

Nexus Bonds Limited
(formerly known as Select Access Investments (No. 3) Limited)

ABN 23 101 744 389

Financial Report
30 June 2005

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 2005 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 including JPMorgan Trust Australia Limited and Marathon Asset Management (Australia) Limited. Director since 19 August 2002.
Mr Douglas W O'Neill	A corporate finance specialist with 35 years industry experience and has been involved in over 150 stock market takeovers. 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.

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	11	7
Mr D W O'Neill	11	9
Mr S J Treanor	11	11

Principal activities

The principal activities of the Company from its establishment on 19 August 2002 has been the issuance of bonds, the placement of bond proceeds on deposit, and the entering into portfolios agreement whereby the Company is exposed to the creditworthiness of a number of Australian and International Companies.

There have been no significant changes in the nature of the activities of the Company since establishment.

Nexus Bonds Limited

Directors' report

Review and result of operations

The profit from ordinary activities after income tax amounted to \$10,061 (2004: \$43,216).

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 date

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

Directors Interests and Benefits

Except as disclosed in this report or in the notes to the financial 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.

Indemnification of officers and auditors

The Company has agreed to indemnify the following current directors of the Company, Mr R J Nettleton, Mr D W O'Neill and Mr S J Treanor, 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.

Nexus Bonds Limited
Directors' report

Rounding of Amounts

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

Dated at Sydney this *15th* day of September 2005.

Signed in accordance with a resolution of the directors:



R J Nettleton
Chairman



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

To: the directors of Nexus Bonds Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

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

KPMG.

KPMG

Malcolm Ashcroft
Partner

Sydney

14 September 2005

Nexus Bonds Limited
Statement of Financial Performance
For the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Interest Revenue	2	7,806	4,784
Derivative Revenue	2	8,540	6,399
Total Revenue		<u>16,346</u>	<u>11,183</u>
Interest Expense	2	(14,045)	(9,472)
Service Fee		(2,285)	(1,648)
Other expenses from ordinary activities		<u>(2)</u>	<u>(1)</u>
Profit from ordinary activities before related income tax expense		14	62
Income tax expense relating to ordinary activities	3(a)	<u>(4)</u>	<u>(19)</u>
Net Profit		<u>10</u>	<u>43</u>
Basic earnings per share		<u>10</u>	<u>43</u>

The statement of financial performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 22.

Nexus Bonds Limited
Statement of Financial Position
As at 30 June 2005

	Note	2005 \$'000	2004 \$'000
Current assets			
Cash assets	4	14	350
Receivables	5	1,294	941
Total current assets		<u>1,308</u>	<u>1,291</u>
Non current assets			
Receivables	5	244,000	130,000
Total non current assets		<u>244,000</u>	<u>130,000</u>
Total assets		<u>245,308</u>	<u>131,291</u>
Current liabilities			
Payables	6	1,237	1,215
Current tax liabilities	3(b)	4	19
Total current liabilities		<u>1,241</u>	<u>1,234</u>
Non current liabilities			
Interest bearing liabilities	7	244,000	130,000
Total non-current liabilities		<u>244,000</u>	<u>130,000</u>
Total liabilities		<u>245,241</u>	<u>131,234</u>
Net assets		<u>67</u>	<u>57</u>
Equity			
Contributed equity	8	-	-
Retained profits	9	67	57
Total equity		<u>67</u>	<u>57</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 22.

Nexus Bonds Limited
Statement of Cash Flows
For the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Cash payments in the course of operations		(2,680)	(1,315)
Interest received		7,565	4,641
Derivative revenue received		8,574	6,268
Borrowing costs paid		(13,776)	(9,239)
Tax paid		(19)	(6)
Net cash provided by operating activities	10(ii)	<u>(336)</u>	<u>349</u>
Cash flows from financing activities			
Proceeds from bond issuance		<u>114,000</u>	<u>70,000</u>
Net cash provided by financing activities		<u>114,000</u>	<u>70,000</u>
Cash flows from investing activities			
Placement of funds on deposit		<u>(114,000)</u>	<u>(70,000)</u>
Net cash provided by investing activities		<u>(114,000)</u>	<u>(70,000)</u>
Net increase/(decrease) in cash held		(336)	349
Cash at the beginning of the financial year		350	1
Cash at the end of the financial year	10(i)	<u>14</u>	<u>350</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 22.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For year ended 30 June 2005

1. Statement of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest Revenue

Interest revenue includes interest received on loans and is recognised as it accrues, taking into account the effective yield on the financial asset.

Derivative Revenue

Derivative revenue includes premiums received on portfolio agreements and is recognised as it accrues, taking into account the effective yield on the financial asset.

(c) Borrowing costs

Borrowing costs include interest expense on bonds issued. Borrowing costs are expensed on an accruals basis.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For year ended 30 June 2005

(d) Taxation

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

(e) Receivables

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts.

The Company has entered into a Deposit Agreement. This agreement is referred to as a Loan within the Financial Report.

The carrying amount of receivables approximates net fair value.

(f) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days. The carrying amount of accounts payable approximates net fair value.

(g) Interest bearing liabilities

Interest bearing liabilities includes issued bonds which are recorded at cost.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

(h) Derivatives

The Company has entered into portfolio agreements. Derivatives are accounted for on an accruals basis and are recorded as either current receivables or current payables in the Statement of Financial Position. Premiums on derivatives are recorded as derivative revenue in the Statement of Financial Performance. The fair value of the credit derivative portfolio agreement is disclosed in Note 12.

(i) Service Fees

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.

2. Profit from ordinary activities before income tax expense

Profit from ordinary activities before income tax expense has been arrived at after receiving/(expensing) the following items:

	2005 \$'000	2004 \$'000
Interest revenue		
- Related party	7,794	4,781
- Other	12	3
	<u>7,806</u>	<u>4,784</u>
Derivative revenue		
- Related party	8,540	6,399
	<u>8,540</u>	<u>6,399</u>
Borrowing costs		
- Related party	(4,217)	(2,841)
- Other	(9,828)	(6,631)
	<u>(14,045)</u>	<u>(9,472)</u>

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

3. Income tax

(a) Income tax expense

	2005 \$'000	2004 \$'000
Prima facie income tax expense calculated at 30% (2004: 30%) on the profit from ordinary activities	4	19
Total income tax expense attributable to profit from ordinary activities	<u>4</u>	<u>19</u>
Total income tax expense is made up of:		
Current income tax provision	<u>4</u>	<u>19</u>

(b) Current tax liabilities

Provision for current income tax

Movements during the year were as follows:

Balance at beginning of the year	(19)	(6)
Income tax paid during the year	19	6
Current period's income tax expense on profit from ordinary activities	(4)	(19)
Balance at end of the year	<u>(4)</u>	<u>(19)</u>

4. Cash assets

Cash at bank and on hand	<u>14</u>	<u>350</u>
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The weighted average interest rate on cash assets at 30 June 2005 was 4.83% (2004: 4.16%)

All cash assets are held with large banks which have an acceptable credit rating. The carrying value of cash assets approximates for fair value.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

5. Receivables

	2005 \$'000	2004 \$'000
Current		
Accrued interest – Related party	584	343
Accrued derivative premium – Related party	499	464
Other debtors	211	134
	<u>1,294</u>	<u>941</u>

Non-Current

Loans – Related party	<u>244,000</u>	<u>130,000</u>
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The weighted average effective interest rate on loans at 30 June 2005 was 5.25% (2004:5.00%)

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

6. Payables

Accrued interest payable	959	689
Accrued management fees	278	520
Other creditors and accruals	-	6
	<u>1,237</u>	<u>1,215</u>

7. Interest-bearing liabilities

Non-current

Bonds issued	<u>244,000</u>	<u>130,000</u>
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Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

Bonds issued

The Company has issued 4 series of bonds:

- (1) Bonds issued amounting to \$60,000,000 that are 5 year, interest-bearing securities paying interest at a fixed rate of 10.25% per annum semi-annually over their term and maturing on 4 December 2007;
- (2) Bonds issued amounting to \$70,000,000 that are 6 year, interest-bearing securities paying interest at a floating rate of 3.25% over the 90 day Bank Bill Rate quarterly over their term and maturing on 16 December 2009;
- (3) Bonds issued amounting to \$35,000,000 that are 6 year, interest-bearing securities paying interest at a floating rate of 2.75% over the 90 day Bank Bill Rate quarterly over their term and maturing on 14 December 2010; and
- (4) Bonds issued amounting to \$79,000,000 that are 10 year, interest-bearing securities paying interest at a floating rate of 2.60% for the first period over the 180 day Bank Bill Rate. 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. Maturing on 23 June 2015.

The Company's ability to pay these enhanced returns are a result of Noteholders being exposed to the creditworthiness of a portfolio of Australian and international companies. Interest amounts and principal outstanding may be reduced 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.

Interest payments will generally be sourced from interest received from Deutsche Bank by the Company under Deposit Agreements and derivative premium income from Portfolio Agreements.

Each series of notes is legally segregated. Noteholders of one series have no claim to any assets of the Company in respect of any other series, including in the event of liquidation.

8. Contributed equity

	2005	2004
	\$	\$
Issued and paid-up share capital		
1 ordinary share, fully paid	1	1

There have been no movements in share capital since incorporation

9. Retained profit

	2005	2004
	\$'000	\$'000
Retained profits at the beginning of the year	57	14
Net profit	10	43
Retained profits at the end of the year	67	57

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

10. Notes to the statement of cash flows

(i) Reconciliation of cash

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

	2005 \$'000	2004 \$'000
Cash assets	14	350

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

Profit from ordinary activities after tax	10	43
Changes in assets and liabilities:		
Increase in interest receivable	(241)	(143)
Increase in derivative premium receivable	(34)	(131)
Increase in other receivables	(77)	(94)
Increase in interest payable	269	233
Increase/ (decrease) in other payables	(249)	428
Increase/ (decrease) in current tax liabilities	(14)	13
Net cash provided by operating activities	(336)	349

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 2005 is \$17,000 (2004: \$13,785).

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

12. Derivatives

The Company has entered into a number of portfolio agreements with Deutsche Bank which has exposed the Company to the creditworthiness of well known Australian and International companies with investment grade credit ratings. The Company becomes obligated to make payments to the Counterparty in the event of one of the Company's defaulting.

The current valuation of this obligation was:

	2005	2004
	\$'000	\$'000
Fair value of portfolio obligation	<u>8,558</u>	<u>7,379</u>

13. Segment Reporting

Geographical segment

The Company's operations are conducted solely in Australia.

Business segment

The Company operates in the financial services sector.

14. Additional financial instruments disclosure

(a) Interest rate risk exposures

The Company's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

30 June 2005	Note	Fixed interest maturing in:					Total	Weighted average interest rate %
		Floating interest rate	1 year or less	Over 1 to 5 years	Over 5 years	Non-interest bearing		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets								
Cash assets	4	14	-	-	-	-	14	4.83
Receivables – interest	5	-	-	-	-	1,083	1,083	
Other assets	5	-	-	-	-	211	211	
Receivables – loan	5	184,000	-	60,000	-	-	244,000	5.25
		<u>184,014</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>1,294</u>	<u>245,308</u>	
Financial Liabilities								
Payables – interest	6	-	-	-	-	(959)	(959)	
Payables – management fees	6	-	-	-	-	(278)	(278)	
Other liabilities	6	-	-	-	-	-	-	
Interest bearing liability-bond	7	(184,000)	-	(60,000)	-	-	(244,000)	8.95
		<u>(184,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>	<u>(1,237)</u>	<u>(245,237)</u>	
Portfolio agreement		184,000	-	60,000	-	-	244,000	4.71

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

30 June 2004	Note	Fixed interest maturing in:					Total	Weighted average interest rate %
		Floating interest rate	1 year or less	Over 1 to 5 years	Over 5 years	Non-interest bearing		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets								
Cash assets	4	350	-	-	-	-	350	4.16
Receivables – interest	5	-	-	-	-	807	807	-
Other assets	5	-	-	-	-	134	134	-
Receivables – loan	5	70,000	-	60,000	-	-	130,000	5.00
		<u>70,350</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>941</u>	<u>131,291</u>	
Financial Liabilities								
Payables – interest	6	-	-	-	-	(689)	(689)	-
Payables – management fees	6	-	-	-	-	(520)	(520)	-
Other liabilities	6	-	-	-	-	(6)	(6)	-
Interest bearing liability-bond	7	(70,000)	-	(60,000)	-	-	(130,000)	9.50
		<u>(70,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>	<u>(1,215)</u>	<u>(131,215)</u>	
Portfolio agreement		70,000	-	60,000	-	-	130,000	6.20

(b) Net fair values of financial assets and liabilities

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 net fair values.

	30 June 2005	
	Carrying value \$'000	Net fair value \$'000
Financial Assets		
Cash assets	14	14
Receivable – interest	1,083	1,083
Other assets	211	211
Portfolio agreement	-	8,558
Receivables – loans	244,000	230,005
	<u>245,308</u>	<u>239,701</u>
Financial Liabilities		
Payables – interest	(959)	(959)
Payables – management fees	(278)	(278)
Other liabilities	-	-
Interest bearing liabilities - bond	(244,000)	(246,620)
	<u>(245,237)</u>	<u>(247,857)</u>

The fair value of the bonds have been calculated using the closing price on the ASX as at 30 June 2005.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

	30 June 2004	
	Carrying value \$'000	Net fair value \$'000
Financial Assets		
Cash assets	350	350
Receivable – interest	807	807
Other assets	134	134
Portfolio agreement	-	7,379
Receivables – loans	130,000	121,274
	<u>131,291</u>	<u>129,944</u>
Financial Liabilities		
Payables – interest	(689)	(689)
Payables – management fees	(520)	(520)
Other liabilities	(6)	(6)
Interest bearing liabilities - bond	(130,000)	(132,070)
	<u>(131,215)</u>	<u>(133,285)</u>

The fair value of the bonds have been calculated using the closing price on the ASX as at 30 June 2004.

(c) Maturity analysis of assets and liabilities

The Company's maturity analysis of the carrying amounts of the following assets and liabilities is set out below:

30 June 2005							
	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Not specified \$'000	Total \$'000
Financial Assets							
Cash assets	4	14	-	-	-	-	14
Receivables – interest	5	-	1,083	-	-	-	1,083
Other Assets	5	-	211	-	-	-	211
Receivables – loan	5	-	-	130,000	114,000	-	244,000
		<u>14</u>	<u>1,294</u>	<u>130,000</u>	<u>114,000</u>	<u>-</u>	<u>245,308</u>
Financial Liabilities							
Payables – interest	6	-	(959)	-	-	-	(959)
Payables – management fees	6	-	(278)	-	-	-	(278)
Other liabilities	6	-	-	-	-	-	-
Interest bearing liabilities - bond	7	-	-	(130,000)	(114,000)	-	(244,000)
		<u>-</u>	<u>(1,237)</u>	<u>(130,000)</u>	<u>(114,000)</u>	<u>-</u>	<u>(245,237)</u>

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

30 June 2004

	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Not specified \$'000	Total \$'000
Financial Assets							
Cash assets	4	350	-	-	-	-	350
Receivables – interest	5	-	807	-	-	-	807
Other Assets	5	-	134	-	-	-	134
Receivables – loan	5	-	-	130,000	-	-	130,000
		350	941	130,000	-	-	131,291
Financial Liabilities							
Payables – interest	6	-	(689)	-	-	-	(689)
Payables – management fees	6	-	(520)	-	-	-	(520)
Other liabilities	6	-	(6)	-	-	-	(6)
Interest bearing liabilities - bond	7	-	-	(130,000)	-	-	(130,000)
		-	(1,215)	(130,000)	-	-	(131,215)

15. Related parties

Directors

The names of each person holding the position of director of the Company during the financial year are Messrs RJ Nettleton, DW O'Neill and SJ Treanor.

Details of directors remuneration are set out in Note 17.

No director has entered into a material contract with the Company during the financial year.

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 and 6.

For the year ended 30 June 2005 the Company received from Deutsche Bank AG (Sydney) interest of \$7,794,439 and premiums under the portfolio agreements of \$8,540,342. Since the last settlement date on 16th June 2005 an additional \$498,514 in derivative income and \$584,012 in interest income has been accrued.

For the year ended 30 June 2005 the Company incurred expenses of \$2,284,503 in relation to a management fee for services provided to it by Deutsche Bank AG (Sydney). Of this amount, \$66,483 remains unpaid at year end.

Pan Australian Nominees Pty Limited is holding \$10,519,682 of the Company's bonds at year end.

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

16. Dividends

Dividend franking account

	2005	2004
	\$'000	\$'000
Franking credits available to shareholders for subsequent financial years	8	3

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

17. Director and executive disclosures for disclosing entities

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	Primary			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	2005	50,000	-	-	-	-	-	-	-	50,000
	2004	35,000	-	-	-	-	-	-	-	35,000
Mr D W O'Neill	2005	50,000	-	-	-	-	-	-	-	50,000
	2004	35,000	-	-	-	-	-	-	-	35,000
Mr S J Treanor	2005	50,000	-	-	-	-	-	-	-	50,000
	2004	35,000	-	-	-	-	-	-	-	35,000
Total all specified directors	2005	150,000	-	-	-	-	-	-	-	150,000
	2004	105,000	-	-	-	-	-	-	-	105,000

Nexus Bonds Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2005

Notes in relation to the table of specified directors 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.

18. Impact of adopting Australian equivalents to International Financial Reporting Standards

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

(a) Transition management

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS, and
- evaluation of the implications for staff, for example training requirements.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the entity to generate the required reconciliations and disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

(b) Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed, are based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's financial position, results of operations and cash flows in accordance with AIFRS.

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This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP. Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes.

Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

No adjustments are expected for the Company.

(b) Financial instruments

The Company expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. As such there are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and AASB 139.

Loans and receivables

All loans and receivables will be recognised at fair value. Subsequent to initial recognition they will be recorded at amortised cost.

Interest bearing liabilities

All interest bearing liabilities will be initially recognised at the fair value of the consideration received. Subsequent to initial recognition they will be recorded at amortised cost.

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Portfolio agreements

Under AIFRS, it is likely that the portfolio agreement will be classified as a financial guarantee contract. The accounting for financial guarantee contracts is presently addressed by IFRS 4. The standard states that financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of fair value or any provision that is recognised due to probable losses. As the fair value of the portfolio agreements approximate zero at inception and that no probable losses have been identified, no balance is expected to be recognised in the financial statements under AIFRS.

19. Additional Information

Nexus Bonds Limited, is incorporated and domiciled in Australia.

The registered office:
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

The number of employees at year end was Nil.

Directors' declaration

In the opinion of the directors of Nexus Bonds Limited ("the Company").

- (a) the financial statements and notes, set out on pages 5 to 22 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



R J Nettleton
Chairman

14 September 2005
Dated



Independent audit report to the members of Nexus Bonds Limited

Scope

We have audited the financial report of Nexus Bonds Limited (the "Company") for the financial year ended 30 June 2005, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 19, and the directors' declaration set out on pages 5 to 23. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Nexus Bonds Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

Malcolm Ashcroft
Partner

Sydney

14 September 2005

