



Annual Report 2020

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Industry Overview

The furniture sector provides essential products for human life and death. Furniture consists of, inter alia¹, objects to support human activities such as seating (e.g., chairs, stools, and sofas), eating (tables), sleeping (e.g., beds), education (school desks, cupboards library bookshelf etc.) and outdoor (garden furniture). Furniture supports objects for work (tables and desks), or to store items (e.g., cupboards and shelves). Kitchens and structures for food preparation and consumption, whether built in or free-standing form a significant element of the industry for domestic and commercial purposes. The use of wooden coffins plays a significant part of setting loved ones to their final resting place. Furniture can be made from single or combination materials, including metal, plastic, wood, glass, textiles and rubber.

Pre COVID-19, the sector saw employment numbers drop from an estimated 47,256 formal jobs in 1993 (with an additional 6,000 informal jobs) to 34,719 in 2018 (with an additional 7 728 informal jobs)².

The furniture industry is characterised by the following:

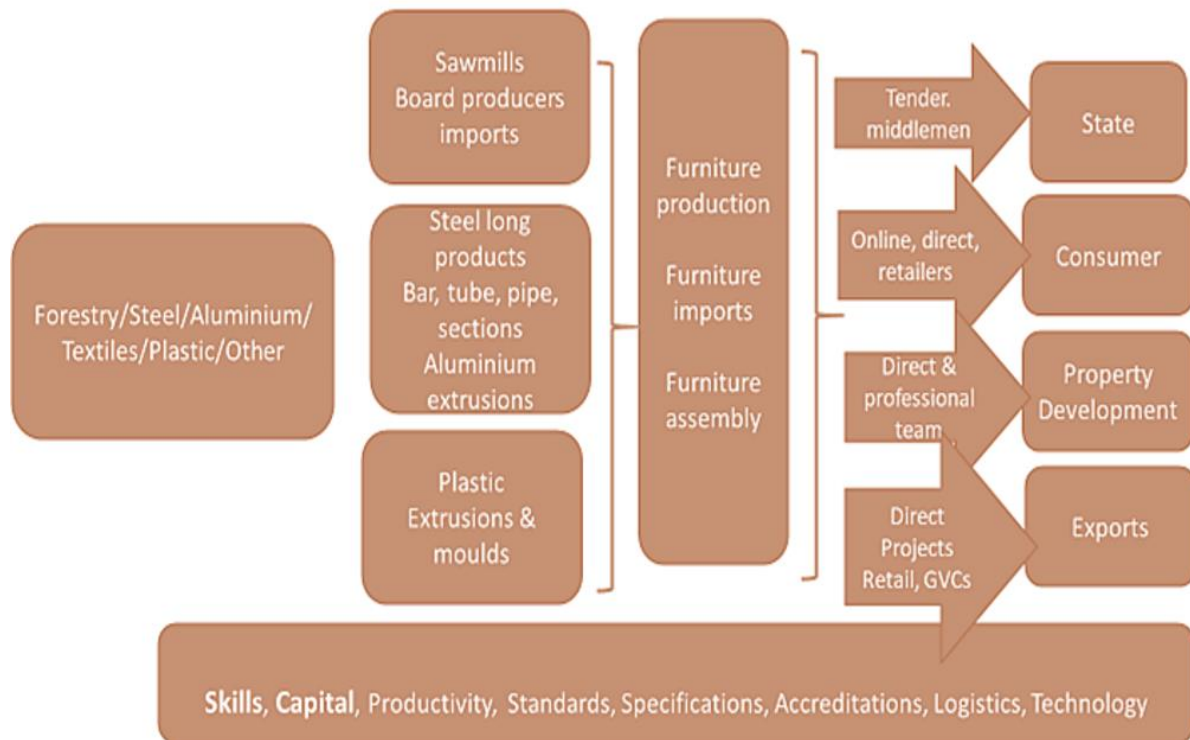
- Labour intensive - responsible for creating many jobs relative to total industry turnover - many occupations are not susceptible to productive automation. Formal Industry: +-2200 companies with +-27 000 employees;
- Provides work at all skills levels, ranging from semi-skilled to highly skilled with most occupations classified as skilled and/or artisanal;
- Can turn around quickly;
- Is SMME friendly. SMMEs represent 80 percent of all SAFI firms - barriers to entry are not high, and enterprises range from pure survivalist to export strong SMMEs;
- Is a major contributor to value added for the Forestry sector, in domestic and export markets, contributing +-1% of SAs Manufacturing GDP;
- Can be provided at many price points to many markets (from a R100 bed to a R100 000 bed³);
- Is gender equitable, and employs a high percentage of women in some sub sectors;
- Can be practically and extensively leveraged by the State through procurement thus facilitating transformation and localisation;
- Could, through import replacement, designation and improved exports to SADC, triple industry turnover in a short period of time (and related jobs) and increase investment and transformation in design, manufacturing and production

¹ Complete list of all furniture applications included in Situational Analysis of the Furniture Industry Master Plan

² Source: Quantec (2020), updated.

³ Although some beds can retail for as much as ZAR350,000 (SAFI, 2020)

The Furniture Value Chain⁴



The Furniture Industry SWOT Analysis⁵

SWOT Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> Local production offers quick turnaround for retailers Labour intensive - for job creation Incentives available Some leading firms Flexible & adaptable Rural work opportunities 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> Upstream oligopolies drive input prices up No significant capital investment for some time No consistent investment in focussed essential skills needed Compliance to standards and accreditations low Insufficient hand skills Mass market disposable income very low BEE has in some cases resulted in higher prices for the State due to the introduction of "middlemen" Poor economy Customs not always functional Lack of trust in policy certainty Limited transformation - few black South African investors show interest, and a number of family owned businesses Industry does not work together Capital constraints for SMMEs
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Urbanisation Secure local market and SACU/SADC Township entrepreneurs - make from recycled and service mass market Streamline access to funds and support Effective implementation of designation as soon as possible Remove tariffs on raw materials/ components not made locally and increase tariffs to protect local industry from low cost imports Bring back experiential learning. On the job training and learning is essential in large and smaller firms, for different skills 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> Imports from China and Vietnam More large SA firms move production to Asia The same rules for SMMEs and start-ups from bargaining councils - can sink SMME cashflows. Unskilled, informal workers underquoting and delivering poor quality. Big SA companies moving production offshore Big retailers importing directly from Asia Middlemen for school furniture importing directly from China. Unintended consequences from BEE Imports don't comply with standards and accreditations Replacement of solid furniture with board

⁴ Furniture Industry Master Plan 2020

⁵ Furniture Industry Master Plan 2020

Company Profile

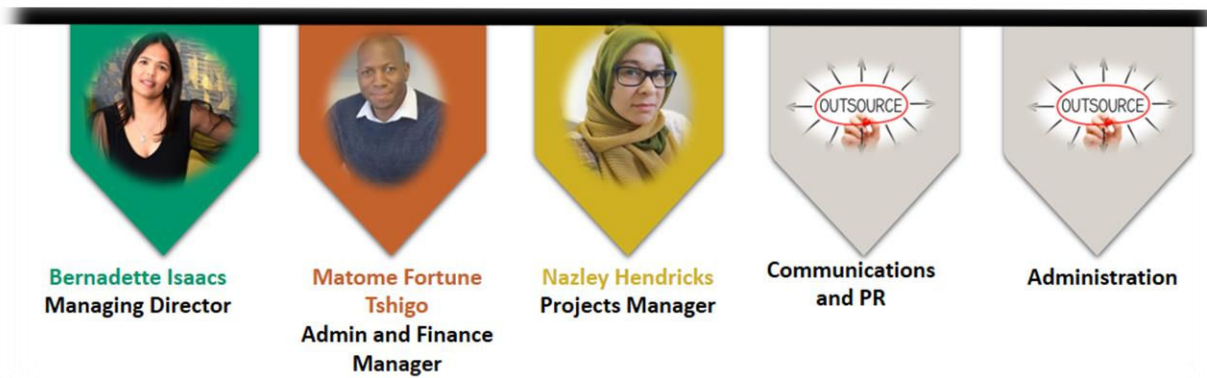
Through its design and manufacturing capabilities, the South African Furniture Industry aims to be recognised locally and internationally in specific market segments by 2025.

To support the realisation of the South African furniture industry's vision, the South African Furniture Initiative "SAFI" was created as a joint initiative of Industry, Labour and Government for the benefit of all the stakeholders to:

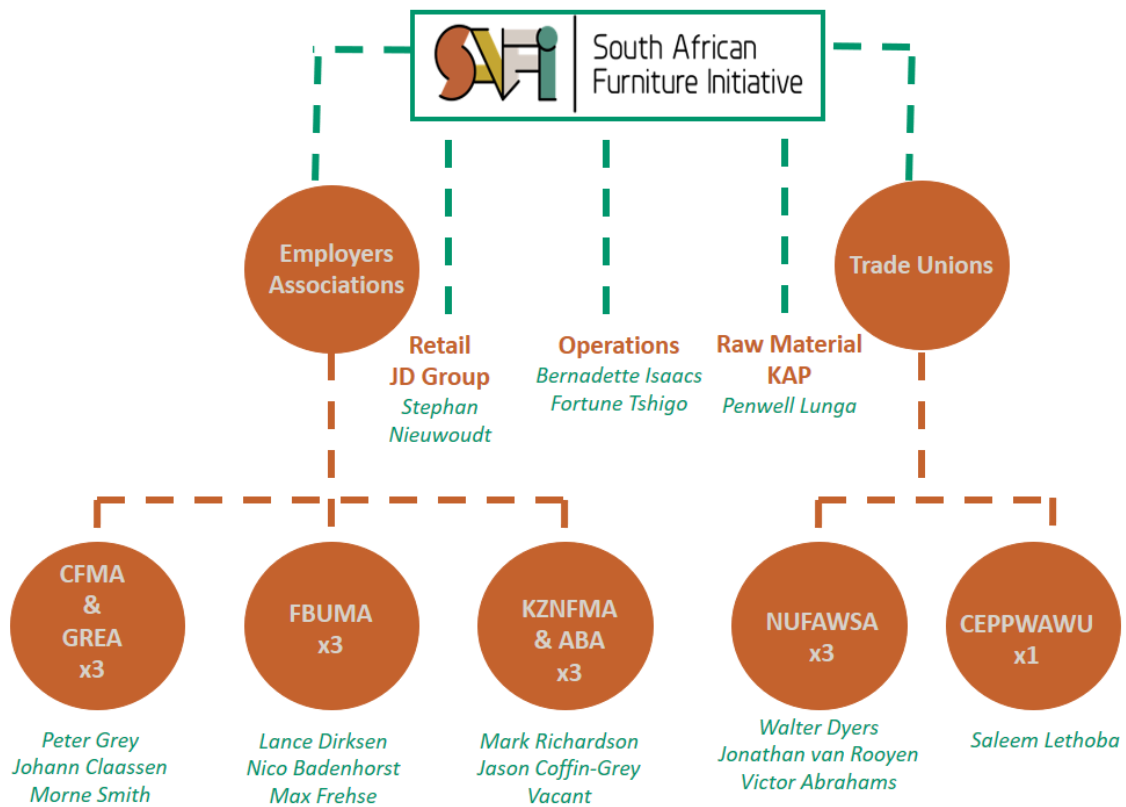
- provide market and industry information;
- facilitate training, mentoring and support services;
- Position the industry to penetrate domestic and international markets;
- facilitate the development of strategic relationships throughout the furniture value chain and
- promote effective manufacturing and design

With the common interest of promoting employment growth, value addition and transformation across the furniture value chain.

Team Structure



Board of Directors 2019/2020



Board Subcommittees

SAFI SUBCOMMITTEES



Audit, Risk and Finance

- Peter Grey – Chairman
- Lance Dirksen
- Nico Badenhorst
- Walter Dyers



HR and REMCO

- Lance Dirksen - Chairman
- Cobus van Vuuren
- Saleem Lethoba
- Walter Dyers



Projects and Fundraising

- Peter Grey – Chairman
- Jason Coffin-Grey
- Johann Claassen
- Morne Smith
- Nico Badenhorst
- Penwell Lunga
- Saleem Lethoba
- Stephan Nieuwoudt
- Victor Abrahams



South African
Furniture Initiative

Chairman's Report

In the previous period we forecasted that SAFI needed to position itself for a challenging period ahead. Little did we know what we would be confronted with. The business model of SAFI has been bolstered by leveraging off strategic pillars since inception and in this period we under took to deliver on many of these levers including, but not limited to the following initiatives:

- ✚ The final stages of the Furniture Industry Master Plan (FIMP) and its future implementation.
- ✚ Promotion of the FIMP, as a tool to establishing an Export council for the industry.
- ✚ Placing the South African furniture manufacturing capabilities on noticeable electronic platforms such as a home grown furniture directory.
- ✚ Lobbying government and state-owned enterprises where, trade remedies namely rebates, compulsory standards, reclassification of tariff sub-heading and custom enforcement is concerned.
- ✚ Driving support services for the industry as it relates to the development of critical skills such as the furniture design qualification.
- ✚ Involvement and advocacy in public sector engagements with particular and directed objectives of cultivating local procurement of designated furniture in government at national, provincial and municipal levels.

In the midst of navigating our way through these turbulent waters, come the 26th March 2020 President Cyril Ramaphosa announces a nationwide lock down as a bold step to 'flatten' the curve of the COVID 19 pandemic in order to save lives in our country.

True to the character and as a testimony to the agility of our executive team our staff went into 'overdrive' to adapt to the "new normal". This was manifested in constant communication through engagement with the Industry on UIF

TERS enquiries, a workplace readiness toolkit under level 4; Webinars on Labour relations, short time, retrenchment, free online COVID -19 Health and Safety training, social media updates on legislation, funding information and webinars on industry specific issues. SAFI also served as a conduit of information gathering for government where a number of surveys, were concerned.



On the governance front, we have taken further steps to ensure that our frameworks, policies, protocols and practices are in line with best practice for an organisation of our size and stature. Like every other organisation in the world our business has been negatively affected by COVID-19 pandemic but we have taken steps to mitigate our risk in this regard and trade as a responsible entity going forward.

This period has evidenced the resignation of some board members who have contributed meaningfully to the success of SAFI and we wish to express our gratitude to them.

We also welcome the new members of the board and we are confident that this new intellectual property would serve to further bolster the board and concomitantly our various subcommittees.

To our executive and team inside and outside the organisation we need to salute you for your performance in very difficult times. Your flexibility, early adoption of modern work practices, diligence and technology friendly operating procedures, has placed SAFI in an ideal position to continue to support the growth and survival of this industry.

To my fellow board members, I wish to extend my heartfelt thanks for your unwavering contributions in challenging circumstances. Your collective effort has served to cement this organisation as a credible, legitimate and value enhancing player within the furniture landscape.

I thank you



Penwell Lunga:
Chairman of the SAFI Board



Furniture Industry Master Plan

The Furniture Industry Master Plan (FIMP) has been developed using all available evidence (literature, statistical and document review) in the context of an extensive consultation and engagement process with industry (large and small, medium and micro (SMME) enterprises); organised labour, bargaining councils, specialist entities and relevant government departments and agencies. This FIMP has determined the actions necessary to, in the immediate term, halt the decline of the industry, whilst at the same time taking advantage of important market growth opportunities, and the removal of barriers to further investment.



The South African Furniture Initiative (SAFI) and the Department of Trade, Industry and Competition (dtic) completed their consultative roadshow with furniture manufacturers across South Africa in preparation for its Furniture Industry Master Plan (FIMP) in February 2020.

The roadshow travelled from the Western Cape to Gauteng, Mpumalanga, KwaZulu-Natal

and the Eastern Cape to meet with local manufacturers of all sizes and other stakeholders in the furniture value chain to discuss the initial research done in the form of a Situational Analysis, including challenges and opportunities, with them. These inputs were compiled into a comprehensive feedback document on which the final FIMP will be based.

“By completing our national roadshow in early February, we have kept our promise of following a very aggressive timeline and to expedite the creation of an industry masterplan,” says Bernadette Isaacs, Managing Director of SAFI.

“We are particularly proud of the fact that our roadshow included previously underserved areas such as Mpumalanga and the Eastern Cape and it managed to attract manufacturers of all sizes, suppliers and other role players.”

The furniture manufacturing sector is a significant contributor to job creation and South Africa’s gross domestic product. The industry employs approximately 27 000 people and is responsible for 1% of the country’s GDP.

While it is a major contributor to South Africa’s manufacturing sector, the furniture manufacturing industry is highly fragmented. Unlike the automotive industry, which has a small number of large manufacturers, the furniture sector is made up of over 2 200 manufacturers with an average employment figure of 13 people per plant.

With the proposed FIMP, the government and industry bodies such as SAFI hope to guide future industrial development, the creation of supportive policies and the growth of the industry through export promotion. They also hope to guide transformation in the industry.

“The diverse nature of this industry has posed a challenge to the team of FIMP consultants to collect comprehensive feedback from a representative section of the industry. But at the same time, that means that any positive results from the implementation of the FIMP will impact a very large group of manufacturers and their employees,” says Isaacs.

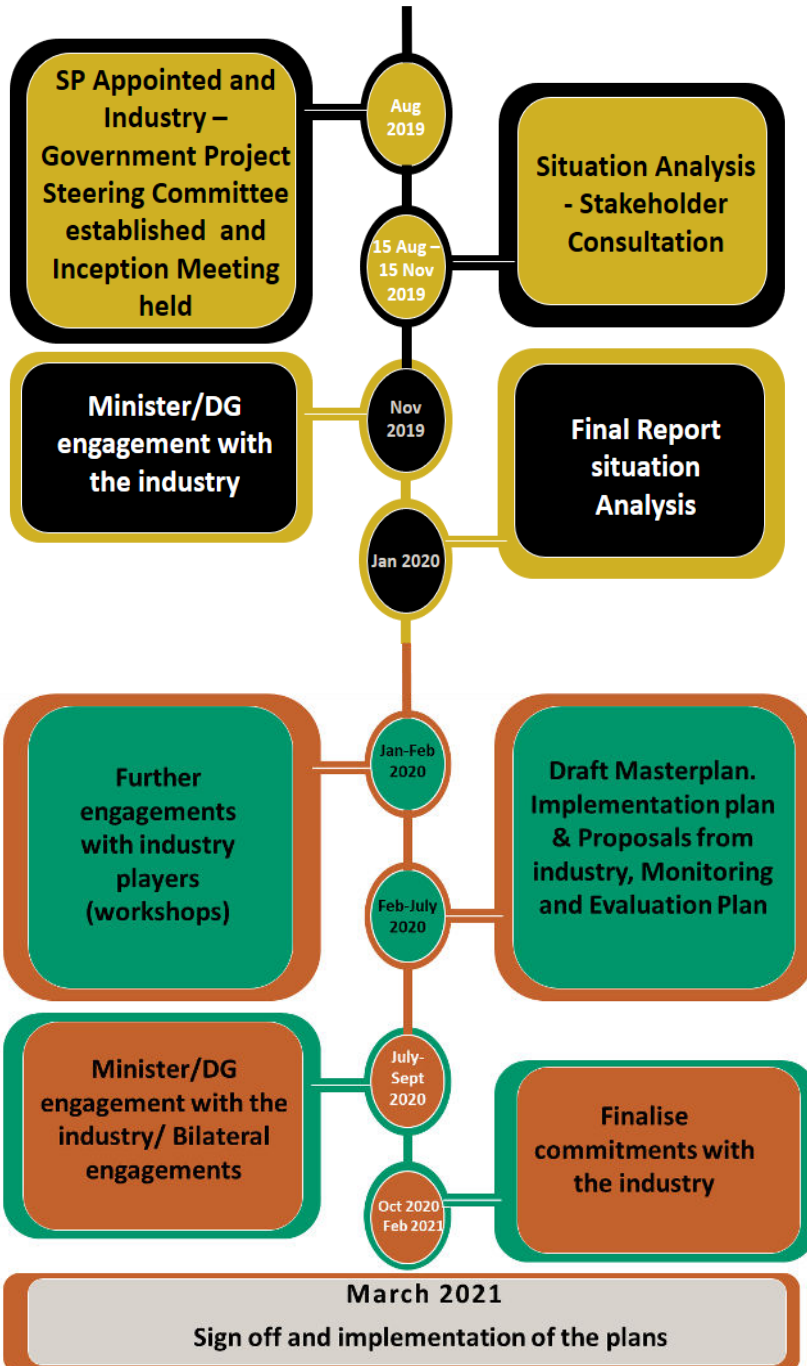
Isaacs explains that even a marginal improvement in the turnover of over 2 200 manufacturers will ratchet the positive economic impact, leading to increase employment, investment and manufacturing output.

“With industry master plans such as the South African retail – Clothing, Textile, Footwear and Leather value chain Masterplan and the South African Automotive Master Plan, government has shown its intention of supporting the South African manufacturing sector by creating an environment conducive to long-term planning and investment. We trust that the FIMP will do the same for our sector,” says Isaacs.





FURNITURE INDUSTRY MASTER PLAN



Furniture Design, the way of the future - IID and SAFI join hands to support design and manufacturing industries

SAFI are extremely pleased to announce that the long wait for the Furniture Design qualification was not in vain, and that in May 2020 the qualification was formally registered with SAQA as a NQF (National Qualifications Framework) 7 qualification. SAFI is currently engaging with the FP&M Seta to finalise the Community of Expert Practitioners to commence with the learning material development for the Furniture Design qualification.

As part of our objective to highlight the significance of Furniture Design for South Africa, we have partnered with the African Institute of Interior Design Professionals (IID) to promote South Africa's rich interior, furniture and product design industries.

The two organisations signed a Memorandum of Understanding at the end of May, which commits them to promote all aspects of interior and product design and furniture design and manufacturing, to the benefit of both industries.

"We are very excited to bring together the creative and production aspects of these vibrant industries. South Africa has a rich vein of creative individuals and organisations and by sharing information, contact details and capabilities we can nurture and grow the sector," says Bernadette Isaacs, Managing Director of SAFI.

The Memorandum of Understanding takes effect immediately and the first collaboration will be the partnership for the SAFI Furniture

Isaacs signed the agreement on behalf of SAFI, while Professor Des Laubscher, CEO of Greenside Centre College of Design and the Chairman of the Board of the IID, signed on behalf of the IID.

As part of this agreement, SAFI and the IID will open their respective networks and marketing channels to promote the businesses that form part of each organisation and the expertise that their members have.

The new Memorandum of Understanding is part of a wide range of initiatives in which organisations such as SAFI and the IID hope to grow the larger furniture and interior design sector and encourage organisations, both private and public, to look to local suppliers first.

This will in turn be supported by proposed Government procurement policies and other pro-business rules that will support these creative industries.

"We started with the Buy Local pledge at last year's Furniture Sector Forum in Johannesburg and extended the work to include new Government policies, a Furniture Design qualification and a forthcoming Industry Master Plan, which will soon be promulgated. All of these efforts are aimed at supporting a very vibrant, but also very vulnerable, industry," says Isaacs.

Sector Forum 2020 taking place in October 2020.

The year ahead...

Since the first announcement from President Cyril Ramaphosa on a nation-wide lockdown for 21 days with effect from midnight on Thursday 26th March 2020, it's been a long uphill battle on a daily basis for our economy to revive. It was a bold decision that was needed to "flatten the curve" in order to save lives. During this period and beyond SAFI has continued to be hard at work with initiatives to support, sustain and grow the furniture industry.

Our programmes have been aligned to the Furniture Industry Master Plan under the following pillars:

Market Access

- ✓ Programme one - improve protection against very low cost and illegal imports.
 - Furniture Industry SARS Forum
- ✓ Programme two - significantly increase local purchases of locally made furniture
 - Furniture Industry Directory
 - Annual Furniture Sector Forum
- ✓ Programme three - doubling of exports by end 2024
- ✓ Programme four - FDI value proposition

Transformation

- ✓ Programme five - finalise transformation plan for the furniture industry
 - Furniture Industry Master Plan
- ✓ Programme six - Develop and implement SMME entry and sustainability support programme

Competitiveness

- ✓ Programme seven- cost and productivity improvement
- ✓ Programme eight- practical and experiential skills development
 - Furniture Industry Skills and Qualifications development
- ✓ Programme nine- measure and manage



Audit Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2020 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 shall be responsible for overseeing the professional and other business risks affecting SAFI.

The Audit and Risk Committee shall also be responsible for the management of those risks (including 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 Chairman (FBUMA)
- ✓ NJ Badenhorst (FBUMA)
- ✓ WW Dyers (NUFAWSA)

Meeting attendance

The committee held two (2) formal meetings during the 2019/2020 financial year.

<i>Name</i>	<i>18 June 2019</i>	<i>20 November 2019</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:

-  PC Grey CFMA
-  LG Dirksen FBUMA
-  NJ Badenhorst FBUMA
-  WW Dyers NUFAWSA WC

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 2019/2020 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 present 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 2019/2020 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.

EXPERTISE OF ADMINISTRATION AND FINANCE MANAGER AND FINANCE FUNCTION

The committee considers the appropriateness of the expertise and experience of the Administration and Finance Manager and finance function on an annual basis. In respect of the above requirement, the committee believes that Mr MF Tshigo, the Administration and Finance Manager, possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the SAFI's operations.

APPROVAL

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



L Dirksen
Acting 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

	2020 R	2019 R
Income	3 593 642	4 144 652
Bargaining Council funding	3 283 439	3 822 021
Interest	282 176	285 866
Project income	28 027	36 765
Overhead expenses	-4 186 488	-3 940 037
Taxation	0	50 733
Surplus for the year	-592 846	255 348
Retained income at the beginning of the year	3 585 693	3 330 345
Retained income at the end of the year	2 992 847	3 585 693

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

Annual Financials continued

ASSETS AND LIABILITIES	as at 31 March	2020 R	2019 R
Receivables and prepayments		81 034	104 532
Cash and cash equivalents		5 599 205	6 031 228
less Payables		-59 794	-117 817
less Project liabilities	*	-2 627 598	-2 432 250
		2 992 847	3 585 693

PROJECTS	2019 R			Recognised as SAFI (income) or expense	2020 R
	Balance	Receipts	Payments to 3rd parties		Balance
Exports - Trade missions & exhibitions	-	-	-73 139	73 139	-
Rebate application / illegal imports	-	435 725	-404 356	157 489	188 859
Market access	-	-	-113 782	113 782	-
Furniture industry masterplan	-	-	-383 696	383 696	-
Qualifications development	1 864 099	-	-116 184	-	1 747 915
RPL / to be initiated	562 500	-	-	-	562 500
Skills, learnership, internship 2017/2018	-22 375	629 500	-478 800	-	128 325
Skills, learnership, internship 2015/2016	28 027	-	-	-28 027	-
*	2 432 250	1 065 225	-1 569 957	700 080	2 627 598

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

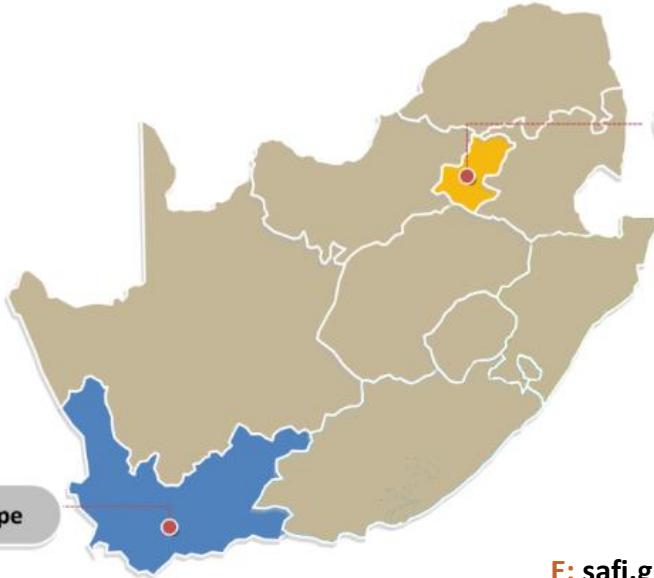
Acknowledgements

Members, Associate Organisations and Memberships



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

Contact Details



The map shows the Western Cape province highlighted in blue and the Gauteng province highlighted in yellow. Red dots on the map indicate the locations of the contact centers in Cape Town and Johannesburg.

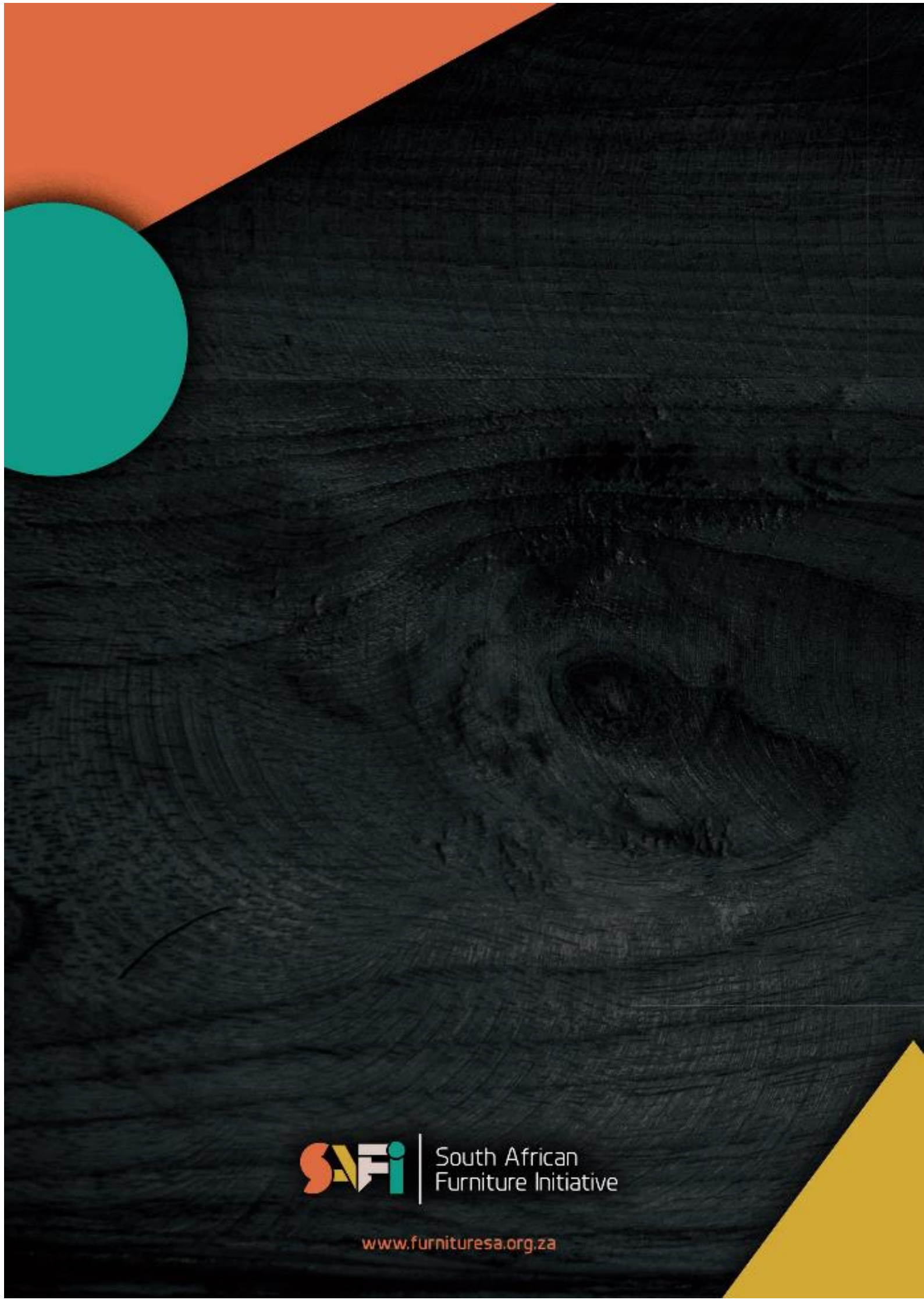
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South African
Furniture Initiative

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