

31 October 2022

Companies Announcement Office
ASX Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

September Quarter 2022 – Company Update

Hills Limited (ASX:HIL) (**Hills**) provides its quarterly activities report for the first quarter of FY23, along with the Company's Appendix 4C quarterly cashflow report for the period ended 30 September 2022.

1Q23 highlights

- Strong growth in Health Solutions' project orders.
- Secured ~\$7 million Nurse Call contract with Victoria's largest health infrastructure project, the New Footscray Hospital.
- Health Solutions' project delivery and associated revenue met expectation for the quarter.
- Patient entertainment income returning to pre-COVID levels.
- Hills Technical Services recovered from significant weather event disruption.
- Refinancing activity completed.

Business activities update

FY23 started strongly with revenue across the two operating businesses meeting expectations and exceeding the same period in the prior year.

There were further signs in the Health business that COVID-19 impacts on operations were easing, with installation revenue hitting forecasted targets, and patient entertainment revenue returning to pre-COVID levels as hospital occupancy improved.

The Health projects order book grew by a record amount in the quarter which included the significant New Footscray Hospital project in Victoria, alongside other substantial projects. The long lifecycles associated with the project activity saw the order book building a strong revenue pipeline beyond the current financial year.

The Technical Services business this quarter has recovered from the impacts of weather events earlier in the calendar year and has a strong pipeline of work driven by continued investment in NBN infrastructure and technology renewal.

A focus on improving operational performance, service levels and the management of costs continues across the businesses. Supply chain disruption continues to be of concern in the near term.

Quarterly cash flow and cash position

As at 30 September 2022, the Company reported cash balance of \$5.6m.

Operating cash flow movement of \$1.4 million in the quarter was utilised to clear remaining balances for discontinued operations and improve the working capital position of the Company. This included:

- an increase in the level of inventory by \$0.5 million.
- paying down creditors by \$2.8 million.
- an improvement in the collection of receivables by \$1.9 million.

Investing activities included the purchase of property, plant and equipment and payments for the remaining transactions costs associated with the sale of the Security and IT business in the June quarter.

Debt held by the Company increased following the completion of the new borrowing facility. The proceeds were in part used to repay the balance of the CBA facility and support the bank guarantees related to leased properties. The balance supports the working capital requirement of the business.

Annual General Meeting

The Company will hold its Annual General Meeting on Wednesday, 23 November 2022 in a hybrid format in-person in Sydney and online. The Notice of Meeting was issued on Friday, 21 October 2022.

The meeting includes a resolution to re-establish the 10% additional placement capacity for the issue of equity securities. Hills' directors wish to reiterate to shareholders that when raising capital, where practicable to do so, the Company will structure any proposed issue of securities to facilitate both an equitable participation by existing shareholders and appropriate consideration of the Company's tax position.

For and on behalf of Hills Limited

This ASX announcement is authorised for release by the Board of Hills Limited.

About Hills

Hills (ASX:HIL) is a majority Australian-owned company that designs, develops, distributes, installs and manages integrated health and other technology solutions in homes, hospitals, aged care facilities, health and other settings across Australia and New Zealand. www.hills.com.au.

Contacts

David Clarke
Managing Director and Chief Executive Officer
+61 2 9216 5510
investors@hills.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

HILLS LIMITED

ABN

35 007 573 417

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,997,062	16,997,062
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,832,066)	(12,832,066)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(4,319,515)	(4,319,515)
(f) administration and corporate costs	(1,133,649)	(1,133,649)
1.3 Dividends received (see note 3)		
1.4 Interest received	(16,661)	(16,661)
1.5 Interest and other costs of finance paid	(56,564)	(56,564)
1.6 Income taxes paid	(1,115)	(1,115)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,362,508)	(1,362,508)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(143,291)	(143,291)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	(225,000)	(225,000)
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (non-operating legal expenses)	(629,078)	(629,078)
2.6	Net cash from / (used in) investing activities	(997,369)	(997,369)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	6,937,576	6,937,576
3.6	Repayment of borrowings	(2,950,505)	(2,950,505)
3.7	Transaction costs related to loans and borrowings	(180,000)	(180,000)
3.8	Dividends paid		
3.9	Other (payment for bank guarantees \$1.5 million, lease liabilities \$0.7 million and payments to non-controlling interest in related party)	(2,275,414)	(2,275,414)
3.10	Net cash from / (used in) financing activities	1,531,657	1,531,657

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,458,108	6,458,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,362,508)	(1,362,508)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(997,369)	(997,369)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,531,657	1,531,657
4.5	Effect of movement in exchange rates on cash held	(24,752)	(24,752)
4.6	Cash and cash equivalents at end of period	5,605,136	5,605,136

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,605,136	6,458,108
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,605,136	6,458,108

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	270,649
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Payments include directors fees and payments to subsidiary</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	6,000,000	6,000,000
7.2 Credit standby arrangements		
7.3 Other	1,203,017	1,203,017
7.4 Total financing facilities	7,203,017	7,203,017
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Causeway Financial Ltd \$6.0 million secured debt finance facility. Facility expires in Sept 2025. Interest is charged at a 11.25% fixed charge.</p> <p>Asset financing is Chattel Mortgage Agreements with DLL for the provision of finance for the supply and installation of equipment at hospitals in the Hills Health Solutions business.</p> <p>Insurance financing with Momentum Premium Funding for the provision of insurance finance.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,362,508)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,605,136
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	5,605,136
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: the Board of Hills Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.