



Chartered Accountants
& Business Advisers

TO CREDITORS

**INTERNATIONAL BUILDING INDUSTRIES LTD
ACN 116 936 862
NON SKID AUSTRALIA PTY LTD
ACN 117 321 767
S.E.P. (DIST) PTY LTD
ACN 119 424 814
I.B.S. (DIST) PTY LTD
ACN 117 770 822
STERLING ENGINEERED PRODUCTS PTY LTD
ACN 113 809 206
I.B.I.L. (ADMIN) PTY LTD
ACN 118 339 825
S.E.P. LOGISTICS PTY LTD
ACN 117 767 683
(ALL ADMINISTRATORS APPOINTED)
(‘the Companies’)**

John Maxwell Morgan and myself were appointed joint and several Administrators of the Companies on 2 October 2007, pursuant to Section 436A of the *Corporations Act 2001* (‘the Act’).

A second meeting of creditors to decide the Companies’ future was convened on 30 November 2007 and adjourned for the maximum statutory period of 60 days pursuant to section 439B(2) of the Act.

The reconvened meeting will be held, on Tuesday 29 January 2008 at the offices of PKF Chartered Accountants and Business Advisers, Level 6, 10 Eagle Street, Brisbane at 2:30pm.

Creditors at that meeting may resolve one of the following:

1. That the Administration of the Companies should end and control of the Companies revert to their directors; or
2. That the Companies be wound up; or
3. That the Companies execute a Deed of Company Arrangement.

The following documents are **attached** to this circular for your information and consideration:

1. Notice of reconvened meetings;

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia

GPO Box 1078 | Brisbane | Queensland 4001 | Australia

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.
Liability limited by a scheme approved under Professional Standards Legislation

2. Formal proof of debt or claim (Form 535) for each company

Creditors who have already lodged a proof of debt with the Administrators are not required to lodge a further proof of debt unless they wish to amend their claim.

Creditors who have not lodged a proof of debt should lodge their claim with the Administrators by 4pm on the last business day before the meeting.

3. Appointment of Proxy Form (Form 532) for each company

Proxies provided by creditors for the first meeting, held on 9 October 2007, cannot be used for the reconvened meeting to be held on 29 January 2008. Creditors who submitted a proxy at the meeting on 30 November 2007 are not required to submit another proxy unless they wish to amend the proxy. As some of the resolutions for the reconvened meeting have changed, creditors who provided a special proxy at the meeting convened on 30 November 2007 are requested to provide a new special proxy for the reconvened meeting.

Proxies will be accepted at any time before the start of the reconvened meeting. However, we request that proxies be lodged before 4pm on the last business day before the meeting.

Creditors please note that in accordance with regulation 5.6.33 of the Corporations Regulations a person acting under:

- (a) a general proxy; or
- (b) a special proxy;

must not vote in favour of any resolution which would directly or indirectly place:

- (a) the person; or
- (b) the person's partner; or
- (c) the person's employer;

in a position to receive any remuneration out of assets of the company except as a creditor rateably with the other creditors of the company.

Accordingly, any creditor wishing to appoint the Chairman as their proxy must carefully review the Form 532 Appointment of Proxy Form. The proxy in favour of the Chairman must be a special proxy and your vote should be marked against each resolution put forward. The chairman will not be able to exercise your vote in regard to any resolution regarding remuneration or any amended resolution.

If you wish to appoint a general proxy, it should be in favour of someone other than the Administrators or Chairman.

4. Report by the Administrators detailing the Companies' business, property, affairs and financial circumstances.

Should you require any further information in relation to the above please do not hesitate to contact me.

Dated this 21st day of January 2008.



GAVIN C MORTON
Administrator
encl

FORM 529

Sub-regulation 5.6.12(2)

Corporations Act 2001

NOTICE OF RECONVENED CONCURRENT MEETINGS OF CREDITORS

**INTERNATIONAL BUILDING INDUSTRIES LTD
ACN 116 936 862
NON SKID AUSTRALIA PTY LTD
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ACN 118 339 825
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ACN 117 767 683
(ALL ADMINISTRATORS APPOINTED)
(‘the Companies’)**

Notice is hereby given that a meeting of creditors of the Companies adjourned on 30 November 2007 will be reconvened at the offices of PKF Chartered Accountants and Business Advisers, Level 6, 10 Eagle Street, Brisbane on Tuesday 29 January 2008 at 2:30pm.

AGENDA

1. Receive a report by the Administrators.
2. Receive a statement setting out details of the proposed Deed of Company Arrangement.
3. Receive a statement setting out the Administrators’ opinion about each of the following matters:
 - a) whether it would be in the creditors’ interests for the Companies to execute a Deed of Company Arrangement;
 - b) whether it would be in the creditors’ interests for the Administrations to end;
 - c) whether it would be in the creditors’ interests for the Companies to be wound up;and their reasons for those opinions.
4. Resolve:
 - a) that the Companies execute a Deed of Company Arrangement; or
 - b) that the Administrations should end; or
 - c) that the Companies be wound up

5. Approval of the remuneration of the Administrators;
6. If creditors resolve that a Deed of Company Arrangement is to be executed, approval of the remuneration of the Administrators of the Deed;
7. If the Companies are placed into liquidation, appointment of a Committee of Inspection;
8. If the Companies are placed into liquidation and no Committee of Inspection is appointed, approval of the Liquidators' remuneration.
9. General Business.

NOTE: CREDITORS WHO MAY VOTE

A person shall not be entitled to vote as a creditor at a Meeting of Creditors unless:

- a) he or she has lodged, with the Chairman of the Meeting or with the person named in the Notice convening the Meeting as the person who may receive particulars of the debt or claim:
 - i) those particulars; or,
 - ii) where required, a formal Proof of Debt of claim (Form 535);
- b) and the Administrators have admitted the claim, wholly or in part, for the purposes of voting at the meeting of creditors

Forms of Proof of Debt and Proxy should be returned to this office no later than 4.00pm on the last business day before the meeting. Proofs of Debt should show whether any priority is claimed under Section 556 of the Act.

A secured creditor may vote for the whole of his debt without deduction for his security (reg. 5.6.24(4)).

Dated this 21st day of January 2008.



GAVIN C MORTON
Administrator

Australian Company Number: 116 936 862

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of International Building Industries Limited (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration

stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

- *3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Australian Company Number: 117 321 767

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of Non Skid Australia Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor

for the amount \$

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt,
to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Australian Company Number: 119 424 814

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of S.E.P (Dist) Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt,
to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Australian Company Number: 117 770 822

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of I.B.S. (Dist) Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt,
to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Australian Company Number: 113 809 206

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of Sterling Engineered Products Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Facsimile:

Australian Company Number: 118 339 825

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of I.B.I.L (Admin) Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

- *3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt,
to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Australian Company Number: 117 767 683

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM

(GENERAL FORM)

To the administrators of S.E.P Logistics Pty Ltd (Administrators Appointed):

1. This is to state that the company was on 2 October 2007 and still is truly indebted to

(insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)
for the amount \$ _____

(insert amount owed to you)

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of Voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3. I am the creditor's agent authorised in writing to make this statement in writing.
I know that the debt was incurred for the consideration stated and that the debt,
to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated this day of , 2007.

Signature:

Name:

Occupation:

Address:

Phone:

Facsimile:

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 116 936 862

I/We(2) _____ of _____ a creditor of
International Building Industries Limited (Administrators Appointed) appoint
_____ or in his/her absence _____ any my/our
general/special proxy to vote at the reconvened meeting of creditors to be held on 29 January 2008, at
2:30pm, or at any adjournment of that meeting,(3) and to vote:
generally as he/she determines on my/our behalf*
or

specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$20,000 plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$5,000, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$19,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$20,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | |
|---|---|
| (1) Proxy to accompany notice of meeting sent out by administrator. | (5) Corporations Act 2001, sec 249(3). |
| (2) If a firm, strike out "I" and set out the full name of the firm | (6) The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 117 321 767

I/We(2) _____ of _____ a creditor of Non Skid Australia Pty Ltd (Administrators Appointed) appoint _____

_____ or in his/her absence _____ any my/our general/special proxy to vote at the reconvened meeting of creditors to be held on 29 January 2008, at 2:30pm, or at any adjournment of that meeting,(3) and to vote:

generally as he/she determines on my/our behalf*
or

specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$2,500, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$1,500, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$1,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$10,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | |
|---|---|
| (1) Proxy to accompany notice of meeting sent out by administrator. | (5) Corporations Act 2001, sec 249(3). |
| (2) If a firm, strike out "I" and set out the full name of the firm | (6) The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 119 424 814

I/We(2) _____ of _____ a creditor of S.E.P.
(Dist) Pty Ltd (Administrators Appointed) appoint _____

_____ or in his/her absence
_____ any my/our general/special proxy to vote at the reconvened meeting of
creditors to be held on 29 January 2008, at 2:30pm, or at any adjournment of that meeting,(3) and to
vote:

generally as he/she determines on my/our behalf*

or

specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$1,500, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$1,000, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$1,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$2,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | |
|---|---|
| (1) Proxy to accompany notice of meeting sent out by administrator. | (5) Corporations Act 2001, sec 249(3). |
| (2) If a firm, strike out "I" and set out the full name of the firm | (6) The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 117 770 822

I/We(2) _____ of _____ a creditor of I.B.S (Dist) Pty Ltd (Administrators Appointed) appoint _____

_____ or in his/her absence _____ any my/our general/special proxy to vote at the reconvened meeting of creditors to be held on 29 January 2008, at 2:30pm, or at any adjournment of that meeting,⁽³⁾ and to vote:

generally as he/she determines on my/our behalf*
or

specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$1,500, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$1,000, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$14,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$2,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | |
|---|---|
| (1) Proxy to accompany notice of meeting sent out by administrator. | (5) Corporations Act 2001, sec 249(3). |
| (2) If a firm, strike out "I" and set out the full name of the firm | (6) The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 113 809 206

I/We(2) _____ of _____ a creditor of
Sterling Engineered Products Pty Ltd (Administrators Appointed) appoint
_____ or in his/her absence _____ any my/our
general/special proxy to vote at the reconvened meeting of creditors to be held on 29 January 2008, at
2:30pm, or at any adjournment of that meeting,(3) and to vote:
generally as he/she determines on my/our behalf*
or
specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$1,500, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$1,000, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$1,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$1,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | |
|---|---|
| (1) Proxy to accompany notice of meeting sent out by administrator. | (5) Corporations Act 2001, sec 249(3). |
| (2) If a firm, strike out "I" and set out the full name of the firm | (6) The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 118 339 825

I/We(2) _____ of _____ a creditor of I.B.I.L.
(Admin) Pty Ltd (Administrators Appointed) appoint _____

_____ or in his/her absence
_____ any my/our general/special proxy to vote at the reconvened meeting of
creditors to be held on 29 January 2008, at 2:30pm, or at any adjournment of that meeting,(3) and to
vote:

generally as he/she determines on my/our behalf*

or

specifically in accordance with the following special instructions*:

<i>Resolution to determine the future of the company.</i>	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$5,000, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$2,500, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$2,000 plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$10,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | | | |
|-----|---|-----|---|
| (1) | Proxy to accompany notice of meeting sent out by administrator. | (5) | Corporations Act 2001, sec 249(3). |
| (2) | If a firm, strike out "I" and set out the full name of the firm | (6) | The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) | If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) | This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) | The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | | |

Form 532

APPOINTMENT OF PROXY⁽¹⁾

Regulation 5.6.29

A.C.N: 117 767 683

I/We(2) _____ of _____ a creditor of S.E.P. Logistics Pty Ltd (Administrators Appointed) appoint _____

_____ or in his/her absence _____ any my/our general/special proxy to vote at the reconvened meeting of creditors to be held on 29 January 2008, at 2:30pm, or at any adjournment of that meeting,(3) and to vote:

generally as he/she determines on my/our behalf*
or

specifically in accordance with the following special instructions*:

Resolution to determine the future of the company.	To vote for**	To vote against**	Abstain* *
1. That the company executes a deed of company arrangement proposed by the administrators.			
2. That the administration should end.			
3. That the company be wound up.			
4. To approve the remuneration of the Administrators' for the period 1 December 2007 to 29 January 2008 in the sum of \$2,500, plus GST plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and charged on a time spent basis.			
5. If it is resolved by creditors that the Company enter into a Deed, to approve the future Administrators' remuneration to the signing of the Deed to a maximum of \$1,500, plus GST, plus disbursements, calculated on a time basis in accordance with the scale of fees prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
6. The remuneration of the deed Administrators, if a Deed of Company Arrangement is approved from execution of the DOCA, to a maximum of \$2,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			
7. Appointment of a Committee of Inspection.			
8. If no Committee of Inspection has been formed, to approve the Liquidators' remuneration from 29 January 2008 to a maximum of \$15,000, plus GST, plus disbursements, calculated pursuant to the hourly rates prescribed by PKF Chartered Accountants and Business Advisers, Brisbane and charged on a time spent basis.			

**Place tick or cross in box to record your special instruction.

[Insert other special instructions]

I/We authorise _____ [insert name and address of person authorised] to represent me/us on the Committee of Inspection should one be elected

Dated this _____ day of _____, 2007

(Signature(4) of individual or person authorised(5) by corporate resolution to represent corporation)

OR

Executed for and on behalf of

by authority of the directors in the presence of:

Name:
Director or Secretary:

Name:
Director:

CERTIFICATE OF WITNESS (special cases(7))

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him/her before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of _____ 20__

Signature of witness _____

Description _____

Place of residence _____

* Strike out if inapplicable

[Notes:

- | | | | |
|-----|---|-----|---|
| (1) | Proxy to accompany notice of meeting sent out by administrator. | (5) | Corporations Act 2001, sec 249(3). |
| (2) | If a firm, strike out "I" and set out the full name of the firm | (6) | The method of affixing the common seal should be prescribed by the creditor corporation's articles. |
| (3) | If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular solution. | (7) | This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.] |
| (4) | The signature of the creditor, contributory, debenture holder or member is not to be attested by the person nominated as proxy. | | |



Chartered Accountants
& Business Advisers

REPORT TO CREDITORS OF

INTERNATIONAL BUILDING INDUSTRIES LTD
ACN 116 936 862
NON SKID AUSTRALIA PTY LTD
ACN 117 321 767
S.E.P. (DIST) PTY LTD
ACN 119 424 814
I.B.S. (DIST) PTY LTD
ACN 117 770 822
STERLING ENGINEERED PRODUCTS PTY LTD
ACN 113 809 206
I.B.I.L. (ADMIN) PTY LTD
ACN 118 339 825
S.E.P. LOGISTICS PTY LTD
ACN 117 767 683
(ALL ADMINISTRATORS APPOINTED)

BY

GAVIN C MORTON AND JOHN M MORGAN,
ADMINISTRATORS

PURSUANT TO SECTION 439A(4)(a) OF THE *CORPORATIONS ACT, 2001*

21 JANUARY 2008

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au

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ANNEXURES

Annexure A – Draft DOCA, Creditors' Trust and Contribution Agreement

**Annexure B – Administrators' Statement in Relation to ASIC's Required
Disclosure Regarding Creditors' Trusts**

Annexure C - Analysis of Creditors' Claims

Annexure D – Update on Asset Realisations

Annexure E – Estimated Outcome Statement for DOCA

**Annexure F – Time Cost Analysis for the period 1 December 2007 to 18
January 2008**

1. GLOSSARY

Abbreviation	Description
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
DOCA	Deed of Company Arrangement
Entrepid	Entrepid Pty Ltd ACN 113 095 471
IBIL	International Building Industries Limited ACN 116 936 862
IBILA	I.B.I.L. (Admin) Pty Ltd ACN 118 339 825
IBS	International Building Solutions Pty Ltd (Subject to Deed of Company Arrangement) ACN 094 094 925
IBSD	I.B.S. (Dist) Pty Ltd ACN 117 770 822
NSA	Non Skid Australia Pty Ltd ACN 117 321 767
NSX	National Stock Exchange of Australia
RATA	Report as to Affairs
Previous Report	Administrators' Report dated 22 November 2007
SEP	Sterling Engineered Products Pty Ltd ACN 113 809 206
SEP (NZ)	S.E.P. (NZ) Pty Ltd
SEPD	S.E.P. (Dist) Pty Ltd ACN 119 424 814
SEPL	S.E.P. Logistics Pty Ltd ACN 117 767 683
the Act	Corporations Act, 2001
the Companies	IBIL, NSA, SEPD, IBSD, SEP, IBILA, SEPL
the Group	IBIL, NSA, SEPD, IBSD, SEP, IBILA, SEPL, IBS and SEP (NZ)

Woodgate

Mr Geoffrey Giles Woodgate

2. EXECUTIVE SUMMARY

John Maxwell Morgan and myself were appointed administrators of the Companies on 2 October 2007 pursuant to section 436A of the Act.

At a concurrent meeting of creditors of the Companies convened on 30 November 2007 it was resolved that the meetings be adjourned for a maximum period of 60 days pursuant to section 439B(2) of the Act in order for us to consider a proposed DOCA and to make an informed recommendation to creditors as to the future of the Companies.

The information contained in this report builds on the information provided in our report to creditors dated 22 November 2007 (Previous Report). Creditors should read this report in conjunction with our Previous Report.

We have considered the DOCA, full details of which have been provided in this report. It is our recommendation that the Companies enter into the DOCA as proposed as the DOCA provides a greater commercial outcome for creditors (between 6 and 15 cents in the dollar) than is likely to be received in the winding up of the Companies.

The reconvened second meetings of creditors has been set down for Tuesday 29 January 2008.

3. DOCA PROPOSAL

On 28 November 2007, two days before the second meeting of creditors, we received broad details of a proposal for a DOCA from Entrepid.

As further time was required for us to consider the DOCA and make an informed recommendation to creditors, the second meeting was adjourned for the maximum statutory period of 60 days.

Since 28 November 2007, we have been in discussions with Entrepid in relation to its proposal. Part of those discussions have included an assessment of the independence of Entrepid from any of the existing or former directors of the Companies. Our investigations have revealed there is no connection between the directors, shareholders or promoters of Entrepid and any of the past or present directors of the Companies.

The director of Entrepid has advised he will attend the creditors' meeting on 29 January 2008 to provide further details about the DOCA proposal to creditors.

In summary, the DOCA provides as follows:

- Entrepid will contribute \$350,000 to the Deed Fund.

- Entrepid will contribute a non refundable amount of \$50,000 to cover the initial costs being for the Administrators' remuneration and outlays (including legal fees) relating to the formulation of the DOCA and the calling and convening of the meetings of creditors and shareholders.
- The Deed Fund will be distributed to the Companies on a pro rata basis on admitted claims of the Companies.
- Payment of the Deed Fund will be conditional upon approval of the DOCA by creditors and following that, upon approval by shareholders of IBIL for the recapitalisation of IBIL and the formation of a new board. It is proposed that under the recapitalisation of IBIL, 70% is to be owned by Entrepid or its nominated parties and 30% is owned by shareholders in proportion to their existing shareholding in IBIL.
- A general meeting of IBIL's shareholders will be called subsequent to the meeting of creditors of the Companies, assuming creditors resolve that the DOCA be effectuated.
- The Administrators of the Companies will call the general meeting of IBIL.
- The DOCA will create a Creditors' Trust. The trust will require the trustees to assess claims and distribute the trust monies (the Deed Fund) to creditors. Provisions have been inserted in the Creditors' Trust to protect the interests of creditors.
- Upon approval by creditors and shareholders, the Deed Fund of \$350,000 will become due and payable pursuant to a Contribution Agreement entered into by the Companies and the trustees of the Creditors' Trust. Upon receipt of the Deed Fund, the DOCA will be effectuated, the result being that the Companies will return to their directors.
- In the event that creditors do not resolve that the Companies enter into a DOCA at the reconvened meeting on 29 January 2008, the Deed Fund will not be paid, no general meeting of the shareholders of IBIL will be convened and the Companies will be wound up.
- Under the DOCA, creditors will not be precluded from taking actions against directors or former directors of the Companies which are available to them under the Act (or any other legislation) but will be precluded from taking actions against the Companies.
- The trustees of the Creditors' Trust will assess submitted claims and form a list of claims for distribution of funds to admitted creditors.
- With the exception of IBS, related party claims as defined under the Act will be excluded from the admitted list in relation to the distribution of funds.
- Admitted creditors are to be paid in accordance with the priorities afforded in section 556(1) of the Act meaning employee entitlements will be paid in full in priority to non priority, unsecured creditors.

- Gavin Morton and John Morgan will be the Administrators of the DOCA and trustees of the Creditors' Trust.

Attached as Annexure A is a copy of the draft DOCA, Creditors' Trust and Contribution Agreement.

The use of creditors' trusts in DOCA's is a relatively recent practice which is commonly used in connection with the rehabilitation or reconstruction of public companies. In some circumstances creditors' trusts may create special risks for creditors. As a consequence, ASIC have issued a regulatory guide in relation to disclosure by external administrators to creditors when creditors' trusts are involved. **Attached as Annexure B** is our statement to creditors in accordance with ASIC's regulatory guide.

4. REVIEW OF CREDITORS' CLAIMS

A number of claims have been submitted by creditors which have required a detailed review by us. Most of these claims are substantial in value and generally, are not recorded in the financial accounts of the Companies. In some cases claims for the same amount have been lodged with each Company when it is likely that funds are owed by only one of the Companies, if any. In other cases, creditors who have lodged claims in the administration of IBS have also lodged claims with on or more of the Companies. Lodgment of these claims have had the effect of significantly inflating the value of creditors' claims received.

Accordingly, it has been necessary to review the validity of these claims so we may be able to provide creditors with an estimate as to the likely return under the DOCA which is as accurate as possible. We have requested supporting documentation to be provided by creditors who have lodged contentious claims in order to determine whether these claims are legitimate claims against the Companies. Some creditors have provided further information as requested whilst others have not.

Attached as Annexure C is a summary of proof of debts submitted as at 18 January 2008 compared to the RATA completed by the directors as at the date of our appointment being 2 October 2007.

Generally, the amount recorded in the RATA is the same as the amount recorded in the Companies' internally produced financial accounts as at 2 October 2007. Annexure B provides an estimate of the value of likely admitted claims and contentious claims for each Company after deducting likely rejected claims and related claims which are excluded under the terms of the DOCA.

The value of likely admitted proofs of debt (totalling \$1,644,792) has been used to provide an optimistic estimated return to non priority unsecured creditors under the DOCA. The sum of the likely admitted proofs of debt plus contentious proofs of debt (totalling \$3,675,850) has been used to provide a pessimistic estimated return to creditors under the DOCA. Calculation of the estimated

likely return to creditors under the DOCA is detailed in Annexure E (refer to section 7 of this report).

5. UPDATE ON ASSET REALISATIONS

In our Previous Report, we provided details of estimated realisable assets of the Companies.

Attached as Annexure D is an update on asset realisations.

6. UPDATE ON RECOVERY ACTIONS

In our Previous Report we advised creditors there may be recovery actions that may be brought by a liquidator if one were to be appointed. However funding would be required in order to commence those actions.

Certain creditors of the Companies have previously indicated a willingness to commence actions against the Companies or their directors or to fund the liquidator in that regard. We have requested those creditors, through their solicitors to provide details of in relation to these matters and they have advised as follows:

1. The creditors concerned are not intending, at this time, to bring proceedings under the Act against the directors of the Companies per se arising from the conduct of the Companies.
2. Funding for any litigation is not yet in place.
3. In the event the Companies are wound up, there would be no funding available to the liquidators to pursue the anticipated proceedings.

Full details of our investigations in relation to possible recovery actions that may be brought by a Liquidator were provided in our Previous Report. At this time we are unable to estimate the likely net recoveries (if any) to creditors from recovery actions taken by a liquidator if appointed, due to the following:

1. The quantum of actions open to a liquidator to pursue and the prospects of success those actions. In the event the Companies are wound up, it is likely a liquidator would conduct a public examination to obtain information to assist in assessing the type and value of recovery actions available. Creditors should be aware that IBS was placed into liquidation. Woodgate is the liquidator of IBS. Accordingly, any examination undertaken by the liquidators of the Companies would require the co-operation of Woodgate as liquidator of IBS, as the examinable affairs of the Companies would include consideration of the examinable affairs of IBS.
2. The costs associated with the actions.
3. Whether funding is available.

4. Pay any successful judgement coming from the actions.

Creditors should also note that certain actions may be brought against the directors or former directors of the Companies outside of the liquidation. At common law, directors have a fiduciary duty to act honestly and in good faith for the benefit of the Companies as a whole and to exercise reasonable care and skill whilst performing their necessary tasks on behalf of the Companies. There are a number of general law remedies available if a breach of fiduciary duty can be established including injunctions, damages and compensation. Although these claims are available to a liquidator they may also be commenced by other parties including creditors and shareholders.

7. ESTIMATED OUTCOME FOR CREDITORS UNDER DOCA

Annexure E sets out the estimated outcome for creditors from an optimistic and pessimistic perspective. As advised in section 4 of this report, the optimistic and pessimistic scenarios are based on the assessment of creditors' claims. On that basis having regard to claims submitted as at 18 January 2008, we estimate a return to unsecured creditors under the DOCA of between 6 and 15 cents in the dollar.

Creditors should note the estimated returns detailed in Annexure E are on the basis of proofs of debt received to date. The estimated returns to creditors may be less than the amounts quoted in Annexure E in any of the following circumstances:

1. If further valid claims are submitted.
2. If more information is received from claims that are at presently assessed as 'likely to be rejected' which makes those claims valid.
3. If substantial costs are required to be incurred in relation to a creditor challenging the Administrators'/Trustees' assessment of their claim.
4. One or more shareholders claim to be creditors based on legal principles determined by the Courts in other matters.
5. Any other unforeseeable events arising from the administrations.

8. OPTIONS AVAILABLE TO CREDITORS AND ADMINISTRATORS' RECOMMENDATION

Pursuant to the provisions of Section 439A(4)(b) of the Act, we are required to provide creditors with a statement setting out our opinion about each of the following matters:

1. Whether it would be in the creditors' interests for the Companies to execute a DOCA;

2. Whether it would be in the creditors' interests for the Administrations to end; or,
3. Whether it would be in the creditors' interests for the Companies to be wound up.

We are also required to provide our reasons for each of those opinions, and report as follows:

8.1 Deed of Company Arrangement

In our opinion it is in the best interests of creditors for the Companies to execute the DOCA as proposed for the following reasons:

1. The return to creditors is between 6 and 15 cents in the dollar in the DOCA scenario and unknown in the liquidation scenario.
2. For any return in the liquidation scenario funding would be required, the quantum of funds to be recovered is unknown (if any), legal and liquidators' costs in recovery funds is likely to be substantial and the timing of receipt of funds (if any) is likely to be lengthy.
3. A return to creditors under the DOCA would be paid significantly earlier than a return under liquidation (if any).
4. Execution of the DOCA does not preclude creditors from commencing certain actions against past or present directors of the Companies.
5. In a liquidation scenario the value of inter entity creditors which totals \$3,063,864 would be included for dividend purposes, meaning the net recoverable amount in liquidation would need to be approximately twice the amount offered under the DOCA because the value of admitted claims would be approximately \$6m.

8.2 Winding Up

For the reasons provided in 8.1 above, in our opinion it is not in the best interests of creditors for the Companies to be wound up.

8.3 Administrations End

Creditors may resolve that the administration should end if:

1. it appears the Companies are solvent; or,
2. if, for some other reason, control of the Companies should revert to its directors.

It is clear, from our analysis of the Companies financial position, that the Companies are insolvent. Consequently, we believe this option is not a feasible alternative and that it is not in the interests of creditors that the Administrations should end.

9. ADMINISTRATORS' REMUNERATION

At the meeting of creditors convened on 30 November 2007 our interim remuneration for the period 2 October 2007 to 30 November 2007 was approved as follows:

	\$
IBIL	21,000
NSA	15,000
SEPD	4,500
IBSD	3,500
SEP	3,500
IBILA	10,000
SEPL	21,000
	<u>78,500</u>

At the forthcoming reconvened meeting of creditors we will be seeking creditor approval for payment of our professional costs for the period 1 December 2007 to 29 January 2008.

Following is a summary of the main activities undertaken for the Companies for the period 1 December 2007 to 18 January 2008:

Deed of Company Arrangement

- Liaise with Entrepid in relation to proposed DOCA
- Research requirements under Act for general meeting
- Instructions to lawyers to prepare DOCA and Creditors Trust documents
- Investigate Entrepid independence
- Review terms of DOCA and ASIC requirements regarding Creditors' Trusts
- Prepare estimated likely return to creditors under DOCA
- Liaise with solicitors regarding drafting of DOCA, Creditors' Trust and Contributions Agreement

Meetings and Report to Creditors

- Preparation and dispatch of letter to creditors advising of adjournment of creditors' meeting
- Preparation of minutes of adjourned meeting of creditors
- Preparation of this report

Investigations

- Conduct detailed review of creditors' claims
- Review records of Companies in relation to creditors' claims lodged

Asset Realisations

- Liaise with interested parties regarding sale of stock and equipment
- Instruct solicitors to provide advice in relation to recovery actions outside of liquidation
- Deal with leased and rented assets
- Attend to collection of refunds and rental bonds
- Attend to completion of BAS returns

Liaising with Creditors and Shareholders

- Prepare correspondence to creditors requesting extra information on claims lodged
- Various telephone discussions and email communication with creditors, shareholders, interested parties, solicitors representing creditors, officers and former officers the Companies, ASIC, Woodgate, ATO and NSX.

Attached as Annexure F is an analysis of our time costs incurred to date for each of the Companies for the period 1 December 2007 to 18 January 2008.

Separate resolutions in respect of the Companies are to be considered by creditors, details as follows:

“That the remuneration of the Administrators, their partners and staff be approved for the period 1 December 2007 to 29 January 2008 to be calculated on a time basis and charged at the hourly rates of PKF Chartered Accountants & Business Advisers and that the Administrators be authorised to make periodical payments on account of such accruing remuneration at their discretion, fixed in the amount of **\$refer table below** exclusive of GST and disbursements.”

	\$
IBIL	20,000
NSA	2,500
SEPD	1,500
IBSD	1,500
SEP	1,500
IBILA	5,000
SEPL	2,500
	<u>34,500</u>

In the event creditors resolve that the Companies execute the DOCA as proposed, the Act requires the Companies to execute the DOCA within 21 days of the meeting of creditors, being 18 February 2008. Accordingly we will seek creditor approval of our remuneration for the period 30 January 2008 to 18 February 2008.

Separate resolutions in respect of the Companies are to be considered by creditors, details as follows:

"That the remuneration of the Administrators, their partners and staff be approved for the period 30 January 2008 to 18 February 2008 to be calculated on a time basis and charged at the hourly rates of PKF Chartered Accountants & Business Advisers and that the Administrators be authorised to make periodical payments on account of such accruing remuneration at their discretion, fixed in the amount of **\$refer table below** exclusive of GST and disbursements."

	\$
IBIL	5,000
NSA	1,500
SEPD	1,000
IBSD	1,000
SEP	1,000
IBILA	2,500
SEPL	<u>1,500</u>
	<u>13,500</u>

In the event creditors resolve that the Companies execute the DOCA and associated Creditors' Trust as proposed, we will seek creditor approval of our remuneration for the period 18 February 2008 onwards.

Separate resolutions in respect of the Companies are to be considered by creditors, details as follows;

"That the remuneration of the DOCA Administrators/Trustees, their partners and staff be approved for the period 18 February 2008 onwards to be calculated on a time basis and charged at the hourly rates of PKF Chartered Accountants & Business Advisers and that the DOCA Administrators/Trustees be authorised to make periodical payments on account of such accruing remuneration at their discretion, fixed in the amount of **\$refer table below** exclusive of GST and disbursements."

	\$
IBIL	19,000
NSA	1,000
SEPD	1,000
IBSD	14,000
SEP	1,000
IBILA	2,000
SEPL	<u>2,000</u>
	<u>40,000</u>

In the event that any of the Companies are wound up and no Committees of Inspection are appointed, we propose the following resolution for each company:

"That the remuneration of the Liquidators, their partners and staff be approved for the period 30 November 2007 to the conclusion of the liquidation be

calculated on a time basis and charged at the hourly rates of PKF Chartered Accountants & Business Advisers and that the Liquidators be authorised to make periodical payments on account of such accruing remuneration at their discretion, exclusive of GST and disbursements, as follows:

	\$
IBIL	20,000
NSA	10,000
SEPD	2,000
IBSD	2,000
SEP	2,000
IBILA	10,000
SEPL	15,000
	<u>61,000</u>

Outlined below is the manner in which we are seeking to be remunerated for our professional costs:

- PKF policy is to require that all staff maintain an electronic diary which tracks work performed for a particular client, the milestone target and a note as to the specifics of the task being performed. Such diary entries are maintained on the basis of 6 minute units.
- PKF has determined its schedule of hourly charge out rates with reference to my internal cost structure and it is applied having regard to the complexity and demands of each appointment.
- As at the date of this report the PKF standard hourly charge out rates for Brisbane are as follows:

Staff Level	\$ per hour
Principal	400
Manager 1	290
Manager 2	265
Supervisor	225
Senior 1	165
Senior 2	150
Intermediate 1	125
Intermediate 2	115
Secretary / WPO	105
Computer Operator	90
Junior	75

- GST of 10% is charged in addition to the values listed above.
- Detailed time costs information is available upon request and will also be available for discussion at the meeting of creditors.

- **Attached as Annexure F** is an analysis of our time costs incurred to date for each of the Companies for the period 1 December 2007 to 18 January 2008.

Should creditors have any questions regarding the contents of this report, please do not hesitate to contact me.

Dated this 21st day of January 2008.

A handwritten signature in black ink, appearing to read 'G. Morton', with a stylized flourish at the end.

GAVIN C MORTON
Administrator