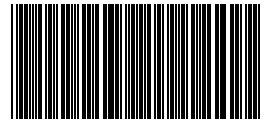




Filed: 4 October 2023 3:09 PM



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Form 2

ORIGINATING PROCESS – COVERSHEET AND ACKNOWLEDGEMENT

IN THE MATTER OF HILLS LIMITED

COURT DETAILS

Court	Supreme Court of NSW
Division	Equity
List	Corporations List
Registry	Supreme Court Sydney
Case number	2023/00314352

TITLE OF PROCEEDINGS

First Plaintiff	Sule Arnautovic
Second Plaintiff	HILLS LIMITED

FILING DETAILS

Filed for	Sule Arnautovic, Plaintiff 1 HILLS LIMITED, Plaintiff 2
Legal representative	David Patrick Armstrong
Legal representative reference	
Telephone	(02)80357913

HEARING DETAILS

This application will be heard at Supreme Court Sydney on 16 October 2023 at 10:00 AM

ATTACHMENT DETAILS

In accordance with Part 3 of the UCPR, this coversheet confirms that both the Originating process (Corporations Law) Other, along with any other documents listed below, were filed by the Court.

Corporations Law Originating Process (Form 2) (Originating Process - 4 October 2023.pdf)
Affidavit in Support of Originating Process (Affidavit of Sule Arnautovic (sworn 4 October 2023) (2).pdf)

[attach.]

IN THE SUPREME COURT OF NEW SOUTH WALES
DIVISION: EQUITY
REGISTRY: SYDNEY
CORPORATIONS LIST

No. of 2023

IN THE MATTER OF HILLS LIMITED (SUBJECT TO DEED OF COMPANY
ARRANGEMENT)
ACN: 007 573 417

**SULE ARNAUTOVIC AND JOHN VOURIS IN THEIR CAPACITY AS JOINT AND
SEVERAL DEED ADMINISTRATORS OF HILLS LIMITED (SUBJECT TO DEED OF
COMPANY ARRANGEMENT) ACN 007 573 417**

First Plaintiff

**HILLS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(ACN 007 573 417)**
Second Plaintiff

Originating process

A. DETAILS OF APPLICATION

This application is made under sections 444GA and 447A of the *Corporations Act* 2001 (Cth) (**Corporations Act**) and section 90-15 of the Insolvency Practice Schedule (Corporations) set out in Schedule 2 of the Corporations Act (**IPS**) for orders, among other things, that the First Plaintiffs, Messrs Sule Arnautovic and John Vouris, in their capacities as joint and several administrators (**Deed Administrators**) of the Second Plaintiff (**the Company**), be granted leave to transfer all of the existing shares in the Company to Starplex International Pty Ltd (ACN 161 564 834 or its nominee (**Starplex**)).

On the facts stated in the supporting affidavit(s), the plaintiff claims:

Procedural orders

1. An order that prayers 2-6 of this Originating Process be returnable *instanter*.
2. An order, pursuant to section 447A of the Corporations Act and section 90-15 of the IPS, that the First Plaintiffs would be justified in providing an Explanatory Memorandum (**Explanatory Statement**) for distribution to each of the creditors and members of the Second Plaintiff.
3. An order that the Plaintiffs each give notice to each of the creditors and members of the Company of:
 - (a) the Originating Process;

- (b) the Explanatory Statement;
- (c) the affidavit of Sule Arnautovic to be sworn on 4 October 2023;
- (d) any supplementary affidavits filed by the Plaintiffs in this proceeding;
- (e) the orders made by the Court,

within 3 business days of the date of the orders, by the following methods:

- (f) where the Deed Administrators have an email address for a creditor or member (including from the books and records maintained by the Company), by notifying each such creditor and member, via email;
 - (g) by placing an advertisement in the Australian Financial Review with a website link, where the documents are available for download; and
 - (h) by placing scanned, sealed copies on the websites www.hallchadwick.com.au/insights and corporate.hills.com.au.
4. An order that any interested person wishing to appear at the hearing of this application is to file and serve on the Plaintiffs and the Australian Securities and Investments Commission a Notice of Appearance in the prescribed form and indicating the grounds of opposition by 4:00pm on 20 October 2023.
5. An order that the Plaintiffs file any further evidence upon which they intend to rely on the application, including any supplementary affidavits deposing as to any correspondence or communications received by the Deed Administrators from any interested person who is entitled to oppose this application pursuant to section 444GA(2) of the Corporations Act and any responsive correspondence or communication from the Deed Administrators, by 4:00pm on 20 October 2023.
6. This application be listed for hearing.

Substantive orders

7. An order, pursuant to section 444GA(1)(b) of the Corporations Act, that the Deed Administrators be granted leave to transfer all of the existing shares in the capital of the Company (**Shares**) from the members (as defined in the Corporations Act) of the Company to Starplex or its nominee in accordance with clause 10.4 of the deed of company arrangement dated 23 August 2023, entered into by the Deed Administrators, the Company and Starplex (**Deed**).
8. An order pursuant to section 447A(1) of the Corporations Act and section 90-15(1) of the IPS that any of the Deed Administrators may, jointly or severally, in their capacity as Deed Administrators:
- (a) execute share transfer forms and any other documents ancillary or incidental to effecting the transfer of the Shares referred to in Order 7; and
 - (b) enter or procure the entry of the name of Starplex or its nominee into the share register of the Company in respect of all Shares transferred to Starplex or its nominee in accordance with Order 7.

9. An order that the Plaintiffs' costs of and incidental to this application be costs and expenses in the deed administration of the Company.
10. An order that the Court's orders be entered forthwith.
11. Such further or other orders or directions as the Court considers appropriate.

AND

Date: 4 October 2023



*Signature of plaintiff or
plaintiff's legal practitioner*

*Name of Legal practitioner: David Armstrong
PCN:56609
Firm name: Mills Oakley*

This application will be heard by at [address of Court] at
.....*am/*pm on

B. NOTICE TO DEFENDANT(S) (IF ANY)

TO: [name and address of each defendant (if any)].

If you or your legal practitioner do not appear before the Court at the time shown above, the application may be dealt with, and an order made, in your absence. As soon after that time as the business of the Court will allow, any of the following may happen:

- (a) the application may be heard and final relief given,
- (b) directions may be given for the future conduct of the proceeding,
- (c) any interlocutory application may be heard.

Before appearing before the Court, you must file a notice of appearance, in the prescribed form, in the Registry and serve a copy of it on the plaintiff.

Note.

Unless the Court otherwise orders, a defendant that is a corporation must be represented at a hearing by a legal practitioner. It may be represented at a hearing by a director of the corporation only if the Court grants leave.

C. [NOT USED]

D. FILING

Date of filing:

This originating process is filed by Mills Oakley for the plaintiffs.

E. SERVICE

The plaintiff's address for service is C/O Messrs Armstrong & Hodges, Mills Oakley, Level 7, 151 Clarence Street, Sydney NSW 2000

It is intended to serve a copy of this originating process on various parties in accordance with orders made by _____ on _____

IN THE SUPREME COURT OF NEW SOUTH WALES
DIVISION: EQUITY
REGISTRY: SYDNEY
CORPORATIONS LIST

No. of 2023

IN THE MATTER OF HILLS LIMITED (SUBJECT TO DEED OF COMPANY
ARRANGEMENT)
ACN: 007 573 417

**SULE ARNAUTOVIC AND JOHN VOURIS IN THEIR CAPACITY AS JOINT AND SEVERAL
DEED ADMINISTRATORS OF HILLS LIMITED (SUBJECT TO DEED OF COMPANY
ARRANGEMENT) ACN 007 573 417**

First Plaintiff

**HILLS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(ACN 007 573 417)**
Second Plaintiff

Affidavit of: Sule Arnautovic
Address: Hall Chadwick, Level 40, 2 Park Street, Sydney NSW 2000
Occupation: Registered Liquidator and Chartered Accountant
Date: 4 October 2023

Contents

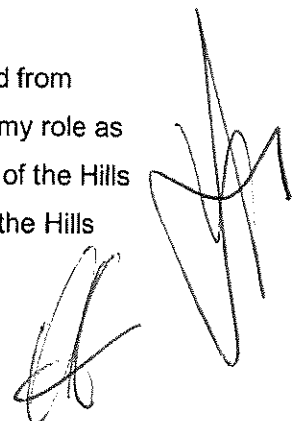
I, **Sule Arnautovic**, of Hall Chadwick Pty Limited (**Hall Chadwick**) at Level 40, 2 Park Street, Sydney NSW 2000, Registered Liquidator and Chartered Accountant, say on oath:

OVERVIEW

1. I am a partner at Hall Chadwick. I am also a Chartered Accountant and I have been a Registered Liquidator since 5 May 2004. I have been practising in the area of corporate insolvency and restructuring for approximately 20 years.

Filed on behalf of (name & role of party)	Plaintiffs
Prepared by (name of person/lawyer)	David Armstrong
Law firm (if applicable)	Mills Oakley
Tel (02) 8035 7913	Fax (02) 9247 1315
Email	darmstrong@millsOakley.com.au
Address for service (include state and postcode)	Level 7, 151 Clarence Street, Sydney NSW 2000

2. In my time as a Registered Liquidator, I have acted on numerous voluntary administrations, receiverships and liquidations across a range of industries. I have approximately 20 years of experience in advisory services, corporate recovery, corporate restructuring and strategic and independent business reviews for a large range of entities. I have been a partner of Hall Chadwick since December 2020. Prior to this I was a partner at Jirsch Sutherland for approximately 15 years, between the period of 1998 and December 2020.
3. Together with Mr John Vouris (each a **Deed Administrator** and together the **Deed Administrators**), I am one of the two joint and several Deed Administrators of the Second Plaintiff, Hills Limited (Subject to Deed of Company Arrangement) ACN 007 573 417 (**Hills**), and 11 of its subsidiaries which are listed in paragraph 9.a below (together the **Hills Group Companies**).
4. The Deed Administrators are the First Plaintiffs in this proceeding. I am authorised by Mr Vouris to make this affidavit on behalf of the Deed Administrators. Where I depose below to the view or views of the Deed Administrators, they are the view(s) which each of Mr Vouris and I hold at the date of swearing this affidavit. References in this affidavit to "our", "we" and the "Deed Administrators" are references to Mr Vouris and me.
5. I make this affidavit in support of the relief sought by the First Plaintiffs and the Second Plaintiff, namely, an order pursuant to section 444GA(1)(b) of the Corporations Act 2001 (Cth) (**Corporations Act**) that leave be granted for the Deed Administrators to transfer all of the existing shares in the capital of the Second Plaintiff to Starplex International Pty Limited ACN 161 564 834 or its nominee (**Starplex**) (**Section 444GA Application**).
6. This application is made having regard to the proposed transfer of shares in Hills to Starplex as provided by clause 10.4 of the deed of company arrangement dated 23 August 2023 and entered into by the Deed Administrators, Starplex and each of the Hills Group Companies (**Hills DOCA**). Obtaining orders from the Court under section 444GA(1)(b) of the Corporations Act for leave to transfer the shares in Hills to Starplex is a condition precedent to completion of the Hills DOCA.
7. Unless otherwise stated, I make this affidavit from my own knowledge and from information I and staff members at Hall Chadwick have obtained through my role as an Administrator of the Hills Group Companies and a Deed Administrator of the Hills Group Companies, including from my review of the books and records of the Hills



Group Companies to which I have had access. Where I refer to matters of information, I believe that information to be true.

8. Exhibited to me at the time of swearing this affidavit and marked "**SA1**" (**Exhibit SA1**) is a bundle of documents to which I refer in this affidavit by page number.

SUMMARY

9. As set out in more detail below:

- a. On 2 June 2023, Mr Vouris and I were appointed joint and several voluntary administrators of the following companies pursuant to section 436C of the Corporations 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 property of those companies:

Company name (all now Subject to Deed of Company Arrangement)	ACN
Hills Limited (Hills)	007 573 417
Hills Finance Pty. Ltd. (Hills Finance)	007 527 040
Hills Integrated Solutions Pty Ltd (Hills Integrated Solutions)	000 376 394
Lan 1 Pty Ltd (Lan 1)	159 863 779
T.V. Rentals Pty. Ltd (T.V. Rentals)	009 701 213
New Tone (Aust.) Pty Ltd (New Tone)	009 753 637
Audio Products Group Pty Limited (Audio Products)	054 550 499
Hospital Telecommunications Pty Ltd (Hospital Telecommunications)	061 558 245
ACN 614 478 090 Pty Limited (ACN 614)	614 478 090

- b. On 2 June 2023, Mr Vouris and I were appointed joint and several voluntary administrators of the following company pursuant to a resolution of the sole director, Mr David Clarke, in accordance with section 436A of the Corporations Act.

Company name (now Subject to Deed of Company Arrangement)	ACN
Hills Health Solutions Pty Ltd (Hills Health)	100 173 715

- c. On 9 June 2023, Mr Vouris and I were appointed joint and several voluntary administrators of the following companies pursuant to a resolution of the sole director, Mr David Clarke, in accordance with 436A of the Corporations Act:

Company name (all now Subject to Deed of Company Arrangement)	ACN
Hills Group Operations Pty Ltd (Hills Operations)	600 152 261
Pacom Security Pty Ltd (Pacom)	096 595 005

- d. Where, in this affidavit, I refer to the 'Administrators', I refer to the Deed Administrators acting in that (former) capacity.
- e. Shortly after our appointment, the Administrators commenced seeking expressions of interest for the potential sale or recapitalisation of the Hills Group of Companies (**Sale Process**).
- f. The Sale Process was conducted by Hall Chadwick.
- g. One of the offers received by the Administrators during the Sale Process was from Starplex, a related entity of Stellar Vision Operations Pty Ltd, a creditor of the Hills Group Companies.
- h. On 15 June 2023, the concurrent first meetings of creditors of the Hills Group Companies (save for Hills Operations and Pacom) were held electronically using a video conference facility.
- i. On 21 June 2023, the concurrent first meetings of creditors of Hills Operations and Pacom were held electronically using a video conference facility.
- j. On 22 June 2023, the Federal Court made orders in proceeding NSD593 of 2023 extending the convening period for the concurrent second meetings of creditors of the Hills Group Companies to 7 August 2023.
- k. Pursuant to section 75-225 of the Insolvency Practice Rules (Corporations), being Schedule 2 to the Corporations Act, and section 439A of the Corporations Act, the Administrators issued a report to creditors (**Section 75-225 Report**) in the following two parts:

- (i) Part 1 on 6 July 2023 (**Part 1**), a copy of which is at **pages 1 – 57 of Exhibit SA1**; and
- (ii) Part 2 on 28 July 2023 (**Part 2**), a copy of which is at **pages 58 – 191 of Exhibit SA1**,

in which the Administrators expressed the opinion that:

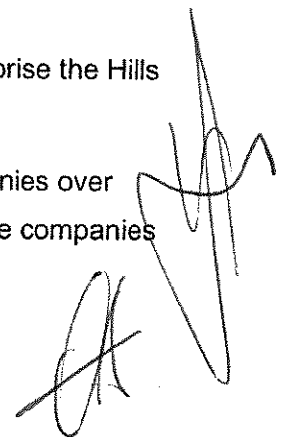
- (iii) the return to creditors under a deed of company arrangement was likely to be materially higher than in a liquidation scenario; and
 - (iv) it was in the creditors' best interests for the Hills Group Companies to execute the proposed Hills DOCA which would confer powers on the Deed Administrators to arrange the Hills Group Companies' assets and liabilities in a way which would optimise a sale transaction.
- l. On 7 August 2023, the concurrent second meetings of creditors of the Hills Group Companies (**Second Creditors' Meeting**) were held electronically using a video conference facility. The creditors resolved to execute the Hills DOCA.
 - m. The Hills DOCA was executed on 23 August 2023.
 - n. One of the conditions of the Hills DOCA is that all issued shares in Hills are transferred to Starplex pursuant to the Section 444GA Application.

Structure and business of the Hills Group Companies

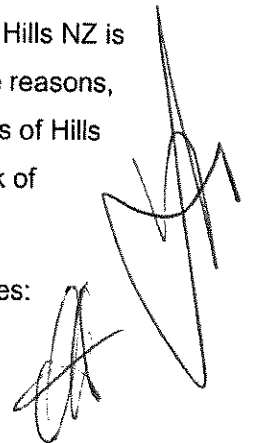
- 10. The Hills Group Companies are an Australian-based supplier of technology solutions in healthcare and a value-added distributor of technology products and services in the security, surveillance and IT markets, with operations in Australia and New Zealand.
- 11. Hills is a public company and the ultimate holding company of each of the other Hills Group Companies. A diagram setting out the corporate structure of the Hills Group Companies at the date of our appointment as Administrators is at **pages 192 – 193 of Exhibit SA1**.
- 12. Hills was listed on the Australian Securities Exchange (**ASX**) on 30 June 1962 and, until its removal from the official list, held the issuer code "HIL".
- 13. Trading of Hill shares on the ASX was suspended at the request of Hills on 24 May 2023, at which time Hills' shares were trading at a price of \$0.023 per share. Prior to the Hills Group Companies' entry into administration, in the last 20 years Hills' share price had peaked at a price of \$5.435 per share on 31 August 2007.

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14. As at 29 May 2023, Hills had 534,821,642 ordinary paid shares on issue, held by 10,738 shareholders. Hills did not have any other class or type of shares on issue.
15. Major shareholders of Hills include:
 - a. Historical Holdings Pty Ltd which has a 38.5% interest;
 - b. Ace Property Holdings Pty Ltd which has a 3.98% interest;
 - c. Poplar Pty Limited which has a 3.09% interest.
16. A list of the top 1,000 shareholders of Hills as at 29 May 2023 is at **pages 194 – 292 of Exhibit SA1**.
17. Copies of searches of current extracts of the records maintained by the Australian Securities and Investments Commission (**ASIC**) in respect of the Hills Group Companies, obtained on 3 October 2023, are at **pages 1502 to 1735 of Exhibit SA1**.
18. At the time the Hills Group Companies entered administration, the primary operating entities were:
 - a. Hills, which owns and operates a business specialising in NBN installation in regional areas on behalf of Ericsson Australia Pty Ltd (**Ericsson**) pursuant to an agreement between Hills and Ericsson entitled "Agreement for the Provision of End User Customer Connection Services to the National Broadband Network" dated on or around 26 May 2021. The business is currently trading under the registered business name "Hills Technical Services" (**HTS**). The terms of the contract with Ericsson are confidential, however the contract is non-exclusive and terminable in an insolvency event including the appointment of a voluntary administrator and execution of a DOCA. A copy of a business name extract for HTS is at **page 293 of Exhibit SA1**; and
 - b. Hills Health, which owns and operates a business which supplies and services nurse call systems, WIFI and patient engagement systems in hospitals, aged care facilities and retirement homes across Australia.
19. The remaining 10 entities over which we are appointed and which comprise the Hills Group Companies are either holding companies or dormant entities.
20. The following companies are subsidiaries within the Hills Group Companies over which the Administrators are not appointed and ASIC searches for these companies are included at **page 1736 to page 1785 of Exhibit SA1**:
 - a) EMG Finance Pty Ltd;



- b) Step Electronics 2005 Pty Ltd;
 - c) Hills Technology Solutions Pty Ltd;
 - d) Hills Share Plans Pty Ltd;
 - e) Hills Group Employees Share Plan Pty Ltd;
 - f) ACN 607 134 869 Pty Ltd; and
 - g) Extensia Pty Ltd.
21. Our investigations have revealed that the companies in the previous paragraph are dormant and have no significant assets or liabilities.
22. The following ASX announcements are included at **page 294 to page 298 of Exhibit SA1**:
- a) Hills Limited ASX announcement dated 2 May 2022;
 - b) Hills Limited ASX announcement dated 17 April 2023;
 - c) Hills Limited ASX announcement dated 18 May 2023.
23. Annual reports to shareholders of Hills are included at **pages 299 to 649 of Exhibit SA1** for the financial years ending June 2019, 2020, 2021, and 2022. Hills is not required to prepare, and has not prepared, an annual report for the financial year ending June 2023. However, a balance sheet for the period ending 30 June 2023 is at at **pages 650 to 658 of Exhibit SA1**, which includes administration period transactions up to that date.
24. Hills Finance also has a subsidiary entity in New Zealand that is not subject to an external administration process (**Hills NZ**). As this entity is the 100% owned subsidiary of Hills Finance, it has been treated as a potential asset available in the administration rather than the Administrators taking a formal appointment over it (subject to our further comments, below).
25. Hills NZ operates a technology business in New Zealand. Hills NZ does not generate a profit. Hills NZ relies upon support provided by Hills for its day to day operations, including finance, human resources, and IT support. The main business of Hills NZ is to service a contract with Sky NZ, which is due to expire in 2023. For these reasons, the Administrators formed the view that it is highly unlikely that the business of Hills NZ would be able to be sold. As at 31 May 2023, Hills NZ had cash at bank of \$1,051,391 and known creditors of \$1,249,454.
26. At the date of our appointment as Administrators, the Hills Group Companies:

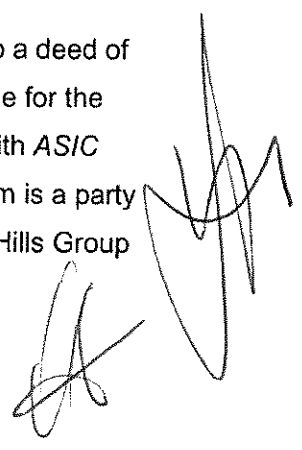


- a. were party to 4 real property leases in Australia;
 - b. occupied 4 offices across Australia;
 - c. employed approximately 140 employees across Australia; and
 - d. were subject to the following security interests:
 - (i) One ALLPAAP registration on the Personal Property Securities Register (**PPSR**) against each of the Hills Group Companies with the exception of Hills Health, Hills Operations and Pacom, in favour of Causeway; and
 - (ii) 116 other (i.e. non-ALLPAAP) registrations on the PPSR, as set out in section 5.6.11 of Part 1 of the Section 75-225 Report.
27. Since our appointment:
- a. approximately 120-130 employees have been retained across Australia;
 - b. we have procured the discharge and release of 16 of the non-ALLPAAP registrations on the PPSR while the remaining registrations will continue in place following the completion of the DOCA and the transfer of the shares in Hills to Starplex.

Loan facility with Causeway

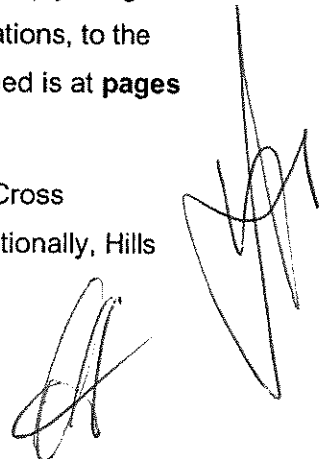
28. On 19 September 2022, Hills (as borrower) entered into a loan facility agreement with Causeway, with a total accommodation limit of \$6 million. Copies of the loan facility agreement and General Security Deed are at **pages 659 to 735 and pages 736 to 767 of Exhibit SA1**.
29. Causeway was granted an ALLPAAP security interest over each of the Hills Group Companies (except Hills Health, Hills Operations and Pacom). A copy of a search from the PPSR showing the registration of Causeway's security interest is at **pages 799 to 819 of Exhibit SA1**.

Deed of Cross Guarantee

30. All Hills Group Companies, with the exception of ACN 614, are party to a deed of cross guarantee dated 14 May 2008 (**Deed of Cross Guarantee**) made for the purposes of ASIC Class Order 98/1418 (now repealed and replaced with *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*). Pacom is a party only in its capacity as trustee under the Deed of Cross Guarantee. All Hills Group
- 

Companies, other than ACN 614 and Pacom, have the benefit of the Deed of Cross Guarantee.

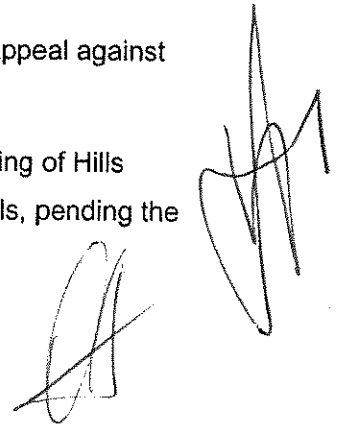
31. Each of the Hills Group Companies, other than ACN 614 and Pacom, guarantees payment of the debts of each other company (again, other than ACN 614 and Pacom). The Deed of Cross Guarantee is enforceable upon the winding up of any party. A copy of the Deed Cross Guarantee including subsequent variations is at **pages 820 to 868 of Exhibit SA1**.
32. Clause 5 of the Deed of Cross Guarantee provides that further parties may be joined to the Deed of Cross Guarantee by an instrument called an "Assumption Deed" and any further "Group Entities" so added by an "Assumption Deed" will be taken to have assumed liability under the Deed of Cross Guarantee as if that "Group Entity" had executed the Deed of Cross Guarantee.
33. Since the Deed of Cross Guarantee was lodged with ASIC on 14 May 2008, the following "Assumption Deeds" have been executed and lodged with ASIC in respect of the Deed of Cross Guarantee:
 - a. assumption deed dated 29 June 2010 (**First Assumption Deed**), joining a further two (2) "Group Entities" to the Deed of Cross Guarantee. A copy of the First Assumption Deed is at **pages 841 to 848 of Exhibit SA1**;
 - b. assumption deed dated 26 June 2014 (**Second Assumption Deed**), joining a further six (6) "Group Entities", including Hills Health Solutions, Hills Group Operations, New Tone, T.V. Rentals and Lan 1, to the Deed of Cross Guarantee. A copy of the Second Assumption Deed is at **pages 849 to 856 of Exhibit SA1**;
 - c. assumption deed dated 31 March 2015 (**Third Assumption Deed**), joining a further two (2) "Group Entities", namely Audio Products and Hills Integrated Solutions, to the Deed of Cross Guarantee. A copy of the Third Assumption Deed is at **pages 857 to 862 of Exhibit SA1**; and
 - d. assumption deed dated 15 May 2015 (**Fourth Assumption Deed**), joining a further one (1) "Group Entity", namely, Hospital Telecommunications, to the Deed of Cross Guarantee. A copy of the Fourth Assumption Deed is at **pages 863 to 868 of Exhibit SA1**.
34. The Hills Group Companies operated in accordance with the Deed of Cross Guarantee and presented their financial reports on a group basis. Additionally, Hills



provided personnel to, and paid other costs of, companies within the group, in particular to Hills Health.

Background to the appointment of the Administrators

35. On 22 September 2016, Stellar commenced proceedings against Hills Health in the Supreme Court of New South Wales in relation to a claimed share of the profits of Hills Health's contract for the supply of entertainment systems in Western Sydney Local Health District.
36. On 23 September 2022, the proceedings were dismissed by the Supreme Court and costs awarded in favour of Hills Health (**Initial Decision**).
37. In March 2023, Hills commenced a capital raise to fund working capital, recapitalise the business and assist with funding growth initiatives. On 22 March 2023, Historical Holdings Pty Ltd was announced to be investing \$4.4 million and becoming a significant shareholder of Hills. On 17 April 2023, Hills announced \$6.4 million had been raised and 272 million new shares were issued. The shares were issued at \$0.02 per share.
38. The Initial Decision was appealed by Stellar, and the appeal was heard on 1 May 2023.
39. On 18 May 2023, the Court of Appeal allowed the appeal and found in favour of Stellar (**Appeal Decision**).
40. On 25 May 2023:
 - a. the quantum of the Appeal Decision was determined in the amount of \$5,482,312.38 plus costs (of an unspecified amount);
 - b. Hills issued an announcement to the ASX that the securities of Hills would be placed in a trading halt, pending its release of an announcement; and
 - c. Hills Health and Stellar entered into a standstill deed, with the parties agreeing to suspend all rights in respect of the orders of the Supreme Court, and to not take any action in relation to the proceedings or the orders of the Court, for a period of 7 days (**Standstill Period**).
41. Hills did not apply to the High Court of Australia for special leave to appeal against the Appeal Decision.
42. On 29 May 2023, Hills issued an announcement to the ASX that trading of Hills shares on the ASX was suspended immediately, at the request of Hills, pending the

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release of an announcement regarding the outcome of the settlement negotiations with Stellar.

43. During the Standstill Period, Hills Health endeavoured to negotiate a settlement of the judgment amount with Stellar. Due to the inability to reach a settlement and the risk borne by Causeway (as a secured creditor), Causeway appointed the Administrators on 2 June 2023.
44. My investigations indicate that the primary reason for the appointment of Administrators was due to the inability of Hills Health to enter into a settlement agreement with Stellar regarding the judgment debt owed. Due to the quantum of the judgment and the security held by Causeway, enforcement of the judgment would have likely caused the Hills Group Companies to face insolvency.

Voluntary administration

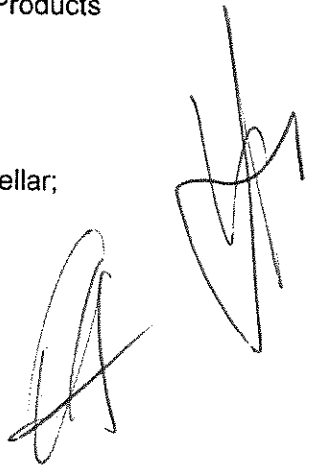
45. As set out in paragraphs 9.a, 9.b and 9.c above, between 2 June 2023 and 9 June 2023 (inclusive), Mr Vouris and I were appointed as the joint and several administrators of the Hills Group Companies, pursuant to section 436A and / or 436C of the Corporations Act.
46. Copies of the Administrators' instruments of appointment lodged with ASIC for each of the Hills Group Companies are at the following pages **Exhibit SA1**:

Company (all subject to deed of company arrangement)	Pages
Hills	869 - 870
Hills Health	871 - 872
Audio Products	873 - 874
Hospital Telecommunications	875 - 876
Hills Integrated Solutions	877 - 878
Hills Finance	879 - 880
Lan 1	881 - 882
T.V. Rentals	883 - 884
New Tone	885 - 886
ACN 614	887 - 888
Hills Operations	889 - 890
Pacom	891 - 892

Initial reports to creditors

47. On 6 June 2023, I issued a report to creditors of all Companies (with the exception of Pacom and Hills Operations) entitled "Initial Information for Creditors" (**6 June Report**), which annexed (among other things) a notice of first meeting of creditors to be held on 15 June 2023 at 10:00AM (AEST). A copy of the 6 June Report is at **pages 893 to 971 of Exhibit SA1**.
48. On 9 June 2023, I caused a copy of the 6 June Report to be published on the ASX's website.
49. On 13 June 2023, I issued a report to creditors of Pacom and Hills Operations entitled "Initial Information for Creditors", which annexed (among other things), a notice of first meeting of creditors to be held on 21 June 2023 at 10:00AM (AEST). A copy of the report is at **pages 972 to 1005 of Exhibit SA1**.

First meeting of creditors

50. On 15 June 2023, I conducted a first meeting of creditors of the Companies (excluding Pacom and Hills Operations) (**First Creditors' Meeting**) concurrently. The meeting was convened electronically using a video conference facility. At **pages 1006 to 1026 of Exhibit SA1** is a copy of the minutes of the First Creditors' Meeting lodged with ASIC.
51. I acted as chairperson of the First Creditors' Meeting. 158 creditors attended the First Creditors' Meeting either on their own behalf or by proxy.
52. At the First Creditors' Meeting:
- a. a resolution to appoint alternative administrators was tabled and subsequently withdrawn; and
 - b. the creditors resolved to appoint a single Committee of Inspection in respect of Hills, Hills Health, Hills Integrated, Hills Finance, ACN 614, Lan 1, New Tone, T.V. Rentals, Hospital telecommunications and Audio Products comprised of the following persons:
 - (i) David Zipparo, a representative of Causeway;
 - (ii) Jason Ireland of McGrath Nicol, a representative of Stellar;
 - (iii) Natalie Scott, an employee representative;
 - (iv) Stuart Falconer, an employee representative;
- 

- (v) Andrew Sallway of BDO, as requested by the employee group; and
- (vi) Anna Williams, a representative of Health Trade Services Pty Ltd.

53. On 21 June 2023, I conducted a first meeting of creditors of Pacom and Hills Operations (**21 June Meeting**). The meeting was convened electronically using a video conference facility. At **pages 1027 to 1044 of Exhibit SA1** is a copy of the minutes of the 21 June Meeting lodged with ASIC.
54. I acted as chairperson of the 21 June Meeting. 14 creditors (excluding double counting of the Hills Group Companies who were creditors of each other Hills Group Company by virtue of the Deed of Cross Guarantee) attended the 21 June Meeting either on their own behalf or by proxy.
55. At the 21 June Meeting the creditors resolved to appoint a single Committee of Inspection in respect of Pacom and Hills Operations comprised of the following persons:
 - a. David Zipparo, a representative of Causeway; and
 - b. Jason Ireland of McGrath Nicol, a representative of Stellar.

Court orders regarding extension of convening period for second meeting of creditors

56. On 21 June 2023, the Administrators filed an originating process in the Federal Court of Australia seeking orders pursuant to sections 439A and section 447A of the Corporations Act, and section 90-15 of the Insolvency Practice Schedule (Corporations), to extend the convening period for the second creditors' meetings of the Hills Group Companies (**Second Creditors' Meeting**).
57. The Administrators sought an extension of time to hold the Second Creditors' Meeting in order to continue trading the Hills Group Companies' business during the convening period, with a view to the Administrators conducting and concluding an orderly Sale Process and thereby maximising the chances of the Hills Group Companies, or their business, continuing in existence.
58. On 22 June 2023, Justice Stewart made orders in Federal Court of Australia proceeding number NSD 293 of 2023 extending the convening period for the Second Creditors' Meeting of the Hills Group Companies to 7 August 2023. A copy of the Federal Court's orders is at **pages 1045 to 1048 of Exhibit SA1**.

Creditors of the Hills Group Companies

59. At the date of our appointment, we estimated approximately \$19 million was owing to unsecured creditors of the Hills Group Companies. At **pages 1049 to 1060 of Exhibit**

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SA1 is a consolidated list of creditors of the Hills Group Companies (including unsecured creditors, secured creditors, and employees) as at 19 June 2023 (**Known Creditors**), which I believe to be accurate based on the books and records of the Hills Group Companies available to me.

60. With respect to the list of Known Creditors, I note that:
- a. the list is prepared on a consolidated basis having regard to the existence of the Deed of Cross Guarantee and the fact that all of the Hills Group Companies (except Pacom and ACN 614) are subject to and have the benefit of the Deed of Cross Guarantee;
 - b. at the time of swearing this affidavit, the Administrators have not received any third-party creditor claims for Pacom (the trustee under the Deed of Cross Guarantee) and therefore the list does not include any creditors of Pacom other than those which Pacom may be liable for as trustee of the Deed of Cross Guarantee; and
 - c. at the time of swearing this affidavit, the only known creditor of ACN 614 (the only Hills Group Company not party to the Deed of Cross Guarantee in any capacity), being Causeway, is also a secured or unsecured creditor of each other Hills Group Company.
61. The main categories of Known Creditors are secured creditors, unsecured creditors and employees. The information in paragraphs 62 to 70 below was disclosed in section 5 of Part 1 of the Section 75-225 Report concerning creditors' claims. Where applicable, any post-appointment updates to that information are noted.

Secured creditors

62. The largest secured creditor of the Hills Group Companies (excepting Hills Health, Hills Operations and Pacom) is Causeway, which has been a secured lender to the Companies since around September 2022.
63. At the date of our appointment, the Hills Group Companies owed approximately \$6,104,749.93 to secured creditors, comprised of:
- a. approximately \$6,022,619.04 owed to Causeway
 - b. approximately \$82,130.89 owed to other secured creditors.
64. Each of the Hills Group Companies (excepting Hills Health, Hills Operations and Pacom) has granted an ALLPAAP security interest in favour of Causeway.

65. The Hills Group Companies which are subject to other secured creditor claims (aside from Causeway's claim) are Audio Products, T.V. Rentals, Hills Limited and Hills Health.

Ordinary unsecured creditors

66. At the date of our appointment, the Hills Group Companies' unsecured creditor claims totalled \$11,650,058.47 (excluding intercompany loans).
67. Based on our investigations and the proofs of debt received to date, the largest unsecured creditor of the Hills Group Companies is Stellar.
68. I observe that of the amount owing to unsecured creditors at that time, 100% of that amount was owed by companies subject to the Deed of Cross Guarantee, referred to at paragraphs 30 - 31 above.

Employees

69. As noted above, at the date of the Administrators' appointment, the Hills Group Companies had 140 employees in Australia.
70. Our investigations to date evidence:
- a. outstanding priority employee entitlements and claims at the date of our appointment of approximately \$1,887,680.08, comprising:
 - (i) outstanding wages claimed by a single employee in the amount of \$2,320.83;
 - (ii) outstanding superannuation entitlements claimed by a single employee in the amount of \$1,425.00;
 - (iii) injury compensation claimed by a single employee in the amount of \$6,785.78; and
 - (iv) leave of absence claimed by employees in the amount of \$1,877,148.47;
 - b. contingent employee liabilities (comprising payment in lieu of notice (PILN) and redundancy pay) around the date of our appointment of approximately \$2,471,170.00.

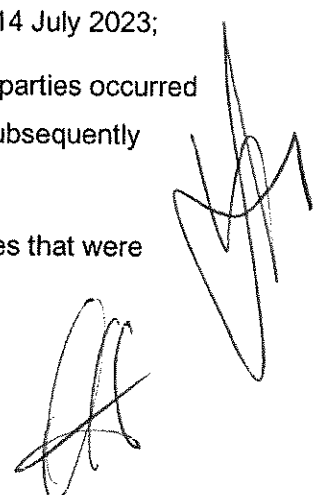
Sale Process

71. Based on our review of the business and operations of the Hills Group Companies, we formed the view that a potential sale of the Hills Group Companies, or the



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individual businesses carried on by the Hills Group Companies, was in the best interests of creditors.

72. Accordingly, shortly after our appointment, we commenced a campaign seeking expressions of interest for a potential sale and/or recapitalisation of the Hills Group Companies (**Sale Process**). We considered that an expression of interest campaign was the most appropriate method for the Sale Process for the purpose of generating interest, promoting competitive tension between interested parties, and maximising value to Hills and its creditors.
73. During the Sale Process, we continued trading the Hills Group Companies on a 'business as usual' basis.
74. The Administrators placed advertisements on the Hall Chadwick LinkedIn page on 8 June 2023 and in the Australian Financial Review on 18 June 2023 and 19 June 2023, calling for the submission of expressions of interest (**EOI**) in the Sale Process. The EOIs were due by close of business on 26 June 2023. Copies of the EOI advertisements are at **pages 1061 to 1063 of Exhibit SA1..**
75. During the Sale Process:
 - a. the Administrators received 51 EOIs;
 - b. an information memorandum (**IM**) was prepared and distributed to 30 parties (a copy of the IM is at **pages 1064 to 1082 of Exhibit SA1**);
 - c. Hall Chadwick provided access to a dataroom established with the assistance of the management of the Hills Group Companies containing documents required for potential purchasers to conduct due diligence on the Hills Group Companies;
 - d. the Administrators received non-binding indicative offers (**NBIOs**) from 13 parties;
 - e. after reviewing and assessing the NBIOs, the Administrators shortlisted 7 parties to undertake due diligence and submit a final offer by 14 July 2023;
 - f. further engagement by the Administrators with the shortlisted parties occurred in preparation of the final binding offer due date (which was subsequently extended to 17 July 2023); and
 - g. the Administrators received 4 final offers from interested parties that were considered credible and capable of completion.

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76. Four parties submitted a final binding offer, with the remaining three parties selecting not to submit a final offer. The four binding offers submitted (on a confidential basis) were as follows:
- a. One party sought to acquire the Hills Group Companies on a 'whole of group' basis via a DoCA/Creditors' Trust (Starplex);
 - b. Two parties offered to purchase the business of Hills and Hills Health by way of an agreement for a sale of business/assets. The key terms of the offers for the business of Hills and Hills Health were as follows:
 - i. **first offer:** acquisition of all the business assets of the Hills Group Companies (including receivables but excluding cash at bank and Hills NZ) for consideration of \$8,316,872 less assumed liabilities, resulting in an estimated net cash contribution of \$6,142,246 and where the purchaser would have required an estimated 34% of the employees of the Hills Group Companies to be made redundant.
 - ii. **second offer:** acquisition of all the business assets of the Hills Group Companies for consideration of:
 - (A) cash of \$2,284,514.12; and
 - (B) assumption of accrued employee liabilities in the sum of approximately \$4,343,127.00;
 - c. The final party sought to acquire the ASX listed shell of Hills only for \$1 million (inclusive of all costs associated with obtaining an order under s444GA of the *Corporations Act 2001* (Cth)).
77. Having considered the four final and binding offers, the Administrators ultimately determined that the 'whole of group' offer received from Starplex presented the best alternative out of the offers received during the Sale Process. The Administrators formed the view that none of the other offers for the Group's business would have resulted in an outcome for creditors which exceeded the estimated realisation of the Group's individual assets on a liquidation basis.
78. Starplex is the ultimate holding company of Stellar. Stellar develops, supplies, installs and maintains patient entertainment systems for hospital and other healthcare clients. Stellar is the largest unsecured creditor of the Hills Group Companies. In addition to providing the best prospective return to creditors, the Administrators formed the view that, given Stellar's market position including its knowledge of the existing healthcare clients of the Hills Group Companies,



Starplex's offer would maximise the prospects of the businesses maintaining their going concern status after completion and also offered the greatest prospect for the vast majority of employees to retain their employment and accrued entitlements.

79. On and from around 1 July 2023, the Administrators and their advisors engaged in extensive negotiations with Starplex in relation to all aspects of a proposed transaction, including the form of a proposal to be put forward by Starplex and considered by creditors at a second meeting of the creditors. A copy of the proposal of Starplex is at **pages 1083 to 1098 of Exhibit SA1**.
80. Copies of the following documents obtained from the books and records of Hills are at at **pages 1099 to 1190 of Exhibit SA1**:
 - a) Hills Limited proposed Debt Refinancing Presentation dated June 2022;
 - b) Hills Limited Investor Presentation dated 23 March 2023; and
 - c) NBN Co weekly progress report.

Report to creditors

81. On 28 July 2023, the Administrators issued Part 2 of the Section 75-225 Report (see **pages 58 – 191 of Exhibit SA1**).
82. The Part 2 of the Section 75-225 Report contained details of the Second Creditors' Meeting to be held on 7 August 2023, including a formal notice of meeting and details of how to participate and submit votes at the meeting. A copy of the notice to creditors is at **pages 1191 – 1194 of Exhibit SA1**.
83. In the Section 75-225 Report, the Administrators recommended that it was in the creditors' interests to vote in favour of each of the Hills Group Companies executing the proposed Hills DOCA. The Hills DOCA is described in further detail at paragraphs 96 to **Error! Reference source not found.** below.
84. In section 4.0 of Part 2 of the Section 75-225 Report (see **pages 67 – 69 of Exhibit SA1**) the Administrators explained why they consider that the Starplex proposal will provide creditors with a greater return than a winding up of the Hills Group Companies and why the Administrators considered that the Starplex proposal should be accepted by the creditors.
85. In Part 2 of the Section 75-225 Report, the Administrators included estimates of the realisable value of a potential sale of business / goodwill / intellectual property / ASX shell in a liquidation scenario. These amounts were estimated by the Administrators based on our expectations having regard to the competitive tension achieved through




the Sale Process, and the level of interest in the assets as a whole and for individual business units, including an offer received for the ASX listed shell of Hills.

86. The Administrators were made aware by the management of Hills that Ericsson Australia Pty Ltd, the largest customer of the Hills' technology services business, had previously expressed an interest in purchasing a back to base (**B2B**) technology platform developed by Hills Technical Services which assists Hills to service the contract with Ericsson. However, Ericsson did not submit any offer for, or express any interest in, the B2B technology platform during the sale process conducted by the Administrators (nor did any other party). The B2B technology platform is specific to servicing the Ericsson contract, and the Administrators formed the view that the platform likely had no realisable value outside a sale of Hills' business.
87. Additionally, during the Sale Process, no offers were received for any of the trademarks and tradenames owned by Hills outside of their inclusion in a potential sale of business or transfer of shares in Hills.
88. Part 2 of the Section 75-225 Report also referred to the Administrators' strategy of continuing to trade the Hills and Hills Health businesses.
89. Section 1.4 of the Section 75-225 Report included the below table comparing the estimated returns to creditors under a "high" and "low" case in each of the following scenarios:

		Liquidation	Liquidation	Hills Health Liquidation	Hills Health Liquidation	ACN 614 Liquidation	ACN 614 Liquidation	DOCA/ Creditors Trust Scenario
		\$ (excl GST) (Pooled Liquidation**) LOW	\$ (excl GST) (Pooled Liquidation**) HIGH	\$ (excl GST) LOW	\$ (excl GST) HIGH	\$ (excl GST) LOW	\$ (excl GST) HIGH	\$ (excl GST) (Pooled DOCA)
Priority	Employee Creditors (Subject to FEG)	100	100	N/A	N/A	Nil	Nil	100
ALLPAAP	Secured Creditor (Causeway)	75	100	See Hills Limited	See Hills Limited	Nil	Nil	100
	Unsecured Creditors	16.91	26.50	See Hills Limited	See Hills Limited	Nil	Nil	68.38

90. We continue to hold the views set out in Part 2 of the Section 75-225 Report in relation to why the Starplex proposal will provide creditors with a greater return than a winding up of the Hills Group Companies and why we consider that the Starplex proposal should be accepted by creditors.
91. On 28 July 2023, the Administrators issued an ASX announcement for Hills informing the market that Part 2 of the Section 75-225 Report had been issued and providing

notice and details of the Second Creditors' Meeting. A copy of the ASX announcement is at **page 1195 of SA1**.

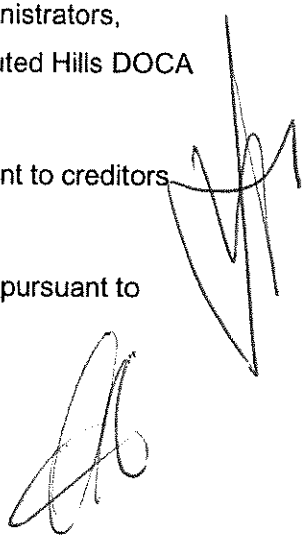
92. On 4 August 2023, the Administrators issued a further Report to Creditors via email. A copy of the covering email and Report to Creditors dated 4 August 2023 is at **pages 1196 to 1333 of SA1**. The Report to creditors annexed copies of the following documents:
- a) the DOCA;
 - b) the Creditors' Trust Deed;
 - c) ASIC Regulatory Guide 82 – External Administration: Deeds of company arrangement involving a creditors' trust; and
 - d) a table addressing in summary format the material information to be disclosed to creditors as outlined in ASIC Regulatory Guide 82.37.

Second Creditors' Meeting

93. The Second Creditors' Meeting was held on 7 August 2023. Once again, the meeting was convened electronically using a video conference facility.
94. I acted as chairperson of the Second Creditors' Meeting. Approximately 85 creditors attended the meeting (either in person or by proxy), not counting creditors twice if they were creditors in more than one company by virtue of the Deed of Cross-Guarantee.
95. At the Second Creditors' Meeting, the creditors of the Hills Group Companies resolved to execute the Hills DOCA. A copy of the minutes of the Second Creditors' Meeting is at **pages 1334 to 1359 of SA1**.

EXECUTION AND PROGRESSION OF THE HILLS DOCA

Execution of the Hills DOCA

96. On 23 August 2023, the Hills DOCA was executed by the Deed Administrators, Starplex and each of the Hills Group Companies. A copy of the executed Hills DOCA is at **pages 1360 to 1494 of SA1**.
97. On 24 August 2023, the Deed Administrators caused a letter to be sent to creditors informing creditors that:
- a. the Hills DOCA had been executed (enclosing a formal notice pursuant to section 450B of the Corporations Act); and
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- b. the Deed Administrators would inform creditors in due course in respect of the timing and quantum of any future dividends.

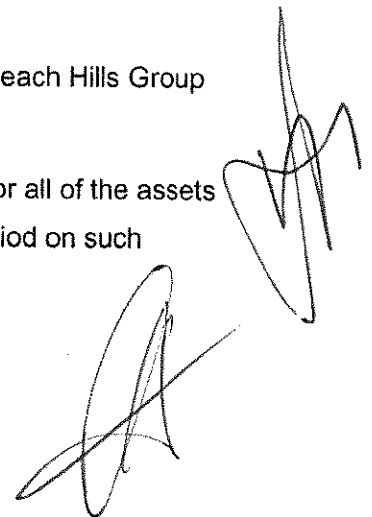
A copy of the letter to creditors is at **pages 1497 to 1499 of SA1**.

- 98. On 24 August 2023, the Deed Administrators caused a letter to be sent to the ASX informing the ASX that the DOCA had been executed. A copy of the letter to the ASX is at **pages 1495 to 1496 of SA1**.

Key features of the Hills DOCA

- 99. One of the principal terms of the Hills DOCA is that subject to certain conditions precedent set out in clause 3.1 of the Hills DOCA (one of which being the Deed Administrators obtaining the orders being sought in these proceedings), all of the issued shares in Hills would be transferred to Starplex.
- 100. In summary, additional key features of the Hills DOCA include, among other things:
 - a. continuation of the voluntary administration enforcement moratorium and prohibition on share transfers in Hills until the Hills DOCA is effectuated or is terminated;
 - b. a creditors' trust is to be formed and a creditors' trust fund would be established (**Trust Fund**) to meet the claims of creditors of the Hills Group Companies (other than specified excluded claims which would not be released under the Hills DOCA and for which the Hills Group Companies would remain liable following their emergence from external administration), with a contribution from the assets of the Hills Group Companies of the lesser of:
 - (i) \$11.0 million plus accrued Administrator trading liabilities; and
 - (ii) the total amount of available cash (net of Administrator trading liabilities) and debtor proceeds,
 to the Trust Fund (see sections Annexure A of Part 2 of the Section 75-225 Report);
 - c. the Trust Fund would comprise a single pool, with creditors of each Hills Group Company to be treated as a creditor of the Hill Group Companies as a whole. The pooling of assets and claims under the Hills DOCA and the creditors' trust replicates the outcome for creditors which would occur pursuant to the Deed of Cross Guarantee in a liquidation scenario;

- d. payments to creditors out of the Trust Fund in accordance with the order of priority set out in clause 4.2 of the trust deed, to be entered into between the Hills Group Companies, the Deed Administrators, and Sule Arnautovic and John Vouris in their capacity as trustees of the creditors' trust (which mirrors the order of priority set out in section 556 of the Corporations Act);
- e. in respect of Causeway:
 - (i) Causeway will retain its claim against the Hills Group Companies (subject to certain moratorium provisions during the DOCA period and for a period of 60 days post-completion);
 - (ii) be granted security over the assets of Hills Health (see paragraph 101 below); and
 - (iii) Causeway will be repaid in full via the Trust Fund in priority to unsecured creditors and will otherwise forbear on its secured creditor position pending effectuation of the DOCA and completion of the Creditors' Trust, with such repayment discharging its claim against the Hills Group Companies;
- f. the release of all unsecured claims against the Hills Group Companies under administration (other than claims of continuing employees and certain excluded creditors) in exchange for a distribution from the Trust Fund, on a pooled basis;
- g. the shareholders of Hills will receive no payment from the Trust Fund and no other payment in return for the transfer of their shares to Starplex;
- h. the grant of a range of powers to the Deed Administrators, including to, relevantly:
 - (i) sell or realise all the assets and undertakings of each Hills Group Company as the Deed Administrators think fit; and
 - (ii) call in, collect or convert into money the property of each Hills Group Company;
 - (iii) borrow or raise money, whether secured upon any or all of the assets of a Hills Group Company or unsecured, for any period on such terms as the Deed Administrators think fit;



- (iv) bring, prosecute and defend in the name and on behalf of a Hills Group Company or in the name of the Deed Administrators any actions, suits or proceedings;
 - (v) engage or discharge employees on behalf of a Hills Group Company;
 - (vi) appoint a solicitor, accountant or other professionally qualified person to assist the Deed Administrators; and
 - (vii) transfer the shares or other interests of a Hills Group Company, subject to the Deed Administrators obtaining the prior written consent of Starplex.
101. A term of the Hills DOCA is that Causeway is granted ALLPAAP security over Hills Health. I have been informed by my solicitors, Mills Oakley, and believe that:
- a. the General Security Deed granting this security has been signed and registered, and the security is now effective; and
 - b. termination of the Hills DOCA because of an inability to meet the conditions precedent does not result in the termination or voiding of Causeway's newly granted security over Hills Health.
102. At pages **768 to 798 of SA1** is a copy of the General Security Deed dated 24 August 2023 in relation to Hills Health.
103. At pages **799 to 819 of SA1** is a copy of a search of the PPS Register conducted on 27 September 2023 in relation to Hills Health showing that the General Security Deed executed by the Deed Administrators has been registered over Hills Health.
104. As mentioned earlier in this affidavit, the Administrators were appointed over the Hills Group Companies (other than Hills Health) by Causeway pursuant to s436C of the Corporations Act on 2 June 2023. The Administrators were appointed to Hills Health by the director pursuant to s436A of the Corporations Act on the same date.
105. I was informed by Mr David Clarke, the CEO and a director of Hills, that Causeway's facility, which was secured over the Hills Group Companies (excepted Hills Health), was a refinance of an existing facility provided by the Commonwealth Bank of Australia which was secured over all of the Hills Group Companies. I was also informed by Mr David Zipparo, Head of Credit at Causeway, that Causeway held the view that during the course of providing security for the Causeway facility, Hills had omitted Hills Health from a corporate structure diagram used by Causeway when preparing the loan documentation, and that Causeway held the view that Causeway's

intention was to take security over all (or the most substantial) assets of the Hills Group Companies including Hills Health (being the most substantial company in the group).

106. In circumstances where:

- a) Causeway held security over Hills and the other Hills Group Companies (other than Hills Health);
- b) by virtue of the Deed of Cross Guarantee, Causeway was also a creditor of Hills Health; and
- c) despite not having a security interest capable of registration over Hills Health, Causeway did have a valid security interest over Hills, being the sole shareholder in Hills Health,

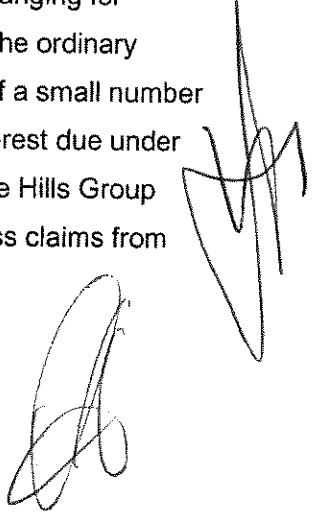
it was necessary to secure the support of Causeway for any asset sale, sale of business, deed of company arrangement, or other proposal during the voluntary administration, as Causeway had indicated an intention to appoint Receivers & Managers to the Hills Group Companies (except Hills Health) as secured creditor should Causeway not approve of any such transaction involving the Hills Group Companies.

107. In order to procure indulgences from Causeway including the forbearance of Causeway from enforcing its security during the administration, and to secure the vote of Causeway in favour of the DOCA proposal, it was necessary for Starplex to include as a term of the final DOCA proposal that Causeway be granted an ALLPAAP security interest over Hills Health to be executed and become enforceable prior to completion.

108. The Administrators formed the view that, having regard to the fact that:

- a) Hills retained all of the employees of Hills Health;
- b) Hills Health relied upon services and premises provided by Hills in order to operate;
- c) Hills performed a treasury function for Hills Health,

that it would not be possible, or would be extremely difficult and uncommercial, to realise the assets or business of Hills Health without including some or all of Hills as part of the sale (in circumstances where Causeway had security over all of the assets and undertaking of Hills and it would not be possible to transfer any part of Hills without the consent of Causeway).

109. Accordingly, in all the above circumstances, the Deed Administrators formed the view that the granting of a security interest over Hills Health in favour of Causeway, in order to obtain the support of Causeway for the DOCA proposal, was unlikely to cause any prejudice to the creditors of Hills Health or to creditors generally. Indeed, it is our view that the granting of the security as a condition for the approval of the DOCA proposal was ultimately for the benefit of the creditors as a whole, as, in the absence of the support of Causeway for the current proposal, it is likely that Receivers and Managers would have been appointed by Causeway (thereby further diminishing the assets available to unsecured creditors). Further, the largest creditor of Hills Health is Stellar (being Starplex's subsidiary) and Stellar/Starplex were in favour of the granting of the security (particularly as it was a term of the DOCA proposal).
110. On 24 August 2023, the Deed Administrators issued an ASX announcement for Hills informing the market that the Hills DOCA had been executed and commenced operation on 23 August 2023 and that the Deed Administrators were continuing to trade the business of the Hills Group Companies until such time as the Hills DOCA conditions have been met and the relevant creditors' trust is established. A copy of the ASX announcement is at **pages 1500 to 1501 of SA1**.
111. Based on the Administrators' forecast in Annexure B to Part 2 of the Section 75-225 Report, the gross amount contributed will be \$21.9 million (comprised of cash and debtors), with accrued Administrator trading liabilities of \$10.3 million to be paid from that amount, resulting in a net amount available for professional fees and creditor claims of \$11.6 million.
112. Since the execution of the Hills DOCA:
- a. 10 of the Hills Group Companies which are parties to Hills DOCA remain dormant;
 - b. the Administrators have continued to trade on the businesses of the Hills Group Companies and have taken various steps including arranging for insurances to be maintained, continued to pay employees in the ordinary course of trading, taking steps to terminate the employment of a small number of employees, made payments to Causeway in relation to interest due under the Causeway facility, executed new contracts on behalf of the Hills Group Companies with customers, and taken steps to obtain progress claims from customers such as executing statutory declarations.
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Consequences if the Section 444GA Application is unsuccessful

113. Should the Section 444GA Application (and consequently the ASIC Relief Application) not succeed, Starplex is likely to give the Deed Administrators notice under clause 18.2(a) of the Hills DOCA of the termination of the Hills DOCA.
114. Should the Hills DOCA be terminated, pursuant to clause 18.7 of the Hills DOCA, the Hills Group Companies will be taken to have passed special resolutions under section 491 of the Corporations Act that each of the Hills Group Companies be voluntarily wound up. Upon the effective passing of those resolutions, each Hills Group Company would enter liquidation.
115. We expect any liquidation of the Hills Group Companies would involve:
- closure of the Hills and Hills Health businesses;
 - exit and early termination of the leases for premises occupied by the Hills Group Companies;
 - redundancy of all employees of the Hills Group Companies;
 - unsecured creditors of the Hills Group Companies receiving distributions of between approximately 16.91 and 26.5 cents in the dollar; and
 - shareholders of the Hills Group Companies receiving no distribution.

Estimated returns to creditors

116. As detailed in Annexure B of Part 2 of the Section 75-225 Report, the average estimated return to creditors of the Hills Group Companies is as follows in the following different scenarios:

Creditor Group	DOCA / Creditors Trust	Pooled Liquidation		Hills Health Liquidation		ACN 614 Liquidation	
	<i>Estimate</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>
Priority creditors / employees (cents in the dollar expressed as a percentage)	100	100	100	N/A	N/A	Nil	Nil

Secured creditors average return (cents in the dollar expressed as a percentage)	100	100	75	N/A	N/A	Nil	Nil
Unsecured creditors – fund available for distribution after costs	68.39	26.5	16.91	N/A	N/A	Nil	Nil

117. The 'Pooled Liquidation' scenario above assumes the assets of each Hills Group Company which is a party to the Deed of Cross Guarantee are pooled and available to satisfy the aggregated claims against those Hills Group Companies.
118. In our view, the 'Sale' scenario above, which would involve the transfer of Hills' shares to Starplex if, amongst other things, the necessary approvals of the Section 444GA Application and ASIC Relief Application are obtained, would produce the highest estimated return to creditors of the Hills Group Companies.

Value of Hills shares

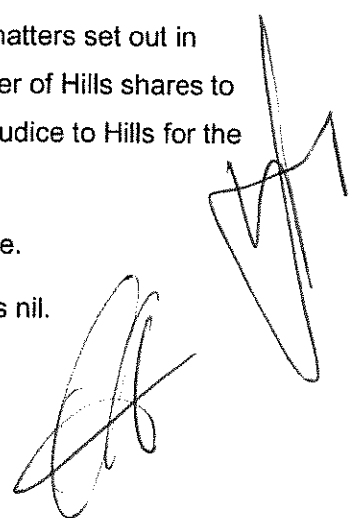
119. We note the following matters in relation to the value of Hills' shares:
- On 25 May 2023, a trading halt was put in place in respect of Hills' shares, at the request of Hills.
 - On 29 May 2023, trading of Hills shares on the ASX was suspended at the request of Hills.
 - Hills shares last traded publicly at a price per share of 2.3 cents and, in the last 5 years, traded at a maximum of 3.92 cents per share;
 - Starplex's 'whole of group' offer was the preferred proposal received during the Sale Process.
 - We have not received any subsequent proposal for the sale and/or recapitalisation of the Hills Group Companies.
 - We did not receive any credible proposal capable of execution during the Sale Process for the recapitalisation of the Hills Group Companies which would have enabled the Hills Group Companies to continue to trade in accordance

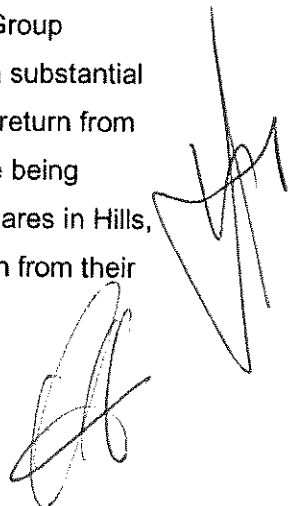



with their pre-administration business structure other than the Starplex proposal.

- g. If the Hills DOCA completes and is effectuated, we expect unsecured creditors will receive a return of approximately 68.39 cents in the dollar (subject to final adjudication of creditor claims). The factors which we had regard to when determining this range, which will affect final creditor returns, include:
 - (i) the final quantum of secured and unsecured creditor claims; and
 - (ii) contingencies related to debtor collections;
 - h. under an alternative liquidation scenario, we expect unsecured creditors will receive a return of between 16.91 and 26.5 cents in the dollar cents in the dollar; and
 - i. in our opinion, there will be no return for shareholders of Hills under any of the above scenarios.
120. The Deed Administrators have retained and briefed KordaMentha to prepare an independent expert report on the value of the equity in Hills (**Independent Expert's Report**) for the purposes of the Section 444GA Application.
121. Based on the draft of the Independent Expert's Report, it is the opinion of the Expert, in summary, that given the material shortfall of assets available to meet the claims against the Hills Group Companies the shares in Hills have nil value as at the date of the Independent Expert's Report.

Section 444GA(3) – no unfair prejudice to members

122. The Deed Administrators understand that the Court will not grant leave under section 444GA(1)(b) of the Corporations Act for the transfer of all shares in Hills to Starplex unless the Court is satisfied that transfer would not unfairly prejudice the interests of the members of Hills.
123. Having regard to the investigations undertaken to date, and the matters set out in paragraph 119 above, the Deed Administrators believe the transfer of Hills shares to Starplex, as provided in the Hills DOCA, will not cause unfair prejudice to Hills for the following reasons:
- a. In our opinion, Hills' shares currently do not have any value.
 - b. The estimated return to members of Hills in all scenarios is nil.
- 

124. As outlined above, if the Court does not grant leave for the transfer of Hills shares to Starplex, then the Hills DOCA will not complete and be effectuated. In that scenario, the Hills and the other Hills Group Companies will be wound up.
125. If the Hills Group Companies are wound up, and the Deed Administrators are appointed as Liquidators, the Liquidators would likely:
- a) consult with Starplex to determine if an asset sale transaction could be agreed with Starplex;
 - b) reapproach other parties that expressed interest during the sale of business process, as it may be possible that one or more of these parties remains interested in acquiring the business on an asset sale basis with limited due diligence.
126. However, we are of the view that the length and extent of the due diligence that would be required before the completion of any prospective sale, and the trading losses that would be incurred during liquidation (which I estimate would increase if the Hills Group Companies were in liquidation), would likely result in a lower recovery for creditors compared to closing the Hills Group Companies' businesses and realising receivables, work in progress, and fixed assets. Additionally, a prospective sale of business by way of an asset sale would involve significant transaction costs due to the need to assign or novate a large number of contracts (many of which are multi-party), including contracts with government departments and/or hospitals. Further, we are of the view that many of the contracts would be terminated in a liquidation scenario and would not be capable of assignment, thereby diminishing the prospective value of a sale of business(es).
127. During the course of negotiations with Starplex we were advised that the complexity and risk involved in a sale of business, which would have necessitated the assignment or novation of numerous contracts with third parties, was a significant factor in Starplex proposing a DOCA / Creditors' Trust / transfer of shares for the acquisition of the Hills Group Companies as outlined in the proposal from Starplex.
128. That course of events will be disadvantageous to creditors of the Hills Group Companies (because they will receive a lower return and there will be a substantial delay in creditors receiving a return following liquidation compared to a return from the creditors' trust) but, at the same time, will not lead to any advantage being conferred on the member of Hills because, while they will retain their shares in Hills, those shares will not have any value and members will receive no return from their shares.
- 

129. Accordingly, the members of Hills would be in the same financial position regardless of the different scenario that comes to pass.

ASIC Relief Application

130. On 28 September 2023, the Deed Administrators' legal advisors, Mills Oakley, submitted the ASIC Relief Application online via the ASIC Regulatory Portal. The ASIC Relief Application enclosed copies of:
- a. a draft of the Independent Expert's Report; and
 - b. a draft of the Explanatory Statement to be provided to shareholders of Hills to inform them of the Section 444GA Application and the ASIC Relief Application.
131. I am informed by David Armstrong of Mills Oakley that the ASIC Regulatory Portal shows that the ASIC Relief Application with reference number 392859 is currently 'In Progress', and Mills Oakley is awaiting details of the ASIC officer(s) to whom the ASIC Relief Application has been allocated.

Notice to ASIC

132. We intend to provide a copy of this application and any supporting affidavits to ASIC.

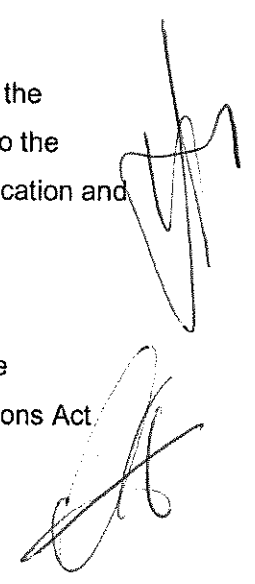
Notice to Hills shareholders and creditors

133. We intend to give notice of this application to all shareholders and creditors of Hills as outlined herein.
134. The Deed Administrators intend to give notice to members and creditors of Hills (a draft of which is at **page 1786 - 1788 of Exhibit SA1) (Notice)** which will:
- a. explain the background to and purpose of the Section 444GA Application, and the effect it will have on members of Hills;
 - b. explain the process for opposing the Section 444GA Application if any member or creditor wishes to do so;
 - c. advise members and creditors of their ability to access copies of the following documents from the Hall Chadwick website and the Hills' website:
 - (i) an Explanatory Statement, which will:
 - (A) provide further detail regarding the Section 444GA Application process and its consequences and how a party may object to it;




- (B) explain the requirement for Hills to make the ASIC Relief Application;
 - (C) annex a copy of the Independent Expert's Report and the originating process documents for the Section 444GA Application;
 - (ii) the Independent Expert's Report; and
 - (iii) certain non-confidential documents filed in the Section 444GA Application, when they become available.
135. Our investigations of the share registry maintained by Hills reveal that there are 10,738 members. Of those members, 6,400 members on the share registry have not nominated an email address. The Administrators have obtained from a third party service provider an estimate of the costs of sending the Notice by hard copy post to these members which estimates the costs at \$70,000 to \$75,000 (excluding GST) plus the Administrator's costs of liaising with the service provider.
136. If these costs are incurred, this would obviously reduce the amount that could be returned to creditors.
137. In those circumstances, we propose to give the Notice to members and creditors of Hills by:
- a. sending the Notice by email to the email address of each member and creditor that is provided to the Deed Administrators, or that is recorded in the books and records of Hills;
 - b. advertising the Notice in the Australian Financial Review; and
 - c. publishing the Notice on the Hall Chadwick website and the Hills' website.
138. We will also make available on the Hall Chadwick website and the Hills website copies of the originating process documents and any orders made by the Court in respect of the Section 444GA Application.
139. In our experience, a hard copy mailout is unlikely to be more effective than the measures proposed in paragraphs 137 - 138 above in bringing the Notice to the attention of those members who might have an interest in the present application and sufficient motivation to seek leave to appear.

Share transfer form

140. As noted above, one of the orders sought by the Deed Administrators in the originating process is an order pursuant to section 447A(1) of the Corporations Act.
- 

and/or section 90-15(1) of the Insolvency Practice Schedule enabling any of the Deed Administrators to jointly or severally execute on behalf of the members of Hills share transfer forms and any other documents ancillary or incidental to effecting the transfer of Hills shares to Starplex in accordance with the terms of the Hills DOCA.

141. A draft share transfer form is at **page 1789 of Exhibit SA1**.

Supplementary affidavit

142. I intend to swear a supplementary affidavit (**Supplementary Affidavit**) deposing to the circulation of the Section 444GA Application, this affidavit, the Explanatory Statement and any communications received from interested parties in relation to the Section 444GA Application or ASIC in relation to the ASIC Relief and any other material which may be relevant to the determination of this application. I intend to use the Supplementary Affidavit to summarise the views and attitudes of those parties in relation to the Section 444GA Application (if any).

Commercial urgency

143. As noted in paragraph 99 above, completion of the Hills DOCA (**Completion**) is subject to certain conditions, relevantly the Deed Administrators obtaining:

- a. Court approval of the Section 444GA Application; and
- b. the relief sought in the ASIC Relief Application.

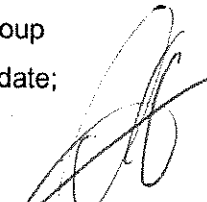
144. The Hills DOCA requires:

- a. the necessary approvals for the Section 444GA Application and ASIC Relief Application to be obtained as soon as reasonably practicable; and
- b. that Completion occur before 11.59pm on the "End Date", being 31 October 2023 (or such other date as agreed by the Deed Administrators and Starplex in writing).

145. Mr Vouris and I request that this application be determined on an expedited basis to enable satisfaction of the relevant conditions for Completion to occur on or before the End Date.

146. The Deed Administrators and Starplex are working closely to complete the Hills DOCA as soon as practicable. Completion under the Hills DOCA, including the transfer of Hills shares to Starplex, is necessary in order to:

- a. facilitate Starplex's investment in, and acquisition of, Hills and the remaining businesses of the Hills Group Companies, enabling the Hills Group Companies to come out of external administration at an earlier date;

- b. maximising the prospects of employees retaining their employment with the Hills Group Companies;
- c. minimise the disruption to the operations of the Hills Group Companies and allow the remaining businesses to resume trading in a state outside of external administration;
- d. reduce the fees and costs incurred by the virtue of the Hills Group Companies remaining under external administration;
- e. facilitate payments to creditors of the Hills Group Companies under the Hills DOCA as soon as practicable; and
- f. provide greater certainty to employees, landlords and suppliers regarding the future of the Hills Group Companies.

DATE:

SWORN at Sydney

Signature of deponent

DEPONENT

Name of witness

Address of witness

Capacity of witness

Aleksander Matic
 A Licensed Solicitor and the
 a member of the NSW Solicitors
 Association

~~Solicitor~~ / Justice of the Peace

And as a witness, I certify the following matters concerning the person who made this affidavit (the **deponent**):

- 1 I saw the face of the deponent.
- 2 I have known the deponent for at least 12 months.

Signature of witness

Note: The deponent and witness must sign each page of the affidavit. See UCPR 35.7B.

Exhibit certificate

IN THE SUPREME COURT OF NEW SOUTH WALES
DIVISION: EQUITY
REGISTRY: SYDNEY
CORPORATIONS LIST

No. of 2023

IN THE MATTER OF HILLS LIMITED (SUBJECT TO DEED OF COMPANY
ARRANGEMENT)
ACN: 007 573 417

**SULE ARNAUTOVIC AND JOHN VOURIS IN THEIR CAPACITY AS JOINT AND
SEVERAL DEED ADMINISTRATORS OF HILLS LIMITED (SUBJECT TO DEED OF
COMPANY ARRANGEMENT) ACN 007 573 417**

First Plaintiff

**HILLS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(ACN 007 573 417)**
Second Plaintiff

This is the exhibit marked "SA1" now produced and shown to Sule Arnautovic at the time of
swearing his affidavit on 4 October before me:

.....
Solicitor / Justice of the Peace

Aleksandar Hatic
A Justice of the Peace in and for
the State of New South Wales
Reg No 190360