Nexus to meet its payment obligations to Deutsche Bank under the Portfolio Agreement or to Bondholders.

If Nexus Yield Bonds are to be redeemed early then Nexus will notify Deutsche Bank, the Bond Trustee and the Registrar. The date of early redemption is the later of the date that Deutsche Bank is notified of the early redemption and the date that the last Reduction Amount is payable for Portfolio Events which have been notified to Nexus on or before the date that Deutsche Bank is notified of the early redemption. On the date of early redemption, each Nexus Yield Bond will be redeemed by the payment of the Repayment Amount of the Nexus Yield Bond. The making of this payment discharges the obligations of Nexus in connection with each Nexus Yield Bond in full whether or not the Repayment Amount for a Nexus Yield Bond is equal to or less than the Issue Price.

Reduction of Principal Amount

On each Reduction Date, the Principal Amount of each Nexus Yield Bond is reduced by the Nexus Yield Bond's pro-rata share of the Reduction Amount payable by Nexus on that Reduction Date under the Portfolio Agreement.

If this reduction would cause the Principal Amount of Nexus Yield Bonds to be reduced to zero then, on payment of any interest which has accrued on Nexus Yield Bonds as at the relevant Reduction Date, the Nexus Yield Bonds are taken to have been redeemed in full and Nexus' obligations in respect of Nexus Yield Bonds are discharged.

Events of Default

Events of Default are described in Section 8.3 below. If an Event of Default occurs, Permanent, as the Bond Trustee, must call a meeting of the Bondholders as soon as is reasonably practicable and the Bond Trustee may, and if directed by an extraordinary resolution of Bondholders, the Bond Trustee must, by notice to Nexus declare the Repayment Amount of each Nexus Yield Bond on the date of the declaration to be immediately due and payable, provided that the Event of Default is subsisting at that time. No Bondholder has the right to make such a declaration. The making of such a declaration does not entitle either the Bond Trustee or any Bondholder to take any further action against Nexus except as permitted by the Bond Trust Deed and the Master Trust Deed. The Master Trust Deed sets out the further consequences of the occurrence of an Event of Default. Payment of the amount available to Bondholders under the Master Trust Deed discharges Nexus' obligations under Nexus Yield Bonds.

Bondholders bound

Each Bondholder is bound by the Bond Trust Deed and the Master Trust Deed.

Meetings of Bondholders

Meetings of Bondholders are to be conducted in accordance with the Master Trust Deed.

Calculations under Nexus Yield Bonds

Calculations and determinations of amounts, rates and dates under Nexus Yield Bonds are made by Nexus. Its determination is final and binding on the Bondholders, unless there is a manifest error. Under the Services Deed, the Operating Agent may make these calculations and determinations on behalf of Nexus.

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8.2 Bond Trust Deed

The Bondholders have the benefit of the Bond Trust Deed established in relation to Nexus Yield Bonds. The Bond Trust Deed contains the terms and conditions of Nexus Yield Bonds (as described in Section 8.1) as well as establishes the trust for Bondholders. The parties to the Bond Trust Deed are Nexus and Permanent.

Permanent is appointed as Bond Trustee to hold the following on trust for the Bondholders:

- the right to enforce the obligations of Nexus to pay amounts payable under Nexus Yield Bonds;
- any amounts that the Bond Trustee receives for the Bondholders under the Documents;
- any security rights which the Bond Trustee acquires under the Master Trust Deed which are in respect of amounts owing under Nexus Yield Bonds; and
- the right to enforce any other duties or obligations of Nexus.

Many of the provisions described in Section 8.3 are incorporated into the Bond Trust Deed and apply to Permanent in its capacity as Bond Trustee. This includes the statutory obligations of the Bond Trustee, such as the duty to call meetings of Bondholders in certain circumstances and the limitations on the Bond Trustee's liability.

8.3 Master Trust Deed

The parties to the Master Trust Deed are Nexus, Permanent and Deutsche Bank.

Multiple series of bonds

The Master Trust Deed is designed to apply to multiple issues of securities by Nexus, including the issue of Nexus Yield Bonds. As such, the Master Trust Deed includes terms, representations and warranties common to all issues of securities that may be made by Nexus.

The Master Trust Deed also provides for the creation of new bond trusts for future securities issues by Nexus by the execution of further bond trust deeds. There is no limit to the number of bond trusts that may be created nor to the number of series of securities that may be issued by Nexus.

However, Nexus and Permanent are under an obligation to ensure that all proceeds received from each issue of securities are to be recorded, kept and dealt with separately.

The proceeds and other assets of Nexus allocated to one series of securities are not available to meet amounts owing in respect of any other series of securities.

Security arrangements

Under the Master Trust Deed, Permanent is appointed Security Trustee. The Security Trustee is required to hold the benefit of the Master Trust Deed for the secured creditors of Nexus.

A single fixed and floating charge over the assets of Nexus is granted to Permanent as Security Trustee under the Master Trust Deed as security for specified payments to be made by Nexus including amounts owing under Nexus Yield Bonds, amounts owing to Deutsche Bank, Permanent and Computershare and amounts owing in connection with future issues of securities. Some assets of Nexus are excluded from the charge such as goodwill, money of Nexus not related to issues of securities and some future-acquired real property.

Nexus provides representations and undertakings to the Security Trustee in the Master Trust Deed.

Rights and obligations of Permanent

The rights and obligations of Permanent in its capacity as Bond Trustee and Security Trustee are set out in the Master Trust Deed.

The Master Trust Deed also limits the responsibility and liability of Permanent when acting as Security Trustee and Bond Trustee to the amounts available to it as trustee, except in circumstances where it has acted negligently or fraudulently, or where there has been a gross or willful breach of its obligations.

Removal and resignation of Permanent

Nexus may, by giving 30 days' notice in writing, remove Permanent as either the Security Trustee or the Bond Trustee.

The Bondholders may by extraordinary resolution remove Permanent as Bond Trustee.

Permanent may retire as Security Trustee or Bond Trustee by giving Nexus 30 days' notice in writing. It must immediately retire if an insolvency event has occurred in respect of it in its personal capacity.

However, Permanent's appointment will not cease until an approved replacement trustee has been appointed by Nexus.

Fees, indemnities and expenses

The Master Trust Deed provides that Nexus must pay to Permanent such fees as agreed between them.

Nexus indemnifies Permanent against liabilities, costs, charges and expenses incurred in certain circumstances, and Permanent will be indemnified out of moneys and other property it holds as trustee. Permanent will be indemnified for all liabilities arising from the exercise or performance of its powers and obligations as Security Trustee or Bond Trustee.

Events of Default

An Event of Default occurs if:

- Nexus fails to pay any amount due under Nexus Yield Bonds or other amounts owing under the Documents within 10 Business Days of the due date;
- Nexus fails to perform any other obligation under any Document and that failure is not remediable and Permanent considers that the failure has a material adverse effect on the ability of Nexus to meet its payment obligations under the Nexus Yield Bonds;
- Nexus fails to perform any obligation under any Document (other than a failure as described above) and Nexus has not remedied it with 14 Business Days after being requested by Permanent to do so and the failure has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents;
- any of a number of defined insolvency-related events occurs in respect of Nexus;
- any Document ceases to be effective in accordance with its terms; or
- any of the representations and warranties made by Nexus in a Document is false and misleading when made or repeated and has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents.

An event of default in respect of any future series of securities issued by Nexus does not, of itself, constitute an Event of Default in respect of the Nexus Yield Bonds.

Consequences of an Event of Default

If an Event of Default occurs then the charge becomes enforceable to the extent that it applies to the property of Nexus referable to Nexus Yield Bonds (primarily the rights under the Deposit Deed and the Portfolio Agreement). Permanent must notify Nexus, Deutsche Bank and Computershare and convene a meeting of them to determine what enforcement action is to be taken. As described in Section 8.1, Permanent (as Bond Trustee) will also convene a meeting of Bondholders and will represent Bondholders at the meeting with Deutsche Bank and Computershare.

As Security Trustee, Permanent also has the right to take separate enforcement action.

The Bondholders are not entitled to enforce the charge or take separate action against Nexus.

After an Event of Default, the Security Trustee will pay the amount recovered on enforcement in the following order:

- to pay amounts owing to the Security Trustee;
- to pay any remuneration payable to a receiver appointed to Nexus by the Security Trustee (if any);
- to pay amounts owing to Deutsche Bank under the Deposit Deed and the Portfolio Agreement;
- to pay amounts owing under the Nexus Yield Bonds;
- to pay amounts owing to Deutsche Bank under the Services Deed or to Computershare; and
- any remaining amount is to be paid to Nexus.

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This ordering also applies to money acquired by Nexus prior to an Event of Default, other than money paid to the Registrar under the Portfolio Agreement and the Deposit Deed (and other payments which are directed to be paid under the Documents).

Money or other property of Nexus which is referable to any other securities issued by Nexus is not payable to any person claiming any amount due in respect of Nexus Yield Bonds.

Limited recourse

Nexus Yield Bonds and other dealings with Nexus are subject to the limited recourse provisions contained in the Master Trust Deed and Bond Trust Deed.

For each Bondholder, this means that if the actual amount available for distribution to the Bondholder under the Master Trust Deed is less than the nominal amount owing to the Bondholder, the payment of the amount available completely discharges Nexus' liability to the Bondholder.

The Bondholder has no further claim or entitlement to be paid the difference between the nominal amount and the available amount and the Bond Trustee (on behalf of Bondholders) has waived all claims Bondholders may have against Nexus where Nexus' payment obligations have been discharged.

The terms of the Master Trust Deed and Bond Trust Deed also provide that no Bondholder can apply for judgment against Nexus, seek to wind up Nexus, appoint a receiver or administrator to Nexus, enforce against the property of Nexus, exercise rights of set-off or counterclaim against Nexus or issue a statutory demand against Nexus.

Amendment of the Documents

Nexus and Permanent may agree to an amendment of any Document without the consent of the Bondholders if, in the opinion of Permanent the amendment:

- is made to correct an error or it is of a formal, technical or administrative nature;
- is necessary to comply with any applicable law or regulation; or
- is not materially prejudicial to the interests of the Bondholders.

Any amendment to a Document may be agreed upon with the authority of a resolution of Bondholders.

8.4 Portfolio Agreement

The Portfolio Agreement is an agreement between Deutsche Bank and Nexus.

Form of the Portfolio Agreement

The Portfolio Agreement is made up of a master agreement and a confirmation, each of which is based on international standard terms developed for use (by the International Swaps and Derivatives Association, Inc.) in transactions such as the Portfolio Agreement.

In the master agreement, each party provides a number of standard representations, warranties and undertakings to the other. The master agreement also sets out the circumstances in which either Nexus or Deutsche Bank is entitled to terminate the Portfolio Agreement.

Term of the Portfolio Agreement

The scheduled term of the Portfolio Agreement is the same as the term of Nexus Yield Bonds (including when Nexus Yield Bonds can be redeemed early or late). The Portfolio Agreement can be terminated early (see below).

Payments by Deutsche Bank

Deutsche Bank agrees to make semi-annual payments to Nexus during the term of the Portfolio Agreement, on the same dates that interest is payable on Nexus Yield Bonds.

The amount paid is calculated by reference to a rate of 7.50% per annum on the total outstanding Principal Amount. The amount paid by Deutsche Bank reduces if the Principal Amount is reduced by a Reduction Amount.

Payments by Nexus

If there are no Company Events then Nexus is not required to make any payments to Deutsche Bank under the Portfolio Agreement. Nexus agrees that if a Company Event occurs to a company in the Portfolio, then, subject to the Deutsche Bank Protection Amount, it will pay to Deutsche Bank a Reduction Amount for that Company Event if one is calculated to be payable, up to an aggregate limit of the total Issue Price of Nexus Yield Bonds. Each of these amounts is payable 3 Business Days after it has been calculated (see below for a description of the calculation process). These amounts will be paid by set-off against the balance of the Deposit Account.

Companies in the Portfolio

The companies included in the Portfolio are listed in Section 1.7. Each company is allocated an equal share of the Portfolio Size.

A company included in the Portfolio can change if a merger, demerger, consolidation, amalgamation or similar event occurs to that company. In this situation, the company can be changed to a successor company, under the operation of the terms of the Portfolio Agreement. It is possible that there could be more than one successor company and that a successor company is the same as another company already included in the Portfolio. If there is only one successor company then it replaces the original company in the Portfolio. If there is more than one successor company then each will replace the original company in the Portfolio and each will have an equal share of the original company's weighting in the Portfolio. Successors do not have to be rated or have the same credit rating as the original company.

Company Events

It is a Company Event with respect to each company in the Portfolio if any of the following occurs in respect of it during the term of the Portfolio Agreement:

■ **Bankruptcy** - the occurrence of any one of a number of defined events related to the insolvency of the company, including administration, winding up, dissolution, institution of insolvency events, receivership or a general arrangement with creditors;

■ **Failure to Pay** - the failure by the company to make, as and when due, payments in an aggregate amount at least equal to A\$1,000,000 or equivalent under one or more of its Obligations (see below for a definition of this term). This Company Event does not occur until any grace period applicable under the relevant Obligations has expired; or

■ **Restructuring** - the occurrence of any one or more of the following in respect of any one or more Obligations of the company (other than under the initial terms of the Obligations), provided that the aggregate amount of the Obligations affected is at least equal to A\$10,000,000 or equivalent:

- a reduction in the rate or amount of interest or principal payable;
- a postponement of the payment of interest or principal;
- the subordination of the Obligation in priority of payment; or
- a change in currency or composition of any payment of interest or principal (other than to certain specified currencies).

However, the occurrence of one of these will not trigger this Company Event if:

- it is due to an administrative, accounting, tax or other technical adjustment occurring in the ordinary course of business; or
- it does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the company.

The "Obligations" of a company in the Portfolio used for determining whether a "Failure to Pay" or "Restructuring" has occurred to it are the obligations of that company (whether present future, contingent or otherwise) for the payment or repayment of borrowed money (including deposit and reimbursement obligations arising from drawings under letters of credit). An Obligation can be owed by a company as principal, guarantor or in another capacity.

Deutsche Bank is responsible for determining if a Company Event has occurred. If it then wishes to exercise its rights under the Portfolio Agreement, Deutsche Bank must give notice to Nexus setting out the Company Event and two sources of publicly available information which confirm the Company Event.

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Calculation of Reduction Amounts

If a Company Event is notified to Nexus, Deutsche Bank commences the process to determine the Reduction Amount (if any). The process is as follows:

- Deutsche Bank determines the valuation obligation for the affected company. The valuation obligation must be a bond (or other debt security) or a loan which the company is obliged to pay or repay and which ranks at least equally with the unsubordinated and unsecured obligations of the company. The company may be the issuer or borrower under the bond or loan or may be the guarantor of the issuer or borrower.
- On each of the 45th and 75th Business Days following the notification of the Company Event to Nexus, Deutsche Bank seeks quotations from 5 leading dealers in obligations of the same type as the valuation obligation. The quotations sought are firm bid quotations for an amount of the valuation obligation having an outstanding principal balance (excluding any accrued but unpaid interest) equal to or greater than half of the company's proportion of the Portfolio Size. The quotations are to be expressed as a percentage of the par value of the valuation obligation. If no quotations or only one quotation is available on the relevant day then a specified procedure is followed to attempt to obtain quotations during the following 10 Business Days, or a weighted average quotation. If none of these can be obtained then the quotations are taken to be equal to zero.

- Deutsche Bank calculates the final price of the valuation obligation. This is the average of the highest quotations received on each of the two valuation dates that quotations were obtained. This is also a percentage.

- Deutsche Bank calculates the loss amount for the company. This is equal to the company's proportion of the Portfolio Size multiplied by the difference between 100% and the final price.

- Deutsche Bank calculates the Reduction Amount. This is equal to the lesser of:
 - the loss amount calculated for that company;
 - the loss amount calculated for that company plus all of the loss amounts already calculated for other companies in the Portfolio, minus the Deutsche Bank Protection Amount (provided that this cannot be less than zero); and
 - the aggregate outstanding Principal Amount of the Nexus Yield Bonds.

The calculations of the Reduction Amount are made separately for each company in the Portfolio in respect of which a Company Event has occurred. Once a Reduction Amount is calculated, no further events in respect of that company affect any payments made between Deutsche Bank and Nexus under the Portfolio Agreement unless it has been included in the Portfolio more than once (as a successor company, see above). However, if a "Restructuring" Company Event happens to a company in the Portfolio, it is possible that the calculations described above will be undertaken for only part of its proportion of the Portfolio Size, and the remaining part could be the subject of another Company Event.

In the case of an early redemption of Nexus Yield Bonds, the timing periods referred to above can be accelerated under the terms of the Portfolio Agreement.

Early termination of the Portfolio Agreement

If certain events happen, either Deutsche Bank or Nexus is entitled to terminate the Portfolio Agreement before its scheduled maturity. Deutsche Bank is entitled to terminate the Portfolio Agreement if:

- an Event of Default happens (see Section 8.3 above) and is continuing; or
- the Master Trust Deed or the Deposit Deed terminates, ceases to be in full force and effect, is repudiated or is disclaimed.

Nexus is entitled to terminate the Portfolio Agreement if:

- Deutsche Bank fails to make payment when due and payable under the Portfolio Agreement and such failure is not remedied within 3 Business Days; or
- the occurrence of any of a number of defined events related to the insolvency of Deutsche Bank.

Either Nexus or Deutsche Bank can terminate if the performance of any obligation of either party under the Portfolio Agreement, the Master Trust Deed or the Deposit Deed would be unlawful (after certain efforts have been made to avoid the illegality).

Payments on early termination

If the Portfolio Agreement is terminated early then the payments required to be made by Deutsche Bank and Nexus under the Portfolio Agreement are replaced with an obligation by one of the parties to pay to the other a termination amount.

The termination amount is calculated in accordance with the terms of the Portfolio Agreement by reference to the loss (or gain) suffered by the party who terminated the Portfolio Agreement as a result of the termination. If a loss is calculated, then the other party pays this amount to the terminating party; if a gain is calculated, then the terminating party pays this amount to the other party.

The amount payable by one party to the other following the early termination of the Portfolio Agreement may be more or less than the amounts which would have otherwise been payable under the Portfolio Agreement. It could also lead to an Event of Default (if one has not already occurred). If the termination amount is payable to Deutsche Bank it is set-off against the Deposit Account.

A defaulting party must also indemnify the other for the other's expenses.

Other matters

Deutsche Bank need not suffer any loss or provide any evidence of any loss as a result of the occurrence of a Company Event for it to be paid a Reduction Amount. The Portfolio Agreement does not create a direct or indirect interest in any obligations of any company in the Portfolio. Each of Nexus and Deutsche Bank may deal with any company in the Portfolio and may engage in any kind of commercial or investment banking or other business with a company in the Portfolio.

When making calculations under the Portfolio, Deutsche Bank is required to act in good faith and in a commercially reasonable manner. However, in making these calculations, Deutsche Bank is not acting as a fiduciary for, or as an advisor to, Nexus.

8.5 Deposit Deed

The Deposit Deed is between Nexus and Deutsche Bank. It contains the provisions relating to the establishment, operation and use of the Deposit Account.

Deposit Account

After the issue of Nexus Yield Bonds (assuming the minimum subscription is met), Nexus will deposit the proceeds from the issue (between \$50 million and \$100 million) into a Deposit Account held with Deutsche Bank.

Interest

Deutsche Bank agrees to pay Nexus interest on the balance of the Deposit Account at the rate of 4.50% per annum. Interest will not be credited to the Deposit Account and will be paid to Nexus or the Registrar at the direction of Nexus.

Interest accrues daily and is calculated in the same manner to that used for the calculation of interest under Nexus Yield Bonds.

Withdrawals from the Deposit Account

As a general matter, Nexus may not withdraw, and Deutsche Bank will not repay, any money deposited in the Deposit Account until all Portfolio Agreement Amounts have been paid in full.

Excess amounts

If a Redemption Date occurs or the Portfolio Agreement is terminated early, and an Event of Default has not occurred, Deutsche Bank agrees to pay to Nexus an amount being the balance of the Deposit Account less the Portfolio Agreement Amounts. The remainder of the Deposit Account (if any) remains subject to the terms of the Deposit Deed.

Right of set-off - Reduction Amounts

If an Event of Default has not occurred and the Portfolio Agreement has not been terminated early, then on each Reduction Date an amount of money in the Deposit Account equal to the lesser of the relevant Reduction Amount and the balance of the Deposit Account will be set off against the relevant Reduction Amount owing under the Portfolio Agreement. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

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Right of set-off - Redemption

If an Event of Default has not occurred, then on the Redemption Date or the date that a termination amount is payable if the Portfolio Agreement is terminated early, an amount of money in the Deposit Account equal to the lesser of the Portfolio Agreement Amounts and the balance of the Deposit Account will be set off against the Portfolio Agreement Amounts. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

Right of set-off - Portfolio Agreement Amounts

If an Event of Default occurs, then Deutsche Bank can, but does not have to, notify Nexus that money in the Deposit Account has become due and payable. Deutsche Bank may set-off such an amount against Nexus' obligation to pay Deutsche Bank any Portfolio Agreement Amounts. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

Undertakings and indemnities

Nexus has made representations and given undertakings to Deutsche Bank in connection with the Deposit Account (including an undertaking not to deal with the Deposit Account except as permitted under the Documents).

Nexus indemnifies Deutsche Bank against any costs, loss or liability arising in connection the Deposit Account or the Deposit Deed.

8.6 Services Deed

The Services Deed is between Nexus, Permanent and Deutsche Bank. It contains the provisions relating to the appointment and function of Deutsche Bank as Custodian and Operating Agent.

Appointment of Custodian

Deutsche Bank is appointed as the Custodian of the authorised investments and money of Nexus. This does not include the Deposit Account, which is held by Deutsche Bank as deposit bank under the Deposit Deed (see Section 8.5 above). As Custodian, Deutsche Bank must keep records which show to which series of securities the authorised investments and money of Nexus which it holds are referable.

Appointment of Operating Agent

Deutsche Bank is appointed as Operating Agent by Nexus to carry on Nexus' day to day administration and management.

Despite the appointment of Deutsche Bank as Operating Agent, the directors of Nexus retain the power to make decisions and direct how the business affairs of Nexus will be conducted.

Payment of Nexus' expenses

As Operating Agent, Deutsche Bank agrees to pay, on behalf of Nexus, any establishment expenses and the general operating expenses of Nexus and the fees of the Bond Trustee, Security Trustee and Registrar (until an Event of Default happens). Nexus will reimburse Deutsche Bank when funds are available to it.

Delegation of responsibility

Deutsche Bank may discharge its obligations as Custodian or Operating Agent by acting through delegates.

Interested dealings

Deutsche Bank, or any of its associates, may enter into transactions with a Bondholder, another secured creditor of Nexus, Nexus or any other person.

Liability of Operating Agent

In acting as Operating Agent, Deutsche Bank is not liable for any loss or liability of Nexus in connection with the credit performance or market value of any assets or obligations in connection with the Portfolio Agreement.

Custodian as agent for the Security Trustee

In certain circumstances, the Custodian may act on behalf of the Security Trustee instead of Nexus. In these circumstances the Security Trustee is not liable for any act or omission of the Custodian.

Removal and resignation

Nexus may remove Deutsche Bank as Operating Agent by 12 months' notice and as Custodian by 30 days' notice. If Deutsche Bank fails to perform its obligations it may be removed by Nexus after 14 days notice of the failure been given.

Deutsche Bank may retire as either Operating Agent or Custodian by giving at least 30 days notice. Deutsche Bank will retire if it becomes subject to specified insolvency related events.

The removal or retirement of Deutsche Bank is not effective until a replacement has been appointed by Nexus.

Fees

Nexus agrees to pay Deutsche Bank a fee for acting as Custodian and Operating Agent as may be agreed between them from time to time. If Nexus does not have sufficient funds available to pay those fees then they are deferred until such time as Nexus has sufficient funds.

Indemnity for costs and expenses

Nexus agrees to pay or reimburse Deutsche Bank for its reasonable costs and expenses in connection with the execution and enforcement of the Documents and any duties and registration fees payable in respect of the Documents. Nexus also indemnifies Deutsche Bank against its losses, costs and liabilities if Nexus breaches its obligations or representations to Deutsche Bank.

8.7 Bond Distribution Deed

The Bond Distribution Deed is between Nexus and Deutsche Bank and under it Deutsche Bank is appointed as Arranger to the Offer. As Arranger, Deutsche Bank may:

- determine the timetable for the Offer;
- determine whether and to what extent the right to accept over-subscriptions will be exercised;
- determine the manner of distribution of this Prospectus and other material in connection with the Offer;
- decide on the allocation of Nexus Yield Bonds amongst applicants under the Offer; and
- direct Nexus not to proceed with the Offer or withdraw the Offer.

Deutsche Bank may appoint sub-distributors to co-manage the Offer and enter into firm commitments with other persons (including related entities of Deutsche Bank) in relation to subscriptions for Nexus Yield Bonds.

Deutsche Bank may at any time, at its absolute discretion, terminate its obligations under the Bond Distribution Deed.

Nexus and Deutsche Bank each give indemnities in connection with the performance of their obligations under Bond Trust Deed.

Deutsche Bank receives no fees under the Bond Distribution Deed.

8.8 Other

If a date referred to in this Section 8 is not a Business Day then it will be adjusted to be the next following Business Day.

For the purposes of this Section, the following words have these meanings unless the context otherwise requires. Words used in this Section which are not defined below can be found in the Glossary.

Documents means the documents entered into by Nexus in connection with Nexus Yield Bonds.

Event of Default means the events of default described in Section 8.3.

Interest Payment Date means the date which is 6 months after the Issue Date and each consecutive 6 monthly date thereafter, the last being the date which is 5 years after the Issue Date.

Portfolio Agreement Amounts means the present and future amounts which are or may become payable by Nexus to Deutsche Bank in connection with the Portfolio Agreement.

Redemption Date means the date that Nexus Yield Bonds are redeemed in accordance with their terms.

Reduction Date means each date that Nexus must make a payment of a Reduction Amount to Deutsche Bank under the Portfolio Agreement.

Repayment Amount means, in respect of a Nexus Yield Bond on a particular date, the current Principal Amount at that date plus any interest which has accrued under the terms of the Nexus Yield Bond on that date but which has not been paid.

8.9 Incorporation of documents by reference

The Bond Trust Deed and Master Trust Deed described in Sections 8.2 and 8.3 are incorporated by reference in accordance with the Corporations Act.

Copies of the Bond Trust Deed and the Master Trust Deed will be provided free of charge to any person who asks for it during the Offer Period by calling the information line on 1800 880 303 (Monday to Friday 9:00am to 5:00 pm Sydney time).

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9.1 ASX waiver

Nexus intends to apply for a waiver from condition 3 of Listing Rule 1.8 so that Nexus does not need to have net tangible assets of at least \$10 million at the time of admission to the official list of the ASX. The ASX has indicated that it will grant this waiver.

9.2 Interests of directors of Nexus

Directors of Nexus are not required to hold Nexus Yield Bonds. No director of Nexus is, at the date of this Prospectus, a beneficial holder of any Nexus Yield Bonds. However, directors of Nexus may acquire Nexus Yield Bonds under this Prospectus.

The fees paid or payable to each of the three directors, Richard Nettleton, William O'Neill and Stephen Treanor, for acting as a director of Nexus is \$25,000 per annum each.

Richard Nettleton is a consultant to, and former partner of, Mallesons Stephen Jaques. He receives some payments out of profits as a retired partner and as a consultant receives remuneration at normal commercial rates.

Each of the directors will have the benefit of an indemnity insurance policy for liabilities incurred as a director of Nexus.

9.3 Interests and fees

No director of Nexus has and no person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has:

- had any interest at any time during the past 2 years in the formation or promotion of Nexus, or in the transactions entered into by Nexus or in the Offer; or
- been paid or agreed to be paid, or received or agreed to receive any benefit either to induce the director to become, or to qualify as a director, of Nexus or for services provided in connection with the formation or promotion of Nexus or the Offer except as set out in this Prospectus.

Mallesons Stephen Jaques has acted as legal advisers to Nexus and Deutsche Bank and is entitled to receive approximately \$440,000 (exclusive of GST) for these services up to the date of this Prospectus.

Deutsche Bank has performed the roles in relation to the Prospectus as described in Section 8. It has received, or is entitled to receive, the following :

- payments from Nexus under the Portfolio Agreement (which include any payments following the occurrence of a Company Event as described elsewhere in this Prospectus) and the Deposit Deed as described in Sections 8.4 and 8.5; and
- a fee of 1% per annum of the outstanding Principal Amount for providing custodial and operating agency services as described in Section 8.6.

Co-Managers are entitled to be paid fees by Deutsche Bank out of Deutsche Bank's own funds.

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9.4 Consents to be named

Each of the parties named below (referred to as Consenting Parties):

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified in Section 9.5 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or as specified in Section 9.5 below; and
- has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus.

9.5 Consents to the inclusion of information

Mallesons Stephen Jaques has given, and has not before the lodgment of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of its taxation opinion in Section 7 in the form and context in which it is included. Except with respect to its taxation opinion report, Mallesons Stephen Jaques has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Role	Consenting party
Arranger	Deutsche Bank AG
Security Trustee and Bond Trustee	Permanent Nominees (Aust.) Ltd
Registrar	Computershare Investor Services Pty Limited
Auditor	KPMG
Legal Advisers	Mallesons Stephen Jaques
Standard & Poor's	Standard & Poor's (Australia) Pty Limited
Co-Managers	ABN AMRO Morgans Limited
	Montagu Stockbrokers Pty Ltd

Deutsche Bank has given, and has not before the lodgment of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of the information in Sections 4.4 and 6.5 concerning Deutsche Bank and the Appendix of this Prospectus each in the form and context in which they are included. Except with respect to the information referred to above, Deutsche Bank has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Standard & Poor's has given, and has not before the lodgment of this Prospectus with ASIC withdrawn, its written consent to the inclusion in this Prospectus of references to its ratings in Sections 1.7, 2.8 and 2.9 in the form and context in which they are included. Except with respect to its ratings, Standard & Poor's has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

9.6 Consents of Directors

Each director of Nexus has given, and not withdrawn as at the date of this Prospectus, their consent to the lodgment of this Prospectus.

appendix

description of Portfolio companies

This Section provides a brief overview of each company in the Portfolio.

The information has been sourced from information publicly available from Bloomberg LLP, Standard & Poor's or has been provided by Deutsche Bank.

As each company in the Portfolio is either listed or a member of a listed group, all of the information contained in the summaries below can be found in publicly accessible information. This includes relevant stock exchange filings, company annual financial reports and company websites.

amcor limited

Credit Rating:	BBB+	Amcor Limited (Amcor) is an integrated packaging company offering packaging and related services in Australia, New Zealand, Asia, North America and Europe. Amcor primarily produces and focuses on specialty-printed cartons, flexible packaging, PET plastic bottles (world's largest), jars and specialty packaging. Amcor's products are used for tobacco packaging, food and aerosol and aluminum cans.
Established:	1926	
Employees:	29,500	
Annual Revenue:	A\$8.5 billion	
Shareholder Equity:	A\$4.5 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

amp group holdings limited

Credit Rating:	A	AMP Group Holdings Limited (AMP) is an intermediate holding company in the AMP Group, which is Australia's largest life insurer and funds management group. AMP indirectly owns and controls all of the AMP Group's life and funds management operations. AMP is the primary issuer of debt in the AMP Group and was the guarantor on a subordinated basis of the group's recent issue of reset preferred securities.
Shareholder Equity:	A\$8.9 billion	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Australia	

australian gas light company limited (the)

Credit Rating	A	Australian Gas Light Company Limited (The) (AGL) is Australia's largest energy retailer with over two million customers. It distributes, transports and sells natural gas and electricity throughout Australasia. The primary energy markets that the group services are the retail gas market in Sydney and the retail electricity markets in Victoria, South Australia and the ACT.
Established	1837	
Employees	3,000	
Annual Revenue	A\$3.1 billion	
Shareholder Equity	A\$2.3 billion	
Financial Year End	June 30, 2002	
Group Stock Listing:	Australia	

axa sa

Credit Rating:	A+	AXA SA (AXA) is one of the world's largest insurance groups with significant operations in the world's leading markets including the USA, Japan, France, Germany and the UK. AXA offers life and non-life insurance, reinsurance, savings and pension products, and asset management services. In Australia, AXA is the majority shareholder in AXA Asia Pacific (ex-National Mutual), which is one of the largest life insurance and funds management groups in the country.
Established:	1816	
Employees:	140,000	
Annual Revenue:	A\$133.5 billion ⁸	
Shareholder Equity:	A\$44.2 billion ⁸	
Financial Year End:	December 31, 2001	
Group Stock Listing:	France	

bayer ag

Credit Rating	A+	Bayer AG (Bayer) is one of the world's largest agrochemical and chemical manufacturers. It produces and markets healthcare and agricultural products, chemicals, and polymers. The Company manufactures aspirin, antibiotics, anti-infectives, cardiovascular, oncology and central nervous system drugs, over-the-counter medications, diagnostics, animal health products, crop protection products, basic and fine chemicals, plastics and polyurethanes.
Established:	1881	
Employees:	117,000	
Annual Revenue:	A\$53.9 billion ⁸	
Shareholder Equity:	A\$30.1 billion ⁸	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Germany	

bhp billiton limited

Credit Rating:	A	BHP Billiton Limited (BHP) is an international resources company that was formed from the merger of BHP Limited and Billiton PLC. The combined group was merged via a dual listed company structure, with the group's management team based in Australia. BHP's principal business lines are mineral exploration and production, including coal, iron ore, gold, titanium, ferroalloys, nickel and copper concentrate, as well as petroleum exploration, production, and refining.
Established:	1885	
Employees:	51,000	
Annual Revenue:	A\$32.3 billion ⁹	
Shareholder Equity:	A\$22.3 billion ⁹	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia / UK	

campbell soup company

Credit Rating:	A	Campbell Soup Company (Campbells), and its subsidiaries, manufactures and markets branded convenience food products. Campbell's three core divisions include soups and sauces, biscuits and confectionery, and foodservice. Campbells' brand names include Prego, Pace, Campbells', V8, and many other names. Campbells' distributes its products worldwide. In Australia, the group owns Arnotts Biscuits which is the leading player in the Australian biscuit market.
Established:	1869	
Employees:	24,000	
Annual Revenue:	A\$11.1 billion ⁹	
Shareholder Equity:	(A\$207 million) ⁹	
Financial Year End:	July 28, 2002	
Group Stock Listing:	USA	

appendix

description of Portfolio companies

caterpillar inc.

Credit Rating:	A+	Caterpillar Inc. (Caterpillar) is the world's largest producer of construction equipment. The group designs, manufactures and markets construction, mining, agricultural and forestry machinery. Caterpillar also manufactures engines and other related parts for its equipment and offers financing and insurance. Caterpillar distributes through a worldwide organisation of dealers.
Established:	1925	
Employees:	72,000	
Annual Revenue:	A\$37.1 billion ⁹	
Shareholder Equity:	A\$10.2 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

coca-cola amatil limited

Credit Rating:	A-	Coca-Cola Amatil Limited (Coca-Cola) manufactures, distributes and sells carbonated soft drinks along with mineral waters, fruit drinks, ready-to-drink coffee and tea. Beverage products include Coke, diet Coke, Sprite, Fanta, Lift and Mount Franklin. Coca-Cola's products are sold in Australia, New Zealand, Korea, Indonesia, PNG and Fiji.
Established:	1977	
Employees:	17,100	
Annual Revenue:	A\$3.6 billion	
Shareholder Equity:	A\$3.0 billion	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Australia	

coles myer limited

Credit Rating:	BBB+	Coles Myer Limited (Coles) is both Australia's largest retailer and largest private sector employer. It operates retail stores, including supermarkets, department stores, liquor stores and discount stores. Coles' 1,900 stores (approximately) are located throughout Australia. The group's stores include Target, K-Mart, Bi-Lo, Liquorland, Coles, Myer, Grace Bros. and Officeworks.
Established:	1900	
Employees:	160,000	
Annual Revenue:	A\$25.6 billion	
Shareholder Equity:	A\$3.3 billion	
Financial Year End:	July 31, 2002	
Group Stock Listing:	Australia	

csr limited

Credit Rating:	A-	CSR Limited (CSR) produces, through its subsidiaries, per-mixed concrete, concrete products, asphalt, plasterboard, brick and roof tiles, fibreglass, rockwool and foil insulation products. CSR makes wood panels, particleboard and fibreboard. CSR also has sugar mill operations in Australia and construction material businesses in the United States. CSR's major brands include CSR Gyprock, PGH (bricks) and Monier (tiles).
Established:	1885	
Employees:	16,000	
Annual Revenue:	A\$6.9 billion	
Shareholder Equity:	A\$4.1 billion	
Financial Year End:	March 31, 2002	
Group Stock Listing:	Australia	

daimlerchrysler ag

Credit Rating:	BBB+	DaimlerChrysler AG (DaimlerChrysler) is Germany's largest industrial corporation (based on revenue) and placed amongst the world's 5 largest passenger vehicle manufacturers. DaimlerChrysler designs, manufactures and markets automobiles, light trucks and commercial vehicles worldwide. DaimlerChrysler's brands include Mercedes-Benz, Chrysler, Jeep, Dodge and Smart brand automobiles.
Established:	1898	
Employees:	374,000	
Annual Revenue:	A\$251.9 billion ⁹	
Shareholder Equity:	A\$64.2 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Germany	

deere & company

Credit Rating:	A-	Deere & Company (John Deere) manufactures and distributes a range of agricultural, construction, commercial and consumer equipment. John Deere is the world's largest agricultural equipment maker with a global market share of around 50% in the large tractor and self-propelled combines market. The group also supplies replacement parts for its own products and for those of other manufacturers. John Deere also provides financial services through John Deere Capital Corporation.
Established:	1837	
Employees:	40,000	
Annual Revenue:	A\$21.9 billion ⁹	
Shareholder Equity:	A\$4.0 billion ⁹	
Financial Year End:	October 31, 2001	
Group Stock Listing:	USA	

dow chemical company (the)

Credit Rating:	A	Dow Chemical Company (The) (Dow) is one of the world's largest chemical producers, with a leading global position in most of its core business segments. Dow provides chemical, plastic, and agricultural products and services to various essential consumer markets. Dow serves customers in countries around the world in markets such as food, transportation, health and medicine, personal care and construction.
Established:	1897	
Employees:	50,000	
Annual Revenue:	A\$50.7 billion ⁹	
Shareholder Equity:	A\$18 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

duke capital corporation

Credit Rating:	A-	Duke Capital Corporation (Duke) is a wholly owned and integral member of Duke Energy Corporation (DEC). DEC on a consolidated basis is one of the largest energy groups in North America. Duke manages and owns all of the group's non-regulated energy activities, which includes gas pipelines in the US and Australia, international electricity generation facilities and the group's energy trading and marketing activities.
Annual Revenue:	A\$88.1 billion ⁹	
Shareholder Equity:	A\$20.1 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

appendix

description of Portfolio companies

foster's group limited

Credit Rating:	BBB+	Foster's Group Limited (Fosters) is Australia's largest alcoholic beverage group. It manufactures and markets alcoholic and non-alcoholic beverages and has a major investment in licensed properties. Foster's brews a number of branded beers, including "Foster's Lager", "Victoria Bitter" and "Carlton Cold". Fosters also produces wine through it's holding of Beringer Blass that includes brands such as "Wolf Blass".
Established:	1888	
Employees:	14,000	
Annual Revenue:	A\$5.1 billion	
Shareholder Equity:	A\$4.2 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

general electric capital corporation

Credit Rating:	AAA	General Electric Capital Corporation (GE) is a wholly owned subsidiary of the General Electric Company. GE provides financing, mortgage, insurance services, commercial real estate, automobile and rail car services. GE also finances aircraft leases, provides real estate mortgages and operates communication satellites. In Australia, the group is the largest provider of in-store finance following the group's recent acquisition of AGC from Westpac Banking Corporation.
Established:	1943	
Employees:	88,000	
Annual Revenue:	A\$88.1 billion ⁹	
Shareholder Equity:	A\$57.2 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

general property trust*

Credit Rating:	A+	General Property Trust (GPT) is Australia's third largest listed property trust with total assets of approximately A\$7 billion. GPT manages and invests in retail, office, industrial and hotel/tourism properties throughout Australia. The commercial property portfolio includes Riverside Centre and MLC Centre while GPT's retail properties include Charlestown Square, Bankstown Square and Penrith Plaza. GPT's hotel/tourism property is the Ayers Rock Resort.
Established:	1971	
Annual Revenue:	A\$696 million	
Shareholder Equity:	A\$4.8 billion	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Australia	

*Full legal name is GPT Management Limited as the responsible entity of the General Property Trust.

hewlett-packard company

Credit Rating:	A-	Hewlett-Packard Company (Hewlett-Packard) provides imaging and printing systems, computing systems and information technology services for business and home. Hewlett-Packard products include laser and inkjet printers, scanners, copiers and faxes, personal computers, workstations, storage solutions and other computing and printing systems. Hewlett-Packard sells its products worldwide.
Established:	1939	
Employees:	86,200	
Annual Revenue:	A\$82.1 billion ⁹	
Shareholder Equity:	A\$25.2 billion ⁹	
Financial Year End:	October 31, 2001	
Group Stock Listing:	USA	

household finance corporation

Credit Rating:	A-	Household Finance Corporation (HFC) is a subsidiary of Household International, Inc., and offers personal cash loans to consumers and provides commercial leasing and financing. In addition, HFC purchases sales finance receivables from retail merchants and offers various forms of insurance. HFC operates through branch lending offices in the United States. HFC is one of the oldest and the largest independent finance company's operating in the United States.
Established:	1925	
Employees:	30,000	
Annual Revenue:	A\$15.6 billion ⁹	
Shareholder Equity:	A\$15.6 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

international business machines corporation

Credit Rating:	A+	International Business Machines Corporation (IBM) provides computer solutions through the use of advanced information technology, systems, products, services, software and financing. IBM offers its products through its global sales and distribution organisation, as well as through a variety of third party distributors and resellers.
Established:	1924	
Employees:	320,000	
Annual Revenue:	A\$156.1 billion ⁹	
Shareholder Equity:	A\$42.9 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

j.p. morgan chase & co.

Credit Rating:	A+	JP Morgan Chase & Co. (JP Morgan) provides global financial services under the JP Morgan brand and retail banking under the Chase brand. JP Morgan provides services such as investment banking, treasury and securities services, asset management, private banking, cardmember services, commercial banking and home finance. JP Morgan serves business enterprises, institutions, and individuals.
Established:	1861*	
Employees:	95,000	
Annual Revenue:	A\$52.7 billion ⁹	
Shareholder Equity:	A\$74.5 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

*J.P. Morgan was established in 1861

lend lease corporation limited

Credit Rating:	A-	Lend Lease Corporation Limited (Lend Lease) provides real estate project management, project design, project financing and construction services along with property development. Lend Lease also manages property trusts (e.g. General Property Trust, Lend Lease US Office Trust) and limited partnerships. The group operates through various subsidiaries, which includes Lend Lease Projects, Delfin and Bovis Lend Lease.
Established:	1958	
Employees:	10,500	
Annual Revenue:	A\$12.4 billion	
Shareholder Equity:	A\$3.7 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

appendix

description of Portfolio companies

merrill lynch & co., inc.

Credit Rating:	A+	Merrill Lynch & Co., Inc. (Merrill) is a holding company that, through its subsidiaries and affiliates, provides investment, financing, advisory, insurance, banking, and related products and services on a global basis. These services include securities brokerage, trading and underwriting, investment banking, asset management, private equity investment and insurance underwriting.
Established:	1914	
Employees:	57,400	
Annual Revenue:	A\$70.3 billion ⁹	
Shareholder Equity:	A\$36.3 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

news corporation limited (the)

Credit Rating:	BBB-	News Corporation Limited (The) (News Corp) is an international media company. News Corp's operations include the production and distribution of motion pictures and television programming. News Corp provides television, satellite, and cable broadcasting and publication of newspapers, magazines, books and promotional inserts. In Australia, the group is the largest publisher of newspapers with titles that include The Australian, Herald Sun and the Daily Telegraph.
Annual Revenue:	A\$29.0 billion	
Shareholder Equity:	A\$39.4 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

philip morris companies inc.

Credit Rating:	A	Philip Morris Companies Inc. (Philip Morris) through its subsidiaries, manufactures and sells a variety of consumer products. Philip Morris provides tobacco products, as well as packaged foods such as cheese, processed meat products, coffee, and grocery products. Philip Morris' products are sold worldwide. The group's major brands include Kraft, Maxwell House, Oreo's and Marlboro. In Australia, the group has extensive operations through its Kraft subsidiary that includes brands such as Vegemite and Kraft Singles.
Established:	1902	
Employees:	169,000	
Annual Revenues:	A\$163.4 billion ⁹	
Shareholder Equity:	A\$35.6 billion ⁹	
Financial Year End:	December 31, 2001	
Group Stock Listing:	USA	

publishing & broadcasting limited

Credit Rating:	A-
Established:	1933*
Annual Revenue:	A\$2.5 billion
Shareholder Equity:	A\$3.5 billion
Financial Year End:	June 30, 2002
Group Stock Listing:	Australia

Publishing & Broadcasting Limited (PBL) is a media and entertainment company. PBL operates a broadcast network, Nine Network, and publishes consumer magazines that includes such titles as The Bulletin and Women's Weekly. PBL promotes various sporting events and distributes films and television programs, operates the Crown Casino in Victoria and has holdings in the Internet and the pay television sectors.

* Australian Consolidated Press was formed in 1933. PBL was acquired from Bond Corp and changed to its present name in 1994.

qantas airways limited

Credit Rating:	BBB+
Established:	1920
Employees:	30,000
Annual Revenue:	A\$11.3 billion
Shareholder Equity:	A\$4.2 billion
Financial Year End:	June 30, 2002
Group Stock Listing:	Australia

Qantas Airways Limited (Qantas) is an international airline with a network of domestic and intercontinental routes mainly in the Asia-Pacific region. In addition, Qantas operates a catering service and provides travel and holiday tourism services throughout Australia. Qantas provides electronic reservation systems, ground handling and engineering maintenance services. Since the demise of its major domestic competitor in 2001, Qantas now holds in excess of 75% market share in the Australian aviation market.

qbe insurance group limited

Credit Rating:	A-
Established:	1886*
Employees:	6,500
Annual Revenue:	A\$9.4 billion
Shareholder Equity:	A\$2.7 billion
Financial Year End:	December 31, 2001
Group Stock Listing:	Australia

QBE Insurance Group Limited (QBE) is an insurance company that underwrites most forms of commercial and industrial insurance policies, as well as individual policies. The coverage of QBE spans approximately 22 countries, including Bermuda, Hong Kong, New Zealand and the United Kingdom. QBE also provides reinsurance policies.

* North QLD insurance was established in 1886. Following a series of acquisitions and mergers, QBE was listed on the ASX in 1973.

appendix

description of Portfolio companies

rio tinto limited

Credit Rating:	A+
Established:	1905*
Employees:	36,000
Annual Revenue:	A\$18.9 billion ⁹
Shareholder Equity:	A\$12.9 billion ⁹
Financial Year End:	December 31, 2001
Group Stock Listing:	Australia / UK

Rio Tinto Limited (Rio) is an international mining company. Rio has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. Rio Tinto's various mining operations are located in Australia, South Africa, the US, South America, Europe and Indonesia.

* Rio Tinto was formed from the merger of RTZ Corporation PLC and CRA Limited in December 1995.

siemens ag

Credit Rating:	AA-
Established:	1847
Employees:	484,000
Annual Revenue:	A\$161.1 billion ⁸
Shareholder Equity:	A\$44.0 billion ⁸
Financial Year End:	September 30, 2001
Group Stock Listing:	Germany

Siemens AG (Siemens) is one of the world's leading electrical engineering and electronics companies. Siemens manufactures a wide range of industrial and consumer products. Siemens builds locomotives, traffic control systems, automotive electronics and engineers electrical power plants. Siemens also provides public and private communications networks, computers, building control systems, medical equipment and electrical components.

singtel optus pty limited

Credit Rating:	A+
Established:	1992
Employees:	8,200
Annual Revenue:	A\$4.9 billion
Financial Year End:	March 31, 2002
Group Stock Listing:	Singapore

SingTel Optus Pty Limited (Optus) is the second largest provider of communication and telecommunication services in Australia. Services provided by Optus include mobile communications services, national and international long distance services, local telephone services, business network services, internet services, premium TV, home and business services, enterprise and industry services. Optus is a wholly owned subsidiary of Singapore Telecommunications.

southcorp limited

Credit Rating:	BBB+
Employees:	2,500
Annual Revenue:	A\$2.8 billion
Shareholder Equity:	A\$2.2 billion
Financial Year End:	June 30, 2002
Group Stock Listing:	Australia

Southcorp Limited (Southcorp) is placed amongst the world's 20 largest wine producers, with about 20 million cases produced annually. Three of Southcorp's key brands, Lindemans, Rosemount & Penfolds are placed in the top 10 wines imported into the US and UK markets. The group is one of Australia's largest and most successful wine companies.

telecom corporation of new zealand limited

Credit Rating:	A
Established:	1987*
Employees:	6,800
Annual Revenues:	A\$4.7 billion ¹⁰
Shareholder Equity:	A\$1.1 billion ¹⁰
Financial Year End:	June 30, 2002
Group Stock Listing:	New Zealand

Telecom Corporation of New Zealand Limited (TCNZ) provides telecommunications services throughout New Zealand offering local, national and international telephone services to households and businesses. TCNZ's other services include leases circuits, data communications, directories, cellular, paging and Internet related services and solutions. In Australia, the Group is the 100% owner of AAPT, which is Australia's third largest telecommunications group.

* spun off from the NZ Post Office in 1987.

telstra corporation limited

Credit Rating:	AA-
Established:	1975*
Annual Revenues:	A\$20.1 billion
Shareholder Equity:	A\$14.1 billion
Financial Year End:	June 30, 2002
Group Stock Listing:	Australia

Telstra Corporation Limited (Telstra) is a full service domestic and international telecommunications provider for Australia. Telstra provides telephone exchange lines to homes and businesses, supplying local, long distance and international telephone calls and supplying mobile telecommunications services. Telstra also provides data, internet, on-line services and directory services.

* Telecom Australia was established in 1975.

appendix

description of Portfolio companies

walt disney company (the)

Credit Rating:	BBB+	Walt Disney Company (The) (Disney), an entertainment company, conducts operations in media networks, studio entertainment, theme parks and resorts, consumer products, Internet and direct marketing. Disney produces motion pictures, television programs and musical recordings, as well as publishes books and magazines. Disney also operates ABC radio and television and theme parks in North America.
Established:	1929	
Annual Revenues:	A\$45.8 billion ⁹	
Shareholder Equity:	A\$44.0 billion ⁹	
Financial Year End:	September 30, 2001	
Group Stock Listing:	USA	

wesfarmers limited

Credit Rating:	A-	Wesfarmers Limited (Wesfarmers) is a diversified company which manufactures fertilizers and chemicals, processes and distributes gas, mines and produces coal, retails building materials and hardware, forestry and timber production operations as well as providing rural and insurance services. Wesfarmers also provides general and freezer freight transportation services. The group's major retail operations are branded Bunnings, BBC Hardware and Hardwarehouse.
Established:	1914*	
Employees:	29,000	
Annual Revenue:	A\$7.3 billion	
Shareholder Equity:	A\$3.4 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

* Wesfarmers was established as a co-operative in 1914.

westfield trust*

Credit Rating:	A	Westfield Trust (Westfield) is Australia's second largest listed property trust with total assets of approximately A\$9.5 billion. Westfield is a retail property trust that owns regional shopping centres throughout Australia and New Zealand. The shopping centres provide goods and services through independent retailers, including department stores, discount stores, supermarkets, hardware stores, specialty chains and cinemas.
Established:	1982	
Annual Revenue:	A\$0.8 billion	
Shareholder Equity:	A\$5.9 billion	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Australia	

* Full legal name is Westfield Management Limited as the responsible entity of the Westfield Trust.

woodside petroleum limited

Credit Rating:	A-	Woodside Petroleum Limited (Woodside) explores for and produces oil and gas from offshore and onshore facilities located in Western Australia and Northern Territory. Woodside operates numerous oil and gas fields and pipelines throughout Australia, Papua New Guinea and Mauritania. Woodside's products include liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas.
Established:	1954	
Employees:	2,400	
Annual Revenue:	A\$2.3 billion	
Shareholder Equity:	A\$2.5 billion	
Financial Year End:	December 31, 2001	
Group Stock Listing:	Australia	

woolworths limited

Credit Rating:	A-	Woolworths Limited (Woolworths) operates supermarkets, specialty and discount stores, liquor and electronics stores throughout Australia. Woolworths also produces and distributes wholesales food and offers petrol retailing. Woolworths store names include "Woolworths", "Safeway" "Dick Smith" and "Big W".
Established:	1924	
Employees:	145,000	
Annual Revenue:	A\$24.5 billion	
Shareholder Equity:	A\$1.5 billion	
Financial Year End:	June 30, 2002	
Group Stock Listing:	Australia	

Footnotes:

⁸ The group's functional reporting currency is the Euro. As such, this has been converted to A\$ at the rate of A\$1=E0.54.

⁹ The group's functional reporting currency is the US\$. As such, this has been converted to A\$ at the rate of A\$1=US\$0.55.

¹⁰ The group's functional reporting currency is the NZ\$. As such, this has been converted to A\$ at the rate of A\$1=NZ1.15.

glossary

Term	Definition
Application	A valid application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of Nexus Yield Bonds.
Application Form	Each application form which is attached to, or accompanying, this Prospectus on which an offer to subscribe for Nexus Yield Bonds is made.
Arranger	Deutsche Bank.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
Bondholder	A person whose name is for the time being registered in the Register as the holder of a Nexus Yield Bond.
Bond Trust Deed	The bond trust deed between Permanent and Nexus dated 31 October 2002, which is summarised in Section 8.2.
Bond Trustee	Permanent or any other person appointed as bond trustee in accordance with the Bond Trust Deed.
Business Day	A day on which commercial banks and foreign exchange markets are generally open to settle payments in Sydney.
CHESS	Clearing House Electronic Subregister System operated by an associate of ASX.
Closing Date	The last day on which Application Forms will be accepted.
Co-Managers	ABN AMRO Morgans Limited (ABN 49 010 669 726). Montagu Stockbrokers Pty Ltd (ABN 46 009 368 432).
Company Event	The events described in Section 8.4 being "Bankruptcy", "Failure to Pay" and "Restructuring" in respect of a company in the Portfolio.
Computershare	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Corporations Act	Corporations Act 2001 (Cwlth).
Custodian	Deutsche Bank or such other person who is appointed by Nexus from time to time to act as custodian.
Deposit Account	The account opened with Deutsche Bank in Nexus' name into which the proceeds from the issue of Nexus Yield Bonds are deposited.
Deposit Bank	Deutsche Bank.
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162).
Deutsche Bank Protection Amount	Means the first \$15 million of losses calculated on the Portfolio. See Sections 2.11 and 5. If the amount raised from the Offer exceeds \$50 million, the Deutsche Bank Protection Amount will increase proportionately.
GST	Goods and Services Tax, a tax levied by the Australian Federal Government.
Issue Date	The date on which Nexus Yield Bonds are allotted to successful applicants.
Issue Price	\$100 per Nexus Yield Bond.

Term	Definition
Listing Rules	The Listing Rules of the ASX.
Master Trust Deed	The master trust deed between Nexus, Permanent and Deutsche Bank dated 29 October 2002, which is summarised in Section 8.3.
Maturity Date	The date which is five years after the Issue Date, provided that if, on that date, a Reduction Amount is still to be calculated or paid under the Portfolio Agreement, then the Maturity Date will be the date that the last Reduction Amount is payable. If the Maturity Date falls on a date that is not a Business Day, then the Maturity Date will be the next Business Day.
Nexus	Nexus Bond Ltd (ABN 23 101 744 389).
Nexus Yield Bonds	The debt securities issued under, and on the terms set out in, the Bond Trust Deed and the Master Trust Deed as described in this Prospectus.
Offer	The offer of Nexus Yield Bonds under this Prospectus.
Offer Period	The period commencing on the date the Offer opens and ending on the Closing Date.
Operating Agent	Deutsche Bank or such other person who is appointed by Nexus from time to time to act as operating agent.
Permanent	Permanent Nominees (Aust.) Ltd (ACN 000 154 441).
Portfolio	The portfolio of companies listed in Section 1.7.
Portfolio Agreement	The contract between Nexus and Deutsche Bank relating to the Portfolio, which is summarised in Section 8.4.
Portfolio Size	\$1 billion. If the amount raised from the Offer is more than \$50 million then the Portfolio Size will increase proportionately.
Principal Amount	\$100 per Nexus Yield Bond, as may be reduced from time to time as a result of any Company Events.
Prospectus	This Prospectus which is dated 31 October 2002.
Reduction Amount	The amount calculated under the Portfolio Agreement summarised in Sections 5 and 8.4 which is payable by Nexus to Deutsche Bank following a Company Event.
Register	The register of persons who hold Nexus Yield Bonds established and maintained in accordance with the Bond Trust Deed and includes any sub-register established and maintained under CHESS.
Registrar	Computershare and any other person who is appointed by Nexus from time to time to act as registrar of the Register.
Security Trustee	Permanent or any other person appointed as security trustee in accordance with the Master Trust Deed.
Standard & Poor's	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies acting through its wholly owned Australian subsidiary Standard & Poor's (Australia) Pty Ltd.
Term	The period of five years from the Issue Date subject to early or late redemption described in Section 8.1.

application forms

information to help you complete the application form

Important notice

Application Forms will only be accepted if they have been stamped by a Co-Manager, your broker or licensed securities adviser. Photocopied Application Forms will not be accepted.

A Application amount

You must apply for at least \$10,000 of Nexus Yield Bonds (100 x \$100 per Nexus Yield Bond).

You can apply for additional Nexus Yield Bonds in multiples of \$1,000 (10 x \$100 per Nexus Yield Bond).

B Name

Please see the back of the Application Form for details on how to correctly set out names.

C Address details

You need to write down the postal address that you want us to send all communications regarding your Nexus Yield Bonds.

If there is more than one applicant, only one address can still be used.

D TFN

You are not required to provide your Tax File Number (TFN) or (if applicable) your Australian Business Number (ABN). However, if you do not, Nexus is required by law to deduct Australian tax from all interest payments at the highest marginal tax rate plus the Medicare Levy.

If you are exempt, please write in your exemption category.

E CHESS HIN

If you are sponsored in CHESS by a stockbroker (or other CHESS participant) please provide your Holder Identification Number (HIN).

F Contact details

We need your contact details in case we need to contact you or your representative about your application.

G Application payment details

Do not send cash. If you do, your application will not be processed. We accept no responsibility for any cash sent to us or returned by us.

You must pay by cheque or money order.

If you are a broker firm applicant and require information about submitting an Application and payment instructions you should contact the Co-Manager or other organisation that you received your firm allocation of Nexus Yield Bonds from.

If you did not receive a firm allocation of Nexus Yield Bonds, you must make your cheque payable to "Nexus Yield Bond Application Account" and crossed "Not Negotiable" and return with your completed Application Form to a Co-Manager, or your broker or a licensed securities adviser. Do not return the Application Form or money to Nexus, the Arranger or Computershare.

Your cheque or money order must be in Australian dollars and must be drawn on an Australian branch of a financial institution.

H Interest payment details

You must include your bank account details for your interest payments to be processed.

Please check your details carefully.

If you are not sure, they can usually be found on your account statement.



directory

Issuer

Nexus Bonds Limited
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Arranger

Deutsche Bank AG
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: +61 2 9258 1234

Bond Trustee and Security Trustee

Permanent Nominees (Aust.) Ltd
35 Clarence Street
Sydney NSW 2000

Legal Advisers

Mallesons Stephen Jaques
Level 60
Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Auditor

KPMG
The KPMG Centre
45 Clarence Street
Sydney NSW 2000

Registrar

Computershare Investor
Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Co- Managers

ABN AMRO Morgans Limited
Level 29
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Tel: 1800 777 946

Montagu Stockbrokers Pty Ltd
Mezzanine Level
Australia Place
15 William Street
Perth WA 6000
Tel: 1300 859 595

Nexus Yield Bonds Information Line

Australia 1800 880 303

Monday to Friday 9.00am - 5.00pm (Sydney Time)