



South African  
Furniture Initiative

Annual Report 2022

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# INDUSTRY OVERVIEW<sup>1</sup>

The furniture industry plays an important role in the South African economy and provides many jobs throughout its value chain, given its labour-intensive nature. Most consumers are long-term buyers who value the durability of their furniture. Additionally, the work-from-home culture that increased rapidly due to COVID-19 lockdowns has boosted demand for furniture in the domestic market (Research and Markets 2021). This creates an opportunity to establish the best locally manufactured products as a strategy to replace imports. However, locally manufactured furniture must remain competitive in terms of price if it is to be a viable option for consumers.

South Africa has the potential to draw upon its past experience as a significant furniture manufacturing country. The industry is made up of several small to medium-sized (SMEs) and a few large businesses that play a vital role in the manufacturing component of the furniture value chain, at a split of 90% and 10% respectively (Research & Markets 2021). In terms of raw material production, there are significantly large players in the market who can supply quality materials at the required quantities. There is also a vast distribution network of retailers.

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.

Furthermore, the Informal Sector plays a vital role in the furniture industry, specifically with regards to competition, job creation and retention. Very little is known about this sector and a close relationship with the Department of Small Business Development will be promoted aligned to the National Integrated Small Enterprise Development Masterplan to build on their knowledge base with the long-term view to increase formality and to retain local jobs. The Furniture Industry Master Plan (FIMP) will also take a more in-depth look into the informal sector through its Value Chain Analysis (Deliverable 5) to determine the extent of the impact this sector has on the Formal Furniture Sector and to address actions required to support the Informal Sector to onboard them into the formal economy with the key aim to strengthen the entire furniture value chain's inherent competitiveness.

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.



<sup>1</sup> Furniture Industry Master Plan September 2022

# 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

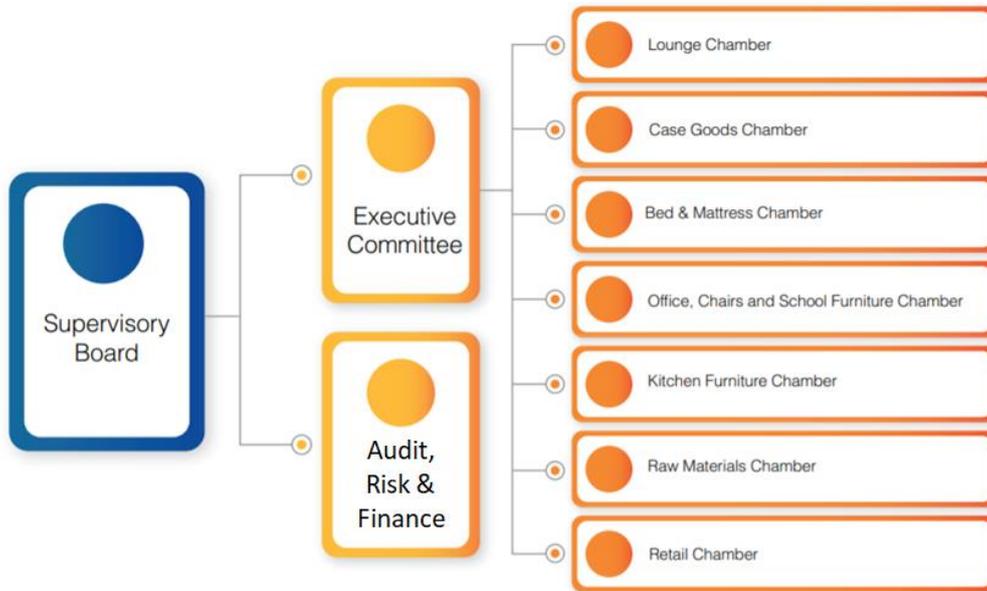
Market access	Trade intervention and remedies	Platform for market intelligence	Skills development and training
<ul style="list-style-type: none"> <li>Support demand for locally manufactured furniture</li> <li>State procurement of furniture (seating, office and school furniture and mattresses).</li> 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



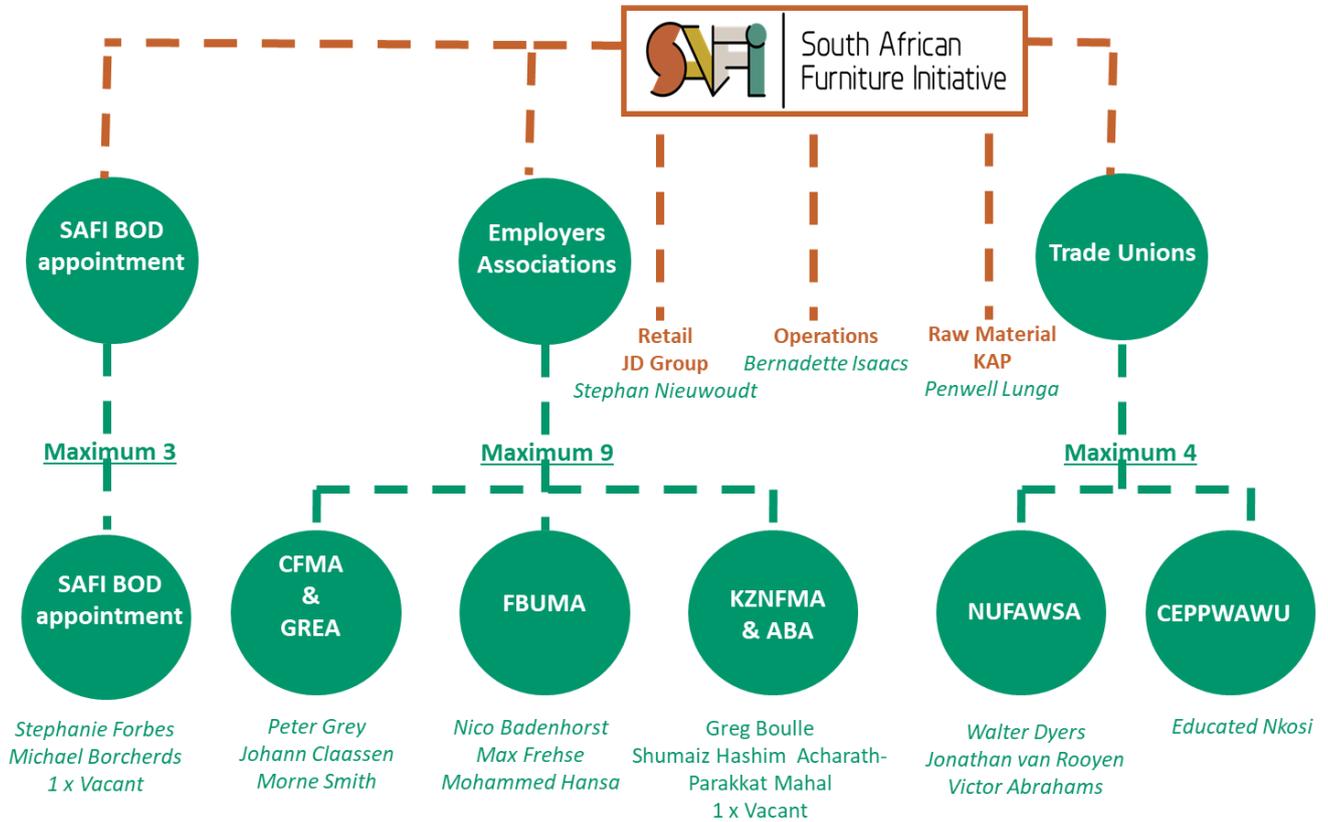
South African Furniture Initiative

# EXECUTION PLATFORM

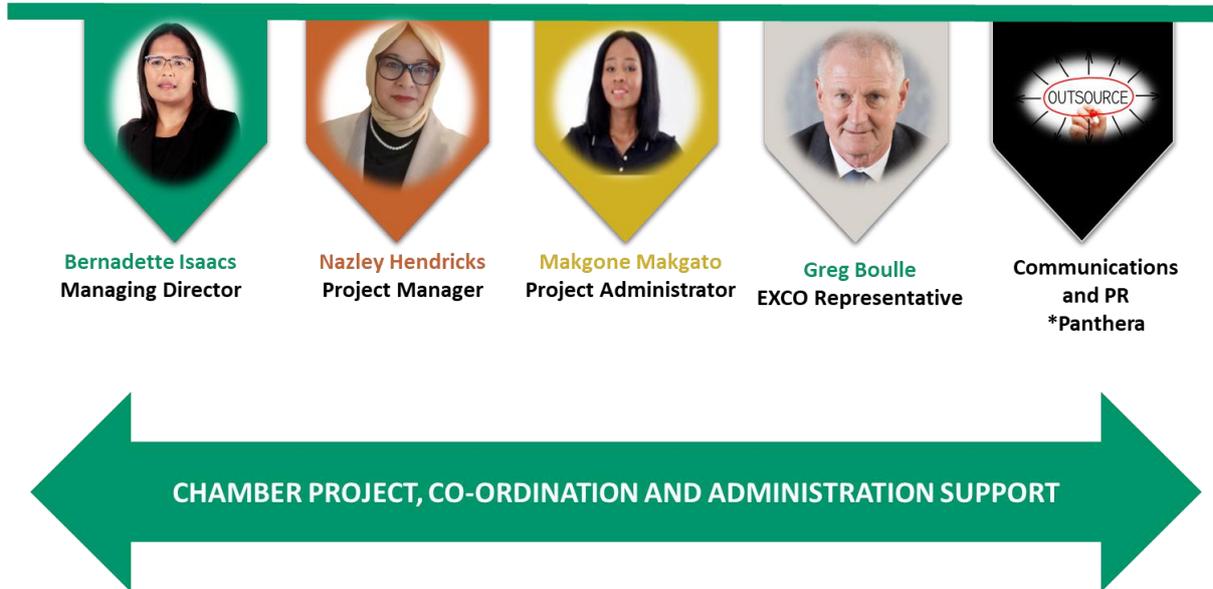
SAFI's governance structures are segmented to reflect the diverse nature of the industry and their different value chains represented as follows:



# BOARD OF DIRECTORS 2021/2022



# TEAM STRUCTURE



# CHAIRMAN'S REPORT

The Furniture Manufacturing and Design Industry once again had to navigate many challenges since the various lockdown levels were lifted earlier this year. Our hopes for an improvement in the economy was, however, duly dashed by loadshedding, and the consequent lack of sustainable power supply proved to be a ball-and-chain for the South African economy.

Despite all of these challenges, the South African Furniture Initiative once again served the furniture sector as a reliable and pivotal role player, while proving itself as a credible connector between government, industry and labour.

By navigating challenges like COVID-19, lockdowns, loadshedding and unrest, I am proud of the SAFI Team, especially for driving the Furniture Industry Master Plan (FIMP) consultation process continuously by never giving up. I am happy to announce that we are now in the process of establishing the Executive Oversight Committee (EOC) for the FIMP Implementation Plan via the FIMP Task Teams.

SAFI played a pivotal role in proposing an Industry 5-phase approach to imports by providing SARS with the information and support it requires for the monitoring and enforcement of illegal and poor-quality imports of furniture into South Africa.

These five phases include Tariff Clarification, Quality Standards Development, Enforcement, Monitoring and Giving the customer the choice. Until now, an application submission to amend the Furniture tariff headings was made, SANS 1528-2 and SANS 1528-3 were submitted and approved, learning material and content (of upholstered furniture) were finalised to roll out to Customs officials, monitoring is ongoing, and the Industry worked with relevant stakeholders on labelling and identifying the origin of furniture products imported to determine what was made in South Africa, as well as the local raw material

content in collaboration with Proudly South African.

An action plan on raw material shortages and possible solutions was designed and implemented with outcomes exceeding our expectations. By working together, stakeholders like PG Bison were able to increase board supply as well as capacity with its R2 billion expansion project. With regard to Steel, SAFI was able to negotiate the temporary rebate granted on 15 July, while raw materials at risk were identified.

To improve the skills supply to the Furniture industry, the Upholstery Qualification is garnering momentum while the Furniture Design Qualification, which was announced in 2020, should soon be approved by SAQA. The final submission for the Furniture Maker Qualification was done in May, and will be distributed for public comment as soon as approval is received.



During the past year, SAFI and its staff members were involved at the City of Cape Town Light Manufacturing Support Programme by coordinating workshops, facilitating training and providing diagnostic assessment.

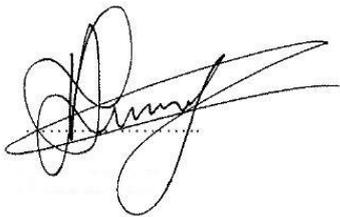
We have set various goals with specific outcomes in our rebuilding phase where we plan to increase the market share of locally manufactured furniture within furniture retail by 50% by 2025, and to develop an evidence-based export marketing strategy by the end of 2022, as well as completing a manufacturing and productivity benchmark study. This study will enable local manufacturers to implement smart technologies and modern manufacturing

practices to become globally competitive by 2025.

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 and uncompromising approach of putting SAFI first. I look forward to seeing how everyone, every participant and every stakeholder, is going to collaborate by working together to grow this important industry.

I thank you,



Penwell Lunga:  
Chairman of the SAFI Board

# CITY OF CAPE TOWN LIGHT MANUFACTURING SUPPORT PROGRAMME

In our continual efforts to meet the needs of the industry aligned to the current economic situation, SAFI was pleased to partner with the City of Cape Town on a pilot 12-month Furniture Light Manufacturing Support Programme. The core of the project is to create a light manufacturing support programme suited to township needs in the form of technical training, business and mentorship support, with the long-term view to onboard them into the formal economy.



The overall objectives of the programme were, job creation and sustainability to reduce unemployment and in turn positively affect poverty, developing SMME's from existing talent, to upskill and support them in order to provide quality products at competitive prices relevant to the township community market budget and prepare these businesses to onboard them into the formal economy to access broader financial and non-financial opportunities in the public and private sector.

The programme was kicked off by a base study that was conducted by an independent research organisation, Sustainable Livelihood Foundation (SLF), who is also a key partner in this project as the National Treasury Cities Support Programme technical team. The base study was to determine the current position of

informal micro businesses in the township economy and to seek viable solutions that will enhance, sustain and grow their businesses. The study was done in the Delft, Belhar and surrounding areas with 16 SMME beneficiaries as part of the pilot approach.



Alderman James Vos, Cape Town's Mayoral Committee Member for Economic Growth, initiated the programme through a visit at the technical training facility used for the programme, Northlink College in Belhar to meet the young entrepreneurs who participated in a City-funded Pilot Furniture Light Manufacturing Support Programme.



Key partners that provided the technical training, business support and mentorship were; City of Cape Town Business Support Hub, Northlink College Belhar, SEDA Western Cape, SARS Taxpayer Engagement Education Department, the dtic - Consumer and Corporate Regulation Branch, Regulatory Policy & Legislation, CIPC, the Furniture Bargaining Council Western Cape, Furntech. The pilot programme will be completed in December 2022, whereafter a full press release will be made on the impact of the programme. The SAFI partnership is an example of the City's efforts to rebuild manufacturing industries from the ground up.



# SKILLS DEVELOPMENT PROGRESSES THROUGH PARTNERSHIP BETWEEN FP&M SETA AND SAFI

SAFI is passionate about skills development, as we understand that it is the foundation that is required for the longevity of our sector. We therefore partner with like-minded organisations, such as the Fibre Processing and Manufacturing (FP&M) SETA. The FP&M SETA has provided a long history of support to the industry as the major SETA focussing on the technical skills within our industry.

In engagements with industry stakeholders for the Furniture Industry Master Plan in workshops in February 2020, it was indicated that the number, nature, and quality of skills supply was considered inadequate by industry. A need for more and better hand skills, design skills, digital skills, and for SMMEs business and work management skills was highlighted. Other concerns indicated, were the limited options for experiential learning, such as on the job training and/or apprenticeships, because the larger firms cannot absorb all the potential learners. Overall, the sense was that there was a mismatch and disconnect between skills supply and demand.

To assist in alleviating some of these constraints the FP&M SETA funded with SAFI project managing the qualification development of three pivotal skill requirements: upholstery, furniture design and furniture making. The Furniture Making updated curricula is awaiting the South African Qualifications Authority (SAQA) approval, and SAFI is happy to report on the progress made on the Upholstery and Furniture Design qualifications.

The [Upholstery Qualification](#) is in its final approval stages for implementation and we are eager to commence the learning material development required for the updated approved curriculum. For the [Furniture Designer qualification](#), we are progressing with learning material development and are continuing to engage with the Department of Higher Education and Training (DHET) and Higher Education Institutions to secure a partner for the pilot roll-out.

The DHET further supports the furniture sector by including, through collaborating with SAFI and the dtic, the Furniture Industry's skills as part of their Skills Strategy that support the South African Economic Recovery and Reconstruction Plan (ERRP). Input from the Industry was taken from the Furniture Industry Master Plan workshops that took place in January and February 2020. This inclusion demonstrates the government commitment to strengthen the Furniture Industry.



# AUDIT COMMITTEE REPORT

The Audit, Risk and Finance Committee (Committee) is pleased to present its report for the financial year ended 31 March 2022.

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 risk, independence, and compliance 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)
- ✓ LG Dirksen - Acting Chairperson (FBUMA) – Resigned 6 September 2021
- ✓ NJ Badenhorst (FBUMA)
- ✓ GM Boulle (ABA)
- ✓ WW Dyers (NUFAWSA)

## MEETING ATTENDANCE

The Committee held three (3) formal meetings and one (1) Round Robin meeting during the 2021/2022 financial year.

<i>Name</i>	<i>16<sup>th</sup> August 2021</i>	<i>2<sup>nd</sup> November 2021</i>	<i>29<sup>th</sup> January 2022 (Round Robin)</i>	<i>22<sup>nd</sup> February 2022</i>
P Grey (CFMA) - Chairperson		✓	✓	✓
LG Dirksen - Acting Chairperson (FBUMA) – Resigned 6 September 2021	✓			
NJ Badenhorst (FBUMA)		✓	✓	✓
GM Boulle (ABA)	✓	✓	✓	✓
WW Dyers NUFSA WC	✓	✓	✓	✓

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:

-  Peter Grey (CFMA)
-  Nico Badenhorst (FBUMA)
-  Greg Boulle (ABA)
-  Walter 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 2021/2022 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 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 the designated auditor, Mr Dennis Irwin, is afforded unrestricted access to the SAFI's records and management and may 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 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.



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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

##### Income

Bargaining Council funding  
Interest  
Project income  
Surplus project income

	2022 R	2021 R	2020 R	2019 R
	3 917 293	3 042 572	3 593 642	4 144 652
Bargaining Council funding	3 161 307	2 832 295	3 283 439	3 822 021
Interest	124 035	127 877	282 176	285 866
Project income		82 400	28 027	36 765
Surplus project income	631 951			

##### Overhead expenses

Taxation

	-2 495 316	-3 723 410	-4 186 488	-3 940 037
Taxation				50 733

##### Surplus for the year

Retained income at the beginning of the year  
Retained income at the end of the year

	1 421 977	-680 838	-592 846	255 348
Retained income at the beginning of the year	2 312 009	2 992 847	3 585 693	3 330 345
Retained income at the end of the year	3 733 986	2 312 009	2 992 847	3 585 693

#### ASSETS AND LIABILITIES: at 31 March

Fixed assets  
Receivables and prepayments  
Cash and cash equivalents  
Less: Payables  
Less: Project liabilities

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

# ANNUAL FINANCIALS CONTINUED

## PROJECTS

	01-Apr-21 Balance R	Receipts R	Payments to 3rd parties R	Recognised as SAFI (income) or expense R	31-Mar-22 Balance R
Rebate application / illegal imports	123 797		-54 346	-69 451	
Growth strategy	33 280				33 280
Qualifications development	1 747 314	95 000	-141 337		1 700 977
RPL / to be initiated	562 500			-562 500	
Skills, learnership, internship 2017/2018	81 925				81 925
City of Cape Town - Light Manufacturing Support Programme		1 019 376	-75 127		944 249
	<u>2 548 816</u>	<u>1 114 376</u>	<u>-270 810</u>	<u>-631 951</u>	<u>2 760 431</u>

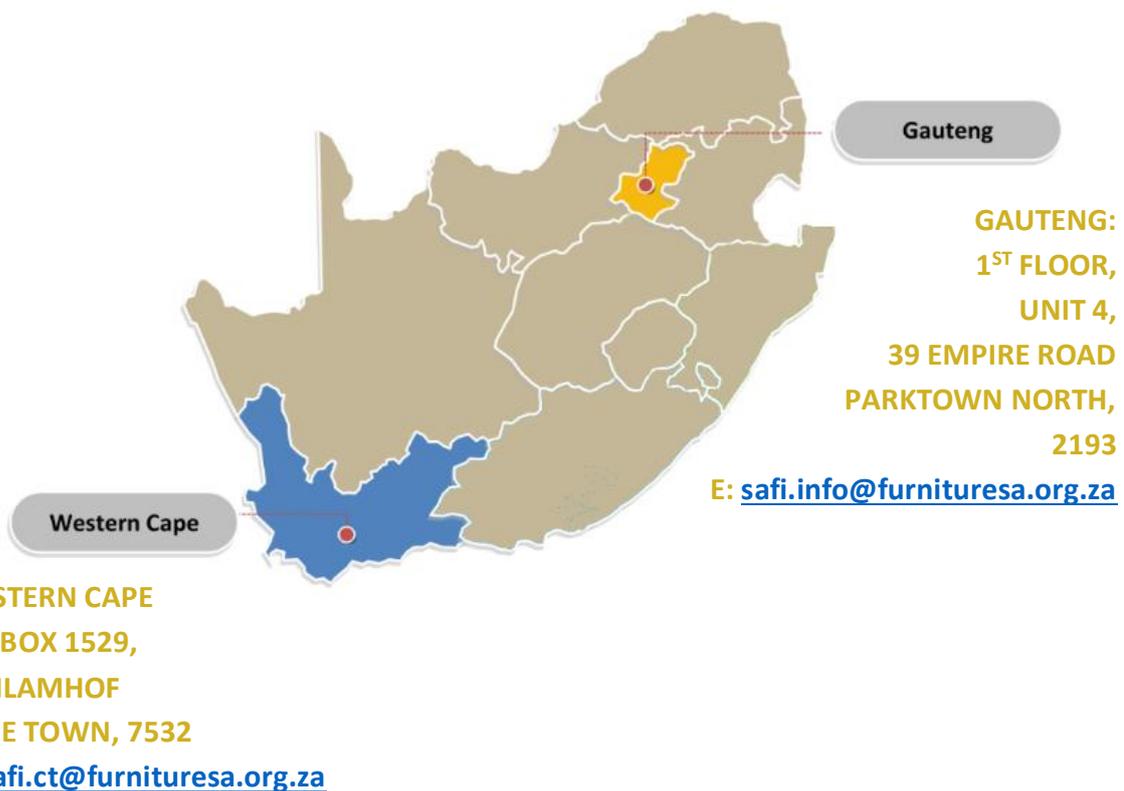
# ACKNOWLEDGEMENTS



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



# CONTACT DETAILS



T:+27 11 888 0655  
[www.furnitureza.org.za](http://www.furnitureza.org.za)  
[www.safidirect.co.za](http://www.safidirect.co.za)  
[SAFI video](#)





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Furniture Initiative

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