

Nexus Bonds Limited

ABN 23 101 744 389

**Interim financial report for the half-year ended
31 December 2014**

Nexus Bonds Limited **Directors' report**

The directors present their report together with the financial report of Nexus Bonds Limited ("the Company") for the half-year ended 31 December 2014 and the auditor's report thereon.

Directors

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

<i>Name and Qualifications</i>	<i>Experience and special responsibilities</i>
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 in the Global Markets Group where he gained extensive knowledge of structured debt products as well as capital raising and syndication. Peter holds directorships in several private investment companies and was appointed as a non-executive director of Neon Energy Limited on 19 th December 2014. Director since 23 September 2009.

Principal activities

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

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

Review and result of operations

The loss amounted to (\$92) (Half-year 2013: loss (\$89)).

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.

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

Nexus Bonds Limited
Directors' Report

Rounding of Amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2014. There were no non-audit services performed during the half-year to 31 December 2014.

Dated at Sydney this 10th day of March 2015.

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 review for the half-year ended 31 December 2014 there have been:

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

KPMG

Andrew Dickinson
Partner

Sydney

10 March 2015

Nexus Bonds Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2014

	Note	Half-year 2014 \$'000	2013 \$'000
Net trading income	2	-	-
Profit before income tax		<u>-</u>	<u>-</u>
Income tax expense	9	-	-
		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 9 to 23.

Nexus Bonds Limited
Statement of Financial Position
As at 31 December 2014

	Note	31 December 2014 \$'000	30 June 2014 \$'000
ASSETS			
Cash and cash equivalents	3	2	2
Financial assets at fair value through profit and loss	4	<u>52,080</u>	<u>50,196</u>
Total assets		<u>52,082</u>	<u>50,198</u>
LIABILITIES			
Financial liabilities at fair value through profit and loss	5	<u>52,080</u>	<u>50,196</u>
Total liabilities		<u>52,080</u>	<u>50,196</u>
Net assets		<u>2</u>	<u>2</u>
EQUITY			
Share capital	6	-	-
Retained earnings		<u>2</u>	<u>2</u>
Total equity		<u>2</u>	<u>2</u>

The above statement of financial position should be read in conjunction with the accompanying notes set out on pages 9 to 23.

Nexus Bonds Limited
Statement of changes in equity
For the half-year ended 31 December 2014

	Half-year	
	2014 \$'000	2013 \$'000
Total equity at the beginning of the half-year	<u>2</u>	<u>2</u>
Total comprehensive income	<u>-</u>	<u>-</u>
Total equity at the end of the half-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 9 to 23.

Nexus Bonds Limited

Cash flow statement

For the half-year ended 31 December 2014

		Half-year	
	Note	2014	2013
		\$'000	\$'000
Cash flows from operating activities			
Interest received		-	-
Net cash outflow from operating activities	8 (ii)	-	-
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the half-year		2	2
Cash and cash equivalents at the end of the half-year	8(i)	<u>2</u>	<u>2</u>

The above cash flow statement should be read in conjunction with the accompanying notes set out on pages 9 to 23.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

1. Summary of significant accounting policies

Nexus Bonds Limited (“the Company”) is a company domiciled in Australia. The interim financial report was authorised for issue by the Directors on 10th March 2015. The company is a for-profit entity.

(a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* (“AASB 134”) and the Corporations Act 2001.

The interim financial report of the Company also complies with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as issue by the International Accounting Standard Board (“IASB”).

(b) Changes in accounting policies

The Company has adopted the following new standards and amendments to standards as at 1 January 2014. The impact of the adoption as a result of the changes in accounting policies is summarised below:

Reference	Summary	Impact on Company financial report
IAS 32 and IFRS 7 and AASB 2012-2	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS32) clarifies the meaning of “currently has a legally enforceable right to set off “. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. In addition, these standards require additional disclosure requirements on offsetting financial assets and financial liabilities.	The application of the standard did not result in material impact the Company’s financial statements.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(c) Basis of preparation of the half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all 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 financial instruments designated at fair value through profit and loss are stated at their fair value.

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

The preparation of this financial report in conformity with AASB 134 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial report are the valuation of financial instruments measured at fair value (refer to note 4 & 5).

(d) Revenue recognition

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

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

Financial instruments at fair value through profit and loss: Net trading income comprises realised and unrealised gains and losses from financial instrument at fair value through profit and loss.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(e) Income Tax

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

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

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

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

(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.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(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.

(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 (the Deposit Account for Nexus4 Topaz Notes) is designated at fair value through profit and loss and initially recognised at fair value. Subsequent to initial recognition, it is stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income as Net trading income. Fair value is determined by reference to the market price of the related Nexus4 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 Nexus4 Topaz Notes are designated at fair value through profit and loss and are recognised initially at fair value. Subsequent to initial recognition, they are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the Statement of Comprehensive Income as Net trading income. Fair value is calculated based on the mid price quoted on the ASX if an active market exists for the Note. If an active market does not exist, management establishes fair value by use of a valuation technique, such as a pricing model that incorporates market data and discounted cash flow techniques.

Nexus Bonds Limited

Notes to the financial statements

For the half-year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(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.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

2. Profit before income tax expense

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

		31 December 2014 \$'000	31 December 2013 \$'000
Net trading income / (expense)			
- Financial assets at fair value – related party	(i)	1,884	537
- Financial liabilities at fair value	(i)	(1,884)	(537)
		<u>-</u>	<u>-</u>

Explanation of significant components of profit before income tax expense:

- (i) The credit linked deposit and related Nexus4 Topaz Notes (NXBHD) are remeasured to their fair value resulting in offsetting trading income and expense of \$1,883,915 (2013: \$536,851). The movement in fair value consists of the unrealised movement attributable to market price movements.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

3. Cash and cash equivalents

	31 December 2014 \$'000	30 June 2014 \$'000
Current account	<u>2</u>	<u>2</u>

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

4. Financial assets at fair value through profit and loss

	31 December 2014 \$'000	30 June 2014 \$'000
Credit linked deposit – related party	<u>52,080</u>	<u>50,196</u>

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

As a result of credit events in prior periods, 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 5).

Total notes remaining on issue as at 31 December 2014 were 536,851.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

5. Financial liabilities at fair value through profit and loss

	31 December 2014 \$'000	30 June 2014 \$'000
Credit linked note – Nexus4 Topaz Notes	<u>52,080</u>	<u>50,196</u>

Nexus4 Topaz Notes: Notes initially issued amounting to \$79,000,000 that are 10 year, interest-bearing securities paying interest at a floating rate of 2.60% over the 180 day Bank Bill Rate for the first half-year interest period. Thereafter interest is payable based on a floating interest rate which reflects changes in the credit market's view of companies in the portfolio as well as changes in the market interest rates.

As a result of credit events in prior periods, the Income Factor used to calculate interest payable on Nexus4 Topaz Notes has reduced to zero. As such, no further interest is payable. The notes mature on 23 June 2015. These notes have been designated as financial liabilities at fair value through profit and loss. The notes and related credit linked deposit are managed and their performance monitored on a fair value basis (refer Note 4).

Total notes remaining on issue as at 31 December 2014 were 536,851.

6. Share capital

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

There have been no movements in share capital since incorporation.

7. Segment Information

Geographical segment

The Company's operations are conducted solely in Australia.

Business segment

The Company operates solely in the financial services sector.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

8. Notes to the Cash flow statement

(i) Reconciliation of cash

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

	31 Dec	30 June
	2014	2014
	\$'000	\$'000
Cash assets	<u>2</u>	<u>2</u>

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

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

9. Taxation

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the estimated average annual effective income tax rate for the half-year. The change in deferred tax asset was \$nil during the half-year (\$nil for the half-year ended 31 December 2013).

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

10. 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 4 & 5). 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	2014 \$'000	2013 \$'000
Financial assets at fair value through profit and loss	4	<u>52,080</u>	50,196

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.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

10. Additional financial instruments disclosure (continued)

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

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:

31 December 2014

	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities						
Financial liabilities at fair value	5	-	(52,080)	-	-	(52,080)
		-	(52,080)	-	-	(52,080)

30 June 2014

	Note	At call \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial Liabilities						
Financial liabilities at fair value	5	-	(50,196)	-	-	(50,196)
		-	(50,196)	-	-	(50,196)

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
For the half-year ended 31 December 2014

10. 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:

31 December 2014	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	3	2	-	-	-	-	2	
Financial assets at fair value	4	52,080	-	-	-	-	52,080	
		<u>52,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,082</u>	
Financial Liabilities								
Financial liabilities at fair value	5	(52,080)	-	-	-	-	(52,080)	
		<u>(52,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,080)</u>	
30 June 2014								
30 June 2014	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	3	2	-	-	-	-	2	
Financial assets at fair value	4	50,196	-	-	-	-	50,196	
		<u>50,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,198</u>	
Financial Liabilities								
Financial liabilities at fair value	5	(50,196)	-	-	-	-	(50,196)	
		<u>(50,196)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,196)</u>	

Nexus Bonds Limited

Notes to the financial statements

For the half-year ended 31 December 2014

10. Additional financial instruments disclosure (continued)

Fair values of financial assets and liabilities

	31 December 2014		30 June 2014	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial Assets				
Cash and cash equivalents	2	2	2	2
Financial assets at fair value through profit and loss	52,080	52,080	50,196	50,196
	<u>52,082</u>	<u>52,082</u>	<u>50,198</u>	<u>50,198</u>
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(52,080)	(52,080)	(50,196)	(50,196)
	<u>(52,080)</u>	<u>(52,080)</u>	<u>(50,196)</u>	<u>(50,196)</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 31 December 2014 and 30 June 2014.

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

10. 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
31 December 2014	\$'000	\$'000	\$'000	\$'000
Financial Assets	-	52,080	-	52,080
Financial Liabilities	(52,080)	-	-	(52,080)
30 June 2014	\$'000	\$'000	\$'000	\$'000
Financial Assets	-	50,196	-	50,196
Financial Liabilities	(50,196)	-	-	(50,196)

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels in 2014 (2013: nil).

Nexus Bonds Limited
Notes to the financial statements
For the half-year ended 31 December 2014

11. Related parties

Key management personnel

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

Transactions

The Company has significant transactions and a management agreement with Deutsche Bank AG (Sydney). Balances with related parties are detailed in Note 4.

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.

12. 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 year.

13. 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. (2013: Nil).

14. Contingent Assets and Liabilities or Commitment

There are no outstanding assets and liabilities or commitments as at 31 December 2014 and 30 June 2014.


Nexus Bonds Limited
Directors' Declaration

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

- (a) the financial statements and notes set out on pages 5 to 23 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2014, and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Dated at Sydney this 10th day of March 2015.

Signed in accordance with a resolution of the directors:



Director



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

We have reviewed the accompanying interim financial report of Nexus Bonds Limited (the Company), which comprises the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the interim period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration..

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Nexus Bonds Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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



(a) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Andrew Dickinson
Partner

Sydney

10 March 2015