



20 September 2012

The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Deutsche Bank AG
Australia & New Zealand
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Dear Sir/Madam

2012 FINANCIAL REPORT

Attached please find the 2012 Financial Report to 30 June 2012 on behalf of Nexus Bonds Limited.

Yours faithfully
NEXUS BONDS LIMITED

A handwritten signature in black ink, appearing to be 'Ian S. Thompson', written over a horizontal line.

Ian S. Thompson
Company Secretary

Att

Nexus
Deutsche

Nexus Bonds Limited

ABN 23 101 744 389

**Financial report for the year ended
30 June 2012**

Nexus Bonds Limited **Directors' report**

The directors present their report together with the financial report of Nexus Bonds Limited ("the Company") for the year ended 30 June 2012 and the auditor's report thereon.

Directors

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

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

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings Held	Meetings Attended
Mr R J Nettleton	6	5
Mr S J Treanor	6	6
Mr P A G Pynes	6	6

Company Secretary

Ian Thompson, BEc was appointed to the position of Company Secretary on 23 January 2003. He has worked in a range of roles including Research and Policy Officer, Senior Administration Officer and Assistant Company Secretary in the State Superannuation Board, Local Government Superannuation Board, Public Authorities Board, State Superannuation Investment and Management Corporation and Axiom Funds Management Limited prior to being appointed as Company Secretary to various Group companies of Deutsche Bank in 2000.

Nexus Bonds Limited **Directors' report**

Principal activities

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

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

Review and result of operations

The profit after income tax amounted to \$26 (2011: loss \$99,674). Total assets of the Company amounted to \$67,074,252 (2011: \$55,326,915).

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

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance sheet date

In accordance with the Nexus4 Topaz Notes Prospectus dated 13 May 2005, the Investor Redemption Facility was offered to investors on 25 June 2012. As a result, 253,149 Notes were redeemed at a price of \$85.10 per Note on 9 July 2012.

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

Directors Interests and Benefits

Except as disclosed in this report or in the notes to this report, since the end of the previous financial year no director has received or become entitled to receive any benefit because of a contract made by the Company or a related entity with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest.

Likely developments

The provision of information regarding likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Nexus Bonds Limited **Directors' report**

Indemnification of officers and auditors

The Company has agreed to indemnify the following current and former directors of the Company, Mr R J Nettleton, Mr S J Treanor and Mr P A G Pynes against all liabilities to another person (other than the Company) that may arise from their positions as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Dividends

No dividends have been paid or proposed since establishment.

Rounding of Amounts

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

Auditor's independence declaration

A copy of the auditors' independence declaration is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2012. There were no non-audit services performed.

Remuneration report (audited)

The Directors and Company Secretary are the key management personnel of the Company. The names of each person holding the position of director of the Company during the financial year are Messrs RJ Nettleton, SJ Treanor and PAG Pynes.

PAG Pynes and his associates own indirectly 410 units of Nexus Topaz 4 Notes issued by the Company.

No remuneration is linked to performance and therefore there is no impact on performance or shareholder wealth in the current year or in the last 5 years.

Nexus Bonds Limited
Directors' report

Remuneration of key management personnel (audited)

The directors do not receive performance related remuneration. Directors' fees cover all main board activities. Details of the nature and amount of each major element of remuneration of each director of the Company ("specified directors") are:

	Year	Short-term employment benefit			Post-employment		Equity compensation	Other compensation		Total \$
		Salary & fees (A) \$	STI cash bonus \$	Non-monetary benefits \$	Super-annuation benefits \$	Pre-scribed benefits \$	Value of options \$	Termination benefits \$	Insurance premiums \$	
Specified directors										
<i>(Non-executive)</i>										
Mr R J Nettleton	2012	30,000	-	-	-	-	-	-	-	30,000
	2011	35,000	-	-	-	-	-	-	-	35,000
Mr S J Treanor	2012	27,523	-	-	2,477	-	-	-	-	30,000
	2011	32,110	-	-	2,890	-	-	-	-	35,000
Mr P A G Pynes	2012	27,523	-	-	2,477	-	-	-	-	30,000
	2011	32,110	-	-	2,890	-	-	-	-	35,000
Total all specified directors	2012	85,046	-	-	4,954	-	-	-	-	90,000
	2011	99,220	-	-	5,780	-	-	-	-	105,000

Directors' fees were agreed in 2003 and are only updated for new tranches. Directors' fees are fixed and not related to the performance of the Company. The Company Secretary is not remunerated by the Company

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

Notes in relation to the table of specified director's remuneration

(A) Salary and fees are for directors' duties in addition to an additional fee based on issuances. The fee for the issuance is agreed with the director at the time the new trade is done. There were no new issuances in 2012 (2011: nil).

Executive directors or executives

There are no executive directors or executives in the Company.

Dated at Sydney this 20th day of September 2012.

Signed in accordance with a resolution of the directors:



Director



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

To: the directors of Nexus Bonds Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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

KPMG

Shaun Kendrigan
Partner

Sydney

20 September 2012

Nexus Bonds Limited
Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Interest income	2	-	788
Interest expense	2	-	(762)
Net interest income		-	26
Net trading income	2	-	-
Other income		-	34
Administrative and other expenses	2	-	(160)
Profit / (Loss) before income tax		-	(100)
Income tax expense	3(a)	-	-
		-	(100)
Profit / (Loss) for the period		-	(100)
Other comprehensive income		-	-
Total comprehensive income		-	(100)
Profit / (Loss) attributable to owners of the company		-	(100)

The above statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 11 to 28.

Nexus Bonds Limited
Statement of Financial Position
As at 30 June 2012

	Note	2012 \$'000	2011 \$'000
ASSETS			
Cash and cash equivalents	4	18	3
Receivables	5	-	15
Financial assets at fair value through profit and loss	6	<u>67,056</u>	<u>55,308</u>
Total assets		<u><u>67,074</u></u>	<u><u>55,326</u></u>
LIABILITIES			
Trade and other payables	7	16	16
Current tax liabilities	3(b)	-	-
Financial liabilities at fair value through profit and loss	8	<u>67,056</u>	<u>55,308</u>
Total liabilities		<u><u>67,072</u></u>	<u><u>55,324</u></u>
Net assets		<u><u>2</u></u>	<u><u>2</u></u>
EQUITY			
Share capital	9	-	-
Retained profit		<u>2</u>	<u>2</u>
Total equity		<u><u>2</u></u>	<u><u>2</u></u>
Total equity attributable to equity holders of the company		<u><u>2</u></u>	<u><u>2</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes set out on pages 11 to 28.

Nexus Bonds Limited
Statement of changes in equity
For the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Total equity at the beginning of the year		<u>2</u>	<u>102</u>
Total comprehensive income		<u>-</u>	<u>(100)</u>
Total equity at the end of the year		<u>2</u>	<u>2</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 11 to 28.

Nexus Bonds Limited
Cash flow statement
For the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Cash receipts/(payments) in the course of operations		15	(298)
Interest received		-	854
Derivative premium received		-	506
Interest paid		-	(1,336)
Income tax paid		-	(2)
Net cash inflow/(outflow) from operating activities	12(ii)	15	(276)
Cash flows from investing activities			
Proceeds from loans		-	35,000
Net cash inflow from investing activities		-	35,000
Cash flows from financing activities			
Repayment of note upon maturity		-	(35,000)
Net cash outflow from financing activities		-	(35,000)
Net increase/(decrease) in cash and cash equivalents		15	(276)
Cash and cash equivalents at the beginning of the year		3	279
Cash and cash equivalents at the end of the year	12(i)	18	3

The above cash flow statement should be read in conjunction with the accompanying notes set out on pages 11 to 28.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

1. Summary of significant accounting policies

Nexus Bonds Limited (“the Company”) is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 20th September 2012.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASB”) of the Australian Accounting Standards Board and the Corporations Act 2001. The financial reports of the Company also comply with International Financial Reporting Standards (“IFRS”) and the interpretations adopted by the International Accounting Standards Board.

(b) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing the financial report.

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and is likely to affect the Company's accounting for its financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Company has not yet decided when to adopt AASB 9 and the extent of the impact has not been determined.
- AASB 13 Fair value measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). AASB 13 was released in September 2011. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard may impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

1. Summary of significant accounting policies (continued)

c) Basis of preparation of the annual financial report

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

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

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

The preparation of this financial report in conformity with AASB requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial report are the valuation of financial instruments measured at fair value (refer to note 6 and 8).

(d) Revenue recognition

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

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

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

(e) Income Tax

Income tax on the statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1. Summary of significant accounting policies (continued)

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Cash and cash equivalents

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

(g) Receivables

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

(h) Payables

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

(i) Interest-bearing liabilities

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

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

1. Summary of significant accounting policies (continued)

(j) Financial instruments at fair value through profit and loss

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

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

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

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

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

(iii) Derivatives

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

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

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

1. Summary of significant accounting policies (continued)

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

(iv) Embedded Derivatives

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

(k) Impairment

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

(l) Administrative and other expenses

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

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

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

2. Profit before income tax expense

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

		2012 \$'000	2011 \$'000
Interest income			
- Cash		-	10
- Loans – related party	(i)	-	778
		<u>788</u>	<u>788</u>
Net trading income / (expense)			
- Derivatives – related party	(ii)	-	(612)
- Embedded derivatives	(iii)	-	612
- Financial assets at fair value – related party	(iv)	11,747	5,933
- Financial liabilities at fair value	(iv)	(11,747)	(5,933)
		<u>-</u>	<u>-</u>
Interest expense			
- Interest-bearing liabilities	(v)	-	(762)
		<u>-</u>	<u>(762)</u>
Administrative and other expenses	(vi)	-	(160)
		<u>-</u>	<u>(160)</u>

Explanation of significant components of profit before income tax:

- (i) Loans: Interest income consists of interest earned on deposits or loans to related parties.
- (ii) Derivatives: Derivative premium of \$nil (2011: \$456,390) and gains of \$nil (2011: \$(155,527)) on portfolio agreements were recognised during the period as Net trading income.
- (iii) Embedded derivatives: Imputed derivative premium paid of \$nil (2011: \$(456,390)) and losses of \$nil (2011: \$155,527) were recognised during the period. The loss recognised on embedded derivatives that are recognised separately from the host debt contract, fully offsets the gain recognised on derivatives.
- (iv) The credit linked deposits and related Nexus 4 Topaz Notes (NXHBD) are remeasured to their fair value resulting in offsetting trading income and expense of \$11,747,300 (2011: \$5,932,900). The movement in fair value consists of the unrealised movement attributable to market price movements, net of the increase in accrued interest of \$nil (2011: \$nil). As a result of credit events during the prior years no further interest is payable on NXHBD.
- (v) Interest expense recognised on Interest-bearing liabilities is the total amount due to note holders in relation to the current period of \$nil (2011: \$1,218,672). This excludes imputed derivative premium of \$nil (2011: \$(456,390)) on the embedded derivatives, which is recognised separately in trading income (refer iii above).
- (vi) Administrative expenses consist mostly of directors' fees and operating agent fees.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

3. Income tax

(a) Income tax expense

	2012 \$'000	2011 \$'000
Income tax expense	-	-
	-	-
Total income tax expense is made up of:		
Current income tax provision	-	-
Profit / (Loss) from continuing operations before income tax expense	-	(100)
Tax at Australian tax rate 30%	-	-
Income tax expense	-	-

(b) Current tax liabilities

Provision for current income tax

Movements during the year were as follows:

Balance at beginning of the year	-	2
Income tax paid during the year	-	(2)
Income tax expense	-	-
Balance at end of the year	-	-

4. Cash and cash equivalents

Current account	18	3
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Cash assets are interest bearing and held with a large bank which has an investment grade credit rating. The carrying value of cash assets approximates its fair value.

5. Receivables

Short term trade receivables

Other receivables	-	15
	-	15

The ultimate credit risk on the loans is Deutsche Bank AG.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

6. Financial assets at fair value through profit and loss

Credit linked deposit – related party	67,056	55,308
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The Company has entered into a credit linked deposit with Deutsche Bank AG which exposes the Company to the creditworthiness of a portfolio companies ('reference entities'). Interest is receivable based on a floating interest rate which reflects changes in the credit market's view of the reference entities and changes in market interest rates.

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

7. Trade and other payables

Accrued management fees – related party	16	16
	16	16

8. Financial liabilities at fair value through profit and loss

	2012	2011
	\$'000	\$'000
Credit linked note – Nexus 4 Topaz Notes	67,056	55,308

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

As a result of credit events in the prior years, the Income Factor used to calculate interest payable on Nexus 4 Notes has reduced to zero. As such, no further interest is payable. The notes mature on 23 June 2015. These notes have been designated as financial liabilities at fair value through profit and loss. The notes and related credit linked deposit are managed and their performance monitored on a fair value basis (refer Notes 2 & 6).

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

9. Share capital

Issued and paid-up share capital

1 ordinary share, fully paid

\$	\$
1	1
<hr/>	

There have been no movements in share capital since incorporation.

The Company does not have authorised capital or par value in respect of its issued share. The issued share is fully paid. The holder of the ordinary share is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

10. Segment Information

Geographical segment

The Company's operations are conducted solely in Australia.

Business segment

The Company operates solely in the financial services sector.

The board of directors reviews the financial performance of the Company based on the overall performance of portfolio linked notes as a whole rather than individual note series.

11. Auditors Remuneration

Fees for services rendered to the Company by the auditors are borne by Deutsche Bank AG, a related party of the Company. The audit fee payable by Deutsche Bank AG on the Company's behalf for the year ended 30 June 2012 is \$21,699 (2011: \$21,699). There were no non-audit services performed.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

12. Notes to the Cash flow statement

(i) Reconciliation of cash

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

	2012	2011
	\$'000	\$'000
Cash assets	18	3

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

Loss after tax	-	(100)
<i>Changes in assets and liabilities:</i>		
Decrease in interest receivable	-	75
Decrease in derivative premium receivable	-	49
Decrease / (Increase) in other receivables	15	(4)
Decrease in interest payable	-	(123)
Decrease in other payables	-	(171)
Decrease in current tax liabilities	-	(2)
Net cash provided by/ (used in) operating activities	15	(276)

13. Dividends

No dividends were paid during the year (2011: nil).

14. Taxation

Income tax expense for the financial period presented is the expected tax payable on the taxable income for the year, calculated as the estimated average annual effective income tax rate applied to the profit before income tax for the year. Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the estimated average annual effective income tax rate for the financial period. The primary component of the entity's recognised deferred tax assets and liabilities include temporary differences related to the remeasurement of derivatives at fair value.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

15. Additional financial instruments disclosure

Risk Management

Risk is inherent in the entity's operating activities but is managed through a process of ongoing identification, measurement and monitoring. The independent risk controls process does not include business risk such as changes in environment, technology and industry which are part of the entity's strategic planning process.

The Company transacts financial instruments in respect of each series of notes issued (refer Note 8). Each series of notes is legally segregated and the Company is a bankruptcy remote entity, such that its obligations under each series of notes is limited in recourse to the assets of that series. Note-holders of one series have no claim to any assets of the Company in respect of any other series, including in the event of liquidation. The Company is not exposed to the financial risks arising from the financial instruments of each series, as those risks are ultimately borne by the note holders of each series.

The Board of Directors is responsible for the overall risk management approach and for approving the risk and strategies and principles.

The entity has risk management policies for the following exposures:

Credit Risk

Credit risk is the risk that the entity will incur a loss as a result that a counterparty fails to meet its obligations to the entity when due. The Company's credit risk is limited to its net assets held as cash with large banks that have an investment grade credit rating. As noted above, all credit risk in respect of financial assets transacted by the Company in respect of each legally segregated series of notes is ultimately borne by the noteholders. There is no credit risk exposure to the Company for those financial instruments.

Maximum credit risk exposure

The table below shows the maximum exposure to the credit risk for the components of the balance sheet, including derivatives, that is borne by the noteholders. The company has no credit risk exposure to these financial instruments that is not ultimately borne by noteholders. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements:

	Note	2012 \$'000	2011 \$'000
Receivables	5	-	15
Financial assets at fair value through profit and loss	6	<u>67,056</u>	<u>55,308</u>

Where financial instruments are recorded at fair value, the amounts above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The financial assets transacted by the Company are neither past due nor impaired.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

15. Additional financial instruments disclosure (continued)

Liquidity Risk

Liquidity risk is the risk that the entity will be unable to meet payment obligations when they fall due. The liquidity risk in respect of financial assets and liabilities transacted by the Company in respect of each legally segregated series of notes is ultimately borne by the noteholders.

The contractual maturity of all liabilities held are outlined below:

30 June 2012

	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities						
Payables – management fees	7	(16)	-	-	-	(16)
Financial liabilities at fair value	8	-	-	(67,056)	-	(67,056)
		(16)	-	(67,056)	-	(67,072)

30 June 2011

	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities						
Payables – management fees	7	(16)	-	-	-	(16)
Financial liabilities at fair value	8	-	-	(55,308)	-	(55,308)
		(16)	-	(55,308)	-	(55,324)

Market Risk

Market risk is the risk that the fair value of future cash flows of the financial instruments held by the entity will fluctuate due to changes in equity prices, credit spreads or interest rates. The market risk in respect of financial assets and liabilities transacted by the Company in respect of each legally segregated series of notes is ultimately borne by the noteholders. There is no market risk exposure to the Company for those financial instruments that is not ultimately borne by noteholders.

Changes to the fair value as a result of financial assets have offsetting impact from the changes in fair value of financial liabilities. As a result, any reasonable change in interest rates or equity prices would not affect the profit and loss and equity of the Company.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

15. Additional financial instruments disclosure (continued)

Interest rate risk exposures

The Company's exposure to interest rate risk is limited to the exposure to interest rate risk for classes of financial assets and financial liabilities, which is ultimately borne by the noteholders, and is set out below:

30 June 2012	Note	Fixed interest maturing in:					Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000			
Financial Assets								
Cash assets	4	18	-	-	-	-	18	
Receivables	5	-	-	-	-	-	-	
Financial assets at fair value	6	67,056	-	-	-	-	67,056	
		<u>67,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,074</u>	
Financial Liabilities								
Trade and other payables	7	-	-	-	-	(16)	(16)	
Financial liabilities at fair value	8	(67,056)	-	-	-	-	(67,056)	
		<u>(67,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(67,072)</u>	
30 June 2011								
30 June 2011	Note	Fixed interest maturing in:				Non-interest bearing \$'000	Total \$'000	
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000			
Financial Assets								
Cash assets	4	3	-	-	-	-	3	
Receivables	5	-	-	-	-	15	15	
Financial assets at fair value	6	55,308	-	-	-	-	55,308	
		<u>55,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>55,326</u>	
Financial Liabilities								
Trade and other payables	7	-	-	-	-	(16)	(16)	
Financial liabilities at fair value	8	(55,308)	-	-	-	-	(55,308)	
		<u>(55,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(55,324)</u>	

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

15. Additional financial instruments disclosure (continued)

Fair values of financial assets and liabilities

	2012		2011	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial Assets				
Cash and cash equivalents	18	18	3	3
Other receivables	-	-	15	15
Trade receivables	-	-	-	-
Financial assets at fair value through profit	67,056	67,056	55,308	55,308
	<u>67,074</u>	<u>67,074</u>	<u>55,326</u>	<u>55,326</u>
Financial Liabilities				
Trade and other payables	(16)	(16)	(16)	(16)
Financial liabilities at fair value through	(67,056)	(67,056)	(55,308)	(55,308)
	<u>(67,072)</u>	<u>(67,072)</u>	<u>(55,324)</u>	<u>(55,324)</u>

Monetary financial assets and liabilities are determined by valuing them at the present value of contractual future cash flows discounted at applicable market yields. The carrying amounts of cash, amounts payable or receivable with financial institutions and trading securities approximate their fair values.

The fair value of the financial assets and liabilities at fair value through profit and loss have been calculated using the mid price on the ASX as at 30 June 2012 and 2011, net of amounts reported separately for embedded derivatives. The fair values of derivatives are calculated based on valuation techniques where the model inputs are observable in the market.

Nexus Bonds Limited
Notes to the financial statements
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15. Additional financial instruments disclosure (continued)

Fair values of financial assets and liabilities

The carrying values of all financial instruments are stated at fair values shown in the Statement of Financial Position.

The following table shows an analysis of financial assets and liabilities recorded at fair value, between those fair values based on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and those where valuation techniques involve the use of non-market observable inputs.

Fair value hierarchy

Financial assets and liabilities carried at fair value are categorised under a three-level hierarchy as follows, depending on the fair value measurement applied:

Level 1: The fair value of instruments that are quoted in active markets are determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

Level 2: Instruments classified in this category are measured using valuation techniques with observable parameters.

Level 3: Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than significant impact on either the fair value of the instrument or the profit and loss of the instrument.

	Level 1 Published prices in active markets	Level 2 Valuation techniques with observable parameters	Level 3 Valuation techniques with unobservable parameters	TOTAL
30 June 2012	\$'000	\$'000	\$'000	\$'000
Financial Assets	-	67,056	-	67,056
Financial Liabilities	(67,056)	-	-	(67,056)
30 June 2011				
Financial Assets	-	55,308	-	55,308
Financial Liabilities	(55,308)	-	-	(55,308)

There were no transfers between levels in 2012 (2011: nil).

16. Capital Management

The Company holds nominal capital of \$3,056 (2011: \$3,030). The Company does not have any obligations to comply with any additional regulatory capital requirements.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

17. Related parties

Key Management Personnel

Directors

The Directors are the key management personnel of the Company. The names of each person holding the position of director of the Company during the financial year are Messrs RJ Nettleton, SJ Treanor and PAG Pynes.

PAG Pynes and his associates own indirectly 410 units (2011: 410 units) of Nexus Topaz 4 Notes issued by the Company.

Other than the above, no director has entered into a material contract with the Company during the financial period.

Non-Key Management Personnel

Transactions

The Company has significant transactions and a management agreement with Deutsche Bank AG (Sydney). Balances with related parties are detailed in notes 2, 5, 6 and 7.

Deutsche Bank AG holds 30,493,100 units (2011: 30,493,100 units) of Nexus Topaz 4 Notes issued by the Company.

For the financial period ended 30 June 2012 the Company received from Deutsche Bank AG (Sydney) interest of \$nil (2011: \$778,295) and premiums under the portfolio agreements of \$nil (2011: \$456,390).

For the year ended 30 June 2012 the Company incurred expenses of \$nil (2011: \$60,091) in relation to a management fee for services provided to it by Deutsche Bank AG (Sydney). \$15,907 from the management fee from the year ended 2011 (2011: \$15,907) remains unpaid at period end.

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

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

18. Director and executive disclosures

Remuneration of specified directors

Non-executive directors

Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities.

Details of the nature and amount of each major element of remuneration of each director of the Company ("specified directors") are:

	Year	Short-term employment benefit			Post-employment		Equity compensation	Other compensation		Total \$
		Salary & fees (A) \$	STI cash bonus \$	Non-monetary benefits \$	Super-annuation benefits \$	Pre-scribed benefits \$	Value of options \$	Termination benefits \$	Insurance premiums \$	
Specified directors										
<i>(Non-executive)</i>										
Mr R J Nettleton	2012	30,000	-	-	-	-	-	-	-	30,000
	2011	35,000	-	-	-	-	-	-	-	35,000
Mr S J Treanor	2012	27,523	-	-	2,477	-	-	-	-	30,000
	2011	32,110	-	-	2,890	-	-	-	-	35,000
Mr P A G Pynes	2012	27,523	-	-	2,477	-	-	-	-	30,000
	2011	32,110	-	-	2,890	-	-	-	-	35,000
Total all specified directors	2012	85,046	-	-	4,954	-	-	-	-	90,000
	2011	99,220	-	-	5,780	-	-	-	-	105,000

Notes in relation to the table of specified director's remuneration

(A) Salary and fees are for directors' duties in addition to an additional fee for each new issuance. The fee for the issuance is agreed with the director at the time the new trade is done.

Executive directors or executives

There are no executive directors or executives in the Company.

Nexus Bonds Limited
Notes to the financial statements
30 June 2012

19. Additional Information

Nexus Bonds Limited, is incorporated and domiciled in Australia.

The registered office:

Level 16
Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

The number of employees at year end was Nil.

20. Events subsequent to balance date

In accordance with the Nexus4 Topaz Notes Prospectus dated 13 May 2005, the Investor Redemption Facility was offered to investors on 25 June 2012. As a result, 253,149 Notes were redeemed and cancelled at a price of \$85.10 per Note on 9 July 2012.

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

Nexus Bonds Limited
Directors' declaration

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

(a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 7 to 28, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Dated at Sydney this 20th day of September 2012

Signed in accordance with a resolution of the directors:



Director



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

Report on the financial report

We have audited the accompanying financial report of Nexus Bonds Limited (the Company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Nexus Bonds Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Nexus Bonds Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Shaun Kendrigan
Partner

Sydney

20 September 2012