

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

No. 314352 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

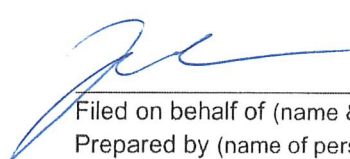
**HILLS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
(ACN 007 573 417)**  
Second Plaintiff

Affidavit of: Sule Arnautovic  
Address: Hall Chadwick, Level 40, 2 Park Street, Sydney NSW 2000  
Occupation: Registered Liquidator and Chartered Accountant  
Date: 23 October 2023

### Contents

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

1. I previously swore an affidavit in these proceedings on 4 October 2023. Capitalised terms in this affidavit have the meaning attributed to them in my 4 October 2023 affidavit.
2. On 9 October 2023, the Supreme Court of NSW made orders including orders relating to the notice to be provided to the members of Hills (**Orders**). A copy of the orders is annexed hereto and marked with the letter "A". The Orders required notice

 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** Level 7, 151 Clarence Street, Sydney NSW 2000  
(include state and postcode)

of the following documents to be provided to members and creditors via the methods identified in the Orders:

- a) the originating process in these proceedings
- b) an Explanatory Statement;
- c) the affidavit of Sule Arnautovic sworn 4 October 2023;
- d) any supplementary affidavits filed by the Plaintiffs; and
- e) the Orders,

**(the Documents).**

3. I am informed and verily believe that Ms Cindy Chen, an accountant in my employ, sent a series of emails to members and creditors of Hills and the Hills Group Companies on 13 October 2023. Ms Chen has sworn an affidavit relating to the steps taken by her in this regard.
4. I am informed and verily believe that Ms Jessica Webb, an accountant in my employ, has taken steps to comply with the other Notice requirements identified in the Orders. Ms Webb has sworn an affidavit relating to the steps taken by her in this regard.
5. I am informed and verily believe that on 19 October 2023, Ms Lynda Reid of Mills Oakley, who are my solicitors on this application, received an email from the Australian Securities and Investments Commission (**ASIC**) which contained two queries in relation to the Hills DOCA. A copy of the email is annexed hereto and marked with the letter "B".
6. The effect of the Hills DOCA, upon completion, is to extinguish all claims of creditors unless otherwise preserved by the express terms of the Hills DOCA. Accordingly, to the extent that any person may have a claim against Hills arising from buying, holding, selling or otherwise dealing in shares in Hills, that claim will be extinguished as against Hills. For example, if any member had a complaint in relation to an alleged non-disclosure made during the course of a capital raising, as identified as a possibility by ASIC, that claim would be extinguished.
7. The Deed Administrators have not received notice of any such claim against Hills, other than the reference to a potential class action in the email dated 16 October 2023 at Annexure H to the affidavit of Jessica Webb sworn 20 October 2023.
8. Whilst the Deed Administrators generally investigated potential breaches of Director's duties, we not specifically investigate claims regarding a potential class action claim from shareholders. However, I did consider the effect of the Hills DOCA on members


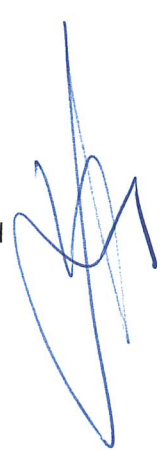


and any claims by a person who is or was a member, as well as the liquidation scenario should the Hills DOCA not be approved.

9. The information available to the Deed Administrators did not at first instance indicate Director misconduct, whether in relation to the Directors' treatment of the disclosure of Stellar's claim in the Offer Booklet (as defined in the email from ASIC), or whether provisions should have been made in Hills' pro forma financials. That information included but was not limited to the Company being successful at first instance in connection with the Stellar claim, and the Directors and Hills having received ongoing advice as regards the prospects of success for Stellar's appeal proceeding.
10. Whilst the Hills DOCA does extinguish all creditor claims unless expressly preserved by the terms of the Hills DOCA, there are insufficient realisable assets of Hills to satisfy unsecured creditor claims in full. In circumstances where any claims arising from buying, holding, selling or otherwise dealing in shares in Hills would be subordinated below ordinary unsecured creditor claims by virtue of the operation of section 563A of the *Corporations Act 2001* (Cth), and where ordinary unsecured creditors will receive less than 100 cents in the dollar (on any scenario), there is no outcome or alternative to the Hills DOCA which would produce sufficient assets to permit the payment of any portion of subordinated claims of this nature.
11. To the extent that persons have a claim against Hills and/or the directors of Hills arising from buying, holding, selling or otherwise dealing in shares in Hills, and that claim has a relevant policy of insurance in place which may respond to the claim, the claim is expressly preserved – to the extent that the insurance policy responds – by the terms of the Hills DOCA.
12. Accordingly, I am of the view that the members are not prejudiced by the effect of the Hills DOCA upon completion.
13. Since my appointment as administrator of Hills, I caused (without limitation) the following ASX Announcements to be published by Hills on the ASX:
  - a. ASX Announcement entitled "*Administrators appointed to Hills Ltd ACN: 007 573 417*" dated 2 June 2023 and published on 5 June 2023. A copy of the announcement is annexed hereto and marked with the letter "**C**";
  - b. ASX Announcement entitled "*Administrators appointed to Hills Ltd: 007 573 417*" dated 3 June 2023 published on 5 June 2023. A copy of the announcement is annexed hereto and marked with the letter "**D**";





- c. ASX Announcement entitled "*Initial Information for creditors*" published on 9 June 2023. A copy of the announcement is at pages 893 to 971 of Exhibit SA1;
  - d. ASX Announcement entitled "*Administrators appointed to Hills Ltd: 007 573 417*" dated 9 June 2023 and published on 13 June 2023. A copy of the announcement is annexed hereto and marked with the letter "E";
  - e. ASX Announcement entitled "*Circular to Creditors...*" published on 19 June 2023. A copy of the announcement is annexed hereto and marked with the letter "F";
  - f. ASX Announcement entitled "*Initial Information for Creditors of Pacom Security Pty Ltd....Hills Group Operations Pty Ltd*" dated 13 June 2023 and published on 19 June 2023. A copy of the announcement is annexed hereto and marked with the letter "G";
  - g. ASX Announcement entitled "*Circular to creditors*" published on 23 June 2023. A copy of the announcement is annexed hereto and marked with the letter "H";
  - h. ASX Announcement entitled "*Part one of two – Voluntary administrators' report to creditors...*" published on 6 July 2023; A copy of the document published in the announcement is at pages 1 - 57 of Exhibit SA1;
  - i. ASX Announcement entitled "*Notice to ASX/Shareholders...*" published on 28 July 2023. A copy of the announcement is annexed hereto and marked with the letter "I";
  - j. ASX Announcement entitled "*Notice to ASX/Shareholders...Reliance on ASIC Financial Reporting Relief*" published on 3 August 2023. A copy of the announcement is annexed hereto and marked with the letter "J";
  - k. ASX Announcement entitled "*Notice to ASX...Creditors vote in favour of DOCA Proposal*" published on 8 August 2023. A copy of the announcement is annexed hereto and marked with the letter "K"; and
  - l. ASX Announcement entitled "*Notice to ASX/Shareholders...Execution of Deed of Company Arrangement*" published on 24 August 2023. A copy of the announcement is annexed hereto and marked with the letter "L".
14. **Corrections to my first affidavit**
15. At paragraph 59 of my first affidavit, I stated that "unsecured creditors" of the Hills Group Companies were owed approximately \$19 million. This was an error. The total amount owed to creditors was approximately \$19 million.
- 
- 



16. At paragraph 85 of my first affidavit, I referred to estimates made in Part 2 of the Section 75-225. Those estimates are made at Annexure B of the report, which commences at page 109 of Exhibit SA1.
17. At paragraph 111 of my first affidavit, I refer to the Administrators' forecast in Annexure B of Pt 2 of the Section 75-225 report. That forecast states that the estimated gross amount to be contributed to the Fund (as defined in the Hills DOCA) will be \$21.9 million with an estimated figure of \$10.3 for Accrued Administrator Trading Liabilities to be paid from that amount. In fact, based on the projections in Annexure B and the definition of the Fund Contribution in the DOCA, the estimated gross amount to be contributed to the Fund would be \$21.3m. Where I have stated that the result will be a net amount available for professional fees and creditor claims of \$11.6 million, that figure should instead be \$11 million.
18. At paragraphs 116 and 119(g) of the first affidavit, the expected return to unsecured creditors based on the estimate of the figures available at that time, ought to be 54.20 cents in the dollar (subject to final adjudication of creditor claims) instead of 68.39 cents.
19. On 23 October 2023, I instructed my solicitors to send an email reply to ASIC. A copy of the email is annexed hereto and marked with the letter "M".

SWORN at Sydney

Signature of deponent

DEPONENT

Name of witness JUAN OTAREQUI-CAMPOS

Address of witness Level 40, 2 Park Street Sydney NSW

Capacity of witness 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.

This and the following 2 page(s) form the  
Annexure marked " A " to the Affidavit of

" A "

SULE ARNAUTOVIC

sworn/affirmed on 23 / 10 / 23

Form 43  
UCPR 36.11

Before me:.....

Solicitor/Justice of the Peace



D0001SCGNF

Issued: 11 October 2023 12:34 PM

### JUDGMENT/ORDER

#### 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

First

#### DATE OF JUDGMENT/ORDER

Date made or given	9 October 2023
Date entered	10 October 2023

#### TERMS OF JUDGMENT/ORDER

This matter is listed for Motion (Corporation List) on 24 October 2023 10:00 AM before the Supreme Court - Civil at Supreme Court Sydney.

Estimated duration: 1 Hours

VERDICT, ORDER OR DIRECTION:

Black J grants leave to appear to Starplex Pty Ltd as the deed proponent.

Black J makes orders (as amended) in accordance with the Short Minutes of Order initialled by him and placed in the file.

#### ORDERS:

1. An order that prayers 2-6 of this Originating Process be returnable instanter.
2. Pursuant to rule 2.13(1)(c) of the Supreme Court (Corporations) Rules 1999, leave to Starplex International Pty Ltd ACN 161 564 834 ("Starplex"), the deed proponent, to be heard in the proceedings.
3. Direct Starplex to file and serve on the Plaintiffs and the Australian Securities and Investments Commission a Notice of Appearance in the prescribed form by 5.00pm on 9 October 2023.
4. An order pursuant to section 447A of the Corporations Act and section 90-15 of the IPS that the Plaintiffs each give notice to each of the creditors and members of the Company of:
  - a. the Originating Process;
  - b. an Explanatory Statement pursuant to the requirements of ASIC Regulatory Guide 6 (Explanatory Statement);
  - c. the affidavit of Sule Arnautovic sworn on 4 October 2023;
  - d. any supplementary affidavits filed by the Plaintiffs in this proceeding;

e. the orders made by the Court,

by 4.00pm on 13 October 2023 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](http://www.hallchadwick.com.au/insights) and [corporate.hills.com.au](http://corporate.hills.com.au).

5. An order that any interested person wishing to appear at the hearing of this application is to file and serve on the Plaintiffs, Starplex 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.

6. An order that the Plaintiffs file and serve on Starplex 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.

6A. Direct the Plaintiffs to send to the Associate to Black J a Court Book containing all pleadings, affidavits, exhibits, documents relied on and submissions by noon on 23 October 2023.

8. This application be listed for hearing at 10.00am on 24 October 2023, with a time estimate of 1 hour.

#### SEAL AND SIGNATURE



Signature                      Chris D'Aeth  
Capacity                      Principal Registrar  
Date                              11 October 2023

If this document was issued by means of the Electronic Case Management System (ECM), pursuant to Part 3 of the Uniform Civil Procedure Rules (UCPR), this document is taken to have been signed if the person's name is printed where his or her signature would otherwise appear.

#### PERSON PROVIDING DOCUMENT FOR SEALING UNDER UCPR 36.12

Name                              Sule Arnautovic, Plaintiff 1  
   HILLS LIMITED, Plaintiff 2

Legal representative              David Patrick Armstrong  
Legal representative reference  
Telephone                              (02)80357913



**FURTHER DETAILS ABOUT Plaintiff(s)****First Plaintiff**

Name Sule Arnautovic  
Address Level 40  
2 Park Street  
SYDNEY NSW 2000  
  
Telephone  
Fax  
E-mail  
Client reference

**Second Plaintiff**

Name HILLS LIMITED  
ACN 007573417  
Address F Unit 1  
3 - 29 Birnie Avenue  
LIDCOMBE NSW 2141  
  
Telephone  
Fax  
E-mail  
Client reference

**Legal representative**

Name David Patrick Armstrong  
Practicing certificate number 56609  
Address Level 7  
151 Clarence Street Street  
SYDNEY NSW 2000  
  
DX address  
Telephone (02)80357913  
Fax 02 9330 8111  
Email darmstrong@millsoakley.com.au  
Electronic service address darmstrong@millsoakley.com.au

**FURTHER DETAILS ABOUT (s)**

11B11

## Nicole Mouyat

**From:** David Armstrong  
**Sent:** Monday, 23 October 2023 10:47 AM  
**To:** Nicole Mouyat  
**Subject:** FW: HILLS LIMITED / Application for declaration or exemption or order - Application for Relief [SEC=OFFICIAL]

**From:** Sean Ferguson <[Sean.Ferguson@asic.gov.au](mailto:Sean.Ferguson@asic.gov.au)>  
**Sent:** Thursday, 19 October 2023 12:11 PM  
**To:** Bridget Edghill <[bedghill@millsoakley.com.au](mailto:bedghill@millsoakley.com.au)>; Lynda Reid <[lynda.reid@millsoakley.com.au](mailto:lynda.reid@millsoakley.com.au)>  
**Cc:** Ebony Jackson <[Ebony.Jackson@asic.gov.au](mailto:Ebony.Jackson@asic.gov.au)>; Jana Jordan <[jjordan@millsoakley.com.au](mailto:jjordan@millsoakley.com.au)>  
**Subject:** RE: HILLS LIMITED / Application for declaration or exemption or order - Application for Relief [SEC=OFFICIAL]

You don't often get email from [sean.ferguson@asic.gov.au](mailto:sean.ferguson@asic.gov.au). [Learn why this is important](#)

Dear Bridget

We refer to the circumstances leading up to the Voluntary Administration appointment explained in the Administrations Report to Creditors dated 6 July 2023 (**Report to Creditors**) under Part 5.2 of the Corporations Act, particularly the sections regarding the "Capital Raise" and the "Stellar Judgement".

On 23 March 2023, the Company announced an offer booklet (**Offer Booklet**) in relation to the capital raise which outlined "Specific risks to the Company". One of these specific risks was "Legal liabilities", which discloses that the Company had two outstanding claims, one which we understand to be the claim from Stellar Vision Operations Pty Ltd, which ultimately lead to the Stellar Judgement as explained in the Report to Creditors.

In relation to disclosure of this claim in the Offer Booklet, the disclosure states "Two claims are currently outstanding against the Company. One, which was related to a dispute concerning a third-party contract. This claim has been dismissed by the Court, with costs awarded in favour of the Company. The decision has been appealed by the other party. The appeal is currently listed for hearing in May 2023. Based on legal advice, the Directors are of the opinion that no provision is required in respect of this outstanding matter as it is not probable that a future outflow of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.". Noting the above and that there was a future outflow of economic benefit from the legal claim, please could you assist with our queries below:

1. Did the Deed Administrators consider the Directors treatment of the disclosure of the Stellar legal claim in the Offer Booklet or whether provisions for this claim should have been made in the Company's pro forma financials, as part of their investigations? To the extent they did, it would be helpful if the Deed Administrators could provide some background in relation to their consideration of these matters.
2. In the event the share transfer is approved by the Court, could you please clarify if the share transfer would impact on shareholders rights, particularly their ability to commence any action against the company and/or its directors (should they be minded to)?

Kind regards

Sean Ferguson  
Corporate Finance  
Markets Group  
Australian Securities and Investments Commission

This and the following 1 page(s) form the  
Annexure marked "B" to the Affidavit of  
SULE ARNAUTOVIC  
sworn/affirmed on 23 / 10 / 22  
Before me: [Signature]  
Solicitor/Justice of the Peace

Level 1, 11 Mounts Bay Road, Perth, 6000

Mob: 0478 374 545

[sean.ferguson@asic.gov.au](mailto:sean.ferguson@asic.gov.au)



**ASIC**



"C"

2 June 2023

Ms Renee Hutchens  
ASX Listings Compliance  
20 Bridge Street  
Sydney NSW 2000

Via Email: [tradinghaltssydney@asx.com.au](mailto:tradinghaltssydney@asx.com.au)

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**DARWIN**  
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Fx: (618) 8943 0654

**BRISBANE**  
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Fx: (617) 3211 1249

**ADMINISTRATORS APPOINTED TO HILLS LTD**  
**ACN: 007 573 417**  
**(ASX Code: HIL)**  
**(THE "COMPANY")**

This is to advise that Messrs. Sule Arnautovic and John Vouris of Hall Chadwick Chartered Accountants were appointed as Joint and Several Administrators of the Company pursuant to Section 436C of the *Corporations Act 2001* by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund (a creditor entitled to enforce a security interest over the whole, or substantially whole of the Company's property) on Friday, 2 June 2023.

The Administrators were also appointed as Administrators to the following related entities on Friday, 2 June 2023 by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund:

- 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)

(Collectively the "Companies")

An initial meeting of the Companies creditors is to be held within eight (8) business days of the date of appointment, that is, the initial meeting will be held by no later than Thursday, 15 June 2023.

Further announcements will be made to the ASX by the Administrators in due course.

For further information, please contact the Administrators' Sydney office:

Hall Chadwick Chartered Accountants  
Level 40, 2 Park Street  
Sydney NSW 2000  
P: (02) 9263 2600  
E: [HIL@hallchadwick.com.au](mailto:HIL@hallchadwick.com.au)

Dated this 2nd day of June 2023

**SULE ARNAUTOVIC**  
**JOINT AND SEVERAL ADMINISTRATOR**

This and the following — page(s) form the  
Annexure marked "C" to the Affidavit of

**SULE ARNAUTOVIC**  
sworn/affirmed on **23 / 10 / 22**

Before me:.....  
**Solicitor/Justice of the Peace**

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An Association of Independent  
Accounting Firms  
PrimeGlobal

"D"

This and the following page(s) form the  
Annexure marked "D" to the Affidavit of

3 June 2023

Ms Renee Hutchens  
ASX Listings Compliance  
20 Bridge Street  
Sydney NSW 2000

SULE ARNAUTOVIC  
sworn/affirmed on 23 / 10 / 22

Before me: .....  
Solicitor/Justice of the Peace

Via Email: tradinghaltssydney@asx.com.au

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**ADMINISTRATORS APPOINTED TO HILLS LTD**  
**ACN: 007 573 417**  
**(ASX Code: HIL)**  
**(THE "COMPANY")**

This is to advise that Messrs. Sule Arnautovic and John Vouris of Hall Chadwick Chartered Accountants were appointed as Joint and Several Administrators of the Company pursuant to Section 436C of the *Corporations Act 2001* by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund (a creditor entitled to enforce a security interest over the whole, or substantially whole of the Company's property) on Friday, 2 June 2023.

The Administrators were also appointed as Administrators to the following related entities on Friday, 2 June 2023 by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund:

- 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)

On 2 June 2023, the Administrators were also subsequently appointed as Administrators of Hills Health Solutions Pty Ltd (ACN 100 173 715) by the Director of the Company.

(Collectively the "Companies")

The Administrators are undertaking a preliminary review and assessment of all of the Companies' operations with a view to determining the extent to which the Companies can be restructured/recapitalised by way of a Deed of Company Arrangement ("DOCA"), Creditors' Trust and/or implementing a Going Concern Sale of Business of the Companies.

At this time, the business of the Companies is continuing in the ordinary course.

On present indications the administration period for the Companies will last approximately six (6) weeks. We will keep you abreast of any developments in respect of this estimated timetable in due course.

An initial meeting of the Companies creditors is to be held within eight (8) business days of the date of appointment, that is, the initial meeting will be held by no later than Thursday, 15 June 2023.

Further announcements will be made to the ASX by the Administrators in due course.

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[www.hallchadwick.com.au](http://www.hallchadwick.com.au)

For further information, please contact the Administrators' Sydney office:

Hall Chadwick Chartered Accountants  
Level 40, 2 Park Street  
Sydney NSW 2000  
P: (02) 9263 2600  
E: [HIL@hallchadwick.com.au](mailto:HIL@hallchadwick.com.au)

Dated this 3rd day of June 2023

**SULE ARNAUTOVIC**  
**JOINT AND SEVERAL ADMINISTRATOR**



"E"

HALL CHADWICK 

9 June 2023

Ms Renee Hutchens  
ASX Listings Compliance  
20 Bridge Street  
Sydney NSW 2000

Via Email: [tradinghaltssydney@asx.com.au](mailto:tradinghaltssydney@asx.com.au)

**ADMINISTRATORS APPOINTED TO HILLS LTD**  
**ACN: 007 573 417**  
**(ASX Code: HIL)**

On 9 June 2023, the Administrators were appointed as Administrators of Pacom Security Pty Ltd (ACN 096 595 005) and Hills Group Operations Pty Ltd (ACN 600 152 261) by their Director.

The above companies are subsidiaries of Hills Limited.

An initial meeting of creditors of Pacom Security Pty Ltd and Hills Group Operations Pty Ltd is to be held within eight (8) business days of the date of appointment, that is, the initial meeting will be held by no later than Thursday, 22 June 2023.

Further announcements will be made to the ASX by the Administrators in due course.


For further information, please contact the Administrators' Sydney office:

Hall Chadwick Chartered Accountants  
Level 40, 2 Park Street  
Sydney NSW 2000  
P: (02) 9263 2600  
E: [HIL@hallchadwick.com.au](mailto:HIL@hallchadwick.com.au)

Dated this 9th day of June 2023

**SULE ARNAUTOVIC**  
**JOINT AND SEVERAL ADMINISTRATOR**

This and the following — page(s) form the  
Annexure marked " E " to the Affidavit of  
**SULE ARNAUTOVIC**  
sworn/affirmed on **23/10/23**

Before me:   
Solicitor/Justice of the Peace

**SYDNEY**

Level 40, 2 Park Street  
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"F"

19 June 2023

**CIRCULAR TO CREDITORS**

**RE: 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**  
**A.C.N. 096 595 005**

**HILLS GROUP OPERATIONS PTY LTD**  
**A.C.N. 600 152 261**

**(ADMINISTRATORS APPOINTED)**  
**(COLLECTIVELY THE "COMPANIES")**

**SYDNEY**  
Level 40, 2 Park Street  
Sydney NSW 2000  
Australia  
Ph: (612) 9263 2600  
Fx: (612) 9263 2800

**PENRITH**  
Ph: (612) 4721 8144  
Fx: (612) 9263 2800

**MELBOURNE**  
Ph: (613) 9820 6400  
Fx: (613) 9820 6499

**ADELAIDE**  
Ph: (618) 8545 8422  
Fx: (618) 8545 8423

**PERTH**  
Ph: (618) 6557 6200  
Fx: (618) 9218 8950

**DARWIN**  
Ph: (618) 8943 0645  
Fx: (618) 8943 0654

**BRISBANE**  
Ph: (617) 3211 1250  
Fx: (617) 3211 1249

This and the following 2 page(s) form the  
Annexure marked " F " to the Affidavit of

SULE ARNAUTOVIC  
sworn/affirmed on 23 / 10 / 22

Before me: [Signature]  
Solicitor/Justice of the Peace

We refer to the appointment of John Vouris and I, Sule Arnautovic, as Administrators of the Companies.

As creditors are aware, we are continuing to trade the businesses of the Companies, being **Hills Health Solutions** and **Hills Technical Services**, in the ordinary course of business during the administration period.

We are also undertaking a sale of business/recapitalisation campaign for the businesses of the Companies. As part of the above campaign, we have advertised the opportunity on LinkedIn and in the Australian Financial Review, with advertisements in this regard having appeared on Friday, 16 June 2023 and Monday, 19 June 2023.

As discussed at the first meetings of creditors for the Companies (save for Hills Group Operations Pty Ltd and Pacom Security Pty Ltd), we have received interest from at least thirty (30) interested parties to date in this regard.

The first meetings of creditors of Hills Group Operations Pty Ltd and Pacom Security Pty Ltd will be held on 21 June 2023. Hills Group Operations Pty Ltd has the same creditor pool as the Companies (save for A.C.N 514 478 090 Pty Ltd) due to the existence of a Deed of Cross Guarantee between those parties. We are yet to identify any creditors of Pacom Security Pty Ltd, the Trustee for the Deed of Cross Guarantee.

A summary of the proposed timetable with respect to the sale/recapitalisation campaign 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

The above timetable is subject to variation and no formal agreement will be concluded with the Companies until there are signed transaction/contract documents in this regard.

In accordance with Section 439A of the *Corporations Act 2001* ("Act"), we are required to convene the second meetings of creditors of the Companies (save for Hills Group Operations Pty Ltd and Pacom Security Pty Ltd) by 3 July 2023.

It is our intention to seek an extension from the Court in accordance with Section 439A(6) of the Act to extend the convening period for the second meetings of creditors for all of the Companies to 31 July 2023. The reasons for the proposed extension to the convening period are as follows:

- Our appointment to Hills Group Operations Pty Ltd and Pacom Security Pty Ltd) on 9 June 2023 having occurred one (1) week after our appointment to the balance of the Companies;
- The level of interest in the sale/recapitalisation of the businesses of the Companies and the time required to undertake a complex transaction(s) in this regard;
- The work required with respect to ongoing trading of the businesses of the Companies;
- The number of companies subject to the appointment and work required to prepare a detailed report for twelve (12) companies including ascertaining the accurate asset, liability and go-forward (if any) position of the Companies; and



- The further detailed investigations required to be undertaken to be in a position to provide creditors of the Companies with a summary of the history of the Companies, reasons for failure, whether a winding up of the Companies is in the interests of creditors, what other alternatives exist to a winding up of the Companies including an analysis of same, and whether any offences or breaches of the law have been committed by current/past directors of the Companies.

Given the above matters that need to be attended/addressed, my solicitors will be making an application (on our behalf) to the Court this week to extend the convening period to 31 July 2023 in accordance with Section 439A(6) of the Act. We will provide creditors with a link to the application and details of the hearing date in due course.

If the Court grants the above orders, we will continue trading the businesses of the Companies, continue to facilitate the sale of businesses/recapitalisation campaign, write to creditors by 31 July 2023 with a summary of our investigations to date, provide an update on the sale/recapitalisation campaign, and we will provide details of the options available to creditors with respect to the future of the Companies.

Should we be in a position to write to creditors and convene the second meeting of creditors earlier than 31 July 2023, we will do so.

We will provide an update to creditors once a decision has been made by the Court with respect to the orders sought for extending the convening period to 31 July 2023.

Should you have any queries or objections regarding the above, please do not hesitate to contact Ms Jessica Webb of our Sydney office via phone on (02) 9263 2600 or by email on [jwebb@hallchadwick.com.au](mailto:jwebb@hallchadwick.com.au)

Yours faithfully,



**SULE ARNAUTOVIC**  
**JOINT & SEVERAL ADMINISTRATOR**

"G"

Tuesday, 13 June 2023

INITIAL INFORMATION FOR CREDITORS

OF

**Pacom Security Pty Ltd**  
(Administrators Appointed)  
A.C.N. 096 595 005

**Hills Group Operations Pty Ltd**  
(Administrators Appointed)  
A.C.N. 600 152 261


(Collectively the "Companies")

Please be advised that Sule Arnautovic and John Vouris of Hall Chadwick Chartered Accountants were appointed as Joint and Several Administrators of the Companies on Friday, 9 June 2023 pursuant to a resolution of the sole Director in accordance with Section 436A of the *Corporations Act 2001* ("the Act").

We were also appointed as Administrators of the following related entities on 2 June 2023:

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

("the Group")

This and the following 32 page(s) form the  
Annexure marked "G" to the Affidavit of  
**SULE ARNAUTOVIC**  
sworn/affirmed on 23 / 10 / 23  
Before me:   
Solicitor/Justice of the Peace

ADELAIDE

Ph: (618) 8545 8422

Fx: (618) 8545 8423

BRISBANE

Ph: (617) 3211 1250

Fx: (617) 3211 1249

DARWIN

Ph: (618) 8943 0645

Fx: (618) 8943 0654

MELBOURNE

Ph: (613) 9820 6400

Fx: (613) 9820 6499

PERTH

Ph: (618) 6557 6200

Fx: (618) 9218 8950

SYDNEY

Ph: (612) 9263 2600

Fx: (612) 9263 2800

The Administrators are undertaking a preliminary review and assessment of the Companies' operations with a view to determining the extent to which the Group can be restructured/recapitalised by way of a Deed of Company Arrangement ("DOCA"), Creditors' Trust and/or implementing a Going Concern Sale of Business of the Group.

**Independence**

In accordance with Section 436DA of the Act, a copy of the Administrators' Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") with respect to their appointment over the Companies have been attached to this report as **Annexure "C"** for creditors' review. We note that the DIRRI has also been lodged with the Australian Securities and Investments Commission ("ASIC") as required by the Act.

Based on the details set out in the DIRRI, there are no conflicts of interest or relationships that affect the independence of the Administrators. A copy of the DIRRI will be tabled at the forthcoming meeting of creditors.

**Voluntary Administration**

The purpose of an administrator's appointment is to allow for an independent insolvency practitioner to take control of and investigate the financial affairs of an insolvent company or a company that is likely to become insolvent.

A Member of PrimeGlobal  
An Association of Independent  
Accounting Firms

 PrimeGlobal

The effect of the Administrators' appointment over the Companies is that the liabilities and obligations to creditors in general as at Friday, 9 June 2023 are now frozen. We have convened a first meeting of creditors to be held virtually on **Wednesday, 21 June 2023 at 10:00 am (AEST)** as discussed further below.

During the period of the administration, we will prepare a report to creditors detailing our investigations into the Companies' business, property, affairs and financial circumstances as well as provide our opinion on the future of the Companies with respect to the best interests of creditors.

Creditors will receive this report prior to a second meeting of creditors that will be held in approximately four (4) to six (6) weeks from the date of our appointment. At this second meeting of creditors, creditors will have an opportunity to vote on the future of the Companies, that is, by resolving that:

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

We understand that the Companies are not trading and are not employing.

The only entities within the Group that trade are Hills Limited and Hills Health Solutions Pty Ltd.

## Your rights as a Creditor

Attached as **Annexure "D"** is an information sheet prepared by the Australian Restructuring Insolvency & Turnaround Association ("ARITA") setting out your rights as a creditor of the Companies.

Should you require any specific information or a report from the Administrators, please submit these requests via written correspondence or via email to Cindy Chen of our Sydney office at [cchen@hallchadwick.com.au](mailto:cchen@hallchadwick.com.au).

## First Meeting of Creditors

In accordance with Section 436E of the Act, the Administrators must convene a first meeting of the Companies' creditors to be held within eight (8) business days after the Administration begins. At this meeting, we will provide creditors with an update on the progress of the administration of the Companies.

The details of the first meeting of creditors are as follows:

First Meeting	Details
Date	Wednesday, 21 June 2023
Meeting Time	10:00 am (AEST)
Meeting Location	Via Virtual Meeting Facility Only

If you intend to attend the forthcoming meeting, please contact our office to obtain the virtual meeting facility details.

Creditors who wish to attend must complete and submit to our office the Appointment of Proxy and Formal Proof of Debt (Form 535) forms attached as **Annexure "A"** and **Annexure "B"** to this report for the Compan(ies) to which they are owed monies at least twenty-four (24) hours before the appointed time for the meeting.



Creditors may wish to appoint a Committee of Inspection to advise and assist the Administrators. Although the Administrators welcome and will consider any directions from the Committee of Inspection, we note that the Administrators are not required to comply with such directions. Attached as **Annexure "E"** for creditors' information is a copy of ARITA's Committees of Inspection information sheet.

#### **Administrators' Remuneration**

Attached as **Annexure "F"** to this report is our Initial Remuneration Notice prepared in accordance with the Act and the guidelines recommended by the ARITA Code of Professional Practice.

This initial advice provides creditors with further information on the:

- Basis for the calculation of the Administrators' remuneration;
- Summary of the rates of the Administrators' disbursements;
- Hourly charge rates for the Partners and staff of Hall Chadwick; and
- Estimate of the cost of this administration.

#### **Attachments**

Enclosed are the following:

1. **Annexure "A"** - Notice of Meeting, Proxy Form and Proof of Debt Form of Pacom Security Pty Ltd (Administrators Appointed);
2. **Annexure "B"** - Notice of Meeting, Proxy Form and Proof of Debt Form of Hills Group Operations Pty Ltd (Administrators Appointed);
3. **Annexure "C"** - DIRRI;
4. **Annexure "D"** - ARITA Information Sheet: Creditor Rights in Voluntary Administrations;
5. **Annexure "E"** - ARITA Information Sheet: Committees of Inspection;
6. **Annexure "F"** - Initial Remuneration Notice.

In addition to the attachments to this report, further information is available from ARITA to assist creditors with understanding voluntary administrations and insolvency. This information is available from ARITA's website at [www.arita.com.au/creditors](http://www.arita.com.au/creditors).

ASIC also provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at [www.asic.gov.au](http://www.asic.gov.au) (search "insolvency information sheets").

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

Yours faithfully,

  
**SULE ARNAUTOVIC**  
**ADMINISTRATOR**

# **ANNEXURE A**

PACOM SECURITY PTY LTD  
(ADMINISTRATORS APPOINTED)  
A.C.N. 096 595 005  
(THE "COMPANY")

**NOTICE OF FIRST MEETING OF CREDITORS  
OF COMPANY UNDER ADMINISTRATION**

1. On Friday, 9 June 2023, the Director of the Company appointed we, John Vouris and Sule Arnautovic, of Hall Chadwick Chartered Accountants as Administrators in accordance with Section 436A of the Corporations Act 2001 ("the Act").
2. Notice is now given that a first meeting of the creditors of the Company will be held via virtual meeting facilities only on **Wednesday, 21 June 2023 at 10:00 am (AEST)**.
3. The purpose of the meeting is to determine whether to:
  - (a) Hold the meeting of creditors of the Company concurrently with the meeting of creditors of Hills Group Operations Pty Ltd (Administrators Appointed);
  - (b) appoint a Committee of Inspection and if so, who are to be the committee members and that a member of the Committee of Inspection may directly or indirectly derive a profit or advantage from the external administration of the Company; and
  - (c) remove the Administrator(s) from office and appoint someone else as Administrator(s) of the Company.

Dated this 13<sup>th</sup> day of June 2023.



**SULE ARNAUTOVIC  
ADMINISTRATOR**

Creditors wishing to attend the meeting must complete the attached proxy form and return it to our office before the meeting. To assist with the smooth running of the meeting we request that all proxies be received by our office twenty-four (24) hours before the appointed time for the meeting.

**Virtual Meeting Facilities**

Creditors must return to the external administrator not later than the second-last business day before the day of the meeting, a written statement setting out:

- i. the name of the person and of the proxy or attorney (if any); and
- ii. an address to which notices to the person, proxy or attorney may be sent; and
- iii. a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Creditors are advised that they can use the following virtual meeting facility:

**Telephone Number:** Please contact Cindy Chen to obtain details  
**Password:** Please contact Cindy Chen to obtain details

**Creditors Please Note**

The effect of IPR Section 75-85 (entitlement to vote as creditor at meetings of creditors) is:



- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
  - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
  - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
    - (i) those particulars; or
    - (ii) if required - a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
  - (a) an unliquidated debt; or
  - (b) a contingent debt; or
  - (c) an unliquidated or a contingent claim; or
  - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
  - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
  - (b) estimate its value;
  - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
  - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
  - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
  - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

In addition, pursuant to IPR Section 75-25, if a creditor wishes to be represented at the meeting by an attorney, the creditor must arrange for the power of attorney to be produced to the external administrator at or before the meeting.

Corporations Act 2001

Insolvency Practice Rules 75-25

Pacom Security Pty Ltd  
(Administrators Appointed)  
A.C.N. 096 595 005  
(the "Company")

APPOINTMENT OF PROXY

\*I/\*We.....(if a firm, strike out "I" and set out the full name of the firm) of.....(address), a  
\*creditor/\*contributory/\*debenture holder/\*member of Pacom Security Pty Ltd (Administrators Appointed),  
appoint.....(name, address and description of the person  
appointed) or in his or her absence.....as\*my/\*our \*general/\*  
special proxy to vote at the meeting of creditors to be held via virtual meeting facilities only on Wednesday,  
21 June 2023 at 10:00 am (AEST), or at any adjournment of that meeting.

If a creditor is appointing a special proxy, please indicate whether your vote is in favour/against or abstaining of the resolution. It is expected the following resolutions may be voted upon:

Resolutions**	To Vote For	To Vote Against	Abstain
To hold the meeting of creditors of the Company concurrently with Hills Group Operations Pty Ltd (Administrators Appointed).			
To remove the Administrator(s) from office and appoint ..... as Administrator(s) of the Company.			
To appoint a Committee of Inspection and if so, appoint ..... as a committee member and that a member of the Committee of Inspection may directly or indirectly derive a profit or advantage from the external administration of the Company.			

\* Delete if not applicable.

\*\* Only if appointing a special proxy should you tick the relevant box indicating which way you wish to vote on each resolution.

Dated:

Signature

Signing capacity

**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 B**

HILLS GROUP OPERATIONS PTY LTD  
(ADMINISTRATORS APPOINTED)  
A.C.N. 600 152 261  
(THE "COMPANY")

NOTICE OF FIRST MEETING OF CREDITORS  
OF COMPANY UNDER ADMINISTRATION

1. On Friday, 9 June 2023, the Director of the Company appointed we, John Vouris and Sule Arnautovic, of Hall Chadwick Chartered Accountants as Administrators in accordance with Section 436A of the Corporations Act 2001 ("the Act").
2. Notice is now given that a first meeting of the creditors of the Company will be held via virtual meeting facilities only on **Wednesday, 21 June 2023 at 10:00 am (AEST)**.
3. The purpose of the meeting is to determine whether to:
  - (a) Hold the meeting of creditors of the Company concurrently with the meeting of creditors of Pacom Security Pty Ltd (Administrators Appointed);
  - (b) appoint a Committee of Inspection and if so, who are to be the committee members and that a member of the Committee of Inspection may directly or indirectly derive a profit or advantage from the external administration of the Company; and
  - (c) remove the Administrator(s) from office and appoint someone else as Administrator(s) of the Company.

Dated this 13th day of June 2023.



**SULE ARNAUTOVIC**  
**ADMINISTRATOR**

Creditors wishing to attend the meeting must complete the attached proxy form and return it to our office before the meeting. To assist with the smooth running of the meeting we request that all proxies be received by our office twenty-four (24) hours before the appointed time for the meeting.

**Virtual Meeting Facilities**

Creditors must return to the external administrator not later than the second-last business day before the day of the meeting, a written statement setting out:

- i. the name of the person and of the proxy or attorney (if any); and
- ii. an address to which notices to the person, proxy or attorney may be sent; and
- iii. a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Creditors are advised that they can use the following virtual meeting facility:

**Telephone Number:** Please contact Cindy Chen to obtain details  
**Password:** Please contact Cindy Chen to obtain details

**Creditors Please Note**

The effect of IPR Section 75-85 (entitlement to vote as creditor at meetings of creditors) is:

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
  - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
  - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
    - (i) those particulars; or
    - (ii) if required - a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
  - (a) an unliquidated debt; or
  - (b) a contingent debt; or
  - (c) an unliquidated or a contingent claim; or
  - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
  - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
  - (b) estimate its value;
  - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
  - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
  - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
  - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

In addition, pursuant to IPR Section 75-25, if a creditor wishes to be represented at the meeting by an attorney, the creditor must arrange for the power of attorney to be produced to the external administrator at or before the meeting.



Corporations Act 2001

Insolvency Practice Rules 75-25

Hills Group Operations Pty Ltd  
(Administrators Appointed)  
A.C.N. 600 152 261  
(the "Company")

APPOINTMENT OF PROXY

\*I/\*We.....(if a firm, strike out "I" and set out the full name of the firm) of.....(address), a  
\*creditor/\*contributory/\*debenture holder/\*member of Hills Group Operations Pty Ltd (Administrators Appointed), appoint.....(name, address and description of the person appointed) or in his or her absence.....as\*my/\*our  
\*general/\* special proxy to vote at the meeting of creditors to be held **via virtual meeting facilities only** on  
**Wednesday, 21 June 2023 at 10:00 am (AEST)**, or at any adjournment of that meeting.

If a creditor is appointing a special proxy, please indicate whether your vote is in favour/against or abstaining of the resolution. It is expected the following resolutions may be voted upon:

Resolutions**	To Vote For	To Vote Against	Abstain
To hold the meeting of creditors of the Company concurrently with Pacom Security Pty Ltd (Administrators Appointed).			
To remove the Administrator(s) from office and appoint ..... as Administrator(s) of the Company.			
To appoint a Committee of Inspection and if so, appoint ..... as a committee member and that a member of the Committee of Inspection may directly or indirectly derive a profit or advantage from the external administration of the Company.			

\* Delete if not applicable.

\*\* Only if appointing a special proxy should you tick the relevant box indicating which way you wish to vote on each resolution.

Dated:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signing capacity

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.

<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: _____
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Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

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

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

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

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

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

## **ANNEXURE C**



## Declaration of Independence, Relevant Relationships and Indemnities

Pacom Security Pty Ltd  
(Administrators Appointed)  
A.C.N. 096 595 005

Hills Group Operations Pty Ltd  
(Administrators Appointed)  
A.C.N. 600 152 261

(Collectively the "Companies")

The purpose of this document ("DIRRI") is to assist creditors with understanding any relevant relationships that the Administrators have and any indemnities or upfront payments that have been provided to the Administrators. None of the relationships disclosed in this DIRRI are such that the independence of the Administrators is affected.

This information is provided to you to enable you to make an informed assessment on any independence concerns, so you have trust and confidence in our independence and, if not, can act to remove and replace us if you wish.

This declaration is made in respect of ourselves, our partners, Hall Chadwick NSW, Hall Chadwick Melbourne, Hall Chadwick (Philippines) Inc. and the independent firms of Hall Chadwick Qld and Hall Chadwick WA (Collectively "Hall Chadwick").

### A. Independence

We, SULE ARNAUTOVIC & JOHN VOURIS, of Hall Chadwick have undertaken a proper assessment of the risks to our independence prior to accepting our appointment as Administrators of the Companies in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting our appointment to the Companies.

Prior to our appointment as Administrators of the Companies, neither we nor Hall Chadwick have ever formally acted in any professional capacity for the Companies.

### B. Declaration of Relationships

#### B1. Circumstances of the Appointment

The Companies were referred to Hall Chadwick by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund ("Causeway Financial" or "Referrer").

On 2 June 2023, we were appointed as Voluntary Administrators over ten (10) related entities. Please find attached at **Annexure "A"** a copy of the Administrators' lodged DIRRI with respect to the details of our dealings with relevant parties of the ten (10) related entities.

In addition to what is disclosed at **Annexure "A"**, during the period from 2 June 2023 to 9 June 2023, there have been various emails, correspondence, and phone calls exchanged between Hall Chadwick, the Referrer, JHK Legal (the Referrer's Lawyers), Mills Oakley Lawyers (our Lawyers), the Director of the Companies as well as Ms Natalie Scott (former director of the Companies).

Sule Arnautovic attended an in-person meeting with the Director of the Companies on 9 June 2023 to specifically discuss the Companies' affairs. The Director appointed us as Voluntary Administrators of the Companies on 9 June 2023.

We believe that this referral does not result in a conflict of interest or duty because:

- There is no expectation, agreement or understanding between us and the Referrer regarding our conduct or approach towards this, past and any future likely referrals and we are free to act independently and in accordance with the laws and relevant professional standards;
- There is no understanding that any matters in respect to this appointment will be referred to the Referrer;
- We have provided no other information or advice to the Companies, the Companies' director or the Referrer prior to our appointment beyond that outlined in this DIRRI; and
- Save for the contents of **Annexure "A"**, our previous business dealings and referral relationships with the Referrer have not been in relation to formally acting for the Companies or the Companies' director.

The above pre-appointment conversations, correspondence, calls and in-person meetings were for the purposes of discussing and understanding the following:

- Background, nature and business of the Companies;
- Considering the viability of a potential administration and deed of company arrangement;
- Potential impact of an administration on the Companies' business operations;
- Effectuating our appointment as the Administrators of the Companies; and
- The cross-guarantee between the Companies and the other ten (10) companies we were appointed to on 2 June 2023.

We (including Hall Chadwick) have received no remuneration for any advice or options provided to the Companies during any pre-appointment period. In our opinion, the above pre-appointment conversations, correspondence, calls and in-person meetings do not affect our independence for the following reasons:

- Neither we, nor Hall Chadwick, have had a prior professional or other relationship with the Companies or their associates that would preclude us from acting as Administrators of the Companies;
- The Courts and the ARITA Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointments;
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the Administration of the Companies in an objective and impartial manner; and
- The nature of advice provided to the Companies is such that it would not be subject to review and challenge during the course of the appointment.

We have provided no other information or advice to the Companies or the Director of the Companies about the Company's affairs prior to our appointment beyond that outlined in this DIRRI.

## **B2. Prior Professional Services to the Companies - within 24 months**

Neither we, nor Hall Chadwick, have provided any professional services to the Companies in the previous twenty four (24) months.

## **B3. Relevant Relationships (excluding Professional Services to the Companies) - within 24 months**

Apart from what is stated above, neither we, nor Hall Chadwick, have, or have had within the preceding 24 months, any prohibitive relationships with the Companies, an associate of the Companies, a former insolvency practitioner appointed to the Companies or any other person or entity that is entitled to enforce a security interest on the whole or substantially the whole of the Companies' property.

#### B4. Other Relevant Relationships to Disclose

As noted above, we were appointed Administrators of ten (10) related entities of the Companies on 2 June 2023. Please refer to Annexure "A" for further information.

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed.

#### C. Indemnities and Upfront Payments

We have not been indemnified in relation to the Administration of the Companies, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 13<sup>th</sup> June 2023

SULE ARNAUTOVIC  
ADMINISTRATOR

JOHN VOURIS  
ADMINISTRATOR

#### Note:

*The assessment of independence has been made based on the evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional standards.*

*If circumstances change, or new information is identified, we are required under the Corporations Act 2001, APES 330 Insolvency Services and if relevant, ARITA's Code of Professional Practice, to update the DIRRI and provide a copy to creditors with our next communication. The DIRRI and any updated versions are required to be lodged with ASIC where applicable.*



# **ANNEXURE A**

Declaration of Independence, Relevant Relationships and Indemnities

Hills Limited  
(Administrators Appointed)  
A.C.N. 007 573 417

Hills Finance Pty Ltd  
(Administrators Appointed)  
A.C.N. 007 527 040

Hills Integrated Solutions Pty Ltd  
(Administrators Appointed)  
A.C.N. 000 376 394

Lan 1 Pty Ltd  
(Administrators Appointed)  
A.C.N. 159 863 779

T.V Rentals Pty Ltd  
(Administrators Appointed)  
A.C.N. 009 701 213

New-Tone (Aust.) Pty Ltd  
(Administrators Appointed)  
A.C.N. 009 753 637

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

Hospital Telecommunications Pty Ltd  
(Administrators Appointed)  
A.C.N. 061 558 245

ACN 614 478 090 Pty Limited  
(Administrators Appointed)  
A.C.N. 614 478 090

Hills Health Solutions Pty Ltd  
(Administrators Appointed)  
A.C.N. 100 173 715

(Collectively the "Companies")

The purpose of this document ("DIRRI") is to assist creditors with understanding any relevant relationships that the Administrators have with the Companies and any indemnities or upfront payments that have been provided to the Administrators in respect of the Companies. None of the relationships disclosed in this DIRRI are such that the independence of the Administrators is affected.

This information is provided to you to enable you to make an informed assessment on any independence concerns, so that you have trust and confidence in our independence and, if not, can act to remove and replace us as Administrators if you wish.

This declaration is made in respect of ourselves, our partners, Hall Chadwick NSW, Hall Chadwick Melbourne, Hall Chadwick (Philippines) Inc. and the independent firms of Hall Chadwick Qld and Hall Chadwick WA (Collectively "Hall Chadwick").

## **A. Independence**

We, SULE ARNAUTOVIC & JOHN VOURIS, of Hall Chadwick have undertaken a proper assessment of the risks to our independence prior to accepting our appointment as Administrators of the Companies in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

Prior to our appointment as Administrators of the Companies, neither we nor Hall Chadwick have to the best of our knowledge ever formally acted in any professional capacity for the Companies.

## **B. Declaration of Relationships**

### **B1. Circumstances of the Appointment**

The Companies were initially referred to Hall Chadwick by AMAL Security Services Pty Ltd as Trustee for Causeway Wholesale Private Debt Master Fund ("Causeway Financial") ("Referrer") on 13 February 2023. Causeway Financial is a creditor entitled to enforce a security interest over the whole, or substantially whole of the Companies' property, save for Hills Health Solutions Pty Ltd.

Neither we nor Hall Chadwick are reliant on the Referrer for work in terms of number and/or value of assignments.

No prior business or referral dealings with the Referrer have been in relation to the Companies or their directors.

Sule Arnautovic had a conference/virtual call with the Referrer and JHK Legal (lawyers for the Referrer) on 13 February 2023.

Sule Arnautovic had a conference/virtual call with the Referrer and JHK Legal on 17 March 2023.

Sule Arnautovic attended an in-person meeting with the Referrer on 4 May 2023.

Sule Arnautovic had a conference/virtual call with the Referrer and JHK Legal on 26 May 2023.

On 29 May 2023, Sule Arnautovic had a conference/virtual call with the Referrer, the Board of Directors of Hills Ltd and Ms Natalie Scott (a director of the Companies save for Hills Limited, who resigned on 30 May 2023).

The Administrators of the Companies were appointed to the Companies (save for Hills Health Solutions Pty Ltd) by Causeway Financial on 2 June 2023.

The Director of Hills Health Solutions Pty Ltd, Mr David Clarke, appointed the Administrators to this company on 2 June 2023.

During the period from 13 February 2023 to 2 June 2023, there have been various emails, correspondence, and phone calls exchanged between Hall Chadwick, the Referrer, JHK Legal, the Board of Directors of the Companies and Ms Scott.

We believe that the above pre-appointment dealings do not result in a conflict of interest or duty because:

- There is no expectation, agreement or understanding between us and the Referrer regarding our conduct or approach towards this, past and any future likely referrals and we are free to act independently and in accordance with the laws and relevant professional standards;
- There is no understanding that any matters in respect to this appointment will be referred to the Referrer;
- We have provided no other information or advice to the Companies, the Companies' directors or the Referrer prior to our appointment beyond that outlined in this DIRRI; and



- Our previous business dealings and referral relationships with the Referrer have not been in relation to formally acting for the Companies or the Companies' directors.

The above pre-appointment conversations, correspondence, conference/virtual calls and in-person meetings were for the purposes of discussing and understanding the following:

- Background, nature and business of the Companies;
- Financial and trading position of the Companies;
- The benefits of a voluntary administration versus a receivership of the Companies;
- Considering the viability of a potential administration and deed of company arrangement/Creditors' Trust arrangement or other recapitalisation arrangement;
- Potential impact of an administration on the Companies' business operations; and
- Effectuating our appointment as the Administrators of the Companies.

We (including Hall Chadwick) have received no remuneration for any advice or options provided to the Companies or the Referrer during any pre-appointment period. In our opinion, the above pre-appointment conversations, correspondence, conference/virtual calls and in-person meetings do not affect our independence for the following reasons:

- Neither we, nor Hall Chadwick, have had a prior professional or other relationship with the Companies or their associates that would preclude us from acting as Administrators of the Companies;
- The Courts and the ARITA Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointments;
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the Administration of the Companies in an objective and impartial manner; and
- The nature of advice provided to the Companies and Referrer is such that it would not be subject to review and challenge during the course of the appointment.

We have provided no other information or advice to the Companies, the Companies' directors or the Referrer about the Companies' affairs prior to our appointment beyond that outlined in this DIRRI.

#### **B2. Prior Professional Services to the Companies - within 24 months**

Neither we, nor Hall Chadwick, have to the best of our knowledge provided any professional services to the Companies in the previous twenty-four (24) months.

#### **B3. Relevant Relationships (excluding Professional Services to the Companies) - within 24 months**

Apart from what is stated above, neither we, nor Hall Chadwick, have, or have had within the preceding 24 months, any prohibitive relationships with the Companies, an associate of the Companies, a former insolvency practitioner appointed to the Companies or any other person or entity that is entitled to enforce a security interest over the whole or substantially the whole of the Companies' property.

#### **B4. Other Relevant Relationships to Disclose**

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed.

### **C. Indemnities and Upfront Payments**

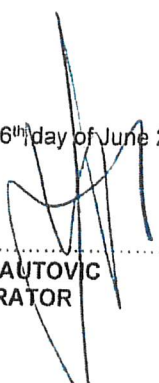
We have not received any up-front payments in respect of our remuneration, costs or disbursements for the Companies.

Causeway Financial has provided us with an indemnity up to a maximum of \$400,000 for our remuneration, costs and disbursements for the Companies (save for Hills Health Solutions Pty Ltd), this in addition to any indemnities that we may be entitled to under statute.

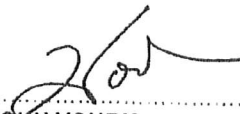
Causeway Financial has provided us with an indemnity for our costs/loss in respect of Companies (save for Hills Health Solutions Pty Ltd) that arise from any invalidation of our appointment or flaw in the enforceability of Causeway Financials' security/facility/loan documentation.

We have no indemnity for Hills Health Solutions Pty Ltd, other than any indemnities that we may be entitled to under statute.

Dated this 6<sup>th</sup> day of June 2023



.....  
**SULE ARNAUTOVIC**  
**ADMINISTRATOR**



.....  
**JOHN VOURIS**  
**ADMINISTRATOR**

**Note:**

*The assessment of independence has been made based on the evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional standards.*

*If circumstances change, or new information is identified, we are required under the Corporations Act 2001, APES 330 Insolvency Services and if relevant, ARITA's Code of Professional Practice, to update the DIRRI and provide a copy to creditors with our next communication. The DIRRI and any updated versions are required to be lodged with ASIC where applicable.*

## **ANNEXURE D**

## Creditor Rights in Voluntary Administrations

As a creditor, you have rights to request meetings and information or take certain actions:



### Right to request information

Information is communicated to creditors in a voluntary administration through reports and meetings.

In a voluntary administration, two meetings of creditors are automatically held. You should expect to receive reports and notice of these meetings:

- The first meeting is held within 8 business days of the voluntary administrator's appointment. A notice of meeting and other information for this meeting will be issued to all known creditors.
- The second, or decision, meeting is usually held within 6 weeks of the appointment, unless an extension is granted. At this meeting, creditors will get to make a decision about the company's future. Prior to this meeting the voluntary administrator will provide creditors with a notice of the meeting and a detailed report to assist in making your decision.

Important information will be communicated to creditors prior to and during these meetings. Creditors are unable to request additional meetings in a voluntary administration.

Creditors have the right to request information at any time. A voluntary administrator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the voluntary administration, and the provision of the information would not cause the voluntary administrator to breach their duties.

A voluntary administrator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the voluntary administrator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

**Requests must be reasonable.**

**They are not reasonable if:**

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) the information requested would be privileged from production in legal proceedings
- (c) disclosure would found an action for breach of confidence
- (d) there is not sufficient available property to comply with the request
- (e) the information has already been provided
- (f) the information is required to be provided under law within 20 business days of the request
- (g) the request is vexatious

If a request is not reasonable due to (d), (e) or (f) above, the voluntary administrator must comply if the creditor meets the cost of complying with the request.

Otherwise, a voluntary administrator must inform a creditor if their information request is not reasonable and the reason why.

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

AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION



### Right to give directions to voluntary administrator

Creditors, by resolution, may give a voluntary administrator directions in relation to a voluntary administration. A voluntary administrator must have regard to these directions, but they are not required to comply with the directions.

If a voluntary administrator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons for not complying.

An individual creditor cannot provide a direction to a voluntary administrator.

### Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a voluntary administrator's remuneration or a cost or expense incurred in a voluntary administration. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

The cost of the reviewing liquidator is paid from the assets of the voluntary administration, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the voluntary administrator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

### Right to replace voluntary administrator

At the first meeting, creditors have the right to remove a voluntary administrator and appoint another registered liquidator to act as voluntary administrator.

A creditor must ensure that they have a consent from another registered liquidator prior to the first meeting if they wish to seek the removal and replacement of a voluntary administrator.

Creditors also have the opportunity to replace a voluntary administrator at the second meeting of creditors:

- If creditors vote to accept a proposed deed of company arrangement, they can appoint a different registered liquidator as the deed administrator.
- If creditors vote to place the company into liquidation, they can appoint a different registered liquidator as the liquidator.

It is however usual for the voluntary administrator to act as deed administrator or liquidator. It would be expected that additional costs would be incurred by an alternate deed administrator or liquidator to gain the level of knowledge of the voluntary administrator.

Like with the first meeting, a creditor must ensure that they have a consent from another registered liquidator prior to the second meeting if they wish to seek to appoint an alternative registered liquidator as deed administrator or liquidator.

**For more information, go to [www.arita.com.au/creditors](http://www.arita.com.au/creditors).  
Specific queries about the voluntary administration should be directed to the voluntary administrator's office.**

# **ANNEXURE E**

## Information Sheet: Committees of Inspection

You have been elected to be, or are considering standing for the role of, a member of a Committee of Inspection (COI) in either a liquidation, voluntary administration or deed of company arrangement of a company (collectively referred to as an external administration).

This information sheet is to assist you with understanding your rights and responsibilities as a member of a COI.

### What is a COI?

A COI is a small group of creditors elected to represent the interests of creditors in the external administration. The COI advises and assists the external administrator and also has the power to approve and request certain things – this is discussed in more detail below.

Membership of the COI is a voluntary, unpaid position.

### Who can be elected to a COI?

To be eligible to be appointed as a member of a COI, a person must be:

- A creditor
- A person holding the power of attorney of a creditor
- A person authorised in writing by a creditor; or
- A representative of the Commonwealth where a claim for financial assistance has, or is likely to be, made in relation to unpaid employee entitlements.

If a member of the COI is a company, it can be represented by an individual authorised in writing to act on that creditor's behalf. It also allows the creditor to maintain its representation if a change in the individual is required

A COI usually has between 5 and 7 members, though it can have more, or less, depending on the size of the external administration.

A member of a COI can be appointed by:

- resolution at a meeting of creditors
- an employee or a group of employees owed at least 50% of the entitlements owed to employees of the company
- a large creditor or group of creditors that are owed at least 10% of the value of the creditors' claims,

If an employee or group of employees, or a large creditor or group of creditors, appoints a member to the COI, they cannot vote on the general resolution of creditors to appoint members to the COI. Each of these groups also have the power to remove their appointed member of the COI and appoint someone else.

Specific queries should be directed to the external administrator's office

AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION



If you are absent from 5 consecutive meetings of the COI without leave of the COI or you become an insolvent under administration, you are removed from the COI.

### What are the roles and powers of a COI?

A COI has the following roles:

- to advise and assist the liquidator, voluntary administrator or deed administrator (collectively referred to as the external administrator)
- to give directions to the external administrator
- to monitor the conduct of the external administration.

In respect of directions, the external administrator is only required to have regard to those directions. If there is a conflict between the directions of the COI and the creditors, the directions of the creditors prevail. If the external administrator chooses not to comply with the directions of the COI, the external administrator must document why.

A COI also has the power to:

- approve remuneration of the external administrator after the external administrator has provided the COI with a Remuneration Approval Report (a detailed report setting out the remuneration for undertaking the external administration)
- approve the use of some of the external administrator's powers in a liquidation (compromise of debts over \$100,000 and entering into contracts over 3 months)
- require the external administrator to convene a meeting of the company's creditors
- request information from the external administrator
- approve the destruction of the books and records of the external administration on the conclusion of the external administration
- with the approval of the external administrator, obtain specialist advice or assistance in relation to the conduct of the external administration
- apply to the Court for the Court to enquire into the external administration.

An external administrator is not required to convene a meeting of creditors if the request by the COI is unreasonable, or provide requested information if the request is unreasonable, not relevant to the administration or would cause the external administrator to breach their duties.

A request to convene a meeting of creditors is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- there are insufficient funds in the external administration to cover the cost of the request
- a meeting of creditors dealing with the same matters has already been held or will be held within 15 business days, or
- the request is vexatious.

If a request for a meeting is reasonable, the external administrator must hold a meeting of creditors as soon as reasonably practicable.



A request for information is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- the information would be subject to legal professional privilege
- disclosure of the information would be a breach of confidence
- there are insufficient funds in the external administration to cover the cost of the request
- the information has been provided or is required to be provided within 20 business days, or
- the request is vexatious.

If the request for information is not unreasonable, the external administrator must provide the requested information within 5 business days, but the law provides for further time in certain circumstances.

An external administrator must inform the COI if their meeting or information request is not reasonable and the reason why.

### How does the COI exercise its powers?

A COI exercises its powers by passing resolutions at meetings of the COI. To pass a resolution, a meeting must be convened and a majority of the members of the COI must be in attendance.

A meeting is convened by the external administrator by giving notice of the meeting to the members of the COI. Meetings of the COI can be convened at short notice. The external administrator must keep minutes of the meeting and lodge them with ASIC within one month of the end of the meeting.

ASIC is entitled to attend any meeting of a COI.

### What restrictions are there on COI members?

A member of a COI must not directly or indirectly derive any profit or advantage from the external administration. This includes by purchasing assets of the company or by entering into a transaction with the company or a creditor of the company. This prohibition extends to related entities of the member of the COI and a large creditor(s) that appoints a member to the COI.

Creditors, by resolution at a meeting of creditors, can resolve to allow the transaction. The member of the COI or the large creditor(s) that appoints a member to the COI is not allowed to vote on the resolution.

### Where can you get more information?

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding external administrations and insolvency. This information is available from ARITA's website at [www.arita.com.au/creditors](http://www.arita.com.au/creditors).

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at [www.asic.gov.au](http://www.asic.gov.au) (search "insolvency information sheets").

**For more information, go to [www.arita.com.au/creditors](http://www.arita.com.au/creditors).  
Specific queries about the liquidation should be directed to the liquidator's office.**

# **ANNEXURE F**

Pacom Security Pty Ltd  
(Administrators Appointed)  
A.C.N. 096 595 005

Hills Group Operations Pty Ltd  
(Administrators Appointed)  
A.C.N. 600 152 261

(Collectively the "Companies")

### **Initial Remuneration Notice**

The purpose of the Initial Remuneration Notice is to provide you with information about how remuneration for undertaking this administration will be set.

### **Remuneration Methods**

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

#### **1. Time based hourly rates**

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

#### **2. Fixed Fee**

The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a practitioner will finalise an administration for a fixed fee.

#### **3. Percentage**

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.

#### **4. Contingency**

The practitioner's fee is contingent on a particular outcome being achieved.

### **Method Chosen**

Having regard to the nature of work involved for this administration, we propose that our remuneration be calculated on a time based hourly rates method for the following reasons:

- We will only be paid for work done, subject to sufficient realisations of the Companies' assets;
- It ensures creditors are only charged for work that is performed. Time is recorded and charged in six minute increments and staff are allocated to duties according to their relevant experience and qualifications;
- We are required to perform a number of tasks which do not relate to the realisation of assets, for example responding to creditor enquiries, reporting to the Australian Securities and Investments Commission ("ASIC"), distributing funds in accordance with the provisions of the Corporations Act 2001; and
- We are unable to estimate with certainty the total amount of time necessary to complete all tasks required in this administration.

### Hourly Rates

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

#### Hall Chadwick Hourly Rates (effective from 1 July 2020)

POSITION	DESCRIPTION	RATES \$ PER HOUR (Ex GST)
Partner	Registered liquidator/trustee or appointee's partner bringing a high level of insolvency knowledge and skill, with more than 10 years experience and an appreciation of risk control and personal commitment.	740
Director	Qualified accountant bringing a high level of insolvency knowledge and skill, with more than 10 years experience and an appreciation of risk control.	710
Senior Associate	Qualified accountant with more than 10 years insolvency experience and able to control all aspects of an appointment, who brings a high level of insolvency knowledge and skill and has an appreciation of risk control.	680
Associate	Qualified accountant with more than 10 years insolvency experience and able to control all aspects of an appointment.	640
Senior Manager	Qualified accountant with more than 7 years insolvency experience able to control all aspects of an appointment and manage a team of staff.	600
Manager	Qualified accountant with more than 6 years insolvency experience able to control all aspect of an appointment and project manage a team on a large appointment.	575
Supervisor	Graduate completing post graduate studies with up to 5 years insolvency experience and responsibility to supervise a small team of staff.	500
Senior 1	Graduate completing post graduate studies with 2 to 4 years insolvency experience. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	450
Senior 2	Graduate completing post graduate studies with 1 to 2 years experience. Required to control the fieldwork on small jobs and is responsible for assisting complete fieldwork on medium to large jobs.	390



Intermediate 1	Graduate or Undergraduate with 1 to 2 years insolvency experience. Required to assist in day to day fieldwork under supervision of more senior staff.	350
Intermediate 2	Undergraduate with up to 1 year insolvency experience. Required to assist in day to day fieldwork under supervision of more senior staff.	320
Intermediate 3	Appropriate skills with 1 to 2 years insolvency experience and geographically located outside of Australia.	270
Junior 1	Undergraduate completing their university degree.	220
Support Staff		
IT Manager	Appropriate Skills	280
Banking Administrator	Appropriate Skills	280
PA/Secretary	Appropriate Skills	150
Computer Operations	Appropriate Skills	150
Administration Assistant	Appropriate Skills	150
Filing Assistant	Appropriate Skills	55

*Note: The classifications above do not cover professional staff that are unqualified and not studying to become qualified as accountants. We recognise that in this latter category there are some people who are highly skilled. It is our view that it is not possible to give a description which will adequately cover all situations.*

#### **Estimated Cost of Administration**

Assuming that the voluntary administration period does not last any longer than say six (6) weeks, we estimate that our remuneration for the voluntary administration period of the Companies (only) will be approximately \$30,000 exclusive of GST and out of pocket expenses/disbursements. Please note that we make this remuneration estimate in circumstances where the full scope of the voluntary administration is not fully known at this point in time.

This estimate may change as a result of further information coming to our attention of which we are currently unaware. Should additional work be necessary beyond what is contemplated, we will provide a breakdown of the work carried out and further approval shall be sought from creditors.

Please refer to our attached Declaration of Independence, Relevant Relationships and Indemnities for details of any upfront payments and/or indemnities that we may have received. Creditors should note that approved remuneration may exceed the amount of any upfront payment and/or indemnity and can be paid from the assets of the administration after appropriate approval.

#### **Disbursements**

Disbursements are divided into three (3) types:

- All externally provided professional services. These are recovered at cost. An example is legal fees. It does not include insolvency services as insolvency services are claimed as remuneration.
- All externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.

External disbursements include but are not limited to external meeting room hire, legal fees, insurance, valuation fees, search fees, travel, postage, parking and accommodation. All externally provided professional and non-professional services are recovered at cost.

- Internally (firm) provided non-professional costs such as photocopying, printing and postage. If charged to the administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs on a reasonable commercial basis.

The rates for internal (firm) disbursements are set out as follows:

<b>Disbursements Effective 1 March 2015</b>	<b>Rate \$ (incl. GST)</b>
<b>Photocopy – per page*</b>	0.99
<b>Facsimile – per page*</b>	
Local Facsimile	1.10
International Facsimile	3.30

\* Internally (firm) provided services are charged at the rates advised in the above table.

We are not required to seek creditor approval for expenses paid to third parties or for disbursements where we are recovering a cost incurred on behalf of the administration, but we must account to creditors. We must be satisfied that these expenses and disbursements are appropriate, justified and reasonable.

We are required to obtain creditor's consent for the payment of a disbursement where we, or a related entity of ourselves, may directly or indirectly obtain a profit. In these circumstances, creditors will be asked to approve our disbursements prior to these disbursements being paid from the administration.

#### Information Sheet

Creditors who require further information regarding the approval of remuneration in external administrations are advised that ASIC has produced a document entitled: "Approving Fees: a guide for creditors" (Information Sheet 85) and this document can be downloaded from [www.asic.gov.au](http://www.asic.gov.au) or can be obtained from this office.

11 H 10

23 June 2023

**CIRCULAR TO CREDITORS**

**RE: 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**  
**A.C.N. 096 595 005**

**HILLS GROUP OPERATIONS PTY LTD**  
**A.C.N. 600 152 261**

**(ADMINISTRATORS APPOINTED)**  
**(COLLECTIVELY THE "COMPANIES")**

**SYDNEY**

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Sydney NSW 2000  
Australia  
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Fx: (617) 3211 1249

This and the following **5** page(s) form the  
Annexure marked "**H**" to the Affidavit of

**SULE ARNAVTOVIC**

sworn/affirmed on **23 / 10 / 23**

Before me:   
**Solicitor/Justice of the Peace**

I refer to the appointment of John Vouris and I as Administrators of the Companies as well as my previous report to creditors dated 19 June 2023 ("my previous report"). This report should be read in conjunction with my previous report.

As noted in my previous report, given the circumstances of the appointment including, but not limited to, the ongoing trading of the Companies' businesses, detailed investigations of the Companies' financial affairs and the ongoing sale of business/recapitalisation campaign, I formed the opinion that an application to the Federal Court of Australia (the "Court") under Section 439A(6) of the Corporations Act 2001 ("the Act") to extend the convening period of the administration of each

Company (**Extension Application**) was in the best interests of the creditors of the Companies .  
Please refer to my previous report for further information regarding the application to Court.

I now confirm that, on 22 June 2023:

- a. the Extension Application was listed for hearing before the Honourable Justice Stewart;
- b. His Honour made orders, among other things, granting an extension to the convening period of the voluntary administration of each of the Companies up to and including 31 July 2023. **Attached** to this circular is an official copy of the Court's orders made on 22 June 2023 for creditors' reference

I will continue to facilitate the sale of business/recapitalisation campaign and will write to creditors by or on 31 July 2023 with a summary of my investigations to date, an update on the sale campaign and details of the options available to creditors with respect to the future of the Companies. Should I be in a position to write to creditors and convene the second meeting of creditors earlier than 31 July 2023, I will do so.

Should you have any queries regarding the above, please do not hesitate to contact Jessica Webb of my office via email on [jwebb@hallchadwick.com.au](mailto:jwebb@hallchadwick.com.au).

Yours faithfully,

  
**SULE ARNAUTOVIC**  
**JOINT & SEVERAL ADMINISTRATOR**





Federal Court of Australia

District Registry: New South Wales

Division: General

No: NSD593/2023

**SULE ARNAUTOVIC AND JOHN VOURIS IN THEIR CAPACITY AS JOINT AND SEVERAL ADMINISTRATORS OF HILLS LIMITED (ACN 007 573 417) (ADMINISTRATORS APPOINTED)** and another/others named in the schedule  
Plaintiff

### ORDER

**JUDGE:** JUSTICE STEWART

**DATE OF ORDER:** 22 June 2023

**WHERE MADE:** Sydney

### THE COURT ORDERS THAT:

#### Extension of convening period

1. Pursuant to s 439A(6) of the *Corporations Act 2001* (Cth), the period within which the plaintiffs must convene a second meeting of the creditors of Hills Limited (administrators appointed) and each of the companies listed in the Schedule (together with Hills Limited, the **Companies**) pursuant to s 439A(5) of the *Corporations Act* (**Second Meeting**) be extended up to and including 31 July 2023.
2. Pursuant to s 447A of the *Corporations Act*, Pt 5.3A of the *Corporations Act* operate such that the Second Meeting may be convened and held at any time during the convening period, or within five business days after the end of the convening period as extended by the orders sought in order 1 above, notwithstanding the provisions of s 439A(2) of the *Corporations Act*.

#### Service and Notices

3. The plaintiffs, within three business days' of the making these orders, take all reasonable steps to give notice of the orders to the Companies' creditors (including the persons claiming to be creditors), by means of a circular:



- (a) to be sent by email to creditors for whom the plaintiffs have a current email address; or
  - (b) to be sent by ordinary post to creditors for whom the plaintiffs have only a postal address.
4. Pursuant to s 447A(1) of the *Corporations Act*, Pt 5.3A of the *Corporations Act* operate in relation to the Companies such that any notice (including pursuant to r 75-15(1) and r 75-225(1) of the *Insolvency Practice Rules (Corporations) 2016* (Cth) (other than the notices referred to in order 3 above), reports and communication that the plaintiffs must or may give or send to creditors of the Companies will be validly given to creditors of the Companies by:
- (a) giving such notice electronically by email sent to the email address of any creditor (including persons claiming to be creditors) of the Companies for whom or which the plaintiffs hold an email address;
  - (b) sending such notice to the postal address or facsimile number, or otherwise as provided for by the *Corporations Act* or the *Insolvency Practice Rules (Corporations) 2016* (Cth), to any creditors not being a creditor referred to in paragraph (a); and
  - (c) causing such notice to be published in the Insolvency Notices website located at: <https://insolvencynotices.asic.gov.au/>.
5. Any person who can demonstrate sufficient interest (including any creditor of the Companies) has liberty to apply on giving all other interested parties not less than three business days' notice for the purpose of modifying or discharging any orders made pursuant to orders 1 and 2 above.
6. The plaintiffs have liberty to apply in this proceeding on not less than three business days' notice in relation to:
- (a) any variation of these orders including for the purpose of seeking any further extension of the convening period; or



- (b) any other matter generally arising in the administration of the Companies.
7. The plaintiffs' costs of and incidental to this application be costs in the administrations of the Companies and be paid out of the assets of the Companies.

Date that entry is stamped: 22 June 2023

*Sia Lagos*  
Registrar



### Schedule

No: NSD593/2023

Federal Court of Australia  
District Registry: New South Wales  
Division: General

Second Plaintiff	HILLS LIMITED (ADMINISTRATORS APPOINTED) ACN 007 573 417
Third Plaintiff	HILLS HEALTH SOLUTIONS PTY LTD (ADMINISTRATORS APPOINTED) ACN 100 173 715
Fourth Plaintiff	AUDIO PRODUCTS GROUP PTY LTD ACN 054 550 499
Fifth Plaintiff	HOSPITAL TELECOMMUNICATIONS PTY LTD (ADMINISTRATORS APPOINTED) ACN 061 558 245
Sixth Plaintiff	HILLS INTEGRATED SOLUTIONS PTY LTD (ADMINISTRATORS APPOINTED) ACN 000 376 394
Seventh Plaintiff	HILLS FINANCE PTY. LTD. (ADMINISTRATORS APPOINTED) ACN 007 527 040
Eighth Plaintiff	LAN 1 PTY LTD ACN (ADMINISTRATORS APPOINTED) ACN 159 863 779
Ninth Plaintiff	T.V. RENTALS PTY. LTD (ADMINISTRATORS APPOINTED) ACN 009 701 213
Tenth Plaintiff	NEW TONE (AUST.) PTY LTD ACN 009 753 637
Eleventh Plaintiff	ACN 614 478 090 PTY LIMITED (ADMINISTRATORS APPOINTED) ACN 614 478 090
Twelfth Plaintiff	HILLS GROUP OPERATIONS PTY LTD (ADMINISTRATORS APPOINTED) ACN 600 152 261
Thirteenth Plaintiff	PACOM SECURITY PTY LTD (ADMINISTRATORS APPOINTED) ACN 096 595 005



"I"

28 July 2023

NOTICE TO ASX/SHAREHOLDERS

HILLS LIMITED  
A.C.N. 007 573 417

HILLS FINANCE PTY LTD  
A.C.N. 007 527 040

HILLS INTEGRATED SOLUTIONS PTY LTD  
A.C.N. 000 376 394

LAN 1 PTY LTD  
A.C.N. 159 863 779

T.V RENTALS PTY LTD  
A.C.N. 009 701 213

NEW-TONE (AUST.) PTY LTD  
A.C.N. 009 753 637

AUDIO PRODUCTS GROUP PTY LIMITED  
A.C.N. 054 550 499

HOSPITAL TELECOMMUNICATIONS PTY LTD  
A.C.N. 061 558 245

ACN 614 478 090 PTY LIMITED  
A.C.N. 614 478 090

HILLS HEALTH SOLUTIONS PTY LTD  
A.C.N. 100 173 715

HILLS GROUP OPERATIONS PTY LIMITED  
A.C.N. 600 152 288

PACOM SECURITY PTY LTD  
A.C.N. 096 595 005

(ADMINISTRATORS APPOINTED)  
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This and the following – page(s) form the  
Annexure marked "I" to the Affidavit of

SULE ARNAUTOVIC  
Sworn/affirmed on 23 / 10 / 22

Before me: 

Solicitor/Justice of the Peace

As shareholders are aware, Messrs. Sule Arnautovic and John Vouris of Hall Chadwick Chartered Accountants were appointed Administrators of the Companies.

We note that the Second Meeting of Creditors of the Companies has been convened for Monday, 7 August 2023 at 10:30AM (AEST) to enable creditors to consider a Deed of Company Arrangement/Creditors Trust proposal put forward by Starplex International Pty Ltd (or its nominee).

A copy of the Voluntary Administrators' Reports to Creditors for the Companies (Part One and Part Two dated 6 July 2023 and 28 July 2023 respectively) are available to shareholders upon request.

If you have any queries or require further information, please contact Cindy Chen via email at [cchen@hallchadwick.com.au](mailto:cchen@hallchadwick.com.au).

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"J"

3 August 2023

**NOTICE TO ASX/SHAREHOLDERS**

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

**HILLS FINANCE PTY LTD**  
A.C.N. 007 527 040

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A.C.N. 614 478 090

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**HILLS GROUP OPERATIONS PTY LTD**  
A.C.N. 600 152 261

**PACOM SECURITY PTY LTD**  
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**(ADMINISTRATORS APPOINTED) COLLECTIVELY (THE "COMPANIES")**

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This and the following ~ page(s) form the Annexure marked "J" to the Affidavit of

SOLE ARNAVTOVIC

sworn/affirmed on 23 / 10 / 22

Before me: 

Solicitor/Justice of the Peace

**Reliance on ASIC Financial Reporting Relief**

Hills Limited (Administrators Appointed) ("Hills") (ASX:HIL) and, to the extent applicable, the other Companies, announce that they are relying on ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 ("ASIC Instrument").

The ASIC Instrument provides relief to externally administered companies from certain financial reporting obligations, including a deferral period for lodging reports for the financial year ending 30 June 2023, which Hills would otherwise need to lodge by 30 September 2023.

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10 K 11

8 August 2023

NOTICE TO ASX

HILLS LIMITED  
A.C.N. 007 573 417

HILLS FINANCE PTY LTD  
A.C.N. 007 527 040

HILLS INTEGRATED SOLUTIONS PTY LTD  
A.C.N. 000 376 394

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HOSPITAL TELECOMMUNICATIONS PTY LTD  
A.C.N. 061 558 245

ACN 614 478 090 PTY LTD  
A.C.N. 614 478 090

HILLS HEALTH SOLUTIONS PTY LTD  
A.C.N. 100 173 715

HILLS GROUP OPERATIONS PTY LTD  
A.C.N. 600 152 261

PACOM SECURITY PTY LTD  
A.C.N. 096 595 008

(ADMINISTRATORS APPOINTED)  
COLLECTIVELY (THE "COMPANIES")

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PERTH  
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Fx: (612) 9263 2800

This and the following — page(s) form the  
Annexure marked " K " to the Affidavit of

SULE ARNAUTOVIC

sworn/affirmed on 23 / 10 / 23

Before me:.....

Solicitor/Justice of the Peace

Creditors vote in favour of DOCA Proposal

Hills Limited (Administrators Appointed) ("Hills") (ASX:HIL) announces that at its second meeting of creditors held on 7 August 2023, creditors resolved that the Companies should execute a Deed of Company Arrangement as proposed by Starplex International Pty Ltd (DOCA Proposal) in the Administrators' Report to Creditors dated 28 July 2023 (Report to Creditors).

Creditors also approved resolutions regarding the Administrators' remuneration and disbursements for the costs of the administration, as well as remuneration and costs up to completion of the creditors' trust as contemplated under the DOCA Proposal, details of all of which were included in the Report to Creditors.

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"L"

24 August 2023

**NOTICE TO ASX/SHAREHOLDERS**

**HILLS LIMITED**

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

**HILLS FINANCE PTY LTD**

**A.C.N. 007 527 040**

**HILLS INTEGRATED SOLUTIONS PTY LTD**

**A.C.N. 000 376 394**

**LAN 1 PTY LTD**

**A.C.N. 159 863 779**

**T.V RENTALS PTY LTD**

**A.C.N. 009 701 213**

**NEW-TONE (AUST.) PTY LTD**

**A.C.N. 009 753 637**

**AUDIO PRODUCTS GROUP PTY LTD**

**A.C.N. 054 550 499**

**HOSPITAL TELECOMMUNICATIONS PTY LTD**

**A.C.N. 061 558 245**

**ACN 614 478 090 PTY LTD**

**A.C.N. 614 478 090**

**HILLS HEALTH SOLUTIONS PTY LTD**

**A.C.N. 100 173 715**

**HILLS GROUP OPERATIONS PTY LTD**

**A.C.N. 600 152 261**

**PACOM SECURITY PTY LTD**

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**MELBOURNE**

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**PERTH**

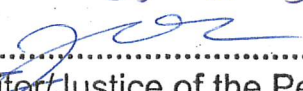
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This and the following 1 page(s) form the  
Annexure marked " L " to the Affidavit of  
SULE ARNAVTOVIC  
sworn and affirmed on 23 / 10 / 23  
Before me:   
Solicitor/Justice of the Peace  
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
COLLECTIVELY (THE "COMPANIES")

**Execution of Deed of Company Arrangement**

At the second meeting of creditors held on 7 August 2023, creditors of the Companies unanimously resolved to execute the Deed of Company Arrangement ("DOCA") proposed by Starplex International Pty Ltd ("Starplex").

On 23 August 2023, the DOCA was duly executed by all relevant parties. As such, on 23 August 2023 John Vouris and I became Deed Administrators of the Companies.

Under the terms of the DOCA, we will continue to trade the business of the Companies in our capacity as Deed Administrators until such time that the DOCA conditions have been met and the relevant Creditors' Trust is able to be entered into.

During this time, Starplex will have an ongoing involvement in the business given the impending/likely transition of control, however, trading will continue in accordance with the trading protocols already established by the Administrators for the DOCA trading period.

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An update will be provided regarding completion of the condition precedents of the DOCA and timing of entry into the Creditors' Trust in due course.

***Directors of Hills Limited***

David Chambers and Peter Steel ceased their roles as Directors of Hills Limited effective 21 August 2023.

Further, Mr David Clarke has stepped down from his role as Chief Executive officer of the Company to facilitate the transition of operational control of the Hills' businesses to Directors of Starplex, subject to Completion of the DOCA

At this stage, Mr Clarke will remain with the Company until the end of the DOCA period to support both the Deed Administrators and the transition process.

Nicole Mouyat

"M"  
This and the following 2 page(s) form the Annexure marked "M" to the Affidavit of

From: Lynda Reid  
Sent: Monday, 23 October 2023 12:47 PM  
To: Sean Ferguson  
Cc: Ebony Jackson; Jana Jordan; Bridget Edghill; David Armstrong  
Subject: RE: HILLS LIMITED / Application for relief or exemption or order - Application for Relief [SEC=OFFICIAL]  
sworn/affirmed on 23 / 10 / 23  
Before me:  
Solicitor/Justice of the Peace

Hi Sean

Thank you for your time on the phone on Friday. As discussed, we've set out some points for you below – let me know if you'd like to discuss once you've had the chance to consider.

As you're aware, the matter is back in Court tomorrow morning Sydney tie for hearing by Black J. We'd be grateful for any indication from ASIC on whether an "in-principle" position might be reached by then, so that the Deed Administrators could update the Court.

Kind regards

Lynda

\*\*\*\*\*

1. **Did the Deed Administrators consider the Directors treatment of the disclosure of the Stellar legal claim in the Offer Booklet or whether provisions for this claim should have been made in the Company's pro forma financials, as part of their investigations? To the extent they did, it would be helpful if the Deed Administrators could provide some background in relation to their consideration of these matters.**

#### Summary

The Deed Administrators considered all information available to them, including as to the requirement for further investigations. The Deed Administrators considered all information available to them, including as to the requirement for further investigations. The information available to the Administrators did not at first instance indicate Director misconduct, whether in relation to the Directors' treatment of the disclosure of the Stellar legal claim in the Offer Booklet, or whether provisions should have been made in the Company's pro forma financials (together, the **Stellar Disclosure Matters**). That information included but was not limited to the Company being successful at first instance in connection with the Stellar legal claim, and the Directors and the Company having received ongoing advice as regards the prospects of success for the Stellar Appeal (as defined below).

In any event, as there were insufficient funds to satisfy the claims of unsecured creditors in full, there were no funds available to satisfy any subordinate claim for the purposes of section 563A of the Corporations Act. A subordinate claim would include any action that might arise from a shareholder in connection with a Stellar Disclosure Matter.

Any further analysis of potential misconduct in relation to the Stellar Disclosure Matters became moot once it was clear that:

1. the claims of unsecured creditors would not be satisfied in full (in either a liquidation scenario or under the DOCA); and
2. "Insured Claims" would be excluded from the DOCA – see below.

Stellar appeal to the Supreme Court of NSW Court of Appeal

Stellar's appeal to the Supreme Court of NSW Court of Appeal (**Stellar Appeal**) was noted in the then Administrators' report to creditors, via the ASX Company Announcements Platform and the Company website, on 6 July 2023 (**Part 1 Report**), including at:

- section 5.2:
  - at page 11, detailing the history of the Hills group;
  - at page 14, summarising of the Stellar Appeal judgement;
- section 6: the primary reason for the Administrators' appointment being the inability to reach a settlement agreement regarding the judgement debt;
- sections 9.2.1 and 9.2.2, with the judgement noted as an indicator of insolvency in the events leading to the Administrators' appointment.

In part 2 of the report to creditors on 28 July 2023 (**Part 2 Report**), the Stellar Appeal is again discussed in several places, including in section 3.4 noting that the DOCA/Creditors Trust proposal excludes the claims of Stellar in order to provide a greater return to ordinary unrelated unsecured creditors.

#### Potential return to unsecured creditors

Section 1.4 (*Estimated Dividend to Creditors*) of the Part 2 Report provides a table setting out the estimated return for each class of creditors in each potential scenario (i.e. the various liquidation scenarios and the DOCA / Creditors Trust scenario), informing creditors that:

*"Ordinary unsecured creditors are estimated to receive a dividend in the amount of approximately 68.39 cents in the dollar."*

This information is repeated in section 4.2 (*Summary*) and section 5 (*Estimated return from a winding up and a deed of company arrangement / creditors trust*) of the Part 2 Report.

Annexure A of that same report included the DOCA proposal, setting out at page 40 of the PDF that unsecured creditors would participate in the creditors' trust fund to the designated limits.

#### Further investigations as to Stellar Disclosure Matters

As you are aware, any potential action against the Company, whether in relation to a Stellar Disclosure Matter or otherwise, would be a "subordinate claim" for the purposes of s563A of the Corporations Act, with payment postponed until all other claims against the Company are satisfied.

With unsecured creditors receiving less than 100 cents in the dollar, there was nil balance available to satisfy such a subordinate claim. In light of this and all other information available to the Deed Administrators, any such claim against the Company by shareholders became a moot point.

2. **In the event the share transfer is approved by the Court, could you please clarify if the share transfer would impact on shareholders rights, particularly their ability to commence any action against the company and/or its directors (should they be minded to)?**

#### **Claims against the Company**

If the transfer is approved by the Court and the DOCA is completed, shareholders' rights against the Company would be extinguished. Under clause 5.4 of the DOCA all Claims (as defined in the DOCA) of creditors (including a shareholder who becomes a creditor under a subordinate claim) against the Company are forever discharged, extinguished and released in full on completion of the DOCA.

As set out above, however, the Company has no funds available to satisfy a subordinate claim under s563A, even if such a claim were to be successful. As a result, the share transfer makes no difference to a shareholder action against the Company – the result is the same. As unsecured creditors will receive less than the full amount owed, there are no funds available to satisfy a subordinate claim, even if it were successful.

#### **Claims against the Directors**



If the transfer is approved by the Court and the DOCA is completed, there is no impact on shareholders' rights to commence any action against the Directors (personally) in relation to their involvement in the Stellar Disclosure Matters.

The DOCA deals only with claims against the Company. The DOCA does not purport to deal with (or extinguish) claims against the Directors, and any action by a shareholder against a Director in relation to a Stellar Disclosure Matter would be undisturbed by the share transfer.

The DOCA also specifically excludes claims covered by insurance (such as director and officer insurance policies). The Deed Administrators have not specifically analysed insurance coverage of the Directors in connection with Stellar Disclosure Matters, as such considerations are specific to the Directors.

We have not considered at length the possibility of other types of hypothetical shareholder claims against Directors (whether by derivative action or otherwise), but would of course be happy to provide further analysis if helpful.

Lynda Reid | Partner | Corporate Advisory

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*Mills Oakley acknowledges the Traditional Owners of the lands and waters on which we work, live and engage. We pay our respects to elders past and present.*

**From:** Sean Ferguson <Sean.Ferguson@asic.gov.au>

**Sent:** Thursday, 19 October 2023 12:11 PM

**To:** Bridget Edghill <bedghill@millsoakley.com.au>; Lynda Reid <lynda.reid@millsoakley.com.au>

**Cc:** Ebony Jackson <Ebony.Jackson@asic.gov.au>; Jana Jordan <jjordan@millsoakley.com.au>

**Subject:** RE: HILLS LIMITED / Application for declaration or exemption or order - Application for Relief  
[SEC=OFFICIAL]

You don't often get email from [sean.ferguson@asic.gov.au](mailto:sean.ferguson@asic.gov.au). [Learn why this is important](#)

Dear Bridget

We refer to the circumstances leading up to the Voluntary Administration appointment explained in the Administrations Report to Creditors dated 6 July 2023 (**Report to Creditors**) under Part 5.2 of the Corporations Act, particularly the sections regarding the "Capital Raise" and the "Stellar Judgement".

On 23 March 2023, the Company announced an offer booklet (**Offer Booklet**) in relation to the capital raise which outlined "Specific risks to the Company". One of these specific risks was "Legal liabilities", which discloses that the Company had two outstanding claims, one which we understand to be the claim from Stellar Vision Operations Pty Ltd, which ultimately lead to the Stellar Judgement as explained in the Report to Creditors.

In relation to disclosure of this claim in the Offer Booklet, the disclosure states "Two claims are currently outstanding against the Company. One, which was related to a dispute concerning a third-party contract. This claim has been dismissed by the Court, with costs awarded in favour of the Company. The decision has been appealed by the other party. The appeal is currently listed for hearing in May 2023. Based on legal advice, the Directors are of the opinion that no provision is required in respect of this outstanding matter as it is not probable that a future outflow of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.". Noting the above and that there was a future outflow of economic benefit from the legal claim, please could you assist with our queries below: