



South African
Furniture Initiative

Annual Report 2021



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INDUSTRY OVERVIEW

The furniture industry is an integral part of daily life in South Africa and an important economic sector. It is a labour-intensive industry, providing job opportunities throughout the length and breadth of the country. Furniture manufacture draws on local materials and local skills, and provides an outlet for South African design. South African families invest hard-earned money in buying furniture which we often pass on to our children. This industry should be nurtured and expanded.

The industry has a long history in South Africa and a significant skills base. There are also large and significant South African companies in raw material production, manufacturing and retail, a number of whom have a presence throughout Southern Africa. On the manufacturing side of the industry, the vast majority of companies in the sector are small companies (61% of all entities listed with the furniture bargaining councils employ fewer than 10 people) and many family-owned firms.

Despite its long and rich history, the industry experienced significant decline over the past decade. The sector was affected by a number of factors, which caused disruption in the industry and undermined some of its historic strengths. Demand stagnated, imports rose and a number of important manufacturing companies collapsed as did some retail entities. Our capacity to manufacture furniture declined and the sector became more fragmented and more oriented to imports. Several large manufacturing companies closed down especially in the 'case goods' sub-sector. This is clearly visible in the statistics on manufacturing output. The output from South African furniture manufacturers peaked in the period before the Global Financial Crisis, following which there was collapse in output as the economy faltered. While output had begun to recover in the subsequent period, it has been in decline since 2015.

Over the past two years, conditions in the industry have begun to shift, creating an important opportunity for the regeneration and expansion of the sector.



South African
Furniture Initiative

OUR STRATEGY

Our aspirations

South African designed and manufactured furniture in every home, school and workplace in Africa and beyond.

Our purpose

To build a globally competitive and transformed furniture industry that shapes lives in every, home, school and workplace in Africa and beyond.

What we prioritise

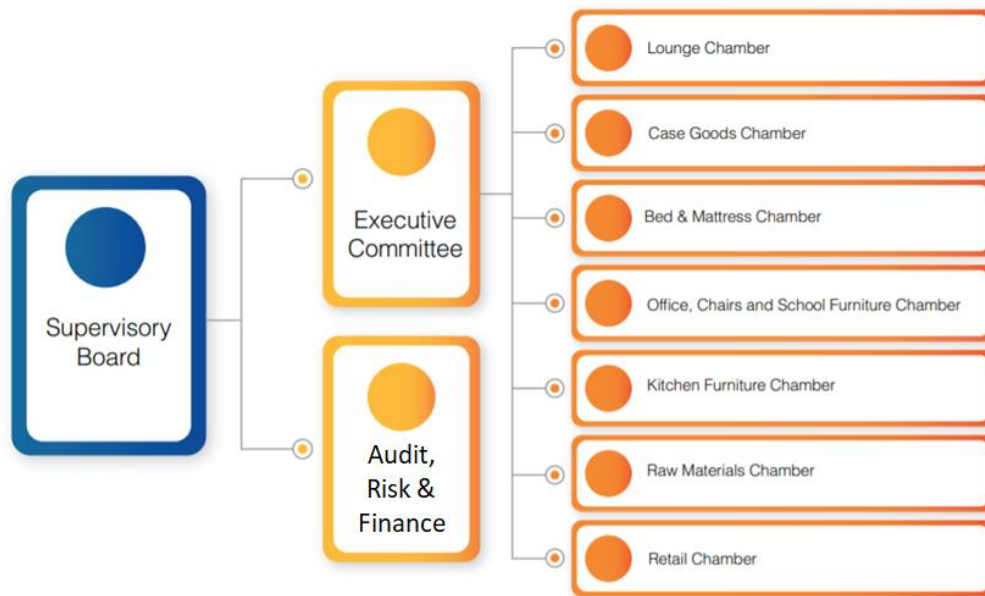
Market access	Trade intervention and remedies	Platform for market intelligence	Skills development and training
<ul style="list-style-type: none"> Support demand for locally manufactured furniture State procurement of furniture (seating, office and school furniture and mattresses). Export promotion through the ACFTA platform and other trade agreements beyond Africa. Access to locally produced raw materials. 	<ul style="list-style-type: none"> Curb illegal imports of furniture products. Identification of tariff lines for duty rebate applications. Use trade remedies to prevent uncompetitive imports of furniture products. Monitoring – Customs Training. Setting standards. 	<ul style="list-style-type: none"> Build industry data platform to provide market intelligence to ensure quality decisions made by the furniture value chain and for the furniture value chain 	<ul style="list-style-type: none"> Improve the technical skills in the furniture industry. Introduce new skills to drive growth, capacity and innovation in the furniture industry. Establish a qualified skills pool and career paths for younger generation aligned to Industry's' practical requirements.



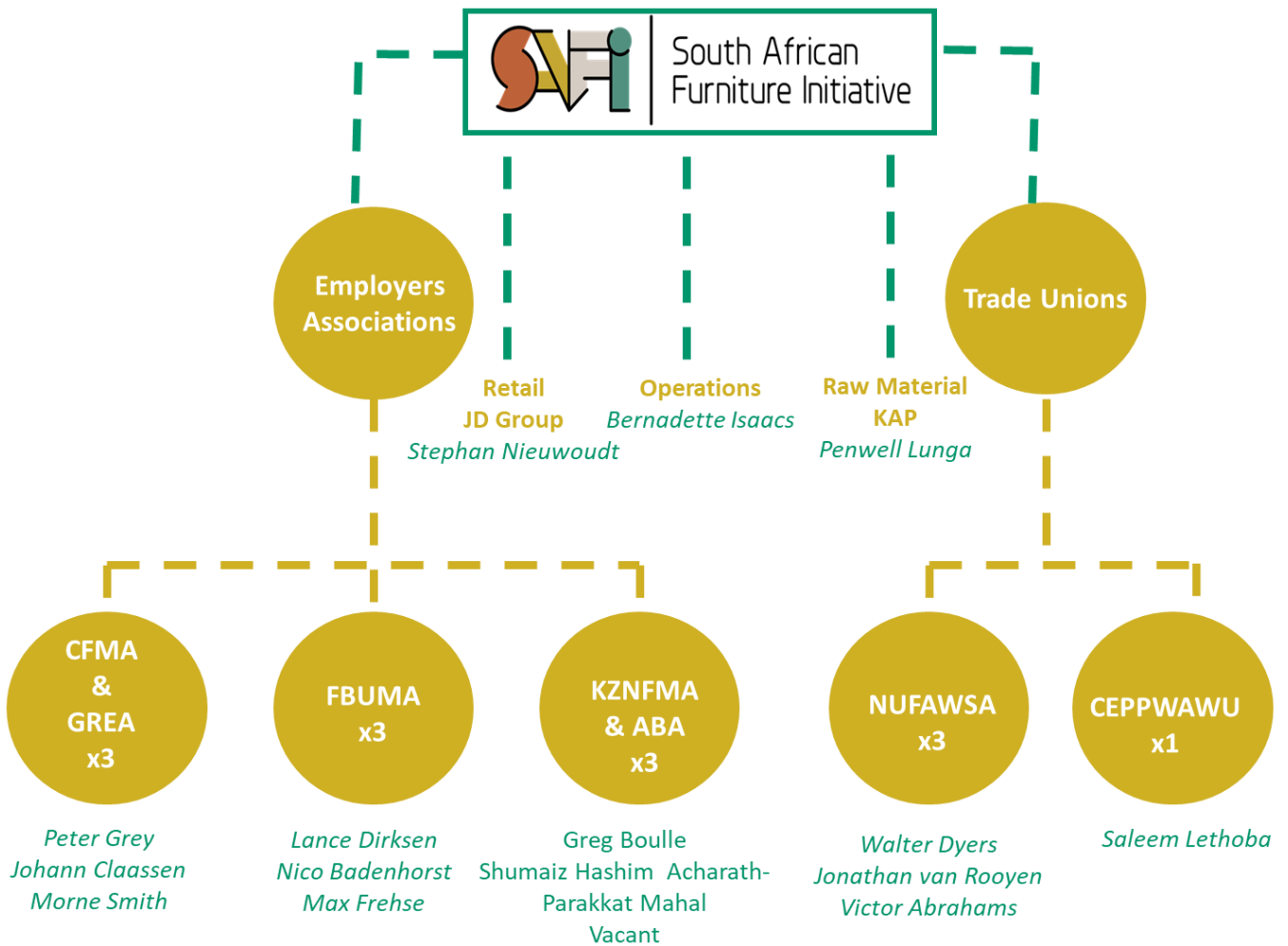
South African Furniture Initiative

EXECUTION PLATFORM

SAFI has therefore embarked on a process to segment its governance structures substantively to reflect the diverse nature of the industry segments and their different value chains represented as follows:



BOARD OF DIRECTORS 2020/2021



South African Furniture Initiative

TEAM STRUCTURE



Bernadette Isaacs
Managing Director



Nazley Hendricks
Project Manager



Greg Boule
EXCO Representative



**Communications
and PR**
*Panthera



Administration

CHAMBER PROJECT, CO-ORDINATION AND ADMINISTRATION SUPPORT



South African
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CHAIRMAN'S REPORT

The past year provided the furniture industry with many challenges beyond its control.

The COVID-19 pandemic is still with us, with enforced lockdowns having an immense effect on imports and exports and the availability of raw materials. To exacerbate the situation, the country had to contend with the civil unrest and accompanying looting during July, with devastating effects to the furniture manufacturing and retail industries.

These challenges do have a way to motivate and prompt the industry into action, which led to many initiatives that were activated and completed during the year. The Furniture Industry Master Plan (FIMP) was adopted, which played a major part in reorganising SAFI into seven chambers to streamline its support and services to the furniture sector. These chambers include the lounge, bed and mattress, case goods, office, chair and school, kitchen, raw materials and retail chambers with the SAFI administration and management team driving the data management and strategic relationships work stream.

By building a globally competitive and transformed furniture industry, we will be able to shape lives in every home, school and workplace in Africa and beyond. We have therefore prioritised our activities into four key pillars, namely market access, defending our industry with trade interventions and remedies, providing a platform for market intelligence by building a data platform to support the furniture value chain and improving the technical skills of our workforce.

We have set various goals with specific outcomes in our rebuilding phase where we plan to increase the market share of locally manufactured furniture within furniture retail by 50% by 2025, develop an evidence-based export and export marketing strategy by end of 2022, as well as complete a manufacturing and

productivity benchmark study. This study will enable local manufacturers to implement smart technologies and modern manufacturing practices to become globally competitive by 2026.

During the past year we presented the 3rd Annual Furniture Sector Forum successfully, engaged with local government during on-site visits in the Western Cape, as well as supported the eThekweni Furniture cluster in KZN. I have also been privileged to be part of a panel discussion at the Dubai Expo.



The Board wants to celebrate and congratulate SAFI on its 5-year anniversary. For the past five years SAFI has served the furniture sector as a reliable and pivotal role player, while proving itself as a credible connector between government, industry and labour.

On behalf of my fellow board members, we wish to welcome the new members of the board and thank them in advance for strengthening the board in general and the chambers in particular.

To our executive and operational team, thank you for your continued diligence, drive, commitment an uncompromising approach of putting SAFI first. I look forward to seeing how we are going to “BE THE CHANGE WE SEEK” by taking the words of former US president Barrack Obama to heart. “We remember, we rebuild, we come back stronger.” May this be at the centre of our future growth and transformation into a globally competitive industry.

I thank you,



Penwell Lunga:
Chairman of the SAFI Board

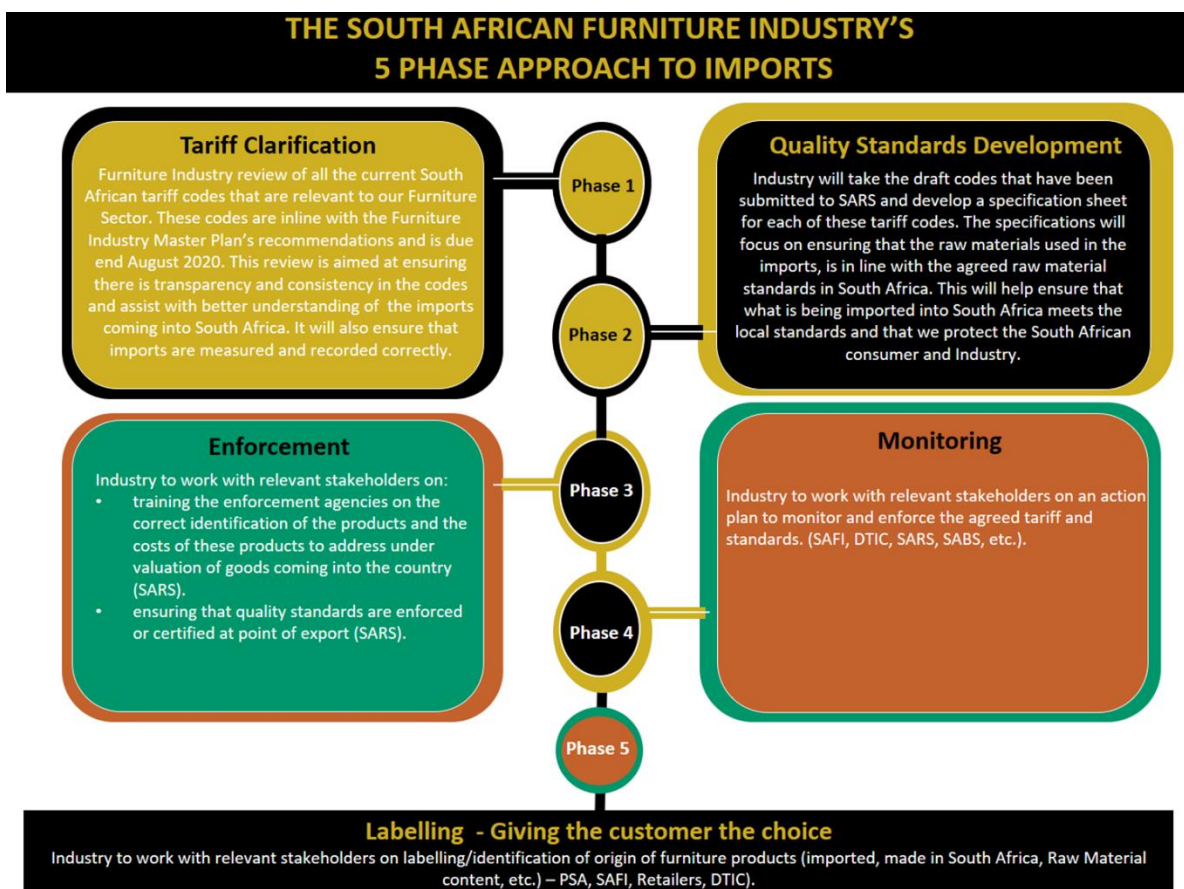


South African
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SARS FURNITURE FORUM

In June 2019 the South African Furniture Initiative (SAFI) partnered with Industry members and the South African Revenue Services (SARS) to form the first SARS Furniture Forum that will address the Industry's challenges and provide support to inform trade and industrial policy directed at decreasing imports of furniture into South Africa and develop and implement a plan aimed at preventing illegal import practices to curb the spread of illegal and poor quality imports which flood the local furniture market. Initial discussions revealed that in order for SARS to put systems and mechanisms in place to monitor and curb

illegal and poor-quality imports, they require information from Industry to identify the behavioral patterns for illegal activity like, under declaration, deliberate misclassification, under invoicing, etc. Further exploration revealed that this information is not readily available for the furniture industry due to factors like vague tariff headings and poor enforcement because of lack of product knowledge by Customs Officials. To this end, the Forum finalised a 5-phase approach to provide SARS with the information and support they require for monitoring and enforcement of illegal and poor-quality imports of furniture into South Africa.



In terms of progress made to date on our 5-phase approach, the industry has reviewed the first batch of tariff codes for clearer classification and this was submitted in August 2020 and gazette for implementation from 01 January 2021.

<https://www.gov.za/documents/customs-and-excise-act-amendment-schedule-no-1-no-111650-english-afrikaans-24-dec-2020>.

The Industry is also creating learning material for SARS Customs officials for seating products to enable them to do better monitoring and enforcement of these products in relation to under declaration or miss-classification. The training is expected to commence in April 2022.

There is also work underway on a proposal to update quality standards specifications on certain office furniture products that will be submitted to SABS for consideration.

As we progress through the ongoing 5-phase approach activities, SAFI is confident we will reach success as long as stakeholders commit and collaborate to finding local long term sustainable solutions for the industry.



SAFI FURNITURE SECTOR FORUM

In 2019, we launched the Furniture Sector Forum in partnership with PSA - Proudly South African and the DTIC - Department of Trade, Industry and Competition furniture sector desk, as a platform for partnerships, collaborations and opportunities within the South African Furniture Value Chain, which can result in:

- ✚ Sustainability of Industry and existing jobs
- ✚ Creation of jobs
- ✚ Increase in Local Procurement

Our key focus was the commitment by private and public procurers to support the local furniture sector; 2019 - <http://furniture.org.za/eventsx.php?id=24>

Our 2nd Annual Furniture Sector Forum that took place on 21st October 2020 where we focussed on the establishment of partnerships, collaborations and opportunities within the South African Furniture Value Chain, unpacked the Furniture Industry Master Plan, as well as hosted panel discussions with local speakers on subjects including furniture design and industry trends. The event was hosted by us, SAFI - the South African Furniture Initiative in partnership with, DTIC - Department of Trade, Industry and Competition furniture sector desk, Proudly South African, IID - the African Institute of the Interior Design Professions and Trend Forward.

FURNITURE
SECTOR
FORUM
2020

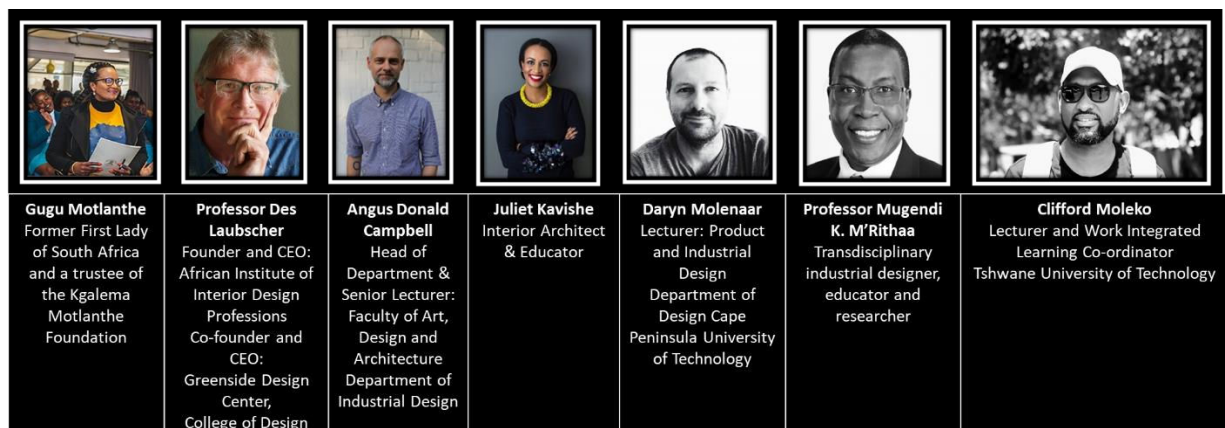


We had a jam-packed event and below you will find links to the three presentations of the day done by Proudly South African CEO, Eustace Mashimbye, SAFI's very own Managing Director, Bernadette Isaacs, our Chairman, Penwell Lunga, and Ncumisa Mcata-Mhlauli, Chief Director: Agro-Processing and Resource Based Industries at the DTIC.



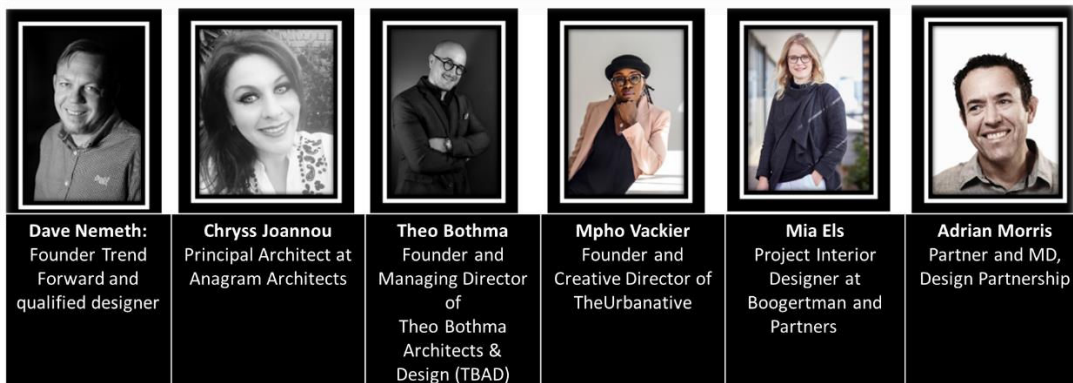
Panel 1: Furniture design education and the new furniture design qualification.

Our first panel discussion on Furniture design education and the new furniture design qualification, was honoured by, Gugu Motlanthe, former First Lady of South Africa and currently actively involved in creating inclusive education opportunities for learners, who did an introduction before Prof Desmond Laubscher, current president of the Pan Africa Institute of Design, facilitated the panel discussion with his impressive international and local panelists ensuring invigorating dialogue, including Angus Campbell (Head of the Department of Industrial Design at UJ), Prof Mugendi K M'Rithaa (Machakos University in Kenya), Juliet Kavishe (a professional interior architect and educator), Daryn Molenaar (Lecturer on product and industrial design at the CPUT) and Clifford Moleko (Lecturer and Work Integrated Learning Co-ordinator Tshwane University of Technology).



Panel 2: Architecture and the future of local furniture design and manufacturing.

Our second panel discussion on Architecture and the future of local furniture design and manufacturing, was facilitated by Dave Nemeth, founder of Trend-Forward with a superb line-up of panelists who hit the bulls-eye with their discussions, including, Chryss Joannou, principal architect at Anagram Architects, Theo Bothma, MD of Theo Bothma Architects & Design, Mpho Vackier, Founder and Creative Director of TheUrbanative, Mia Els, Project Interior Designer at Boogertman and Partners and Adrian Morris, Partner and MD at Design Partnership.



Catch up with the event by viewing this link: - <http://furniture.org.za/events2020.php>

WHAT WE ARE WORKING TOWARDS

This year we celebrate our SAFI 5-year anniversary by launching our reimagined strategy by focussing on being the change we want to see, with Furniture industry members demonstrating their commitment through initiatives aligned to our specific SAFI objectives and the Furniture Industry's Master Plan (FIMP).

Following the success of our past two Furniture Sector Forums, this year we acknowledge the challenges faced, build on what we have, and take on the challenge of an optimistic future by "being" the change.

Theme: We remember, we rebuild, we come back stronger.

With this positive viewpoint, we are working towards the following from 2022 and beyond:



- Develop a skills strategy to drive skills programmes to build technical capabilities and design skills to create uniquely SA products by April 2022.
- Report on the transformation initiatives within the furniture industry to develop an industry specific transformation strategy by 2022.
- Develop evidence-based export and export marketing strategy by end 2022.
- Roll out Non Tariff Barrier strategy to prevent illegal imports and implement appropriate certification process in respect of all furniture imports by 2023.
- Increase the market share of locally manufactured furniture within furniture retail by 50% by 2025.
- Complete manufacturing and productivity benchmark study to enable local manufacturers to implement smart technologies and modern manufacturing practices to become globally competitive by mid 2026.
- Achievement of 50% target SACU and SADC import replacement.



South African
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AUDIT COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2021 to the Furniture Industry.

This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008 (the Act), and the King IV Report on Corporate Governance for South Africa 2016 (King IV) on 1 November 2016. King IV is effective in respect of financial years commencing on or after 1 April 2017. King IV replaces King III in its entirety.

AUDIT COMMITTEE PURPOSE

The purpose of the Audit and Risk Committee is to assist SAFI to fulfil its role and obligations in terms of its corporate governance duties in relation to risk management, internal control and financial reporting. In addition, the Audit and Risk Committee is responsible for overseeing the professional and other business risks affecting SAFI.

The Audit and Risk Committee is also responsible for the management of those risks (including relating to ethics and independence) to ensure that it remains appropriate and effective. This includes the assessment of the effectiveness of the various risks, independence and compliance of policies within SAFI.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee comprised of two Employer representatives and one Trade Union representative and the Chairman of the committee is not the Chairman of the board.

The following SAFI directors served on the committee during the year under review:

- ✓ P Grey (CFMA)
- ✓ LG Dirksen - Acting Chairperson (FBUMA)
- ✓ NJ Badenhorst (FBUMA)
- ✓ WW Dyers (NUFAWSA)

MEETING ATTENDANCE

The committee held two (2) formal meetings during the 2020/2021 financial year.

<i>Name</i>	<i>27th July 2020</i>	<i>19th October 2020</i>
P Grey CFMA	✓	✓
LG Dirksen - Acting Chairperson	✓	✓
NJ Badenhorst FBUMA	✓	
WW Dyers NUFAWSA WC		✓

All members are recommended by the Board of Directors and are not remunerated for their role on the Committee. The Managing Director and the Administration and Finance Manager attended meetings of the committee by regular invitation. In addition, other SAFI directors are invited to attend various meetings on an ad hoc invitational basis. The Chairman of SAFI has an open invitation to attend meetings of the audit Committee.

COMMITTEE EVALUATION

SAFI may review the Committee's terms of reference from time to time, to ensure that the Committee is operating efficiently and effectively. The Committee may also recommend to SAFI that its terms of reference be amended, if the Committee deems it necessary.

ELECTION OF COMMITTEE MEMBERS

The following members made themselves available for election to the Committee. Such election was recommended by the Board of Directors and will be proposed to members at the upcoming annual general meeting:

- ✚ Peter Grey CFMA
 - ✚ Greg Boulle ABA – Appointed on the 28th July 2020
 - ✚ Nico Badenhorst FBUMA
 - ✚ Walter Dyers NUFAWSA WC
- LG Dirksen resigned on the 6th September 2021

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

Based on the information and explanations given by management and discussions held with the external auditor on the results of their audit, the Committee is of the opinion that SAFI's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review. In addition, during the 2020/2021 financial year, the committee was not made aware of any:

- ✚ material breaches of any laws or regulations; or
- ✚ material breaches of internal controls or procedures.

RISK MANAGEMENT

While the Board is ultimately responsible for the maintenance of an effective risk management process, the Committee, together with the Risk Committee, assists the Board in the assessment of the adequacy of the risk management process. The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

EXTERNAL AUDITORS

SAFI's external auditors are Valentine Sargeant and designated auditor Mr Richard Ernest Broome is afforded unrestricted access to the SAFI's records and management, and presents any significant issues arising from the annual audit to the Committee.

The Committee gave due consideration to the independence of the external auditors and is satisfied that Valentine Sargeant is independent of the company and management and therefore able to express an independent opinion on the company's annual financial statements.


The Committee nominated, for approval at the annual general meeting, Valentine Sargeant as the external auditor and Richard Ernest Broome as designated auditor for the 2021/2022 financial year, having satisfied itself that the audit firm is an accredited firm.

FINANCIAL STATEMENTS

The committee reviewed the financial statements of the company and is satisfied that they comply with International Financial Reporting Standards (IFRS) for SME's and the requirements of the Companies Act of South Africa.

APPROVAL

The committee recommended the approval of the annual financial statements and the integrated annual report to the board.



P Grey: Chairman of Audit, Risk and Finance Committee

The complete audit report can be obtained from the SAFI office.

ANNUAL FINANCIALS

SOUTH AFRICAN FURNITURE INITIATIVE NPC

Registration number 2009/003078/08

FINANCIAL INFORMATION

INCOME AND EXPENDITURE: year ending 31 March

	2021 R	2020 R	2019 R
Income	3 042 572	3 593 642	4 144 652
Bargaining Council funding	2 832 295	3 283 439	3 822 021
Interest	127 877	282 176	285 866
Project income	82 400	28 027	36 765
Overhead expenses	-3 723 410	-4 186 488	-3 940 037
Taxation	0	0	50 733
Surplus for the year	-680 838	-592 846	255 348
Retained income at the beginning of the year	2 992 847	3 585 693	3 330 345
Retained income at the end of the year	2 312 009	2 992 847	3 585 693

	2021 R	2020 R	2019 R
ASSETS AND LIABILITIES: <u>as at 31 March</u>			
Fixed assets	34 232	0	0
Receivables and prepayments	80 460	81 034	104 532
Cash and cash equivalents	4 912 310	5 599 205	6 031 228
Less: Payables	-166 177	-59 794	-117 817
Less: Project liabilities	-2 548 816	-2 627 598	-2 432 250
	2 312 009	2 992 847	3 585 693

The complete set of audited annual financial statements can be obtained from the SAFI office.

ANNUAL FINANCIALS CONTINUED

PROJECTS

	01-Apr-20		Payments	Recognised	31-Mar-21
	Balance	Receipts	to 3rd	as SAFI	Balance
	R	R	parties	(income) or	R
			R	expense	
				R	
Exports - Trade missions & exhibitions	0				0
Rebate application / illegal imports	188 859		-872 881	807 819	123 797
Market access	0				0
Furniture industry masterplan	0				0
Growth strategy	0	33 280			33 280
Qualifications development	1 747 915		-600		1 747 315
RPL / to be initiated	562 500				562 500
Skills, learnership, internship 2017/2018	128 325	435 000	-399 000	-82 400	81 925
Skills, learnership, internship 2015/2016	0				0
*	<u>2 627 598</u>	<u>468 280</u>	<u>-1 272 481</u>	<u>725 419</u>	<u>2 548 816</u>

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ACKNOWLEDGEMENTS

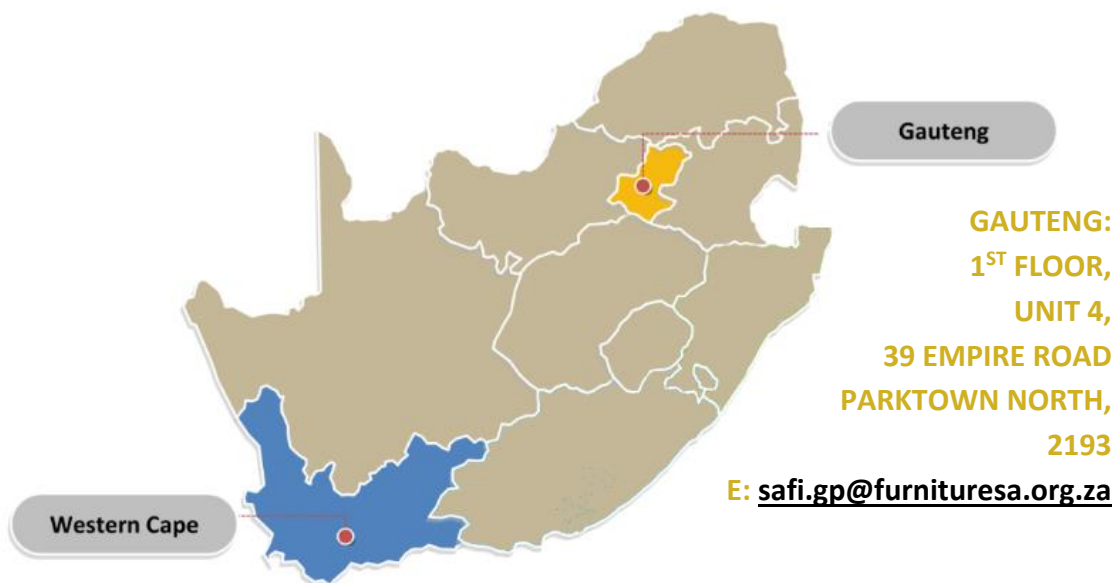


Thank you to all Industry Associations, Members and Stakeholders for your support.



South African Furniture Initiative

CONTACT DETAILS



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[SAFI video](#)



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