

Thursday, 6 July 2023

**PART ONE OF TWO**  
**VOLUNTARY ADMINISTRATORS'**  
**REPORT TO CREDITORS**  
**OF**

**HILLS LTD**  
**A.C.N. 007 573 417**

**HILLS FINANCE PTY LTD**  
**ACN 007 527 040**

**HILLS INTEGRATED SOLUTIONS PTY LTD**  
**ACN 000 376 394**

**LAN 1 PTY LTD**  
**ACN 159 863 779**

**T.V RENTALS PTY LTD**  
**ACN 009 701 213**

**NEW-TONE (AUST.) PTY LTD**  
**ACN 009 753 637**

**AUDIO PRODUCTS GROUP PTY LIMITED**  
**ACN 054 550 499**

**HOSPITAL TELECOMMUNICATIONS PTY LTD**  
**ACN 061 558 245**

**ACN 614 478 090 PTY LIMITED**  
**ACN 614 478 090**

**HILLS HEALTH SOLUTIONS PTY LTD**  
**ACN 100 173 715**

**PACOM SECURITY PTY LTD**  
**ACN 096 595 005**

**HILLS GROUP OPERATIONS PTY LTD**  
**ACN 600 152 261**

**(Collectively the "Companies")**

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## Glossary

ACN 614	ACN 614 478 090 Pty Limited
Administrator(s)	Sule Arnautovic and John Vouris
ALLPAAP	All Present and After-Acquired Property
ARITA	Australian Restructuring Insolvency & Turnaround Association
ARITA Code	ARITA Code of Professional Practice
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Audio Products	Audio Products Group Pty Limited
BAS	Business Activity Statement
CBA	Commonwealth Bank of Australia
Causeway	AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund
Court	Federal Court of Australia
Director(s)	David Clarke David Chambers Peter Steel
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
D&O Insurance	Directors and Owners Liability Insurance
DOCA	Deed of Company Arrangement
EOI	Expressions of Interest
ERV	Estimated Realisable Value
Former Director	Natalie Scott (Payne)
FEG	Fair Entitlements Guarantee Scheme
GST	Goods and Services Tax
Hills	Hills Limited
Hills Finance	Hills Finance Pty Ltd
Hills Group	Hills Group Operations Pty Ltd
Hills Integrated	Hills Integrated Solutions Pty Ltd
Historical Holdings	Historical Holdings Pty Ltd
Hospital Telecommunications	Hospital Telecommunications Pty Ltd
IM	Information Memorandum
New-Tone	New-Tone (Aust.) Pty Ltd
Lan	Lan 1 Pty Ltd
Pacom	Pacom Security Pty Ltd
POD	Form 535 Formal Proof of Debt
PPE	Plant, Property & Equipment
PPSR	Personal Property Securities Register
ROCAP	Report on Company Activities and Property
SGC	Superannuation Guarantee Charge
Stellar	Stellar Vision Operations Pty Ltd
The Act	<i>Corporations Act 2001(Cth)</i>
T.V. Rentals	T.V Rentals Pty Ltd



## 1.0 EXECUTIVE SUMMARY

### 1.1 Appointment of Administrators

Sule Arnautovic and John Vouris were appointed as Joint and Several Administrators of the following entities pursuant to Section 436C of the *Corporations Act 2001* ("the Act") by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund ("Causeway") (a creditor entitled to enforce a security interest over the whole, or substantially whole of the company's property) on Friday, 2 June 2023:

- Hills Limited ("Hills")
- Hills Finance Pty Ltd ("Hills Finance")
- Hills Integrated Solutions Pty Ltd ("Hills Integrated")
- Lan 1 Pty Ltd ("Lan")
- T.V Rentals Pty Ltd ("T.V. Rentals")
- New-Tone (Aust.) Pty Ltd ("New-Tone")
- Audio Products Group Pty Limited ("Audio Products")
- Hospital Telecommunications Pty Ltd ("Hospital Telecommunications")
- ACN 614 478 090 Pty Limited ("ACN 614")

Sule Arnautovic and John Vouris were also appointed as Joint and Several Administrators of Hills Health Solutions Pty Ltd ("Hills Health") on Friday, 2 June 2023 pursuant to a resolution of the sole Director, Mr David Clarke, in accordance with Section 436A of the Act.

Further, Sule Arnautovic and John Vouris were appointed as Joint and Several Administrators of Pacom Security Pty Ltd ("Pacom") and Hills Group Operations Pty Ltd ("Hills Group") on Friday, 9 June 2023 pursuant to a resolution of the sole Director in accordance with Section 436A of the Act.

The purpose of the appointment of an Administrator is to allow for an independent insolvency practitioner to take control of and investigate the affairs of an insolvent company. During that time creditors' claims are put on hold. At the end of that period we are required to provide creditors of the Companies with information and recommendations to assist creditors to decide upon the Companies future.

### 1.2 Purpose of Report

This is part one of the report and together with part two of the report, they constitute our report in accordance with Section 75-225 of the *Insolvency Practice Rules (Corporations) 2016* ("IPR"). Part two of the report is to be provided to creditors on or around 31 July 2023.

This report together with part two of the report is a report by the Administrators about the Companies' business', property, affairs and financial circumstances to provide creditors with sufficient information for them to make an informed decision about the future of each of the Companies including:

- Background information about the Companies;
- The results of our investigations;
- The estimated returns to creditors;
- Details of any Deed of Company Arrangement ("DOCA") or Sale of Business proposal(s) for the Companies; and
- The options available to creditors and our opinion on each of these options.

### 1.3 Conduct of Administration

Following our appointment, the Administrators and our staff have attended to the following:

- Prepared and lodged a Notice of Appointment of the Administrators and Notice of Meetings of Creditors for each of the Companies on the Australian Securities and Investment Commission ("ASIC") Insolvency Notices website;
- Prepared and lodged statutory forms with ASIC regarding each of the Companies;



- Liaised with AJ Gallagher with regards to ongoing insurance coverage over the Companies, its business' and its assets;
- Issued correspondence to all major banks and utility providers to identify accounts held in the name of the Companies;
- Reviewed the Personal Properties and Securities Register ("PPSR") in respect of security interests held by third parties and issued correspondence to same to obtain details of their registered security interests. Reviewed responses from these secured creditors regarding their PPSR registrations and documentation supplied in regard to same;
- Issued correspondence to the State Revenue Office to identify any amounts outstanding in relation to land tax and payroll tax;
- Prepared a timetable for the Voluntary Administration period;
- Prepared and issued market announcements to shareholders via the Australian Securities Exchange ("ASX");
- Issued correspondence to the Australian Taxation Office ("ATO") notifying them of the appointment;
- Issued demands for the production of books and records to the Director(s) and former Director(s) of the Companies and requested the completion of a Report on Company Activities and Property ("ROCAP");
- Obtained and reviewed the Companies' books and records;
- Reviewed the trading position of Hills and Hills Health businesses;
- Issued circular to suppliers confirming the Administrators intention to continue trading the business and provide further information regarding the ongoing trading of the Companies;
- Issued circular to employees regarding continued trading of the Companies businesses and provided further information regarding their ongoing employment;
- Issued correspondence to and contacting key suppliers to establish new accounts for trading during the administration period;
- Assisted with ongoing trading of the businesses of Hills Health and Hills including approving purchase orders and payments;
- Conducted a preliminary review into the Companies' asset and liability position;
- Prepared and issued an initial notice to creditors convening the first meeting of creditors for the Companies;
- Received, recorded and filed formal proofs of debt received from creditors of the Companies;
- Prepared meeting packs for the initial meetings of creditors including draft meeting minutes and attendance registers;
- Conducted land title searches in the Companies names;
- Conducted preliminary investigations into potential voidable transactions and insolvent trading;
- Engaged Mills Oakley to assist with various legal matters;
- Considered and reviewed the advantages to creditors of the Companies with regards to making an application to the Federal Court of Australia ("Court") to extend the convening period for the second meetings of creditors;
- Compiled books and records used as supporting evidence to the application to the Court for the extension of the convening period of the second meetings of creditors;
- Reviewed and finalised the Administrators' affidavit to accompany the application to the Court for the extension of the convening period;
- Reported to creditors and ASX regarding the extension of the convening period;
- Conducted a sale of business/restructure campaign including liaising with numerous interested parties, preparing a Confidentiality Deed and Information Memorandum and dispatching same to interested parties;
- Maintaining a register of interested parties and responding to ongoing queries;
- Reviewing and considering expressions of interest received from interested parties;
- Received correspondence and held preliminary discussions with interested parties regarding DOCA proposals; and
- Prepared and issued this report to creditors.

Due to the time constraints imposed under the Voluntary Administration regime there was insufficient time to undertake the following:

- Conduct an audit of the Companies books and records; and
- Adjudicate on the claims of creditors and employees for the purposes of a dividend.



However, in our opinion the above matters have not prevented us from being able to provide sufficient, meaningful information in this report.

## 1.4 Estimated Dividend to Creditors

The estimated return to creditors is to be provided in our part two report, along with further details regarding any DOCA proposal(s) and our recommendation to creditors which is discussed later in this report.

## 1.5 Administrators' Recommendation

At the concurrent second meeting of creditors to be convened by way of our part two report, creditors will be asked to make a decision by passing a resolution in respect of options available to them.

In our part two report, the Administrators will make a recommendation as to whether it is in the best interests of creditors to resolve that:

- The Companies execute a DOCA (being a binding arrangement that usually provides for a better return to unsecured creditors than a liquidation); or
- The Voluntary Administration of the Companies should end; or
- The Companies be wound up (or liquidated).

This recommendation will be provided based on an assessment of the estimated returns available in both a Liquidation and DOCA scenario as well as considerations with respect to the benefits of any proposed DOCA. Further information will be provided in our part two report.

## 1.6 Creditor Requests for Information

The Administrators welcome any feedback from creditors and should creditors require any information or report from our office, we request that creditors contact our staff member Jessica Webb via telephone on 02 9263 2684 or via email on [jwebb@hallchadwick.com.au](mailto:jwebb@hallchadwick.com.au).

## 1.7 What Happens Next

In accordance with Section 439A of the Act, the Administrators must convene a second meeting of creditors. Further information regarding the meetings including notices of meetings and proxy forms will be provided in our part two report to be issued prior to 31 July 2023.

## 1.8 Extension of Convening Period

As noted earlier in this report, I engaged my legal advisors Mills Oakley to file an application to the Court to extend the convening period with respect to the second meeting of creditors of the Companies.

The Orders were granted by the Court and I am now required to issue my report to creditors providing details on the options available for creditors' consideration and convene the second meeting of creditors by 31 July 2023.

## 2.0 SCOPE OF THE REPORT

This report is based on financial and other information located in the books and records of the Companies provided by the Director(s) and third parties. The books and records of the Companies received to date have been reviewed although due to time constraints, an audit of the information supplied has not been undertaken.

We have no reason to doubt the information contained in this report based on our investigations to date. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to the Administrators between the date of this report and the date of the forthcoming meeting of creditors.

Neither Hall Chadwick nor any employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to the Administrators.

This report is not for general circulation or publication, nor is it for reproduction or any other use other than to assist creditors in evaluating their position as creditors of the Companies. The Administrators do not accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of reliance on this report.

### 3.0 ADMINISTRATORS' INDEPENDENCE

We are not disqualified from acting as Administrators, Liquidators or Deed Administrators of the Companies by virtue of the provisions of the Act or any other rules.

We refer creditors to the Administrators' DIRRI which was attached to our previous reports to creditors and tabled at the initial meetings of creditors. A copy of the DIRRI has also been lodged with ASIC.

There have been no further changes/disclosures to the DIRRI and, as required by the Australian Restructuring Insolvency & Turnaround Association Code of Professional Practice ("ARITA Code"), we have provided a summary of the Administrators' DIRRI in the below table.

DIRRI Items	Details
Referrer	Causeway
Referrer's Role	Secured Creditor
Relevant Relationships	Refer to DIRRI
Upfront Payment	Nil
Indemnity	Causeway has agreed to indemnify our remuneration up to a maximum amount of \$400,000 for Hills, Hills Integrated, Hills Finance, ACN614, Lan, New-Tone, TV Rentals, Hospital Telecommunications and Audio Products.

### 4.0 INITIAL MEETING OF CREDITORS

Pursuant to Section 436E of the Act, the initial meetings of creditors of the Companies (save for Pacom and Hills Group) was held concurrently via virtual means (Microsoft Teams) only on 15 June 2023. The initial meetings of creditors of Pacom and Hills Group was also held concurrently via virtual means only on 21 June 2023. During these meetings, creditors received an update on the preliminary financial position of the Companies.

Whilst a Consent to Act was received from two (2) alternate Administrators for the Companies (save for Pacom and Hills Group), these consents were subsequently withdrawn during the meeting of creditors as such John Vouris and I remained as Administrators of the Companies.

At the initial meetings of creditors of the Companies, creditors resolved to form a Committee of Inspection as follows:

*Hills, Hills Health, Hills Integrated, Hills Finance, ACN614, Lan, New-Tone, TV Rentals, Hospital Telecommunications and Audio Products*

- Jason Ireland of McGrath Nicol (on behalf of Stellar)
- David Zipparo of Causeway
- Andrew Sallway of BDO (as requested by the employee group)
- Natalie Scott (employee)
- Stuart Falconer (employee)



- Anna Williams of Health Trade Services Pty Ltd

## *Pacom and Hills Group*

- Jason Ireland of McGrath Nicol (on behalf of Stellar)
- David Zipparo of Causeway

The minutes of the initial meetings of creditors have been lodged with ASIC and a copy of these minutes are available from ASIC or by contacting our office.

## **5.0 BACKGROUND INFORMATION**

### **5.1 Statutory Information**

A company search extracted from ASIC's Corporate Database ("Company Search") for the Companies upon appointment indicates the following information:

Company Search	Details
Company Name	Hills Limited
A.C.N.	007 573 417
Incorporation Date	27 June 1957
State of Incorporation	SA
Current Directors	David Clarke, David Chambers, Peter Steel
Former Directors (within the last 12 months)	Gunalan Jegathan, Harley Whitcombe, Alicia Muir, Ken Dwyer
Issued Shares	534,821,642
Shareholders	Various – ASX Listed Entity

Company Search	Details
Company Name	Hills Health
A.C.N.	100 173 715
Incorporation Date	10 April 2002
State of Incorporation	SA
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	1
Shareholder	Hills

Company Search	Details
Company Name	Hills Integrated
A.C.N.	000 376 394
Incorporation Date	3 October 1961
State of Incorporation	NSW
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	4
Shareholder	Hills Group

Company Search	Details
Company Name	Hills Finance
A.C.N.	007 527 040
Incorporation Date	14 January 1948
State of Incorporation	SA
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)

Issued Shares	340,000
Shareholder	Hills

Company Search	Details
Company Name	Lan 1
A.C.N.	159 863 779
Incorporation Date	10 August 2012
State of Incorporation	VIC
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	279,001
Shareholder	Hills

Company Search	Details
Company Name	T.V Rentals
A.C.N.	009 701 213
Incorporation Date	31 May 1960
State of Incorporation	QLD
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott), Robert Fox
Issued Shares	3
Shareholder	New-Tone

Company Search	Details
Company Name	Audio Products
A.C.N.	054 550 499
Incorporation Date	15 January 1992
State of Incorporation	NSW
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	4,290,908
Shareholder	Hills Integrated

Company Search	Details
Company Name	New-Tone
A.C.N.	009 753 637
Incorporation Date	15 December 1996
State of Incorporation	QLD
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	4,001
Shareholder	Hills Health Solutions

Company Search	Details
Company Name	Hospital Communications
A.C.N.	061 558 245
Incorporation Date	1 September 1993
State of Incorporation	VIC
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	943,400



Shareholder	Hills Health Solutions
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Company Search	Details
Company Name	ACN 614
A.C.N.	614 478 090
Incorporation Date	29 August 2016
State of Incorporation	NSW
Current Director	David Clarke
Former Director (within the last 12 months)	N/A
Issued Shares	10
Shareholder	Hills

Company Search	Details
Company Name	Pacom
A.C.N.	096 595 005
Incorporation Date	24 April 2001
State of Incorporation	SA
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	2
Shareholder	Hills

Company Search	Details
Company Name	Hills Group
A.C.N.	600 152 261
Incorporation Date	17 June 2014
State of Incorporation	VIC
Current Director	David Clarke
Former Director (within the last 12 months)	Natalie Payne (Scott)
Issued Shares	100
Shareholder	Hills

A search conducted on the PPSR confirms that a number of secured parties currently hold registered security interests over Hills, Hills Health, Audio Products and T.V. Rentals. Further details of these security interests are detailed later in this report.

Of these secured parties, we confirm the following secured creditor holds a registered All Present and After Acquired Property ("ALLPAAP") security interest of the Companies (save for Hills Health, Pacom and Hills Group).

PPSR	Details
Secured Party	Causeway
Collateral Class	ALLPAAP
Exceptions	N/A
Date Created	20 September 2022
Date Registered	20 September 2022

Generally secured creditors' claims have a higher priority over certain classes of creditors in relation to any proceeds from the realisation of assets in the administration. This priority is further discussed in the Assets and Liabilities section of this report.

## 5.2 History of the Companies

Hills is an ASX listed Company which has been listed since 1962.



Hills commenced business in Adelaide, South Australia in 1945 and has a long history of developing and innovating products whilst diversifying and divesting as market conditions and customers evolved.

As part of this evolving strategy and after completing the sale of its low margin Distribution business in May 2022, Hills now operates two main operating divisions comprising Hills Health Solutions (operated through Hills Health) and Hills Technical Services (operated through Hills).

On 25 May 2023, Hills requested a trading halt of their securities pending the finalisation of a potential settlement of a judgment obtained by Stellar Vision Operations Pty Ltd ("Stellar") in the Court of Appeal overturning a finding in favour of Hills Health in earlier legal proceedings between the parties in the Supreme Court of New South Wales ("Supreme Court"). Stellar's claim is discussed further below.

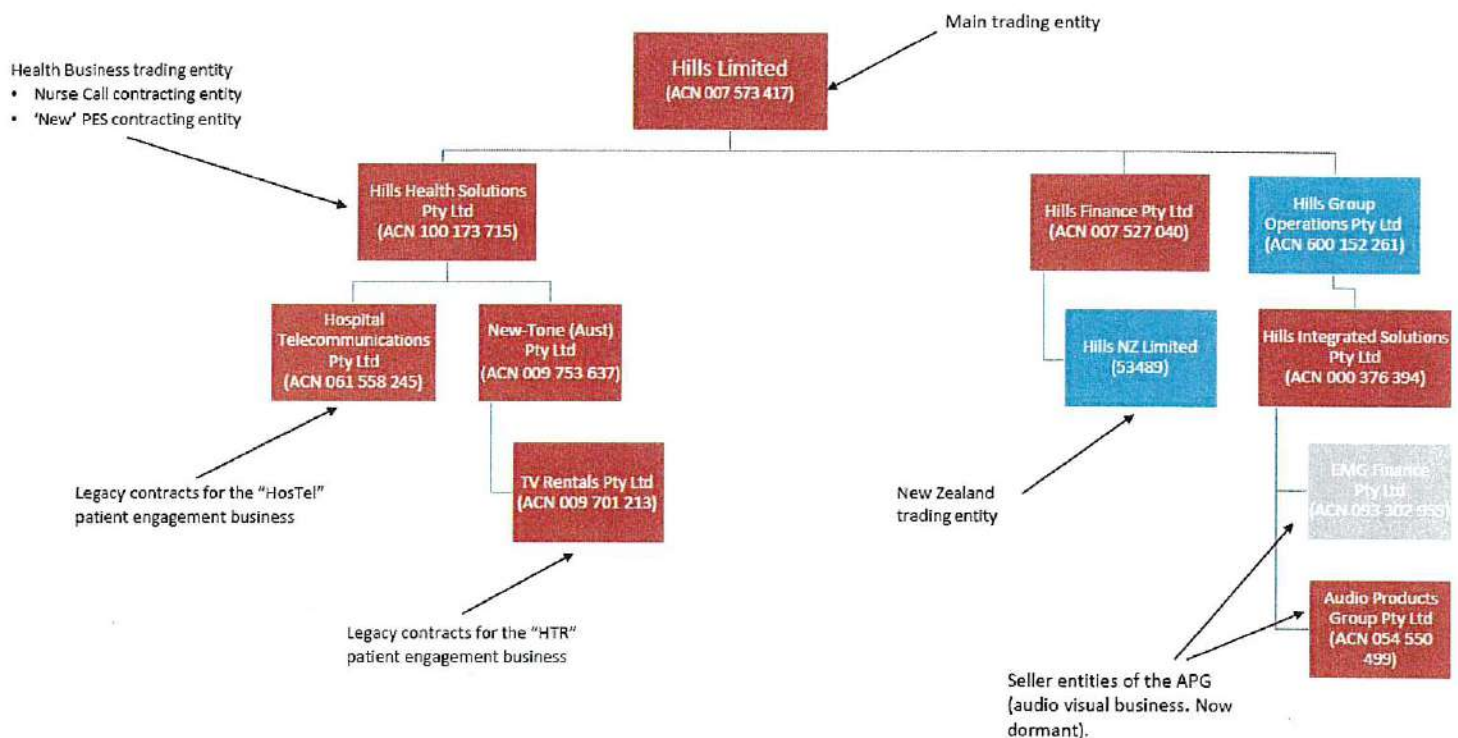
On 25 May 2023, the ASX announced a trading halt was being placed on Hills' shares at the request of Hills.

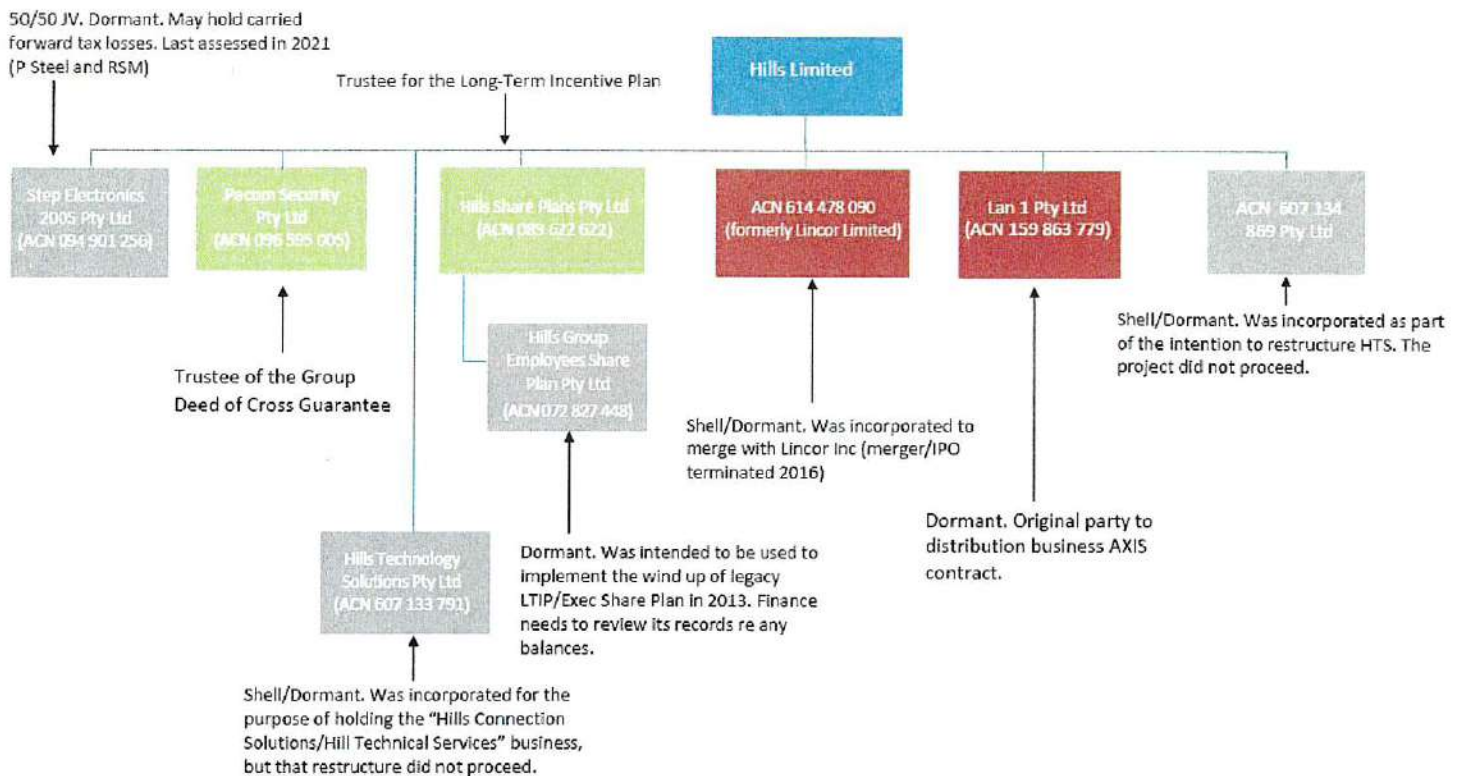
On 29 May 2023, Hills requested a voluntary suspension of its securities which was granted by the ASX.

Hills' shares remain in suspension during the Voluntary Administration process.

The Companies are part of a wider group, with Hills being the ultimate holding company of the Group.

Below is a summary of the group structure of Hills' subsidiaries.





The only entities within the Group which are currently trading are Hills, Hills NZ Limited (not subject to the appointment) and Hills Health.

Hills is the only employing entity which employs all employees used for both the Hills Health and Hills Technical Services operations. There are currently approximately 166 staff employed by Hills with roughly only 5% of these employees being employed for Hills Technical Services work.

A summary of the trading activities of each of the businesses is as follows:

## *Hills Health*

- Established leader in digital solutions in hospitals and aged care.
- Advanced Nurse Call, monitoring and workflow management solutions
- Patient entertainment and digitally connected patient engagement systems (PES)
- Approximately 30,000 nurse call and 20,000 PES bed install base
- Australian designed and manufactured solutions, both software and electronics
- Customised solutions in major and complex facilities
- Provides products and services across Australia and New Zealand ("NZ") directly or through partners
- Office locations in Melbourne, Sydney and Brisbane
- Nurse call subcontract manufacture in Australia from local and internationally sourced components.

## *Hills Technical Services*

- Technology installation services for residential and commercial premises, particularly NBN wireless and satellite in regional Australia and Sky TV in NZ
- Emergency facilities wireless connections
- Key Location – Gold Coast including warehousing - operations in QLD, Northern NSW and NZ
- Activity undertaken through network of technical contractors.



The key products and services provided by Hills Technical Services is as follows:

- 45,000+ successful appointments completed in Australia:
  - 25,000 installations
  - 12,000 assurance and maintenance
  - 7,000 upgrades
  - 1,000 satellite installations
  - Installation of back-up equipment to emergency evacuation centres
- 250+ skilled technicians (sub-contractors)
- NBN wireless network upgrade program
- Opportunity to expand field installation capabilities to other applications.

The businesses of Hills Health and Hills trade from premises leased by Hills in Lidcombe NSW, Port Melbourne VIC, Nerang QLD and Adelaide SA.

## *Capital Raise*

In March 2023, Hills undertook a capital raise with a view to injecting working capital into the Companies.

On 22 March 2023, Hills announced via the ASX new funding by a private investor, Historical Holdings Pty Ltd ("Historical Holdings"), whom subsequently became a significant shareholder in Hills.

Historical Holdings agreed to an initial \$4.4 million capital injection as a part of a new placement and entitlement offer to Hills shareholders.

On 23 March 2023, an offer booklet and entitlement offer was provided to Hills shareholders.

It was advised that the new funds would be used to recapitalise the business and accelerate growth pathways to return the company to profitability.

On 20 April 2023, Hills announced it had raised approximately \$6.4 million (before costs) in new capital, being around \$0.9 million by way of the placement prior to the March 2023 entitlement offer and around \$5.5 million in aggregate from the entitlements accepted under the March 2023 entitlement offer, applications under the top up facility and the partial underwriting by Historical Holdings.

The issue of 271,938,344 new shares pursuant to those accepted entitlements, the top up facility and the partial underwriting occurred on 20 April 2023.

## *Causeway Security*

Causeway holds a registered ALLPAAP security interest over the following entities within the Group:

- Hills
- Audio Products
- Hospital Telecommunications
- Hills Integrated
- Hills Finance
- Lan
- T.V. Rentals
- New Tone
- Hills Share Plans Pty Ltd
- ACN 614

Causeway was granted an ALLPAAP security interest over the above entities pursuant to the terms of a Loan Facility entered into between Causeway and Hills Limited as the borrower, and guaranteed by the remaining entities listed above on 19 September 2022. The total facility under the Loan Facility was \$6M.



The amount outstanding under the Loan Facility as at the date of appointment (being 2 June 2023) was \$6,022,619.04 including charges, interest, default interest and fees.

## *Stellar Judgement*

The largest unsecured creditor of the Companies is Stellar in the amount of \$10,096,475.75 relating to a judgment debt, interest and costs awarded to Stellar by the Court of Appeal. On 22 September 2016, Stellar commenced legal proceedings against Hills Health in the Supreme Court relating to a share of the profits of Hills Health's contract for the supply of potential entertainment systems in Western Sydney Local Health District.

The proceedings were initially dismissed by the Supreme Court on 23 February 2022 and costs awarded in favour of Hills Health. This decision was appealed by Stellar on 19 May 2022, with the appeal heard on 1 May 2023.

The judgment of the appeal found in favour of Stellar on 18 May 2023 with the quantum of the judgment ultimately being determined in the amount of \$5,482,312.38 plus costs (in an unspecified amount) on 25 May 2023.

Hills Health and Stellar subsequently entered into a Standstill Deed and suspended all rights under the judgment dated 25 May 2023. The Standstill Deed provided that for a period of 7 days (i.e. until 3 June 2023) the parties:

- Suspended all rights in relation to the orders;
- Agreed to not take any action in relation to the Proceedings or to enforce the orders; and
- Agreed the judgment debt was not due and payable or recoverable.

Between 25 May 2023 and the date of appointment, Hills Health attempted to negotiate a settlement of the judgment amount with Stellar, however given the inability to settle between the parties and the risk borne by the secured creditor, the secured creditor ultimately appointed the Administrators on 2 June 2023.

## *Deed of Cross Guarantee*

My investigations to date have revealed that the following companies are party to a Deed of Cross Guarantee dated 14 May 2008 pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*:

- Hills;
- Hills Health;
- Audio Products;
- Hospital Telecommunications;
- Hills Integrated;
- Hills Finance;
- Lan 1;
- T.V. Rentals;
- New Tone;
- Hills Group (collectively, the "Group Entities"); and
- Pacom (only in its capacity as Trustee under the Deed of Cross Guarantee).

The Deed of Cross Guarantee provides the Group Entities with relief with regards to consolidated financial reporting and also provides that each Group Entity has an obligation to guarantee the payment of the debts of all other Group Entities. We sought legal advice and have formed the opinion that pursuant to the Deed of Cross Guarantee, each of the Group Entities are liable for the debts of the other Group Entities subject to the Deed.

We note that ACN 614 is not a party and thus not affected by the Deed of Cross Guarantee.

### 5.3 Books and records

Creditors should be aware that an Administrator is required to conduct an investigation into the financial position of the Companies. In doing so, a preliminary review has been conducted of the books and records of the Companies in our possession.

Section 286 of the Act provides that a company must keep written financial records that:

- a) Correctly record and explain its transactions and financial position and performance; and
- b) Would enable true and fair financial statements to be prepared and audited.

The books and records received to date comprise of the following:

- Aged Payable Reports;
- ASX Announcements;
- Board Reports;
- Copies of statement of claim, judgement/orders with respect to the Stellar claim;
- Employee Entitlement Schedules;
- Financial Reports;
- Financial Statements;
- Management Accounts;
- Payroll Records; and
- Tax Records.

Given the size and nature of the businesses operated by the Companies, based on our review thus far, it appears that the Companies' books and records are adequate to comply with Section 286 of the Act.

This opinion on the adequacy of the Companies' books and records is an initial opinion based on investigations that have been carried out over a limited period of time. In providing this opinion we note that an audit has not been completed (nor will an audit be completed) of the Companies' financial records. Because of the short time period as prescribed by the Act for this report to be completed we have only reviewed the books and records of the Company pertinent for the preparation of this report and the continued trading of the Companies' businesses.

### 5.4 Financial statements

Please find below an extract from the 30 June 2022 and 30 June 2021 Balance Sheets and Profit & Loss Statements disclosing the most recent financial position as prepared by the Group's external accountant. The Group prepares consolidated accounts which are audited in accordance with Hills' requirements as an ASX listed company.

### 5.5 Historical financial performance

#### *Profit and Loss*

	2022 (\$)	2021 (\$)
Revenue	47,267,000	49,260,000
Cost of Sales	(23,398,000)	(23,532,000)
<b>Gross Margin</b>	<b>23,869,000</b>	<b>25,728,000</b>
Other Income	155,000	160,000
Labour and related expenses	(16,049,000)	(14,766,000)
Operational and Equipment expenses	(418,000)	(462,000)
Depreciation and Amortisation	(3,887,000)	(4,364,000)
Other Expenses	(8,438,000)	(9,490,000)
<b>Expenses excluding net finance expenses</b>	<b>(28,792,000)</b>	<b>(29,082,000)</b>
<b>Loss before net finance expense and income tax</b>	<b>(4,768,000)</b>	<b>(3,194,000)</b>
Finance Income	9,000	44,000
Finance Expenses	(1,714,000)	(2,376,000)
<b>Net Finance Expenses</b>	<b>(1,705,000)</b>	<b>(2,332,000)</b>
<b>Loss Before Income Tax</b>	<b>(6,473,000)</b>	<b>(5,526,000)</b>



Income Tax (expense)/benefit	(1,852,000)	368,000
Loss after tax from continuing operations	(8,325,000)	(5,158,000)
Loss from discontinued operations (net of tax)	(15,628,000)	(5,065,000)
<b>Total Loss</b>	<b>(23,953,000)</b>	<b>(10,224,000)</b>

## *Balance Sheet*

	2022 (\$)	2021 (\$)
<i>Current Assets</i>		
Cash and cash equivalents	6,458,000	6,835,000
Trade and other receivables	13,512,000	31,517,000
Inventories	3,153,000	22,001,000
<b>Total Current Assets</b>	<b>23,123,000</b>	<b>60,353,000</b>
<i>Non-Current Assets</i>		
Investments	2,000	2,000
PPE	7,844,000	10,797,000
Right of use asset	3,256,000	7,256,000
Intangible Assets	1,597,000	3,077,000
Deferred tax asset	-	13,916,000
<b>Total Non-Current Assets</b>	<b>12,699,000</b>	<b>35,048,000</b>
<b>Total Assets</b>	<b>35,822,000</b>	<b>95,401,000</b>
<i>Current Liabilities</i>		
Trade and other payables	12,626,000	24,333,000
Lease Liabilities	2,850,000	4,162,000
Borrowings	3,096,000	533,000
Provisions	3,025,000	5,120,000
<b>Total Current Liabilities</b>	<b>21,597,000</b>	<b>34,148,000</b>
<i>Non-Current Liabilities</i>		
Lease Liabilities	3,266,000	6,318,000
Borrowings	120,000	19,475,000
Provisions	1,587,000	2,228,000
<b>Total Non-Current Liabilities</b>	<b>4,973,000</b>	<b>28,021,000</b>
<b>Total Liabilities</b>	<b>26,570,000</b>	<b>62,169,000</b>
<b>Net Assets</b>	<b>9,252,000</b>	<b>33,232,000</b>

In respect of the above, we make the following comments:

- The majority of the Companies' income was derived from its trading activities through Hills and Hills Health. Income levels remained generally consistent throughout the above periods.
- Gross Profit appears to have also remained consistent over the above period as expenses remained the same and appear to be consistent with the proportion of income generated in the previous year.
- The Company sustained losses over the above periods due to significant expenses being incurred, the majority of which was associated with labour costs.
- The Company's major assets are comprised of cash and debtors. The Group appears to have significantly reduced its inventory levels between 2021 and 2022 Financial Years. The asset position has reduced over the period due to the reduction in inventory levels as well as the deferred tax asset. This has ultimately led to a significant decrease in net assets, as liability levels only reduced by 36%.
- The majority of the Group's largest liabilities are trade creditors related to ongoing trading. Hills and Hills Health have outstanding intercompany loan account balances which are discussed later below.



- The Companies had a net surplus of assets over liabilities over the above periods. Over the same period the Companies' Current Ratio (current assets/current liabilities) was 1.07 and 1.77 as at 30 June 2022 and 30 June 2021 respectively. Generally, a current ratio of below 1 may indicate that a company cannot pay its current liabilities from its current/liquid assets.
- The Companies' debt ratio (total liabilities/total assets) as at the financial years ended 30 June 2022 and 30 June 2021 was 0.74 and 0.65 respectively. A debt ratio above 1.0 indicates the proportion of a company's assets that are financed by debt. The higher the ratio, the greater the company's financial risk.

Attached as **Annexure "A"** is a copy of the Companies' Balance Sheet and Profit and Loss Statement as at 31 May 2023.

The Companies are currently looking to finalise the 30 June 2023 accounts.

## 5.6 Assets and Liabilities

Following the appointment, our staff provided to the Director(s) of the Company a ROCAP for completion in accordance with Section 438B(2) of the Act.

David Chambers and Peter Steel, the non-executive Directors of Hills have completed a ROCAP which has been lodged with ASIC.

I am currently awaiting to receive a ROCAP from David Clarke as Director of all of the Companies. A copy will be lodged with ASIC upon receipt.

Detailed below is a schedule of the assets and liabilities as at the date of appointment of the Companies prepared by the Administrators based on our:

- Investigations into the financial affairs of the Company;
- Discussions with the Director(s) and CFO; and
- Review of the books and records of the Company provided to date.

### Assets

#### 5.6.1 – Interests in Land

According to a search of the Land Titles databases, the Companies are not registered owners of any land.

#### 5.6.2 – Sundry Debtors

The Companies' books and records disclosed aged receivables in the approximate sum of \$5,082,996.94 as at 2 June 2023 summarised as follows:

	Current	1 Month Overdue	2 Months Overdue	3 Months Overdue	4+ Months Overdue	Total
Hills	1,392,836.65	35,074.40	48,014.81	(1,818.01)	97,978.88	1,572,086.73
Hills Health	2,018,215.13	988,554.18	273,435.70	151,820.47	78,884.73	3,510,910.21
<b>TOTAL</b>	<b>3,411,051.78</b>	<b>1,023,628.58</b>	<b>321,450.51</b>	<b>150,002.46</b>	<b>176,863.61</b>	<b>5,082,996.94</b>

We confirm that the above balances are subject to change as Hills and Hills Health are continuing to trade and pre appointment debtors are continuing to be collected during the Voluntary Administration period.

#### 5.6.3 – Cash at Bank

The Companies currently operate the following bank accounts with the Commonwealth Bank of Australia ("CBA"):

Company	Bank	Account Type	Balance as at Appointment Date being 2 June 2023 (\$)
Hills	CBA	Payroll Account	79,238.09
Hills	CBA	Operating Account	118,153.26
Hills	CBA	Receipting Account	54,680.91
Hills	CBA	DAS Receipting Account	57,684.47
Hills	CBA	Investment Account	2,378,599.30
Hills	CBA	Cheque Account Bearing Interest	Nil
Hills	CBA	USD Business Account	Nil
Hills	CBA	Hills Payment Account	100,000.00
Hills	CBA	Contingent Liability	(650,696.00)
Hills	CBA	Term Deposit	60,871.14
Hills	CBA	Term Deposit	512,048.00
Hills	CBA	Term Deposit	21,174.98
Hills	CBA	Term Deposit	46,200.00
Hills	CBA	Term Deposit	10,401.88
Hills	CBA	Cash Deposit Account	3,002,901.92
Hills Health	CBA	Nursecall Receipting Account	331,827.18
Hills Health	CBA	Payments and Sundry Account	336,727.09
Hospital Telecommunications	CBA	Cheque Account Bearing Interest	119,177.77
<b>Total</b>			<b>6,578,989.99</b>

Cash at bank is continuing to be utilised in the ongoing trading of the business of Hills and Hills Health.

#### 5.6.4 – Stock

##### *Hills*

Inventory held by Hills includes components for installation of NBN product. The current stock value is \$58,363.69 as disclosed in the Companies' books and records. Hills holds additional NBN components owned by third parties.

##### *Hills Health*

Inventory used in the Hills Health business includes product for immediate project use and spare parts. The current inventory book value is circa \$4.7M which includes provision for slow moving spare parts.

We note that the above stock values are obtained from the Companies' books and records. Since our appointment the Administrators have also engaged an independent valuer, being O'Maras, to conduct a preliminary valuation of the Companies' stock, however the estimated values are commercially sensitive and as such withheld from disclosure in this report.

#### 5.6.5 – Work In Progress

Work in progress has been continued to be completed during the voluntary administrations and the value of same is continuing to change on a daily basis.

#### 5.6.6 – Property, Plant and Equipment ("PPE")

The Companies' PPE assets are largely comprised of its nurse call and PES systems, office furniture and IT and warehousing equipment.



O'Maras have conducted a preliminary valuation of office furniture and IT warehousing equipment assets, however the estimated values are commercially sensitive and as such withheld from disclosure in this report.

## 5.6.7 – Motor Vehicles

Books and records received upon appointment confirm that Hills owns various motor vehicles/trailers which have been utilised as part of the Hills Health business.

Since our appointment, our office have conducted searches of the NSW Roads and Maritime Services ("RMS") registries to locate motor vehicles registered under the names of the Companies.

To date we are still awaiting search results for Hills and Audio Products but have received search results for the other Group entities.

Below provides a summary of the motor vehicles which have been identified as currently owned by the Companies:

Company	Year	Make	Model	Vehicle Types	State
Hills	2012	Hyundai	Hyundai ix35 MY12 (1/12) 2.0 CRDi Highla	Wagon	VIC
Hills	2014	Volkswagen	Volkswagen Passat B7 MY14 (9/13) 2.0 130	Wagon	VIC
Hills	2012	Nissan	Nissan Navara D40 MY12 (1/13) 2.5TD RX D	Utility	NSW
Hills	2013	Nissan	Nissan Navara D40 MY12 (1/13) 2.5TD ST D	Utility	QLD
Hills	2010	Holden	Holden Combo XC MY10 (1/12) 1.4 Man Van	Van	NSW
Hills	2009	Citroen	Citroen Berlingo MY09 (1/12) 1.6 HDi L1	Van	VIC
Hills	2010	Toyota	Toyota Corolla Ascent ZRE152R MY10 (1/11	Wagon	QLD
Hills	2013	Volkswagen	Volkswagen Caddy MY13 (1/13) 1.2 TSi160	Van	NSW
Hills	2014	Nissan	Nissan X-Trail T32 MY14 2.5 ST-L 5ST FWD	Wagon	WA
Hills	N/A	Volkswagen	05/2019 CLASSIC TRAILERS trailer single axle, toolbox, drumroll	Trailer	N/A
Hills	N/A	Nissan	09/2019 CLASSIC TRAILERS box trailer 8x5m, dual axle	Trailer	N/A
TV Rentals	2011	Toyota	Corolla	Sedan	NSW
TV Rentals	2012	Holden	Combo	Van	NSW
TV Rentals	2013	Nissan	Navara	Utility	NSW

In addition to the above, Hills also leases thirteen (13) motor vehicles from FleetPlus for which FleetPlus has registered motor vehicle security interests on the PPSR. Further details in relation to FleetPlus' security interests will be discussed later in the secured creditors section of this report.

O'Maras have conducted a preliminary valuation of the motor vehicles owned by the Companies, however the estimated values are commercially sensitive and as such withheld from disclosure in this report.

## 5.6.8 – Other Assets

### *Subsidiary Entities*

As noted above, Hills is the head company in the group with a number of subsidiaries. The only trading entity in the Group which is trading and is not subject to the appointment is Hills NZ Limited.

Hills NZ Limited installs Sky infrastructure across NZ.

A review of Hills NZ's Balance Sheet identifies its net asset position as at 31 May 2023 of \$319,531. This includes a cash at bank balance of \$1,518,382.

## *Tax Losses*

The group holds non-recognised tax losses – revenue items in the amount of \$257,783,000 and non-recognised tax losses – capital items in the amount of \$31,102,000 as at 30 June 2022 as recorded in the 2022 Financial Statements. This amount is subject to increase upon finalisation of the 2023 Financial Year Tax Returns.

## *Trademarks*

A search of the IP Australia web database identifies forty-four (44) trademarks, of which

- Forty (40) are registered under Hills;
- Three (3) are registered under Hills Health; and
- One (1) registered under TV Rentals.

The values of these trademarks are unknown.

## *Trading Names*

Entities within the Group own the following trading names as registered on the Australian Business Register:

Owner	Business Name	From
Hills Limited	HILLS TECHNICAL SERVICES	17 Oct 2019
Hills Limited	HILLS TECHNICAL SOLUTIONS	10 Oct 2019
Hills Limited	WE ARE HILLS	16 Jun 2014
Hills Limited	Hills Connection Solutions	14 Feb 2014
Hills Limited	HILLS SOLUTIONS GROUP	24 Feb 2011
Hills Limited	HILLS SOLUTIONS GROUP	17 Jan 2011
Hills Limited	TECHLIFE SOLUTIONS	22 Jan 2010
Hills Limited	PACIFIC COMMUNICATIONS	18 Mar 2008
Hills Limited	HILLS HOME ELECTRONICS	01 Jun 2004
Hills Limited	HILLS TELEVISION SYSTEMS	15 Oct 2002
Hills Limited	VICAM CCTV SYSTEMS	02 May 2002
Hills Limited	HILLS TRANSMISSION SOLUTIONS	10 Oct 2001
Hills Limited	HILLS TRANSMISSION SOLUTIONS	03 Oct 2001
Hills Limited	HILLS TRANSMISSION SOLUTIONS	01 Sep 2001
Hills Limited	HILLS ANTENNA SYSTEMS	01 Apr 2001
Hills Limited	DAS TASMANIA	16 Feb 2000
Hills Limited	DIRECT ALARM SUPPLIES	16 Feb 2000
Hills Limited	DIRECT ALARM SUPPLIES	16 Feb 2000
Hills Limited	DIRECT ALARM SUPPLIES TAS	16 Feb 2000
Hills Limited	PACIFIC COMMUNICATIONS	16 Feb 200
Hills Health	QUESTEK	20 Jun 2019
Hills Health	Hills Health Solutions	15 May 2014
Hills Health	Questek Australia	29 Apr 2014
Hills Health	Questek Infotainment	29 Apr 2014



Hills Health	MERLON TECHNOLOGIES	16 Dec 2013
Hospital Telecommunications	Hostel	16 May 2000

## 5.6.8.1 Related Entities

Based on our review of the Companies' books and records and discussions with the executive management of the Companies, we have estimated a related entity debt of \$1,416,013 owed by Hills Health to Hills. This estimate takes into account the following related entity transactions and/or balances:

- Pre appointment intercompany loans;
- Reallocation of employee entitlements from employees under the employment of Hills but working for Hills Health;
- Reallocation of legal fees initially allocated to Hills for financial reporting but relate directly to the Hills Health business; and
- Reallocation of costs to Hills Health in accordance with audited FY2020 segment reports.

## 5.6.9 – Surplus in Assets Subject to Security Interests

A review of the security interests registered on the PPSR confirms that the Companies currently operate a number of motor vehicles, trucks and trailers under financial agreements.

We also note a number of suppliers with retention of title claims. Errors in registrations, including incorrect details and poor descriptions, and the absence in documentation of a right to any security may defeat these claims. These instances, however, usually require legal advice and, in some cases, an application to the Court. We are continuing to review these security interests and, notwithstanding their potential invalidity, reserve the right to deal with those claims on a commercial basis.

As the Companies are continuing to trade, we have notified the financiers that the Administrators will continue to utilise the assets under financial agreements until further notice. We have factored in the finance/lease liability into the ongoing trading cashflow of the Companies.

## Liabilities

### 5.6.10 – Employee Entitlements

Outstanding employee entitlements at the date of our appointment owing to both unrelated employees and excluded employees can be quantified if the Company was placed into Liquidation as follows:

Entitlement	Unrelated Employees	Excluded Employees	Amount (\$)
Annual Leave	806,309.93	3,000.00	809,309.93
Long Service Leave	797,788.00	Nil	797,788.00
Superannuation Guarantee Charge	Nil	Nil	Nil
Payment in Lieu of Notice	938,071.70	Nil	938,071.70
Redundancy	1,533,098.73	Nil	1,533,098.73
<b>Total</b>	<b>4,075,268.36</b>	<b>3,000.00</b>	<b>4,078,268.36</b>

As noted above the above amounts relate to the value of employee entitlements as at the date of appointment if all employees were terminated. The amounts owing under a DOCA scenario will change given employees are continuing to accrue employee entitlements, long service leave continues to accrue but may not yet be due and payable and redundancy would not be payable. Employee entitlements are afforded a priority over:

- Secured creditors in a distribution of circulating assets (previously known as floating charge assets) such as debtors and stock; and
- Unsecured creditors in any distribution of the assets of the Company.

A director, or a spouse or relative of a director, are classified as excluded employees and are limited to a maximum priority claim of:

- \$2,000 in relation to outstanding wages, superannuation contributions (including SGC);
- \$1,500 in respect of outstanding leave of absence; and
- Nil in respect of retrenchment.

In the event that the Company is placed into liquidation, employees may be eligible to claim for financial assistance under the Fair Entitlements Guarantee Scheme ("FEG"). We advise that FEG does not provide financial assistance for outstanding superannuation. Employees have been provided with an information sheet in respect of FEG.

In the event FEG does assist employees, the employee claims are replaced with a claim from FEG, entitled to the same priority. Accordingly, FEG's involvement does not impact the overall priorities to distributions.

## 5.6.11 Secured Creditors

Upon appointment, we issued correspondence to all secured creditors recorded on the PPSR requesting documentation to substantiate their claims.

As detailed above in Section 5.2 of this report, Causeway has registered All PAAP security interests over the following companies within the Group:

- Hills;
- Audio Products;
- Hospital Telecommunications;
- Hills Integrated;
- Hills Finance;
- Lan 1;
- T.V. Rentals;
- New-Tone;
- ACN 614; and
- Hills Share Plans Pty Ltd (Administrators Appointed).

Causeway's security is discussed earlier in this report.

A summary of the position of the other secured creditors of the Companies is as follows:

Company	Secured Creditor	PPSR Registration No.	Collateral Class	Notes
Audio Products	Schneider Electric (Australia) Pty Limited & Ors	201312190129724	Other Goods	No response received to date.
	Access Rentals Australia Pty Ltd & Ors	201611070052751	Motor Vehicle	No response received to date.
		201611070052733	Other Goods	No response received to date.
	Adsteel Brokers Pty. Ltd.	201710190061774	Other Goods	Discharged on 8 June 2023.
	Akzo Nobel Pty Limited	201401160099624	Other Goods	Discharged on 7 June 2023.
Hills	Altech Computers Corporation Pty Ltd	201204050071260	Other Goods	No response received to date.
	Ausco Modular Pty Limited	201809070093542	Other Goods	Discharged on 5 June 2023.
	Bluescope Distribution Pty Ltd	201203210064413	Other Goods	Discharged on 6 June 2023.
		201409150019535	Other Goods	
	C.R. Kennedy & Company Proprietary Limited	202106090001849	Other Goods	No response received to date.
	Capral Limited	201201120644159	Other Goods	No response received to date.
	Caps Australia Pty Ltd	201401310277498	Other Goods	No response received to date.
		202202040039216	Other Goods	No response received to date.



Commonwealth Bank of Australia	201708280079282	Motor Vehicle	No response received to date.
Computers Now Pty Ltd	202210170054853	Other Goods	Discharged on 5 June 2023.
Courtenay Polymers Pty. Limited	201307170053082	Other Goods	No response received to date.
Crown Equipment Pty. Limited	201908220028125	Other Goods	No response received to date.
	201908220027993	Other Goods	
	202212020030127	Motor Vehicle	
	201908290066545	Other Goods	
	202001080046893	Motor Vehicle	
	201906200055770	Other Goods	
	201912200059970	Other Goods	
	202212020030136	Other Goods	
	201906200056031	Other Goods	
	201901290065467	Other Goods	
De Lage Landen Pty Limited	201808090097163	Other Goods	No security documents received to date.
	201708240047433	Other Goods	
	201812280049210	Motor Vehicle	
	201807180065453	Other Goods	
	202202250084617	Other Goods	
	201906250115968	Motor Vehicle	
	201808090097171	Other Goods	
	201910090059487	Other Goods	
	201807180065424	Other Goods	
	201812280049172	Motor Vehicle	
	201807180065430	Other Goods	
	202005070054090	Other Goods	
	201808090097185	Other Goods	
	201906250115975	Motor Vehicle	
	201812280049234	Motor Vehicle	
	201903010078693	Other Goods	
	201708240047422	Other Goods	
	201807180065448	Other Goods	
	201811020068009	Other Goods	
D-Link Australia Pty. Limited	201608110010238	Other Goods	No response received to date.
Fleetplus	202101250000027	Motor Vehicle	Security documents have been provided indicating thirteen (13) motor vehicles hired from Fleetplus with a monthly rental fee of \$11,408.18 inclusive of GST. On 29 June 2023, a telephone call was received from the Bank of Queensland ("BOQ") advising that they may have acted as end financier for various Hills Fleetplus and SG Fleet Australia Pty Limited ("SG Fleet") contracts. BOQ noted that they were currently compiling the security documents and would provide an update shortly. The ongoing costs associated with the motor vehicles are being paid during the VA period.
	202003290003819	Motor Vehicle	
	202010020034760	Motor Vehicle	
	202003290002795	Motor Vehicle	
	202012020030579	Motor Vehicle	
	202004210030899	Motor Vehicle	
	202102120053259	Motor Vehicle	
	202011130028057	Motor Vehicle	
	202012140023653	Motor Vehicle	
	202001200015785	Motor Vehicle	
	202004140017943	Motor Vehicle	
	201908010064913	Other Goods	
	202103010025317	Motor Vehicle	
J. Blackwood & Son Pty Ltd	201912300033549	Motor Vehicle	No response received to date.
	201908010063676	Other Goods	
	202012090072996	Other Goods	
	201201030045082	Other Goods	
Loscam Australia Pty Ltd	201201030045082	Other Goods	No response received to date.
Metal Manufactures Limited	202004270016511	Other Goods	No response received to date.
MM Plastics Pty Limited	201812110070004	Other Goods	Discharged on 5 June 2023.
Multimedia Technology Pty. Ltd.	202107210020957	Other Goods	Security documents have been provided. POD was lodged for \$2,751.51.
Oliveri Solutions Pty Limited & Ors	201808010048119	Other Goods	No response received to date.



Pro-Pac Packaging (Aust) Pty. Limited	201201051984416	Other Goods	No response received to date.
R F Industries Pty Ltd	201610310057043	Other Goods	No response received to date.
Ramelec Electronics Pty. Ltd.	201307310072076	Other Goods	No response received to date.
Roland Corporation Australia Pty Ltd	201204050086976	Other Goods	No response received to date.
Samsung Electronics Australia Pty Ltd	201209270022193	Other Goods	No response received to date.
SG Fleet Australia Pty Limited	201902120061098	Motor Vehicle	No response received to date. On 29 June 2023, a telephone call was received from BOQ advising that they may have acted as end financier for various Hills Fleetplus and SG Fleet contracts. BOQ noted that they were currently compiling the security documents and would provide an update shortly.
	201810190028302	Motor Vehicle	
	201902220038200	Motor Vehicle	
	201903190041827	Motor Vehicle	
	201901090042881	Motor Vehicle	
	202108250054190	Motor Vehicle	
	201811210023439	Motor Vehicle	
Tradelink Pty Limited	201808020002667	Other Goods	No response received to date.
Visy Board Proprietary Limited	201201050025263	Other Goods	No response received to date.
Visy Logistics No 2 Pty Ltd & Ors	201905070007740	Other Goods	Discharged on 5 June 2023.
Westcon Group Pty Limited	201211190026366	Other Goods	No response received to date.
Metal Manufactures Limited	201310150047858	Other Goods	Security documents have been provided. POD was lodged for \$5,292.53.
Metal Manufactures Limited	202004270016507	Other Goods	No security documents received to date.
Ramelec Electronics Pty. Ltd.	201312090036556	Other Goods	No response received to date.
Central Security Distribution Pty Ltd	201410150051375	Other Goods	No response received to date.
The Trustee For D & H Trust & The Trustee For J & T Family Trust	201501130036891	Other Goods	Security documents have been provided. POD was lodged for \$51,420.60.
Schneider Electric (Australia) Pty Limited & Ors	201606070013593	Other Goods	No response received to date.
R F Industries Pty Ltd	201612080020386	Other Goods	No response received to date.
Hills Health Solutions Australia Pty Ltd	201702030042429	Other Goods	Confirmation received from executive management on 5 June 2023 that Hills Health should not have PPSR registrations against itself - as such likely an administrative error and could be discharged upon request.
Hills Health Solutions Australia Pty Ltd	201702030043480	Other Goods	
Srxglobal (Australia) Pty Limited	201703130035003	Other Goods	Security documents have been provided and invoices being paid.
De Lage Landen Pty Limited	201712290020831	Other Goods	Security documents have been provided – cost being paid in ordinary course
	201712290020849	Other Goods	
	201712290020854	Other Goods	
	201712290020865	Other Goods	
	201806220094578	Other Goods	
	201806250032944	Chattel Paper	
	201806250032959	Other Goods	
	201808220066244	Other Goods	
	201808220066259	Other Goods	
	201808230080433	Other Goods	
	201808230080446	Other Goods	
	201808230080451	Other Goods	
	201808230080467	Other Goods	
	201809100093122	Other Goods	
	201810150071292	Other Goods	



	201810300101535	Other Goods	
	201812120083714	Other Goods	
	201901230071689	Other Goods	
	201903190068725	Other Goods	
	201906180075247	Other Goods	
General Communications Pty Ltd	202004220011334	Other Goods	No response received to date.
APS Industrial Pty Ltd	202107060061607	Other Goods	No response received to date.
JB Hi-Fi Group Pty Ltd & Clive Anthonys Pty Ltd	202108030000837	Other Goods	Discharged
AHT Group Pty Ltd	202109290021734	Other Goods	Security documents have been provided. POD was lodged for \$22,699.25.
Dicker Data Limited	202206020003064	Other Goods	Security documents have been provided. POD was lodged for \$26,755.11.

## 5.6.12 – Shortfall of Assets Subject to Security Interests

To date, we have not been advised of any financial agreements/contracts without equity- i.e. the value of assets under the financial agreements exceed its payout value.

As the Companies are continuing to trade, we have notified the financiers that the Administrators will continue to utilise any assets under financial agreements until further notice. We have factored in the finance/lease liability into the ongoing trading cashflow of the Company.

## 5.6.12 Unsecured Creditors

Utilising various Director ROCAPs and PODs submitted by creditors, we have calculated unsecured creditor claims to be \$10,920,923.09 which have been summarised below.

### Hills

Creditor	Amount (\$)
Canary Technology Solutions Pty Limited	263,665.00
King & Wood Malleons Pty Ltd	156,161.08
Goodman Property Services (Aust) Pty Limited	98,022.76
Speedy PCB Assembly Pty Ltd	83,271.89
Startrack Express Pty Limited	54,111.42
Tandem Partners NSW Pty Ltd	41,849.38
Spider Electronics Pty Ltd	41,734.00
Link Market Services Limited	37,011.70
Microsoft Regional Sales	30,963.91
Asi Solutions	25,347.87
Others (68)	359,938.62
<b>Total</b>	<b>1,192,077.63</b>

### Hills Health

Creditor	Amount (\$)
Stellar	8,411,465.37
Anacom Medtek	357,369.20
AVE Technologies	130,757.18
Horizon Electronics Company Pty. Ltd.	75,407.31
Anglican Community Services t/as Anglicare	75,033.75
Kerfoot Electrics Pty Ltd	57,807.86
Movielink Pty Ltd	53,302.15
Datavoice Communications	52,171.78
The Trustee For D & H Trust & The Trustee for J & T Family Trust	51,420.60
RND Cabling Contractors	47,595.00
Others (22)	273,232.83
<b>Total</b>	<b>9,585,563.03</b>

## Hospital Telecommunications

Creditor	Amount (\$)
Liverpool Hospital	21,512.60
Adhoc Software	15,941.71
Royal Perth Hospital	15,157.07
Sunshine Hospital	15,056.02
Footscray Hospital	10,078.09
Northern Sydney Local Health District	8,684.99
A&L Electronic Services	7,733.00
One IP	6,149.00
Optus	5,251.00
Tellida	4,800.00
Others (17)	31,943.82
<b>Total</b>	<b>142,307.30</b>

## T.V Rentals

T.V Rentals has only one (1) ordinary unsecured creditor being Diners Club Pty Ltd to whom \$975.13 was owed.

## Hills Finance, Hills Integrated, Lan 1, New-Tone, Audio Products, ACN614, Pacom and Hills Group

These entities do not have any ordinary unsecured creditor claims.

The total amount of claims may increase due to further claims being received from creditors. Also, as noted above, the Administrators are yet to adjudicate on the claims for dividend purposes.

As noted above, each of the parties, save for ACN164, are parties to the Deed of Cross Guarantee meaning that they (excluding Pacom) are each liable for each other's debts.

Attached as **Annexure "B"** is a copy of the Formal Proof of Debt Form (Form 535) which creditors should use to formally lodge their claim against the Companies. Creditors are only required to submit this form if they have not done so already or if their claim has changed since their last Proof of Debt Form.

### 5.6.13 Excluded Employee Claims

As noted above, related parties being Directors and former Directors employee entitlements are capped at the statutory limits. A summary of the residual excluded employee claims are as follows:

	AL (\$)	LSL (\$)	Total (\$)
David Clarke	73,890.12	262,826.92	<b>336,717.04</b>
Natalie Scott	36,074.16	137,912.41	<b>173,986.58</b>

## 6.0 EXPLANATIONS FOR DIFFICULTIES

Our preliminary investigations into the affairs of the Company also indicate that the primary reason for the appointment of Administrators was due to the Companies inability to enter into a settlement agreement with Stellar regarding the judgment debt owed. Given the security held by Causeway and the quantum of the judgment, if this judgement had been enforced, the Companies would likely be facing financial difficulties.



## 7.0 TRADING DURING THE ADMINISTRATION

Following our appointment, our staff and the Administrators assessed the Companies' business and trading operations including cashflow projections and profitability analysis. After this review, we determined that it would be in the best interests of creditors for the Companies' businesses to continue to trade during the administration to provide the following benefits:

- To generate revenue during the administration period;
- Preserving the business operations and goodwill of the Group;
- Ongoing support of the Companies' customers to facilitate the recovery of the Companies' debtors on a timely basis;
- Continued employment of the Group's staff;
- To enable the potential of a restructure process for the Companies, by way of a sale of the business, DOCA or recapitalisation; and
- Completion of outstanding WIP and related invoicing to clients.

The following tasks were conducted in order to continue trading the business of the Company:

- Attended the Group's head office location to have meetings and discussions with the Companies' Director(s) and employees;
- Obtained cashflows from the Companies' CFO and reviewed cashflow projections and profitability analysis;
- Initiated and monitored trading controls over the Companies' operations;
- Held discussions with key suppliers regarding the trading controls and protocols enacted by the Administrators;
- Ensured adequate insurance is maintained during the administration period;
- Liaised with the Group's banking relationship manager to:
  - Ensure the pre-appointment bank accounts with CBA remained active by removing the freeze placed over them;
  - Confirm that the Group's merchant facilities were active in order to allow customers to make payment via EFTPOS terminals; and
  - Review the Companies' banking requirements throughout the trade on period during the Administration;
- Reviewed and approved purchase orders in accordance with the trading protocols established;
- Dispatched approved purchase orders to vendors as required;
- Attended regular meetings in person and via Microsoft team to discuss and monitor ongoing trading with the Companies' Directors and key management staff;
- Liaised with the Companies' secured creditors regarding ongoing trading;
- Liaised with the Companies' customers regarding ongoing support and restructuring process;
- Held discussions with suppliers and Group staff regarding ongoing payment terms;
- Arranging continued supply of utility services and negotiating trading terms with suppliers;
- Approved payment requests for suppliers as received from key management staff;
- Reviewed and approved payment of staff wages on a fortnightly basis;
- Approved the use of contractors to assist with staffing requirements during the trade on period;
- Held discussions with staff regarding timing and payment of debts accrued during the trade on period for:
  - PAYG
  - Payroll tax
  - Superannuation
- Liaised with staff regarding BAS reporting methodology;
- Generated intercompany payments and receipts for payments by Hills for staff utilised in Hills Health for wage payments; and
- Transferred funds from the Administration bank account to the pre-appointment bank accounts to allow funds to be paid to suppliers.

We will continue to trade the businesses until any restructure is completed.

## 8.0 SALE OF BUSINESS

Following our appointment, we commenced a sale of business campaign for the Hills and Hills Health businesses which have included the following tasks:

- Liaised with interested parties regarding their interest in the businesses;
- Prepared and maintained a formal interested parties register;
- Placed an advert on the Hall Chadwick LinkedIn page on 8 June 2023;
- Placed an advert in the Australian Financial Review on 16 June 2023;
- Placed an advert in the Australian Financial Review on 19 June 2023;
- Liaised with key management staff regarding the sale process;
- Prepared a Confidentiality Agreement to protect the unauthorised use of the Companies' financial data and information;
- Prepared a Sale of Business Information Memorandum detailing the Companies' assets, business and trading operations;
- Held meetings and teleconferences with interested parties regarding the process, structure of an offer and assets available;
- Supplied further information and details to interested parties regarding the Companies' businesses;
- Liaised with the Companies regarding preparation of a data room; and
- Reviewed and considered non-binding indicative offers from interested parties.

Expressions of interest (**EOIs**) were sought on the basis of any of the following transactions:

- Deed of Company Arrangement/Creditors' Trust
- Merger/Integration Opportunity
- Purchase of business including Goodwill, Brand, Intellectual Property, Receivables, Equipment and Inventory
- All other options considered

EOIs were required to be submitted by interested parties by close of business on 26 June 2023 and are summarise below:

EOIs Received	Number of IMs Dispatched
51	30

A summary of the indicative timetable with respect to the sale process is as follows:

Stage	Date
Initial Expressions of Interest	Post 2 June 2023
Information Memorandum & Initial Business Data Available to Interested Parties – NDA Executed and Fee Received	Wk. ending 23 June 2023
Expressions of Interest Close	26 June 2023
Submission of Non-Binding Indicative Offers	3 July 2023
Interested Party – Short List	4 July 2023
Extensive Due Diligence, Additional Business Data and Meetings with Key Management/Staff – Short List (Only)	4 July 2023 to 14 July 2023
Final Offers (Subject to Contract)	14 July 2023
Deposit Required – 10%	15 July 2023
Transaction/Contract Documents Completed	25 July 2023

I confirm as at the date of this report I have received 13 Non-Binding Indicative Offers. I have reviewed and considered these offers to shortlist the parties. From the Non-Binding Indicative Offers received to date, I have shortlisted 7 parties who have provided the best offers to date.

The shortlisted parties will now to receive access to the full data room and be able to hold meetings with management.



I will continue to liaise with those shortlisted parties with respect to their further queries and information required to submit a final offer.

As noted above, final offers for the sale process are to be received by 14 July 2023. As creditors are aware, an offer may be structured by way of an offer for sale which may be accepted by my office without creditor approval, or by way of a Deed of Company Arrangement which must be voted on and approved by creditors. I have a duty to creditors to obtain the best value and return to creditors possible.

I will provide an update with respect to this process in my next report to creditors.

## **9.0 OFFENCES, VOIDABLE TRANSACTIONS AND INSOLVENT TRADING**

The Act requires an Administrator to conduct preliminary investigations into any breaches or offences committed by officers of the Companies as well as review transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator. These potential claims/recoveries are relevant to creditors if they are being asked to choose between a DOCA or a liquidation, because such claims/recoveries are only able to be challenged if a liquidation occurs.

Our preliminary investigations have involved a review of the Companies' books and records together with discussions with the Directors and creditors of the Companies.

We refer creditors to ARITA's Information Sheet attached and marked **Annexure "C"** which provides creditors with further information about the different types of offences, voidable transactions and insolvent trading actions that are generally available to a Liquidator.

### **9.1 Offences**

Sections 180 to 184 of the Act set out certain obligations for directors to exercise and discharge their duties and powers with a degree of care as well as good faith. Directors must not use their position to obtain an advantage for themselves or cause detriment to a company.

Based on our preliminary investigations, we have not identified any offences committed by the Director(s). However, this would be further investigated by a Liquidator in the event that the Company is wound up.

### **9.2 Insolvency**

A number of commercial recoveries available to a Liquidator need to have occurred at a time when a company was insolvent. In addition, a director may be personally liable for continuing to incur debts whilst a company was insolvent.

#### Presumption of Insolvency

There are a number of presumptions afforded to a Liquidator in the assessment and recovery of an insolvent trading claim. Two (2) important presumptions are:

#### Presumption of Continued Insolvency

If it is proved that a company is insolvent at any time during the twelve (12) months preceding the Administrator's appointment, then the company is presumed to remain insolvent continuously from that point until the appointment date. This presumption assists a Liquidator who would otherwise be required to prove that a company was insolvent at each time a new debt was incurred.

#### No Evidence of Solvency

A company is presumed to be insolvent if it has failed to maintain books and records in accordance with Section 286 of the Act. Our preliminary investigations have identified that the Companies have complied with Section 286.

However, whilst it is acknowledged that these presumptions exist, a Liquidator would nonetheless conduct an investigation and review other documentation bearing on a company's solvency. An initial discussion of the Companies' solvency is outlined below.

### 9.2.1 – Indicators of Insolvency

A company is considered to be insolvent at the point when it is unable to pay its debts as and when they fall due for payment. Consideration is given to when the debts are commercially due for payment. Accordingly, the test of insolvency is primarily a cash flow test. Mandie J in *ASIC v Plymin* (2003) 46 ACSR 126 referred to a checklist of indicators of insolvency which we have reproduced below and noted which indicator has been identified as part of our investigations.

Indicators of Insolvency		Administrators' Investigations
Continuing Losses	✓	Financial statements for the period ending 30 June 2022 and 30 June 2021 disclose sustained trading losses
Liquidity Ratios below 1	x	Current ratio for the period ending 30 June 2022 and 30 June 2021 were above 1
Overdue statutory and tax obligations	x	The Companies were up to date with respect to payment and lodgment of its tax obligations
Inability to borrow further funds from financiers	x	None Identified
No access to alternative finance	x	None Identified
Suppliers terms on C.O.D.	x	None Identified
Inability to raise further capital	x	None Identified – successful capital raise in March/April 2023
Creditors paid outside of trading terms	✓	The aged payables for Hills, Hills Health and Hospital Telecommunications indicates that between 30% - 40% of creditors were not paid within required trading terms.
Issuing post-dated cheques	x	None Identified
Dishonored cheques	x	None Identified
Special payment arrangements with creditors	x	None Identified
Summons, judgments or warrants issued against the Company	✓	As discussed within this report, Stellar successfully obtained judgement against the Company in May 2023.
Payments of rounded sums	x	None Identified
Inability to produce timely and accurate financial information	x	Our preliminary review of the books and records indicates that the Companies have complied with Section 286 of the Act.

The above indicators are not conclusive individually, but rather should be used as building blocks to evaluate the financial position of the Company at any particular time.

### 9.2.2 - Conclusion

Based on the investigations completed to date and considering all of the above indicators of insolvency, we estimate that the Company did not trade whilst insolvent. A summary of the key factors in reaching this determination are below:

- The Stellar proceedings were dismissed in favour of Hills Health in February 2022
- Stellar appealed the decision in May 2022
- On 22 March 2023 Historical Holdings Pty Ltd invested \$4.4M in the business
- On 23 March 2023 Hills announced the share offer entitlement



- On April 2023 Hills announced it raised \$6.4M before costs in new capital from the entitlement offer
- The Stellar appeal was not heard until 1 May 2023
- The Stellar appeal was found in favour of Stellar on 18 May 2023 with the amount to be determined in 7 days
- On 25 May 2023 the judgment amount of circa \$5.5M plus costs was ordered
- On 25 May 2023 the Standstill Deed was entered into for a period of 7 days (i.e. until 3 June 2023 – being the date of appointment). The Standstill Deed specifically noted that the judgment debt was not due and payable or recoverable during the standstill period
- The Companies were up to date with respect to all statutory obligations as at the appointment date
- May 2023 YTD profit and loss statement (internally generated) indicated the Companies were generating profits
- Current ratio as at May 2023 and June 2023 were above 1

Based on the above, it is likely that once the Standstill Deed ended on 3 June 2023 and the Stellar judgment became due and payable and enforceable, that the Companies may have began trading whilst insolvent given the inability to pay the debt in full and maintain all other ongoing obligations.

### 9.3 Voidable transactions

We have conducted investigations into identifying potential voidable transactions including reviewing the Companies' bank statements and general ledger.

From a preliminary review of the Companies books and records in our possession it is our opinion that the Companies may have an action for the following amounts against certain parties for transactions that may be voidable:

Potential Actions	Quantum (\$)
Unfair Preferences	None Identified
Uncommercial Transactions	None Identified
Unfair Loans	None Identified
Arrangements to Avoid Employee Entitlements	None Identified
Unreasonable Payments to Director(s)	None Identified
Voidable Security Interests	None Identified

#### 9.3.1 – Recoverability

Difficulties with pursuing voidable transactions may include:

1. Legal and accounting fees could be substantial and the matter may take some time to resolve;
2. The recipient of the potential voidable transaction may have a valid defence;
3. The recipient of the potential voidable transaction may not be in a position to pay back those monies if and when a favourable judgment is received; and
4. It can be difficult to sustain a claim against a creditor for the receipt of certain types of voidable transaction as the issue of suspicion of insolvency can be disputed.

Although we have not yet identified any voidable transactions, creditors should note that the investigation of offences and potential voidable transactions conducted to date are of a limited nature given the strict timeframe for the preparation of this report. A Liquidator would have sufficient time to investigate in further detail the likely recovery of potential voidable transactions. Any further action will only be taken if a Liquidator determines there will be a commercial benefit to creditors in doing so.

We also note that a Liquidator will report the offences and voidable transactions identified to ASIC. ASIC will then advise whether it may take further action or alternatively seek further information from the Liquidator prior to making its decision.

## 9.4 Insolvent trading

Information about any potential insolvent trading recovery is relevant to creditors when making a decision about the future of a company as a director of a company may generally only be pursued for insolvent trading if a company is in liquidation. As with the voidable transaction analysis above, creditors have to assess the advantages to them of a DOCA, which cannot include proceeds from insolvent trading actions, compared to the likely return in a liquidation, which could include the proceeds of any successful insolvent trading action.

Please refer to ARITA's Information Sheet for information about insolvent trading.

Other than in cases of fraud and in exceptional circumstances such as when ASIC takes action, the directors of a company may only be sued for insolvent trading if the company is in liquidation. Liquidation also preserves the possibility of individual creditors taking action in their own right.

### 9.4.1 – Insolvent Trading Claim

As noted above, our initial investigations have determined that the Director(s) did not trade the Companies whilst insolvent.

### 9.4.2 – Director(s) Personal Financial Position

Given we have not identified any insolvent trading claim at this stage, I have not undertaken a review of the Director(s) personal financial position and ability to fulfil any judgments made against them at this stage.

Creditors should note that our investigations would continue in this regard and in the event that the Company is placed into liquidation, any action for insolvent trading would only be brought against the Director(s) by a Liquidator if a benefit would accrue to creditors from doing so. A further detailed analysis of the Company would need to be undertaken by a Liquidator to evaluate the merits of any such action.

### 9.4.3 – Defences to a Claim of Insolvent Trading

Defences potentially available to company Directors are also included in the attached ARITA Information Sheet.

We also advise that a Director of a company may have several defences available to them under Section 588H of the Act, which are outlined as follows:

- The Director had reasonable grounds to expect that the company was solvent and would remain so;
- The Director relied on financial information prepared by a competent and reliable person which indicated that the Companies were solvent;
- The Director did not take part in management of the company due to illness or some other good reason; and
- The Director took all reasonable steps to prevent the company from incurring debts including taking action to appoint an Administrators to the company.

An action for insolvent trading would only be brought against the Directors or by a Liquidator if a benefit would accrue to creditors from doing so.

### 9.4.4 – Holding Company

Insolvent trading claims may also be brought against a holding company for insolvent trading by a subsidiary.

Given that the head company of the group, being Hills is also subject to the appointment, it is likely there would be no action in this regard should an insolvent trading claim be identified.



#### 9.4.5 – Directors and Owners Liability Insurance (“D&O Insurance”)

As at the date of appointment the Companies held D&O Insurance which was due to expire on 30 June 2023. Under the policies (being an initial policy with 5 additional excess layers), the Director(s) were covered against any claims made against the policies up to a maximum claim limit of \$50,000,000. The total base premium of the policies for 2023 were \$361,660.

Due to the appointment, the policy entered into a “run-off” which required a run-off policy to be purchased so that any claims for conduct prior to appointment may still be claimed against the policy.

Claims against the D&O insurance may include claims made by a Liquidator for insolvent trading claims or breach of Director duties.

Further, D&O insurance also covers any claims made by creditors or shareholders against the Directors for any conduct prior to the date of appointment.

I am currently obtaining legal advice with respect to any claims which may be made by our office against the policy however it is likely that a claim would only be made in a Liquidation scenario.

I confirm that a run-off policy has been obtained for a period of 12 months with a maximum claim limit of \$20,000,000. The cost of this run-off policy was \$215,000 + GST and Stamp Duty (plus a brokers placement fee of \$30,000 plus GST). As such, claims may still be made against the policy up to 30 June 2024.

#### **9.5 Assigning Rights to Sue**

A Liquidator may assign any right to sue conferred on that Liquidator which include voidable transactions and insolvent trading. In this regard, creditors or a third party may wish to acquire a right to sue conferred on the Liquidator based on the potential recovery actions we have discussed above. At this stage, we would suggest that any interested party await the outcome of further investigations which in the event of the Companies being wound up will be carried out by a Liquidator in due course.

### **10.0 PROPOSAL FOR A DEED OF COMPANY ARRANGEMENT**

#### **10.1 Background**

A DOCA is a legislative approved procedure allowing a company to make a compromise or arrangement binding all of its creditors. This provides for a modification or adjustment of the rights and obligations owing by that company to creditors. The Act provides the procedures for effecting such modification or adjustment, and enables the arrangement to be made binding on all creditors if agreed to by a majority at a second meeting of creditors. Creditors holding security are not necessarily bound by the DOCA.

Following the creditors meeting wherein creditors resolve to accept a proposed DOCA, the proposed DOCA will commence when both that company and the Administrator of the DOCA have properly executed the DOCA. Please carefully note if a DOCA is resolved to be accepted by creditors, then until the DOCA is executed by that company and the Administrators, creditors are not to act inconsistently with the terms of the DOCA. If a DOCA has been executed that company continues its legal existence and is described as being “Subject to a Deed of Company Arrangement”.

A DOCA binds all creditors of that company in respect of their claims arising on or before the day specified in the DOCA (which is usually the day when the administration of that company first began).

Secured creditors are not prevented from realising or otherwise dealing with their security, except so far as the DOCA so provides in relation to a secured creditor who voted in favour of the resolution and the rights of an owner or lessor of property are not affected, except so far as the DOCA so provides and the owner or lessor voted in favour of the DOCA.

Until a DOCA terminates, any person bound by the DOCA cannot make or proceed with an application to wind up that company, or begin or proceed against that company in relation to its property by enforcement process or otherwise, except with leave of the Court.

As noted earlier in this report, all offers for the sale of business/DOCA proposals will be provided in part two.

#### **11.0 ESTIMATED RETURN FROM A WINDING UP AND DEED OF COMPANY ARRANGEMENT**

Given the absence of a finalised signed DOCA proposal/accepted sale of business offer, we are not in a position to provide creditors with an estimate of the return to creditors at this stage.

A detailed estimated to creditors table will be provided in our part two report which will enable creditors to consider any proposed DOCA, the dividend available in each scenario and our proposed recommendation.

#### **12.0 RECEIPTS & PAYMENTS**

Please find attached, marked **Annexure "D"**, a summary of Receipts & Payments for Hills Limited and Hills Health for the period from the date of our appointment to 30 June 2023. No other entities have generated any receipts of payments during the appointment period.

#### **13.0 ADMINISTRATORS' RECOMMENDATION**

The Administrators recommendation will be provided in our part two report.

#### **14.0 OTHER MATERIAL INFORMATION**

There is no further information that would be materially relevant to creditors for them to make an informed decision on the Companies' future other than that already disclosed in this report.

#### **15.0 REMUNERATION AND DISBURSEMENTS**

Detailed information with respect to the Administrators' remuneration will be provided in our part two report.

#### **16.0 SECOND MEETING OF CREDITORS**

Creditors are advised the second meetings of creditors will be held convened in our part two report to be issued by 31 July 2023.

Notices of meetings, proxies and further information regarding the meetings will be provided in our part two report.

#### **17.0 DISCLAIMER**

The information contained in this report is based upon investigations into the affairs of the Companies and advice from relevant parties. In these circumstances creditors must appreciate the limitations in the information provided.



The statement of financial position detailed earlier in this report and all other statements made, and information provided, in this report are based on information available at the date of this report. Many factors affect the estimated outcome to creditors.

The data used in this report may change as further information becomes available and after all matters in the Administration are finalised. If there is any additional material information received in the Administration then it will be presented to creditors as soon as practicable.

If you have any queries or require further information, please contact Jessica Webb of this office via email on [jwebb@hallchadwick.com.au](mailto:jwebb@hallchadwick.com.au).

Yours faithfully,



**SULE ARNAUTOVIC**  
**ADMINISTRATOR**

# **ANNEXURE A**



# Consolidated income statement

May 2023

AUD \$'000	MAY 2023 MONTH				MAY 2023 YEAR TO DATE				FY23		FY22	
	Actual	Forecast	vF	Budget	vB	PY	Actual	Budget	vB	PY	Budget	PY
Gross Sales	4,347	4,174	173	4,950	(603)	4,285	41,994	49,597	(7,602)	130,773	54,724	135,201
Gross Cost of Sales	(2,251)	(1,837)	(414)	(2,249)	(2)	(2,121)	(21,694)	(23,341)	1,647	(90,597)	(25,553)	(93,496)
<b>PRODUCT MARGIN</b>	<b>2,096</b>	<b>2,337</b>	<b>(241)</b>	<b>2,701</b>	<b>(605)</b>	<b>2,164</b>	<b>20,300</b>	<b>26,256</b>	<b>(5,955)</b>	<b>40,176</b>	<b>29,071</b>	<b>41,706</b>
Sales Adjustments	5	0	5	0	5	2	152	0	152	74	0	77
Cost of Sales Adjustments	(24)	0	(24)	0	(24)	(9)	(13)	0	(13)	(249)	0	(730)
COGS FX	1	0	1	0	1	6	(37)	0	(37)	965	0	871
Other Income	(5)	0	(5)	0	(5)	1,001	582	0	582	1,370	0	1,404
<b>NET MARGIN</b>	<b>2,073</b>	<b>2,337</b>	<b>(264)</b>	<b>2,701</b>	<b>(628)</b>	<b>3,164</b>	<b>20,985</b>	<b>26,256</b>	<b>(5,271)</b>	<b>42,337</b>	<b>29,071</b>	<b>43,328</b>
Labour and Related Costs	(1,319)	(1,420)	102	(1,486)	167	(1,633)	(15,191)	(17,161)	1,970	(27,257)	(18,954)	(28,924)
Operational Costs	(8)	(30)	22	(23)	14	(39)	(241)	(254)	13	(1,135)	(276)	(1,185)
Property Costs	(37)	(38)	2	(10)	(27)	175	65	(111)	176	(206)	(121)	98
Overhead Costs	(437)	(454)	18	(410)	(27)	(713)	(4,455)	(4,480)	25	(11,474)	(4,888)	(12,439)
Recoveries and Recharges	0	0	0	0	0	0	0	0	0	(0)	0	(0)
Equipment Cost	(22)	(47)	25	(6)	(16)	(22)	(277)	(62)	(215)	(367)	(68)	(384)
<b>OPERATING EXPENSES</b>	<b>(1,822)</b>	<b>(1,991)</b>	<b>169</b>	<b>(1,935)</b>	<b>113</b>	<b>(2,232)</b>	<b>(20,099)</b>	<b>(22,068)</b>	<b>1,969</b>	<b>(40,438)</b>	<b>(24,308)</b>	<b>(42,834)</b>
<b>UNDERLYING EBITDA</b>	<b>251</b>	<b>346</b>	<b>(95)</b>	<b>766</b>	<b>(515)</b>	<b>933</b>	<b>886</b>	<b>4,187</b>	<b>(3,302)</b>	<b>1,898</b>	<b>4,764</b>	<b>494</b>
Depreciation and Amortisation	(287)	(347)	60	(347)	60	(603)	(3,624)	(3,821)	197	(7,789)	(4,168)	(8,512)
<b>UNDERLYING EBIT</b>	<b>(36)</b>	<b>(1)</b>	<b>(35)</b>	<b>419</b>	<b>(455)</b>	<b>330</b>	<b>(2,738)</b>	<b>367</b>	<b>(3,105)</b>	<b>(5,890)</b>	<b>595</b>	<b>(8,018)</b>
Non Operating Costs	(7,294)	0	(7,294)	0	(7,294)	1,637	(7,720)	0	(7,720)	(358)	0	(307)
<b>EBIT including non operating costs</b>	<b>(7,330)</b>	<b>(1)</b>	<b>(7,328)</b>	<b>419</b>	<b>(7,749)</b>	<b>1,967</b>	<b>(10,459)</b>	<b>367</b>	<b>(10,826)</b>	<b>(6,249)</b>	<b>595</b>	<b>(8,325)</b>
Net Financing Costs	(58)	(59)	2	(31)	(27)	(103)	(610)	(339)	(270)	(1,199)	(370)	(1,724)
<b>PBT including non operating costs</b>	<b>(7,387)</b>	<b>(61)</b>	<b>(7,327)</b>	<b>388</b>	<b>(7,776)</b>	<b>1,864</b>	<b>(11,068)</b>	<b>28</b>	<b>(11,096)</b>	<b>(7,448)</b>	<b>225</b>	<b>(10,049)</b>
Taxation Expense	0	0	0	0	0	0	(1)	0	(1)	(13,916)	0	(13,916)
<b>NPAT excluding realised FX losses</b>	<b>(7,387)</b>	<b>(61)</b>	<b>(7,327)</b>	<b>388</b>	<b>(7,776)</b>	<b>1,864</b>	<b>(11,069)</b>	<b>28</b>	<b>(11,097)</b>	<b>(21,364)</b>	<b>225</b>	<b>(23,965)</b>
TARF/FEC/MTM FX losses	0	0	0	0	0	0	0	0	0	0	0	0
<b>NPAT including TARF/FEC/MTM FX losses</b>	<b>(7,387)</b>	<b>(61)</b>	<b>(7,327)</b>	<b>388</b>	<b>(7,776)</b>	<b>1,864</b>	<b>(11,069)</b>	<b>28</b>	<b>(11,097)</b>	<b>(21,364)</b>	<b>225</b>	<b>(23,965)</b>



# Consolidated Balance Sheet

May 2023

AUD \$'000	Actual	Last Month	vLM	Prior Year End	vPYE
<b>Current Assets</b>					
Cash	8,514	7,788	726	6,458	2,056
Receivables	8,938	8,826	112	13,512	(4,574)
Inventories	6,193	5,999	194	3,152	3,041
<b>TOTAL CURRENT ASSETS</b>	<b>23,645</b>	<b>22,613</b>	<b>1,032</b>	<b>23,122</b>	<b>523</b>
<b>Non Current Assets</b>					
Property, Plant & Equipment	6,285	6,463	(178)	7,844	(1,559)
Intangible Assets	1,185	1,225	(40)	1,597	(412)
Right of use asset	1,153	1,308	(155)	3,256	(2,103)
Investments	2	2	0	2	0
<b>TOTAL NON CURRENT ASSETS</b>	<b>8,625</b>	<b>8,998</b>	<b>(373)</b>	<b>12,699</b>	<b>(4,074)</b>
<b>TOTAL ASSETS</b>	<b>32,270</b>	<b>31,611</b>	<b>659</b>	<b>35,821</b>	<b>(3,551)</b>
<b>Current Liabilities</b>					
Payables	16,808	8,499	8,309	12,626	4,182
Provisions	2,683	2,716	(33)	3,025	(342)
Borrowings	6,129	6,163	(34)	4,012	2,117
Lease liability current	1,101	1,192	(91)	2,850	(1,749)
Tax Liability	(20)	(4)	(16)	0	(20)
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,701</b>	<b>18,566</b>	<b>8,135</b>	<b>22,513</b>	<b>4,189</b>
<b>Non Current Liabilities</b>					
Borrowings	-	1	(1)	(796)	796
Provisions	787	790	(3)	1,586	(799)
Lease liability	260	335	(75)	3,266	(3,006)
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1,047</b>	<b>1,126</b>	<b>(79)</b>	<b>4,056</b>	<b>(3,009)</b>
<b>TOTAL LIABILITIES</b>	<b>27,748</b>	<b>19,692</b>	<b>8,056</b>	<b>26,569</b>	<b>1,179</b>
<b>NET ASSETS</b>	<b>4,522</b>	<b>11,919</b>	<b>(7,397)</b>	<b>9,252</b>	<b>(4,730)</b>
<b>Equity</b>					
Share Capital	284,805	284,805	0	278,439	6,366
Reserves	11,099	11,100	(1)	10,979	120
Accumulated Profit / (Losses)	(280,054)	(280,054)	(0)	(256,101)	(23,953)
Accumulated (Losses) - PY Extensia	58	58	0	0	58
Current Year Profit / (Losses)	(11,069)	(3,682)	(7,387)	(23,953)	12,884
Non-controlling interests	(317)	(308)	(9)	(112)	
<b>EQUITY</b>	<b>4,522</b>	<b>11,919</b>	<b>(7,398)</b>	<b>9,252</b>	<b>(4,525)</b>



# **ANNEXURE B**

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**Hills Limited**  
**(Administrators Appointed)**  
**A.C.N. 007 573 417**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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

<input type="checkbox"/>	I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:  Email: _____
--------------------------	--

\_\_\_\_\_  
 Signature  
 Occupation:  
 Address:  
 Return Email:

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**  
**Hills Finance Pty Ltd**  
**(Administrators Appointed)**  
**A.C.N. 007 527 040**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature: \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**Hills Integrated Solutions Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 000 376 394**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**LAN 1 Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 159 863 779**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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

<input type="checkbox"/>	I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:  Email: _____
--------------------------	--

\_\_\_\_\_  
 Signature  
 Occupation:  
 Address:  
 Return Email:

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**T.V. Rentals Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 009 701 213**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**New-Tone (Aust.) Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 009 753 637**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

\_\_\_\_\_  
 Signature  
 Occupation:  
 Address:  
 Return Email:

(Attach documentation such as copies of invoices in support of your claims)

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**Audio Products Group Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 054 550 499**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**Hospital Telecommunications Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 061 558 245**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**A.C.N. 614 478 090 Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 614 478 090**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

**Hills Health Solutions Pty Limited**  
**(Administrators Appointed)**  
**A.C.N. 100 173 715**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 2 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)

**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**  
**Hills Group Operations Pty Ltd**  
**(Administrators Appointed)**  
**A.C.N. 600 152 261**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 9 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature: \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)



**FORM 535**  
**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**  
**Pacom Security Pty Ltd**  
**(Administrators Appointed)**  
**A.C.N. 096 595 005**  
**(the "Company")**

To the Administrators of the Company,

1. This is to state that the Company was on Friday, 9 June 2023, and still is, justly and truly indebted to

\_\_\_\_\_

(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 \$ \_\_\_\_\_

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:

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



I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

Email: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signature: \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

Return Email: \_\_\_\_\_

(Attach documentation such as copies of invoices in support of your claims)

# **ANNEXURE C**



# Voluntary Administration Creditor Information Sheet

## Offences, Recoverable Transactions and Insolvent Trading



### Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

### Recoverable Transactions

#### Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

#### Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.



### Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to the benefit or detriment to the company; the respective benefits to other parties; and any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

### Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

### Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person or from members of a corporate group (Contribution Order).

### Unreasonable payments to directors

Liquidators have the power to reclaim 'unreasonable payments' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

### Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

## Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

**Important note:** This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Queries about the voluntary administration should be directed to the administrator's office.



# **ANNEXURE D**

**HILLS LIMITED**  
**(ADMINISTRATORS APPOINTED)**  
**A.C.N. 007 573 417**

Summary of Receipts and Payments  
For the period  
2 June 2023 to 30 June 2023

<b>RECEIPTS</b>	<b>Amount (\$)</b>
Cash at Bank on Appointment	3,581,627.50
Term Deposit	3,002,970.62
Contractor Income	970,722.49
Information Memorandum Fee	15,800.00
Insurance Refund	38,010.74
Interest Income	546.11
Return of Bank Guarantee	46,200.00
Reimbursement of Costs (Hills Health Solutions Pty Ltd)	273,329.70
Customer Receipts	87,380.26
<b>TOTAL RECEIPTS</b>	<b>8,016,587.42</b>
<b>PAYMENTS</b>	<b>Amount (\$)</b>
Bank Charges	210.83
Bank Guarantee Fee	278.47
Direct Debits (unallocated)	65,587.78
Child Support	653.98
Fuel Reimbursement	3,000.00
Merchant Fees	221.66
Secured Creditor Interest Payment/Costs	82,125.89
PAYG	121,234.00
Wages (Net)	698,601.02
Suppliers	375,843.49
Subcontractors	963,075.41
<b>TOTAL PAYMENTS</b>	<b>2,310,832.53</b>
<b>CASH AT BANK (30 JUNE 2023)</b>	<b>5,705,754.89</b>



**HILLS HEALTH SOLUTIONS PTY LIMITED  
(ADMINISTRATORS APPOINTED)  
A.C.N. 100 173 715**

Summary of Receipts and Payments  
For the period  
2 June 2023 to 30 June 2023

<b>RECEIPTS</b>	<b>Amount (\$)</b>
Cash at Bank on Appointment	1,121,760.48
Customer Receipts	2,137,411.18
<b>TOTAL RECEIPTS</b>	<b>3,259,171.66</b>
<b>PAYMENTS</b>	<b>Amount (\$)</b>
Bank Charges	383.23
Chargebacks	146.00
Direct Debits (unallocated)	12,995.50
EFT Refunds	483.18
Reimbursement of Costs (Hills Limited)	273,329.70
Merchant Fees	9,603.69
Reversals	462.10
Suppliers & Subcontractors	534,290.34
<b>TOTAL PAYMENTS</b>	<b>831,693.74</b>
<b>CASH AT BANK 30 JUNE 2023</b>	<b>2,427,477.92</b>