



Annual Report 2023

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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

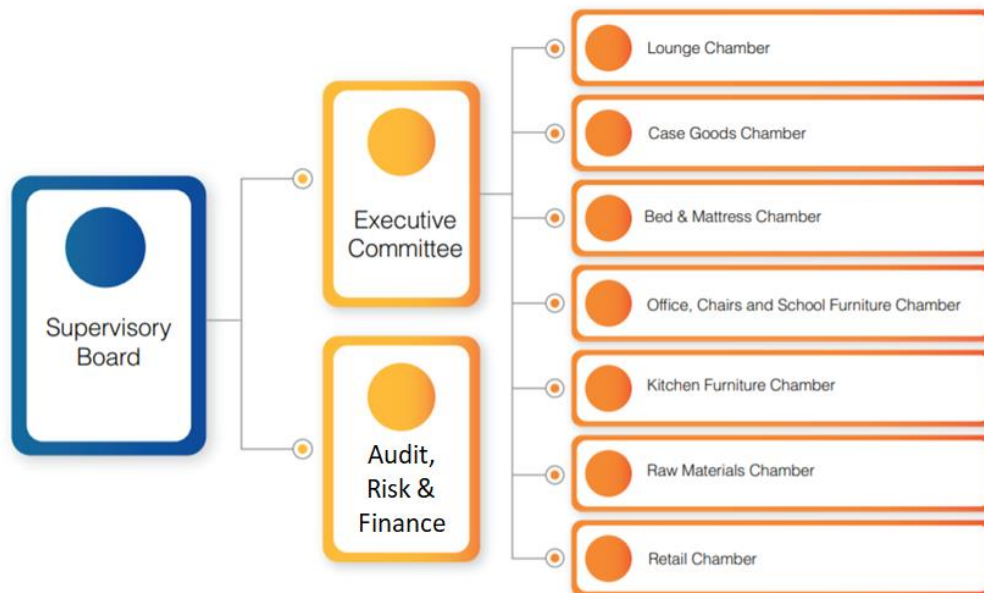
Market access	Trade intervention and remedies	Platform for market intelligence	Skills development and training
<ul style="list-style-type: none"> Support demand for locally manufactured furniture State procurement of furniture (seating, office and school furniture and mattresses). Export promotion through 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's governance structures are segmented to reflect the diverse nature of the industry and their different value chains represented as follows below is brief overview of the hard work put in by the various chambers of the South African Furniture Initiative (SAFI).



THE LOUNGE CHAMBER:

- + SARS Customs Training
 - ✓ Has completed and launched a Furniture training module for SARS Customs Officials for certain products (Upholstered seats with wooden frames) under seating HS Codes 9401.61.10 Recliner seats, electrically operated, 9401.61.20 Recliner Seats, mechanically operated and 9401 61.30 Suitable for indoor living space (excluding barstools, dining chairs and the like). The main aim is to provide product knowledge for Customs Officials to be able to identify inconsistencies in document inspection that can trigger physical inspection to curb illegal imports in the forms of under-invoicing, misclassification, under declarations, etc. To date, 257 SARS officials have attended the training, with 233 having completed the post training assessment.
 - ✓ Site visits are taking place at three Lounge factories for September and October 2023 in Stanger, Johannesburg, and Cape Town, this is to support the virtual training that has taken place since September 2022. The SARS seating factory visits commenced in Gauteng on Thursday, 14th September 2023.
- + Tariff subheadings
 - ✓ SAFI continues to review the Tariff Subheadings so that more accurate and descriptive data is available on imports and exports:
 - ✓ A submission has been made to SARS to include a separate tariff subheading for parts for vehicle seats as it is reliably estimated that imports of these products amount to

approximately R1,5 billion per annum and the imports are currently declared under a Seating tariff code described as “Other”.

- ✓ Application has also been made for a separate tariff subheading for mechanical acitons used in the manufacture of recliner seats.

✚ Skills Development

- ✓ We are progressing with the Occupational Certificate: Upholsterer qualification SAQA Qualification ID: 103199, funded by the FP&M SETA. The Gap analysis is being finalised , which will follow with the finalisation of the learning material for the qualification with industry experts.

THE CASE GOODS CHAMBER:

✚ SARS Customs Training

- ✓ The training material under HS 9403, Other furniture and parts thereof, for SARS Customs officials has been finalised and approved by the SARS Institute of Learning and aligned with the objectives as indicated above. Industry members worked closely to finalize this and launch the additional furniture module in the new training cycle.

✚ Skills Development

- ✓ We are awaiting approval from SAQA for the registration of the Occupational qualifications for Furniture Maker, Crafted Furniture Machinist, and Crafted Furniture Assembler.

THE BED AND MATTRESS CHAMBER

✚ Skills Development

- ✓ We are finalising the terms of reference for a Bed and Mattress specific skills development implementation plan.

THE OFFICE, CHAIR AND SCHOOL CHAMBER

✚ Public Procurement Bill

- ✓ Made key input to state procurement policy through input to the SAFI submission as part of the CALL FOR PUBLIC SUBMISSIONS AND COMMENTS on the PUBLIC PROCUREMENT BILL [B18 – 2023].

✚ Tariff subheadings

- ✓ A submission was made to SARS to expand the tariff subheadings related to certain items of children’s table and chairs, made from polypropylene and school desks made from different materials. The submission is currently subject to public comment.

✚ Department of Basic Education

- ✓ The School Chamber made a presentation to the Department of Education procurement officials during October 2023 stressing the importance of buying locally manufactured furniture used in schools.

THE KITCHEN CHAMBER

✚ Duty rebates and drawbacks for SMME’s

- ✓ Has been in investigation mode through various engagements with SARS seeking to simplify the process of accessing duty rebates and drawbacks for SMMEs.

✚ SARS AEO Programme

- ✓ To assist with alleviating the administration burden on SMME, one of the members participated in the SARS SMME Authorised Economic Operator (AEO) pilot Programme. Additionally, the Kitchen Chamber has actively participated in the Industry Skills Task team led by the FP&M SETA and will be pursuing a project addressing short-term training required to fill skills gaps like, technical drawing, being able to read a plan and elevations and understanding and taking measurements, Saw operators, CNC Operators, Edge Banders, Welding, Deco spray painters and soft skills, for example, personal finance, hygiene, communication, appearance, timekeeping, attire, etc.

✚ Tariff subheadings

- ✓ Also investigated the feasibility of expanding certain tariff subheadings related to hardware and fittings used in the manufacture of kitchens and built-in cupboards, however concluded that it would not be feasible to do so.

THE RAW MATERIAL CHAMBER

✚ Supply and demand

- ✓ Has focused on matching supply and demand with a focus on board products, through consultation with companies. This is critical to maintaining local production and keeping supply channels open.

✚ Tariff subheadings

- ✓ Application was made to SARS to amend the tariff subheadings for particleboard and MDF to align closely to the subheadings and descriptions used by the European Union. However due to the technical nature of the products, further discussions will be held with SARS in 2024 with the aim of amending the tariff subheadings effective from January 2025.

CROSS CHAMBER ACTIVITIES

During the past year a cross Chamber matrix approach to Industry-wide matters through Task Teams was included.

✚ Furniture Industry Master Plan

- ✓ All Chambers have welcomed and participated in all Task Teams under the Furniture Industry Master Plan (FIMP), namely, Localisation, Competitiveness, Raw Materials, Skills Development, Export Promotion and Transformation. The members look for innovative ways to work together to meet the industry's needs. SAFI is the Chair of the following Task Teams:
 - Export
 - Skills
 - Transformation
- ✓ SAFI serves on the Project Steering Committee for the industry Value Chain Analysis, that is being funded by the Industrial Development Corporation.

SARS Furniture Forum

We also actively partner with the government and industry in the SARS Furniture Forum that was formed in 2019.

- ✓ This year we focused on monitoring SARS statistics to highlight areas that require further concentration like more detailed tariff classification to minimize the use of vague HS codes like “Other” when importing, which hinder the industry and SARS’ ability to recognize and address illegal imports such as under-invoicing, misclassification, under declarations amongst others.
- ✓ SAFI continues to encourage members to report suspect transactions on the SARS Hot-line for investigation.
- ✓ Trade asymmetries, especially between China and South Africa have been highlighted and SAFI will continue to endeavour to understand the reasons for the asymmetries.
- ✓ The training of Customs Officials and the factory visits, referred to above, also emanated from the SARS Furniture Forum.
- ✓ SAFI has obtained confirmation from SARS that imported raw materials may be received into a stockist’s registered bonded warehouse and then sold (transferred), to manufacturers that are registered rebate users of that particular raw material. ITAC is however of the opinion that where an ITAC import permit is required, this process may contravene the terms of the permit. Ongoing discussions are being held with SARS and ITAC in an attempt to find a resolution to the permit issue.
- ✓ A SMME manufacturer is participating in the Authorised Economic Operator pilot project and SAFI will continue to monitor the progress of this initiative.

Government tender

- ✓ A tender award for replacing seating in the Playhouse Durban was referred by SAFI to National Treasury, asking for an explanation as to the reason why local manufacturers cannot compete with imported product. The results of the referral are awaited.

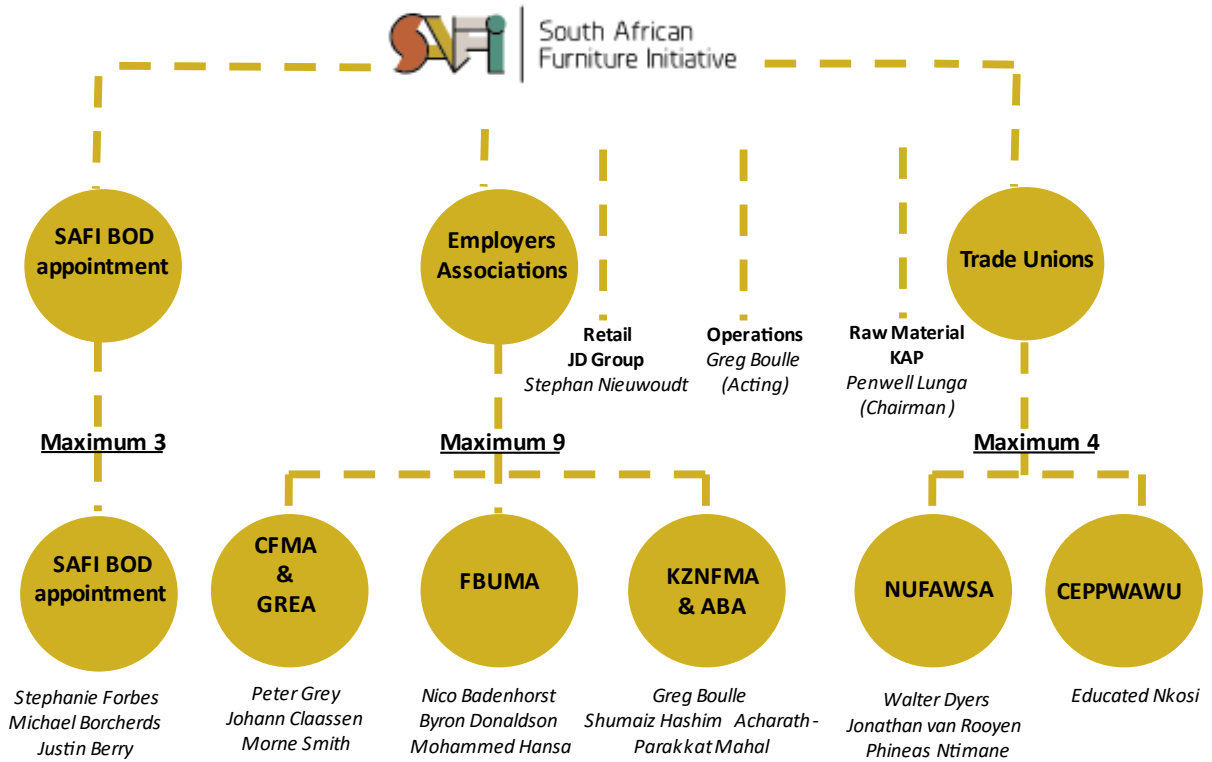
SAFI has started a process of revamping its website and the new website will be operational early in 2024. As part of the revamp, two additional features will be added:

- ✓ A section for raw material and service providers, who have become Associate Members of SAFI, will be added to the Furniture Directory.
- ✓ An employment section where employers can advertise vacancies within their businesses and a section where new employee entrants and retrenched employees can upload their details.

Webinars:

- ✓ SAFI, in conjunction with the Localisation Support Fund (LSF), hosted a series of eight webinars on Lean Manufacturing. The LSF has invited qualifying businesses to apply for the second phase of the project, being on-site support.
- ✓ SAFI has circulated a number of webinars on a variety of applicable subjects to industry stakeholders.

BOARD OF DIRECTORS 2023



CHAIRMAN'S REPORT 2023

The unstable economic conditions in South Africa in 2023 — high interest rates and unemployment, crippling power cuts and low levels of business and consumer confidence — were reflected in the furniture manufacturing and design sector, which is contracting as we saw supply chain factories closing their doors. In terms of the 1 November 2023 mid-term budget statement real GDP growth is expected to be 0.8 per cent in 2023 and projected to average 1.4 per cent from 2024 to 2026. Factors that contribute to the country's weak economic growth include volatile commodity prices, high inflation, elevated interest rates, low consumer demand and a challenging global economic environment. These factors have negatively impacted the sustainability of furniture manufacturers which has in turn placed a strain on SAFI's financial and operational capacity.

In spite of the difficult challenges facing our sector and the economy, SAFI remains committed to work with government, labour, industry and other stakeholders to contribute to various efforts aimed at turning around the economy for the benefit of our sector and its key stakeholders. We applaud the government's efforts to attract foreign capital, the local product expansion investments made by industry partners like PG Bison, and — above all — the numerous SMMEs that are doing their utmost to persevere despite poor access to capital, difficult trading conditions and low consumer demand.

Over the past year, the SAFI chambers have worked tirelessly and collaborated with each other to address industry-wide issues affecting the furniture manufacturers and the furniture value chain. As part of the implementation process of the Furniture Industry Master Plan (FIMP), all SAFI Chambers have welcomed and taken part in the FIMP strategic pillars established to drive localisation, industry competitiveness, access to raw materials, skills development, export promotion and transformation. The SAFI Chamber members were instrumental in the development of the SARS customs training modules and applications to SARS for modifications to tariff subheadings. We applaud all their efforts aimed at searching for creative methods to collaborate in order to address the challenges facing the industry.

Over the course of the previous year, SAFI and its employees participated in the City of Cape Town Light Manufacturing Support Programme once more. They also co-hosted an exhibition area at Decorex for seven manufacturing companies based in Cape Town, which was a great success. Additionally, we collaborated with the Localisation Support Fund (LSF) to introduce the furniture industry to a webinar series on Lean Manufacturing.

In order to ensure SAFI's sustainability and viability, the Board most recently reviewed the organisation's operating model. As a result, a decision was made to strategically redeploy our human resources, with Managing Director, Bernadette Isaacs leaving SAFI at the end of September 2023 and Vice Chairman Greg Boule taking on the Managing Director role in an acting capacity. We would like to express our gratitude to Bernadette for her support of the SAFI team and the industry. She was instrumental in the founding of the Western Cape Furniture Initiative (WCFI) in 2009, and the South African Furniture Initiative (SAFI) in 2016.

We would like to pay tribute to our fellow board members Victor Abrahams, Dave Commons and Max Frehse, who passed away this year. We mourn their loss and send our deepest sympathies to their respective families.

To our executive and operational team, thank you for your unwavering dedication, perseverance and commitment to putting SAFI first. Barack Obama once said: “We remember, we rebuild and we come back stronger.”

I thank you,

Penwell Lunga
Chairperson of the SAFI Board



PHASE 2 - CITY OF CAPE TOWN LIGHT MANUFACTURING SUPPORT PROGRAMME

The Cities Support Programme of National Treasury is working with the City of Cape Town to implement a Township Economic Development (TED) project in Delft. The TED project has 8 component projects. One of the 8 projects is to support micro-enterprise furniture manufacturers.

To advance this project, the City of Cape Town has implemented the furniture light manufacturing support programme in partnership with the South African Furniture Initiative (SAFI). The first phase (2022) provided technical training to 16 beneficiaries, via a partnership with the Northlink College in Belhar, as well as business support through various stakeholders, namely SEDA, the dtic and the Furniture Industry Bargaining Council for the Western Cape, amongst others. The framework for the furniture light manufacturing support programme was based on a feasibility study conducted by the Sustainable Livelihoods Foundation.

The first phase concluded with 5 completed trade tests, Business Assessments completed and marketing material through electronic portfolios for each SMME.

Following the success of the first phase and to further support the designated beneficiaries, a second phase took place in 2023 with a focus on business mentoring, advisory support and market access.



7 of the Beneficiaries exhibited at Decorex Cape Town. The stand space was funded through SEDA and the stand design through the City of Cape Town programme. The stand was designed and built in such a way to reflect a collective/home setup. All the SMMES received leads and took away great learnings from this experience. All of them are also eager to exhibit again next year at Decorex 2024.

The beneficiaries also received market access support through showroom space at Furntech Paarden Eiland and Social Media training.



Phase 2 will conclude with a Business Coaching Programme and a documented framework/model of the programme that can be presented to any municipality for funding and implementation. A full closing report will be available through SAFI in 2024.



Key partners that provided the technical training, business support and mentorship were the City of Cape Town Business Support Hub, Northlink College Belhar, SEDA Western Cape, Furntech Paarden Eiland, Procursus Consulting Services (Pty) Ltd and Something About Francis. The SAFI partnership is an example of the City's efforts to rebuild manufacturing industries from the ground up.



AUDIT COMMITTEE REPORT

The Audit, Risk and Finance Committee (Committee) is pleased to present its report for the financial year ended 31 March 2023.

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 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 Committee is responsible for overseeing the professional and other business risks affecting SAFI.

The Committee is also 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 comprises three Employer representatives and one Trade Union representative, and the Chairperson 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 – Chairperson (CFMA)
- ✓ NJ Badenhorst (FBUMA)
- ✓ GM Boule (ABA)
- ✓ WW Dyers (NUFAWSA)

MEETING ATTENDANCE

The Committee held five (5) formal meetings and six (6) Round Robin meeting during the 2022/2023 financial year.

Name	20-Apr-22	26-Apr-22	28-Jun-22	17-Aug-22	09-Sep-22	13-Sep-22	22-Sep-22	15-Nov-22	20-Jan-23	14-Feb-23	15-Mar-23
	Round Robin	Formal	Formal	Formal	Round Robin	Round Robin	Round Robin	Formal	Round Robin	Formal	Formal
P Grey (CFMA) - Chairperson	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
NJ Badenhorst (FBUMA)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GM Boule (ABA)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
WW Dyers (NUFAWSA)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

All members are recommended by the Board of Directors and are not remunerated for their role on the Committee. The Managing Director attended the 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 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:

- ✓ P Grey – Chairperson (CFMA)
- ✓ NJ Badenhorst (FBUMA)
- ✓ GM Boule (ABA)
- ✓ WW Dyers (NUFAWSA)

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 2022/2023 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 Dennis Irwin 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 Mr Dennis Irwin as designated auditor for the 2022/2023 financial year, having satisfied itself that the audit firm is an accredited firm.

FINANCIAL STATEMENTS

The Committee reviewed the financial statements of the company for the year ended 31 March 2023 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
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

	2023	2022	2021	2020	2019
	R	R	R	R	R
Income	3 312 895	3 917 293	3 042 572	3 593 642	4 144 652
Bargaining Council funding	2 840 000	3 161 307	2 832 295	3 283 439	3 822 021
Interest	248 370	124 035	127 877	282 176	285 866
Membership fees	66 245				
Project income			82 400	28 027	36 765
Sponsorships received	158 280				
Surplus project income		631 951			
Overhead expenses	-3 860 374	-2 495 316	-3 723 410	-4 186 488	-3 940 037
Taxation					50 733
Surplus for the year	-547 479	1 421 977	-680 838	-592 846	255 348
Retained income at the beginning of the year	3 733 986	2 312 009	2 992 847	3 585 693	3 330 345
Retained income at the end of the year	3 186 507	3 733 986	2 312 009	2 992 847	3 585 693

ASSETS AND LIABILITIES: at 31 March

	2023	2022	2021	2020	2019
	R	R	R	R	R
Fixed assets	15 560	24 896	34 232		
Receivables and prepayments	42 000		80 460	81 034	104 532
Cash and cash equivalents	6 665 202	6 562 875	4 912 310	5 599 205	6 031 228
Less: Payables	-209 686	-93 354	-166 177	-59 794	-117 817
Less: Project liabilities	-3 326 569	-2 760 431	-2 548 816	-2 627 598	-2 432 250
	3 186 507	3 733 986	2 312 009	2 992 847	3 585 693

ANNUAL FINANCIALS CONTINUED

PROJECTS

	01-Apr-22		Recognised		31-Mar-23
	Balance	Receipts	Payments	as SAFI	Balance
	R	R	to 3rd	(income) or	R
			parties	expense	
			R	R	
Growth strategy	33 280				33 280
Qualifications development	1 700 977		-4 803		1 696 174
SARS Cusotms Training			-224 750	224 750	
Finalisation of FIMP			-168 500	168 500	
RPL / to be initiated					
Skills, learnership, internship 2017/2018	81 925				81 925
City of Cape Town - Light Manufacturing Support Programme	944 249	961 933	-390 992		1 515 190
	<u>2 760 431</u>	<u>961 933</u>	<u>-789 045</u>	<u>393 250</u>	<u>3 326 569</u>

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

ACKNOWLEDGEMENTS

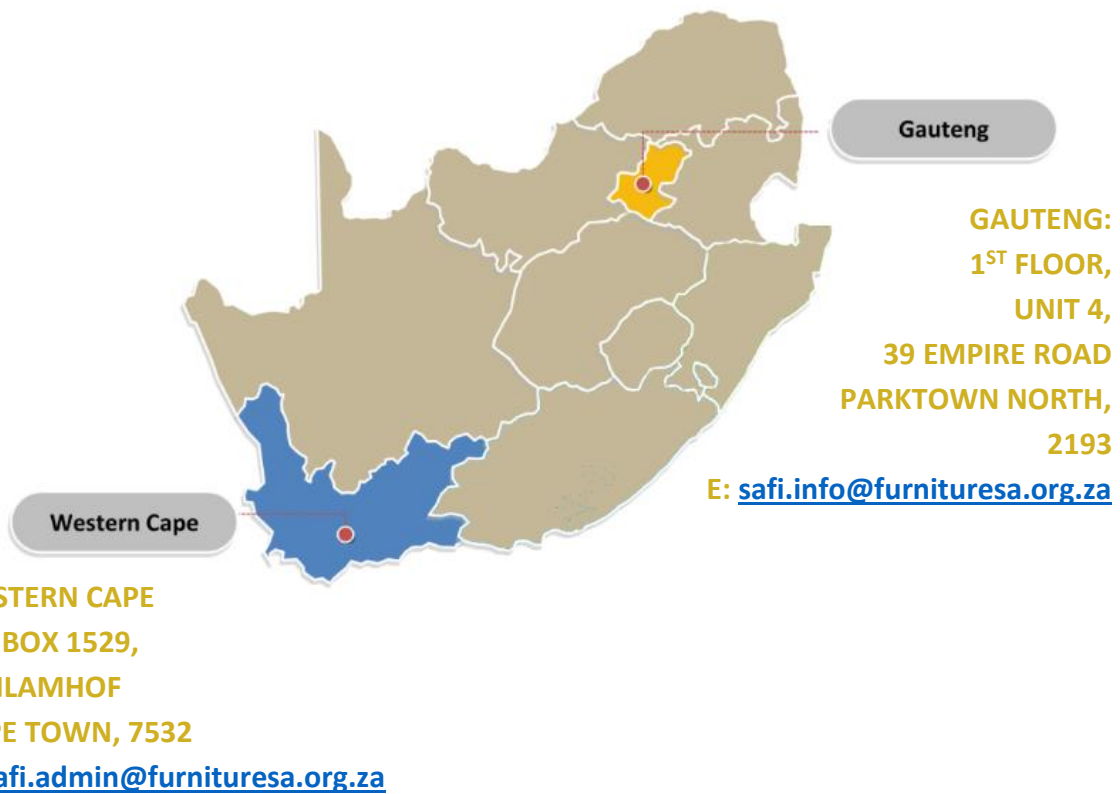


Thank you to all Industry Associations, Members and Stakeholders for your support.



South African
Furniture Initiative

CONTACT DETAILS



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www.safidirect.co.za

[SAFI video](#)





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