



McGrathNicol

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**Focus on Furniture Pty Ltd (Administrators Appointed)
ACN 089 394 712
and associated entities listed in Schedule 1
(collectively, the Focus Group)**

Circular to Employees

Katherine Sozou, Matthew Caddy and I were appointed Administrators of the Focus Group on 15 May 2019.

Background

As Administrators, we have assumed control of the Focus Group's affairs and have entered into possession of its assets. It is our intention to continue trading the Focus Group's business while we undertake an urgent assessment to determine the best course of action to preserve its business.

Employees are asked to continue their normal duties until advised further. Wages and entitlements for continued employment during the administration will be paid by the Administrators.

Please note that the Administrators do not adopt any employment or other contract you may have with the Focus Group.

A Frequently Asked Questions sheet (**FAQs**) on specific employment matters is attached for your reference.

Pre-appointment entitlements

Claims against the Focus Group for certain categories of employee entitlements, for the period prior to our appointment, receive priority under the *Corporations Act 2001 (Cth)*. However, there may be other higher-ranking payment priorities.

At this point, we expect there will be sufficient assets available to meet employees' pre-appointment claims.

Meetings of creditors

Initial meetings of creditors of the Focus Group, which includes employees with claims for accrued entitlements, will be held within eight business days of the Administrators' appointment. Separate materials concerning these meetings will be provided in the coming days.

Other matters and contact details

A schedule setting out the responsibilities of employees of a company under administration is enclosed for your guidance. All instructions relating to the management of the Focus Group will now be issued by the Administrators or their authorised personnel. Please refer to your normal line managers in relation to day to day operations.

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In association
with



**ADVISORY
RESTRUCTURING**



A copy of the information sheet, "Insolvency information for directors, employees, creditors and shareholders", issued by the Australian Securities & Investments Commission (**ASIC**) is also enclosed for your information.

Additional information is available via the Administrators' website:

www.mcgrathnicol.com/creditors/focusgroup.

If you have any queries, please contact your manager in the first instance or email any queries to FocusEmployees@mcgrathnicol.com.

Thank you in advance for your cooperation.

Dated: 15 May 2019

Barry Kogan
Administrator

Enclosures:

Frequently Asked Questions for Employees

Schedule of responsibilities of officers and employees

ASIC "Insolvency information for directors, employees, creditors and shareholders" information sheet



Schedule 1 – the Focus Group entities over which the Administrators are appointed

Company name	ACN
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(collectively known as the Focus Group).**

Employee Frequently Asked Questions

15 May 2019

Barry Kogan, Katherine Sozou and Matthew Caddy were appointed Joint and Several Voluntary Administrators (**Administrators**) of the Focus Group on 15 May 2019 following a resolution of its board of directors.

The purpose of this document is to answer some frequently asked questions that employees may have about the Administration.

This information sheet covers the following key areas:

- operations;
- administration process;
- employees;
- customers; and
- suppliers.

As Administrators, we act as agents of the Focus Group. The Administrators are not adopting any contract that exists, or may have existed, between any party and Focus Group.

Please note that this document will be revised periodically by the Administrators and is subject to change.

Any revised documents will be made available in store and on the Administrators' website:

www.mcgrathnicol.com/creditors/focusgroup

Queries

Employees should direct any additional questions to their supervisor / store manager in the first instance, and then to the Administrators' representatives.

Queries can also be emailed to FocusEmployees@mcgrathnicol.com.

The Administrators or the Focus staff may respond directly or by update to this FAQ. The Administrators will also add to this document as required and updated versions will be provided to stores.



OPERATIONS

Is the business continuing to trade?

Yes.

The Administrators are working with the company and its management team to restructure its physical store footprint, and recalibrate the network to the core, profitable locations in Victoria, regional New South Wales, South Australia and the Australian Capital Territory.

The Administrators are conducting an urgent review, including a possible exit of unprofitable stores in New South Wales, Queensland and Victoria.

How soon will a decision be made about the future of Focus Group?

No timetable has been set at this time. The Administrators will provide updates throughout the administration.

ADMINISTRATION PROCESS

What has happened to Focus Group? Why did the administration come about?

The Directors resolved to appoint the Voluntary Administrators following sustained challenges to the Focus on Furniture business, stemming from New South Wales and Queensland operations.

As part of the administration process, these stores will likely be exited in order to make the overall group sustainable, profitable performance.

What is a voluntary administration?

Voluntary administration is an insolvency procedure where the directors of an insolvent company (i.e. one that is unable to pay its debts) appoint an external administrator called a 'Voluntary Administrator'.

The role of the Voluntary Administrator is to investigate the Focus Group's affairs to assess the potential for rehabilitation or recapitalisation, to report to creditors and to recommend to creditors whether Focus Group should enter into a Deed of Company Arrangement, go into liquidation or be returned to the directors.

For more information regarding administrations, please visit www.asic.gov.au.

What is the role/authority of the Focus Group directors? Do we take direction from them or from the Administrators?

The Administrators make all financial and strategic decisions relating to the Focus Group and have ultimate executive control of the Focus Group. The Focus Group's directors' duties are suspended while the Focus Group is in Administration.

The Administrators continue to work with the Focus Group management and employees should continue to report to their store / operations managers.

Who is McGrathNicol?

McGrathNicol is an independent advisory and restructuring firm specialising in Advisory, Forensic, Transactions, Restructuring and Insolvency.

Where can I get information in relation to the administration?

Information will periodically be posted to the Administrators' website:

<http://www.mcgrathnicol.com/creditors/focusgroup>. We will also continue to update employees through the usual Focus Group internal systems.



What is the first meeting of creditors?

The Administrators are required to hold a meeting of creditors within 8 business days of their appointment. You will receive formal notification of the meeting details over the next few days.

At the meeting, creditors are given the opportunity to replace the Administrators with alternative administrators and to form a committee of inspection. A committee of inspection may be formed, following a vote of creditors, to consult with the Administrators and receive reports on the conduct of the administration. A committee of inspection can also approve the Administrators' fees.

What is the second meeting of creditors?

The Administrators are required to hold a second meeting of creditors within approximately 1 month of their appointment. You will receive formal notification of the meeting details ahead of that time.

The purpose of this meeting is predominantly for creditors to determine the future of Focus Group. The options available to creditors can include returning control of the Focus Group back to its directors; executing a Deed of Company Arrangement if one is proposed; or, placing the Focus Group into liquidation.

Should I attend the creditor meetings?

As creditors, employees are entitled to attend the meetings of creditors. However, as the meeting will take place on a business day, the Administrators request that employees attend to their usual duties and ask a representative to act as their proxy, being another employee. A proxy form will be provided to you together with notice of the meeting and there will be further communications in this regard.

EMPLOYEES

In this document, any reference to wages includes employees paid either on hourly-based or salary-based wages.

What happens to my employment?

Your employment will continue as normal and employees are asked to continue with their usual duties.

While the Administrators do not personally adopt your employment contract, the Administrators will pay wages in accordance with your current contract, award, Enterprise Bargaining Agreement or other industrial instrument.

How certain is my continued employment?

The Administrators' review of staffing requirements will be ongoing and subject to our obligation to endeavour to maximise the realisations from the Focus Group's assets. Further communications will be provided to staff as and when there is greater clarity around options available to the Administrators and the strategy evolves.

Will I be paid the same wage as before?

Yes.

The Administrators are personally responsible for paying employee wages for work completed from 15 May 2019 onwards.

You will continue to be paid in line with your pre-appointment arrangements and in the usual manner (i.e. payroll will occur in the same frequency as before the administration unless otherwise advised).

The funds will be drawn from the Administrators' bank account and wages paid by the Administrators will refer to 'Administrators Appointed' on the payslips.

What happens to my entitlements?

The Administrators expect that employee entitlements will be met either through a sale of the business, recoveries from the sale of stock, or through the Commonwealth Governments Fair Entitlements Guarantee



Scheme. Alternatively, there may be a recapitalisation (ie new funds injected into the business via a Deed of Company Arrangement).

Will my superannuation be paid?

The Administrators will deduct superannuation as usual from your wages and make payment to your nominated superannuation fund for the period following the date of their appointment.

Any deductions from your wages for superannuation that were not remitted to your superannuation fund by Focus Group for the period prior to the Administrators' appointment will form part of the claim you have against Focus Group. The Administrators are presently assessing this and will communicate with you further about this as soon as possible.

Will other deductions continue to be made from my wages such as private health, child support and salary sacrifice?

Yes, the Administrators will deduct payments as usual and remit to third parties for the period following the date of their appointment. Any deductions that were not remitted to third parties from your wages by Focus Group prior to the Administrators' appointment will form part of the claim you have against Focus Group.

What will happen if I have to make child support payments?

All scheduled child support payments will be processed in the normal payment structure that was in place prior to 15 May 2019.

Will I continue to accrue leave?

Yes, during the Administration you will continue to accrue annual, long service and sick leave and other entitlements.

I have been approved to take leave after 15 May 2019. Can I still take leave and will it be paid?

Any leave that has been approved prior to the administration will be reviewed by the Administrators.

I would like to take leave in the future but have not put in a leave request form. What should I do?

Leave should be applied for in the normal way for consideration by your supervisor or manager, who should then consult with the Administrators. Any new applications for leave will be approved only in exceptional circumstances at this time.

What happens to my pre-appointment leave balances?

You will have a claim against Focus Group for entitlements that accrued before the Administrators' appointment. This includes your pre-administration leave accruals (including long service leave and annual leave).

How you claim or get access to your pre-administration entitlements will depend on the ultimate outcome of the Administration and value recovered from assets.

In the event there are insufficient assets to meet employee entitlements and Focus Group goes in to liquidation, there is a government scheme called the Fair Entitlements Guarantee scheme which may provide access to some or all of your pre-administration entitlements.

In any case, to make a claim against Focus Group you will need to complete a Proof of Debt form. This form will be mailed to you in due course. You will also receive a summary of your accrued leave balances, which will assist you in filling out the Proof of Debt form.

In making a claim, you will become a creditor of Focus Group.



What is the Fair Entitlements Guarantee scheme?

In the event that Focus Group goes into liquidation, there is a Government scheme called the Fair Entitlements Guarantee Act (**FEG**). FEG assists eligible employees who have lost their employment due to the liquidation of their employer and who are owed certain employee entitlements.

FEG covers up to 13 weeks unpaid wages, annual leave, long service leave, up to five weeks payment in lieu of notice and up to 4 weeks redundancy pay for each year completed plus a pro-rata for each part year, subject to certain income limits. Please note, FEG is only applicable in the event of liquidation and is only applicable to eligible employees. We will provide more information on FEG in due course.

Please note that the eligibility of each claim is determined by the Department of Employment.

Will I be entitled to a redundancy payment if my employment is ultimately terminated?

Some employees are entitled to redundancies in the event their employment is terminated if provided for in their contracts or relevant industrial awards.

What happens if I find another job or resign?

You will not be entitled to any redundancy payment if you resign.

Will I receive a payment summary for FY19?

Yes. The Administrators will arrange for the payroll providers to prepare payment summaries for the period 1 July 2018 to 15 May 2019.

The Administrators are responsible for preparing and distributing payment summaries for the period from 15 May 2019 onwards.

These will be issued to you at the end of the engagement or as usual after the end of the 2018 taxation year.

Will we be provided with a detailed breakdown of our entitlements, set out under various headings such as accrued annual leave and accrued long service leave? If so, when will this occur?

You will be provided with a breakdown of your entitlements as soon as possible. The Administrators are currently checking the calculation of outstanding entitlements and will provide you with this information in due course.

When completing forms (i.e. the Census, bank forms and applications), do I list Focus Group as my employer?

Focus Group is still your employer and should be listed on any census, bank forms and applications you complete.

Can I claim an employee reimbursement?

If you need to incur an expense in the ordinary course of business, please seek approval from the Administrators prior to the expense being incurred.

How should we deal with enquires?

Customers and supplier enquires should be handled by employees and if they are unable to deal with the queries, it should be directed to the store manager.

Employees are able to advise customers that Focus Group is in administration and respond in line with the latest version of this information sheet or refer them to the "Administration Policies" document available in store.

Any queries for the Administrators should be emailed to FocusEmployees@mcgrathnicol.com.



What will change day to day operations?

As above, the store will continue to trade as usual (under the direction of the Administrators) in the immediate future however, a number of changes to policies will need to be made due to the financial circumstances of Focus Group, detailed below.

CUSTOMERS

Customer queries should be dealt with by employees to the extent possible in line with the below.

A customer has placed and paid for an order online, will they still receive their goods?

Yes during the administration period, provided Focus Group has the stock available, they will receive their goods.

What if a customer has paid a deposit or put goods on extended order?

During the administration period, the Administrators will complete sales if a deposit has already been paid if the outstanding balance is paid, subject to stock availability.

Deposits and extended order payments cannot be refunded. If the stock is not available, the value of the deposit can be applied to purchase an alternate item.

Are gift cards and store credits being honoured?

Ordinarily, gift cards and store credits represent an unsecured claim against Focus Group and would not be able to be redeemed.

The Administrators have agreed to honour valid gift cards and store credits.

If customers do not utilise or are unable to utilise their gift cards or store credit in accordance with the abovementioned conditions, they can complete a Proof of Debt for the balance they are owed.

Can customers exchange their goods?

Exchanges must be processed in a single transaction. The Administrators will not issue or authorise any cash refunds or store credits for exchanged stock.

A copy of the receipt must be provided at the time of the exchange.

Can customers return their goods?

Returns will only be accepted by way of exchange. The Administrators will not issue or authorise any cash refunds for returned stock.

How do we deal with faulty goods or warranty claims?

Ordinarily warranty claims for items purchased prior to 15 May 2019 represent an unsecured claim against Focus Group and would not be able to be recovered.

However, during the administration period, the Administrators have agreed to honour warranty claims in accordance with the Focus Group's policy.

Faulty goods policy will continue in accordance with the existing store policy for goods purchased on or after 15 May 2019.

SUPPLIERS

Supplier queries should be dealt with by employees to the extent possible in line with the below. Suppliers should have received a copy of the circular to suppliers or can otherwise access it at the Administrators' website: www.mcgrathnicol.com/creditors/focusgroup/



What is the process for receiving orders from Focus Group?

The process for orders under Administration is:

- open a new account(s) in the name of the entity to which you provide goods or services followed immediately by (Administrators Appointed). For example, suppliers of Focus on Furniture Pty Ltd would name the administration period account "Focus on Furniture Pty Ltd (Administrators Appointed)".
- purchase orders will be provided but must be authorised by an authorised signatory (please refer circular to supplies for authorised signatories)

When issuing invoices for supply after the appointment of Administrators, please ensure the above company name is used on invoices and that a copy of the invoice is sent to your usual address (along with a copy of the authorised purchase order and delivery docket to ensure no delays in processing for payment).

What should I do with deliveries received?

If the stock has been prepaid, the delivery should be accepted. If the stock has not been paid for, please consult with the Administrators and their representatives.

Who is authorised to place orders?

Please refer to the circular to supplies for authorised signatories. These are currently: Barry Kogan, Katherine Sozou, Matthew Caddy, Rajiv Goyal, Alison Wong, Stuart Johnstone, Lauren Del Monte and Ben Lee.

Will outstanding supplier accounts be paid?

The amount outstanding at the date of the Administrators' appointment is an unsecured debt of Focus Group and unfortunately cannot be paid. Please refer to the circular to suppliers dated 15 May 2019 for further information.

I have received a payment; can I apply this to amounts owed to me?

No, all payments made by the Administrators must be applied to post-appointment supply.

How do suppliers lodge a claim?

To lodge a claim suppliers must complete a proof of debt or claim form. These are available on the Administrators website and attached to the circular to creditors dated 15 May 2019. These can be forwarded to FocusSuppliers@mcgrathnicol.com or left with the sales assistant who can arrange for these to be passed to the Administrators.

Focus Group has an amount outstanding, why should suppliers continue to trade with the Administrators?

Under the Corporations Act 2001, the Administrators' are personally liable for debts incurred post 15 May 2019 with their express authority (i.e. have been ordered via an authorised purchase order).

Accordingly, any orders authorised by the Administrators will be paid.



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Responsibilities of Officers and Employees

The duties and responsibilities of the officers and employees of a company under administration are set out below for your guidance.

- All documents issued by the company must have “(Administrators Appointed)” after the company name where it first appears on the document.
- When a company is placed under administration, the powers of the directors and other officers are suspended. However, under certain circumstances, and only with the consent of the Administrators, those powers may continue. Some obligations of the directors will continue to apply, for example the obligation to lodge Annual Statements with ASIC.
- The Administrators may carry on the business and may employ or remove an officer or employee for this purpose.
- Without the express written authority of the Administrators:
 - No order for goods or services will be placed that has not been signed personally by the Administrators, or a person nominated by the Administrators.
 - No goods will be accepted by the company from any source whatsoever that are not the subject of an order signed by the Administrators, or the nominated representative of the Administrators.
 - No credit will be incurred.
 - No payments will be made.
 - No goods will be returned to any supplier.
- All cash and cheques received will be passed to the Administrators.
- No assets of the company will be removed from the company’s custody without the written approval of the Administrators.
- All assets are to be secured against theft, under lock and key.
- The entire assets and undertaking of the company are under the express and sole control and custodianship of the Administrators and may only be dealt with by the Administrators.

If you have any queries, please contact your manager in the first instance or email any queries to FocusEmployees@mcgrathnicol.com.



ASIC
Australian Securities &
Investments Commission

Insolvency information for directors, employees, creditors and shareholders

This information sheet (INFO 39) lists ASIC's information sheets for directors, employees, creditors and shareholders affected by a company's insolvency.

We have produced these with endorsement from the Australian Restructuring Insolvency & Turnaround Association (ARITA).

The information sheets give a basic understanding of the three most common company insolvency procedures – liquidation, voluntary administration and receivership – as well as the independence requirements for external administrators and approving external administrator remuneration. There is also a glossary of commonly used insolvency terms.

List of information sheets

- [INFO 41](#) Insolvency: A glossary of terms
- [INFO 42](#) Insolvency: A guide for directors
- [INFO 43](#) Insolvency: A guide for shareholders
- [INFO 45](#) Liquidation: A guide for creditors
- [INFO 46](#) Liquidation: A guide for employees
- [INFO 54](#) Receivership: A guide for creditors
- [INFO 55](#) Receivership: A guide for employees
- [INFO 74](#) Voluntary administration: A guide for creditors
- [INFO 75](#) Voluntary administration: A guide for employees
- [INFO 84](#) Independence of external administrators: A guide for creditors
- [INFO 85](#) Approving fees: A guide for creditors

Where can I get more information?

Further information is available from the [ARITA website](#). The ARITA website also contains the [ARITA Code of Professional Practice for Insolvency Practitioners](#).

This is **Information Sheet 39 (INFO 39)** updated on 1 September 2017. Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.