ETHEKWINI FURNITURE
CLUSTER

2020/2021

ANNUAL REPORT

THANK YOU

to our core funder, eThekwini Municipality's Sector Programmes Unit, and member firms who have supported the eThekwini Furniture Cluster over the past 3 years.

ETHEKWINI FURNITURE CLUSTER

ETHEKWINI MUNICIPALITY

CONTENTS

LETTER FROM THE CHAIRPERSON

Lumka Sibanyoni

Chairperson, EFC
Owner, Sakhikhono Training & Development

I am pleased to present the eThekwini Furniture Cluster's Annual Report for 2020/21 as we reflect on our experiences and highlights over the year. The South African Furniture Industry has been significantly impacted by the COVID-19 pandemic in a manner which was contrary to many other industries. We saw manufacturing production volumes increase by 9% from 2020 to 2021, led by an increased demand for furniture through the rapidly growing 'homebody economy' trend, which saw the value of furniture retail sales increase by 62%. The increase in demand from local manufacturers was further spurred on by the effects of C-19 on global supply chains, forcing SA retail to accelerate its drive to localise. Whilst in many respects the C-19 pandemic has been a positive proponent on the industry, it has not been without its challenges. Our firms continue to be affected by high levels of absenteeism and global supply chain issues have created raw material and componentry shortages for local producers.

More recently KZN based firms were severely affected by the civil unrest, with over 1000 jobs estimated to be at risk and over R230 million worth of manufacturing sales lost.

These black swan events of the pandemic and unrest completely changed the Cluster's agenda, necessitating a rapid pivot in programmatic delivery to ensure relevant and continued support to our members and industry, requiring collaboration and sharing of resources across sectors to provide an effective and supportive road map to recovery.

The knock-on implications of cash flow challenges, operational stability difficulties, health and safety concerns and an uncertain market outlook required an integrated and detailed sector-wide response framework for risk mitigation. The eThekwini Furniture Cluster (EFC) is pleased to have played an integral role in developing this strategy to ensure that crisis mitigation and recovery support was provided to members during this period.

The developed framework not only supported risk mitigation amid the crisis, but also laid groundwork for industry stakeholders to capitalise on new growth opportunities linked to the most impactful growth drivers of large lead enterprises globally and locally.

Although the past year has been challenging, the EFC has made great strides to collaborate with industry and facilitate dialogue between manufacturing and retail at a level that has not been seen by the sector.

I am pleased to report that there are a significant number of achievements that are worth highlighting:

PARTNERSHIPS

The cluster strengthened its relationship with eThekwini Municipality, the primary funder of the cluster, through a renewed three-year funding relationship. The EFC also partnered with Trade & Investment KwaZulu-Natal (TIKZN) through a memorandum of understanding (MOU) for 2021-2023.

In addition, the EFC has strengthened its relationship with industry bodies such as the African Institute of Interior Design Professions (IID) and the South African Furniture Initiative (SAFI) towards a collaborative effort to support the sector. We have also continued to strengthen relationships with retail to drive localisation and value chain growth.

MARKET DEMAND

Historic performance of the sector followed by the emergence of the COVID-19 pandemic has highlighted a strong need to identify and leverage new opportunities for growth in the furniture sector. The cluster undertook a detailed analysis of industry growth drivers and the associated upstream implications for commodities and investment. To this end, the cluster has engaged with various stakeholders and formed strong relationships with retail to support the realisation of these growth opportunities in order to provide a positive growth outlook for new and existing suppliers.

SKILLS

The combined challenges of limited leadership, ageing middle and senior management across the sector, and a growing need for workforce productivity & standardisation, with the impact of C19, has meant that skills development programmes had to be remodeled. The cluster developed two new skills training programmes in support of members. The Team Leader Development Programme (TLDP) targeted at team leaders and supervisors and the Emerging Leaders Development Programme (ELDP) targeted at junior and middle management. These are unique and have been created to allow customisation for specific firm needs.

The cluster continues to maintain a healthy and sustainable financial position, as well as compliance with all applicable legislation. In 2020/21, the EFC is proud to have achieved an unqualified audit outcome. In 2020/21 the cluster generated over R 2.2 million in revenue, with the newly diversified funding base providing testament to the impact and value offered.

Lastly, I would like to thank the Executive Committee for their unwavering support through turbulent times in 2020/21. Your contribution to the cluster, strategic inputs and dedication has been integral in surviving and persevering through this period. To the members who are continuously engaging with the cluster programmes, the cluster would not have achieved its successes without your partnership. I would also like to thank B&M Analysts for their professional manner in executing their deliverables to the cluster.

A special vote of thanks is offered to eThekwini Municipality's Sector Programmes Unit for their continued support in helping the cluster drive growth and transformation.

The EFC looks forward to another successful year.

Q&A WITH THE FACILITATION TEAM

Q:
WHAT ARE SOME OF YOUR HIGHLIGHTS FROM THE LAST YEAR?

A:
Whilst 2020 saw a complete disruption of the clusters existing support programmes, this was the ultimate catalyst for meaningful engagement with all stakeholders in the sector. The accelerated importance of localization married with the operational needs of manufacturing and development needs of government have meant that we could generate more impact now than we have been able to in the past.

To name some highlights, we published the Furniture Sector Outlook Intelligence report, the first local furniture market intelligence to be published since 2011. This report catapulted us into unlocking significant growth in the sector through relationships formed with 6 major retailers and unlocking R1.5 million in new market opportunities for our members, generating over 40 new jobs.

We were also able to leverage the "new normal" to provide support at scale through over 27 online working groups and webinars attended by over 300 industry stakeholders, and tackled relevant responsive themes related to the C-19 crisis and later, on economic recovery.

PAIGE SHERRIFF
Facilitator, EFC

Q:
RISK MITIGATION WAS CRITICAL OVER THE LAST YEAR, BUT WHAT ABOUT RECOVERY? HOW HAS THE CLUSTER LAID THE GROUNDWORK FOR GROWTH IN THE INDUSTRY?

A:

The onset of the COVID-19 pandemic necessitated an immediate focus on the virus and the associated health and safety concerns. The cluster, under the guidance of the Executive Committee, however, was conscious of ensuring that to remain responsive, significant work had to be done to support recovery from the economic impacts associated with the crisis.

The cluster has focused heavily on undertaking a market-led strategy to support firms in realising new opportunities aligned to industry growth drivers and changing market conditions.

By supporting manufacturers in first unlocking commercial opportunities with their customers, and then upgrading to unlock those opportunities, the EFC has been on the forefront of the industry's growth-led recovery. Driven by the most pressing needs of industry, the cluster also focused on restructuring the delivery of skills programmes to lay a foundation of skills development for employees of the industry who have had to adapt and adopt greater responsibilities over the year.

We are looking forward to the roll-out of our latest initiative, the Growth Finder Diagnostic which has been informed by market intelligence and product & fabrication demand forecasts from 4 major SA retailers as well as sector data analytics. As the name suggests, Growth Finder will assist firms to find Growth, and marry the sourcing needs of retail with the capabilities of local manufacturing.

We are also excited to be executing the first ever furniture Business Accelerator which will create a space for SMMEs to demonstrate their potential to large customers to unlock commercial opportunities. The Business Accelerator is therefore actively driving localisation, transformation, and market-led growth for the South African Furniture industry.

The local furniture industry and public sector have been highly supportive of these EFC initiatives, and we look forward to the continued partnership with eThekwini Municipality's Sector Programmes Unit and the furniture sector.

KYLE BALLARD
Chief Facilitator

THE STATE OF THE SOUTH AFRICAN AND KWAZULU-NATAL FURNITURE

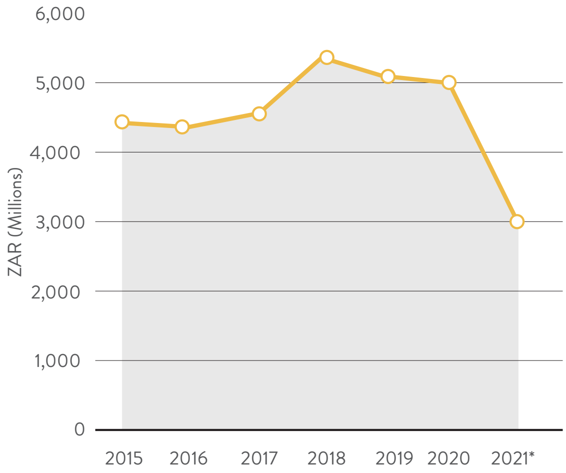
SA RETAIL TRADE DYNAMICS

The South African furniture, household appliances, and equipment retail market is dominated by large players who in 2019 sold product valued at approximately R45 Billion. Sales for the period 2015-2017 were flat but had started to lift through 2018-2019, followed by a significant COVID-19 related crash in March 2020.

SA retailers are predominantly orientated towards the lower priced mass-market. Low-cost mass-market products are traditionally highly dependent on price and larger volumes, and high-end products tend to be more bespoke, design focused and lower volumes.

The challenges associated with retailing into the South African economy, which is relatively small and unhealthy by global standards, combined with the much-hyped opportunity through expansion into Africa coming into question as retailers found the regulatory uncertainty too risky, is highlighted in the mixed financial fortunes of South African retailers.

FIGURE 1: SA FURNITURE AND HOUSEHOLD APPLIANCES AND EQUIPMENT RETAIL SALES AT CONSTANT PRICES 2015-2021* *(ZAR Millions)*



**2021 data only includes figures from January to July, and includes household appliances and equipment Source: StatsSA (2021)*

MANY FURNITURE RETAILERS OPERATE ON DEGREES OF CREDIT,

with some whose sales are based on over 60% credit. This high level of credit-based sales puts these retailers, and their suppliers, at risk in the case of a recession or other financial crises. Indications of the pressure the value chain is under is evident in the high levels of turbulence experienced in recent years, including:

THE ACQUISITION OF BEARS IN 2014
(acquired by Lewis Group Ltd) of which 19 stores closed between 2017 and 2018 (de Wet, 2018)

THE CLOSURE AND ACQUISITION OF ELLERINE'S,
owner of Wetherlys whose 217 stores were closed entirely (acquired by OK Shoprite) (fin24, 2014)

THE ACCOUNTING SCANDALS AROUND STEINHOFF IN 2018
who had owned 26 manufacturing facilities and 12,000 retail outlets globally. Amongst these firms was Pepkor Group, KAP, JD Group, Slumberland, PG Bison, Sleepmasters and Bensons for Beds (Cameron, 2018);

CLOSURE OF BAKOS BROTHERS IN JANUARY 2020
after an unsuccessful business rescue resulting in the closure of stores and retrenchment of 144 staff (Sibanyoni, 2020)

SUTHERLANDS HOME FURNISHING (SHF) APPLIED FOR BUSINESS RESCUE
in June 2020.

DOMESTIC MANUFACTURING DYNAMICS

The Furniture manufacturing sector makes the following contributions to the South African economy:

- As of 2018, the sector employs approximately 42,400 people nationally in both the formal and informal sectors (DTIC, 2020).
- Contributes 2.8% to manufacturing employment (DTIC, 2020), both formal and informal
- Contributes about 1.1% to manufacturing Gross Value Add (DTIC, 2020), both formal and informal.
- "For every job that is directly created in manufacturing, another 3.8 jobs are indirectly created" (World Bank, 2017).

Furniture is the third most labour-intensive industry in South Africa after clothing and catering & accommodation (Tregenna, 2010), thus is regarded as a priority job creating sector both in KZN and nationally. With traditionally low barriers to entry and a high concentration of smaller companies (nearly 80% of all firms are SME's) it is seen as an ideal sector through which to pursue re-industrialisation and to secure equitable economic growth and employment.

Despite this perceived potential, domestic furniture manufacturing sales declined by 23% between 2002 and 2018, while employment is estimated to have declined by 50% over the same period (Setz et al, 2019). The dominance of Chinese manufacturers in low cost, high volume sectors has meant competitors have had to focus on niche products and/or rapidly move up the value chain into higher end bespoke products where specific technology investments and greater value addition (for example design innovation) has allowed them to maintain a competitive edge. For most South African manufacturers however, the ongoing cycle of price pressures, weakening competitiveness and low levels of re-capitalisation has resulted in a slow but steadily negative spiral of margin attrition, downsizing and in many cases, closure.

As a result, South Africa has been a net importer of furniture for many years, with approximately R11 Billion of imports per annum (ITC, 2020), 50% of which came from China. The only category in which the country is a net exporter is in HS code 9404, mattress supports.

South Africa's value of export markets is small and in decline. The SADC countries combined recently became the largest export destination for SA furniture, as exports to the EU (Germany

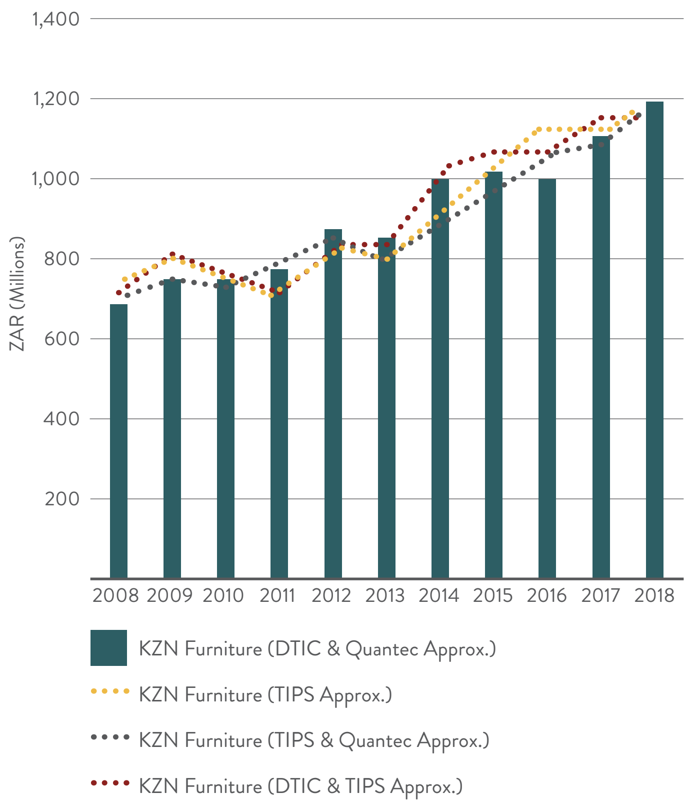
KZN DYNAMICS

KwaZulu-Natal (KZN) has a long history of furniture manufacturing and hosts the 2nd largest concentration of furniture manufacturing firms in South Africa after Gauteng (TIPS, 2017). KZN constitutes 20% of the reported 42 447 South African furniture manufacturing jobs (DTIC, 2020), up from 17% in 2008.

KZN's furniture industry contributed R1.2 billion (in current prices) in GVA in 2018, up from R670 million in 2008 (non-inflation adjusted). The eThekwini-based furniture industry contributed R770 million in GVA in 2018, or 65% of the KZN Furniture GVA in the same year. This indicates a slightly more concentrated furniture industry in KZN than in the Western Cape, where only 55% of GVA is produced in the Cape Town Metro. The KZN furniture manufacturing contribution to total KZN manufacturing GVA has marginally increased from 0.94% in 2008, to 0.97% in 2018, but down from its peak in 2012 at 1.08%.

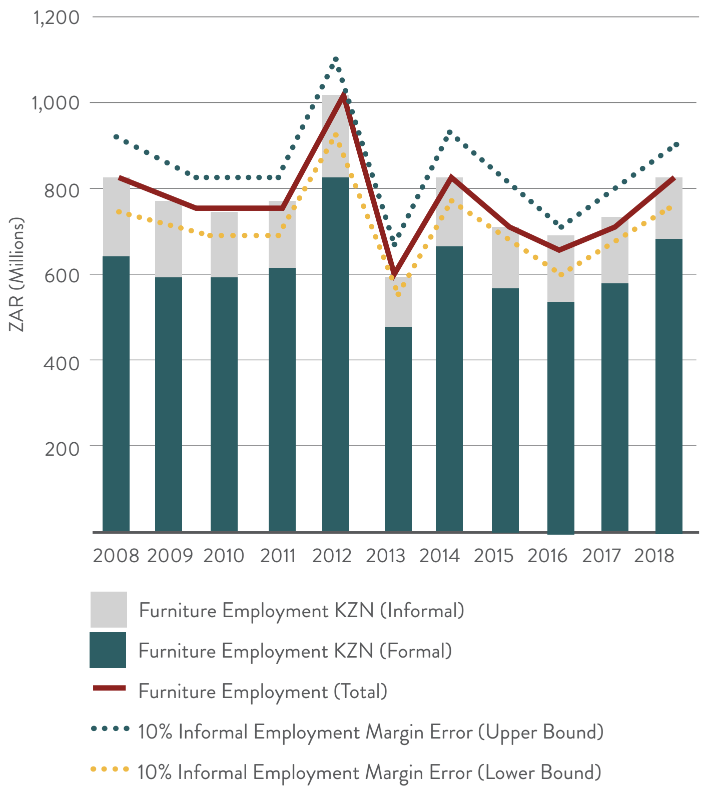
Manufacturers are required to belong to the Bargaining Council for the Furniture Manufacturing Industry, which was formed in accordance with the provisions of the Labour Relations Act, 1995. Through this, firms are obligated to pay wages, operate, and create employee provisions in accordance with minimum wage and conditions of employment laws (Republic of South Africa, 2019). This serves to protect employees and ensure corporate social compliance. Despite influence on the cost to manufacture, the degree of labour governance in South Africa sets an ethical standard for manufacturers that could be used as a competitive advantage in exporting to international retailers.

TRIANGULATED KZN FURNITURE GVA 2008 – 2018 (ZAR MILLION AT CURRENT PRICES)



Source: DTIC (2020); Quantec (2019); TIPS (2017)

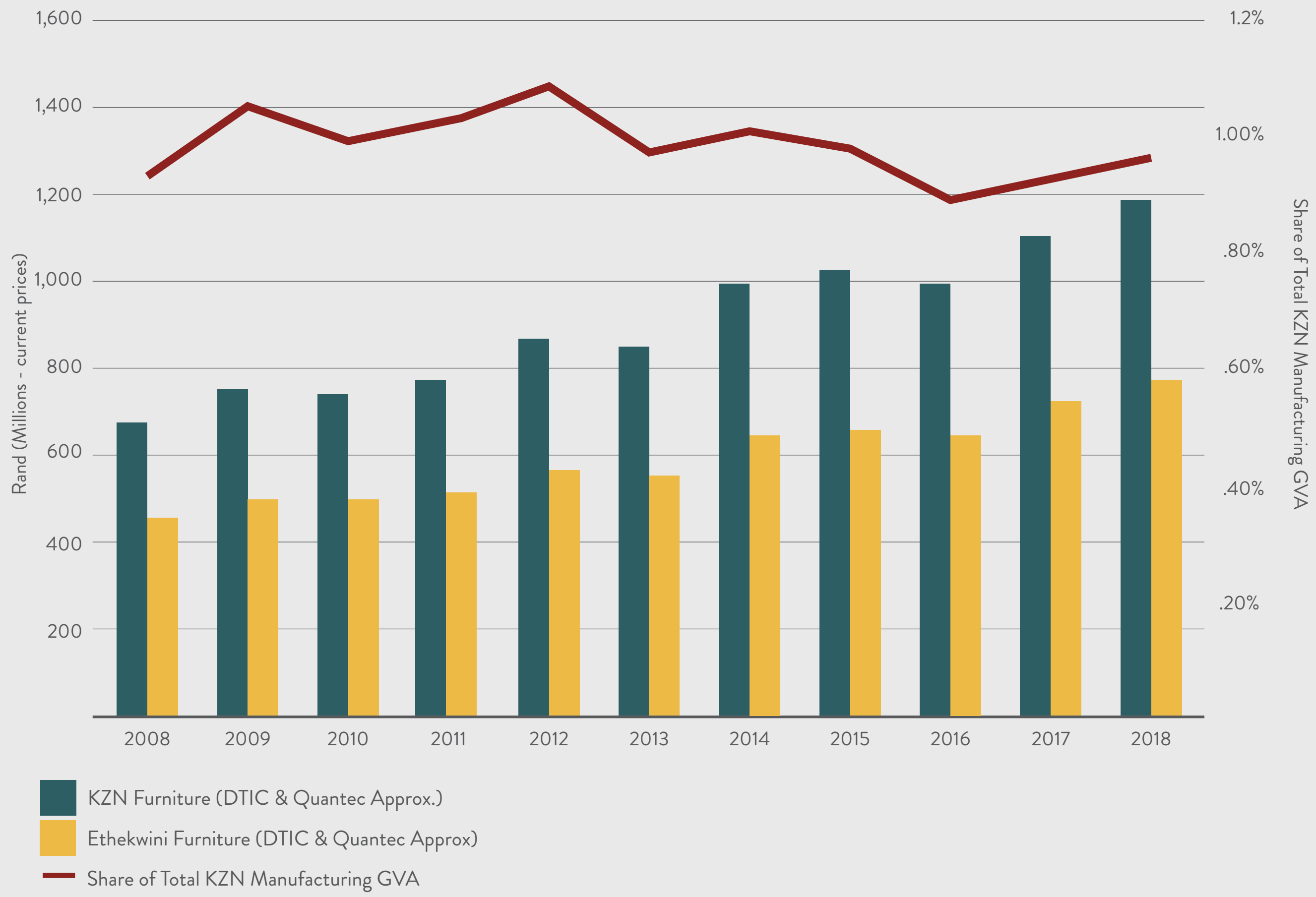
KZN FURNITURE EMPLOYMENT, 2008 – 2018



Source: DTIC (2020); TIPS (2017)

As of 2021, Bravo Group is the largest furniture manufacturer in KZN, employing over 2000 personnel, approximately 35% of formal employment in the KZN Furniture Manufacturing Sector. The rest of the market is dominated by SMMEs and a few large players, highlighting the importance of SMMEs for sector growth and recovery.

% GVA CONTRIBUTION KZN AND ETHEKWINI MUNICIPALITY 2008-2018



Source: DTIC (2020); Quantec (2019); TIPS (2017)

ECONOMIC RECOVERY- OUR MARKET LED APPROACH

THE FURNITURE VALUE CHAIN (VC) IS A BUYER-LED VC

Our key lesson from the C-19 crisis was that driving growth and employment requires confirmed market potential and the upgrading of firms to unlock that potential. The market led approach reduces wasteful expenditure by focusing time, energy and money on firms with potential commercial outcomes, and therefore unlocking genuine sales and employment growth. This is demonstrated in the pyramid illustrated here following steps 1 through 5.

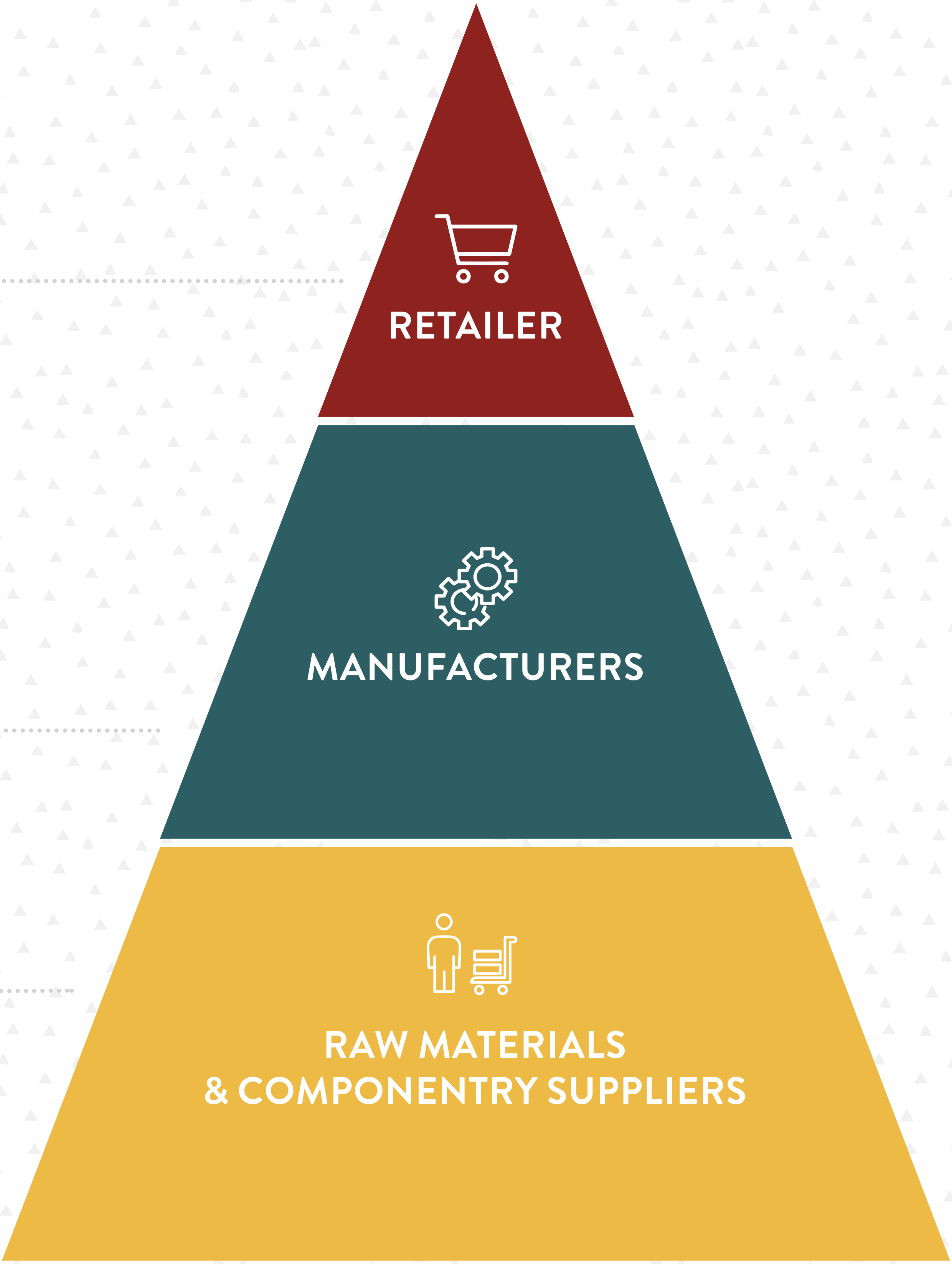
1. **Understand what makes large lead enterprises grow.**
Why? Learge Lead Enterprises determine the growth trajectory of Value Chain

2. **Support LLE with improved growth strategy**

3. **Enable Local Sourcing from members & SMMEs to support LLE growth strategy**

4. **Upgrading to support local sourcing & market access**
Capacity, capability, competitiveness, compliance improvements

5. **Market access confirmed and celebrated**


RETAILER
MANUFACTURERS
RAW MATERIALS
& COMPONENTRY SUPPLIERS

IMPACT & HIGHLIGHTS 2020/21

The unprecedented global COVID-19 pandemic completely disrupted the EFC cluster support programmes and necessitated a rapid pivot to sector support with regards to COVID-19 risk identification and mitigation. Together with members and the Executive Committee, the cluster developed a response programme comprising of fortnightly working groups, one-on-one member support and thought leadership content development.

01.

THOUGHT LEADERSHIP

We bring together thought leaders to help understand critical issues facing industry during this crisis

02.

PRACTICAL SUPPORT INFORMATION & TOOLS

Firms are provided with relevant information, data and tools to manage cash flow, supply chain, human resource, health, safety and operations risk.

03.

INDUSTRY WORKING GROUPS

Directors and Executives meet weekly to collectively tackle risks associated with COVID-19.

04.

ONE-ON-ONE RISK MONITORING AND ENGAGEMENT

Firms receive support in implementing and tracking their risk mitigation progress.

Ongoing inter-cluster engagements rapidly share learnings across sectors. Links into all levels of government, industry associates and partner organisations. Feedback is rapid and is directed to where is is needed most.

2020/21 HIGHLIGHTS

QUARTER 1

A NEW EFC FINANCIAL YEAR LAUNCHED with a new cluster strategy and approved business plan focused on driving impact through a market led approach.

3 BUYER-SUPPLIER LINKAGES, generating over R1 million in new sustained manufacturing sales, created through sector outlook webinars.

TIKZN FUNDING RECEIVED for cross-cluster industry support for Manufacturing Business support, Recovery Intelligence reporting, SME Development and Trade & Investment Expansion.

2 CROSS-CLUSTER WEBINARS & 7 PEER LEARNING SESSIONS:

- Addressing Employee Morale in a recession
- Cost Optimisation Best Practice Session
- Responsible and Ethical Employee Cost Optimisation During Covid-19
- Textiles Working Group: Unpacking Employee Cost Optimisation During Covid-19
- Unpacking Sector Outlook
- Production Stability During Covid-19
- Retail Furniture Sector Outlook (Part 1) paneled by paneled by Yanni Vosloo (MRP Home), Chris Swart (@home), Stephan Nieuwoudt (JD Group), Bernadette Isaacs (SAFI) and Chris Gilmour (Investment Analyst)
- Corporate & Bespoke Furniture Sector Outlook paneled by Chris Gilmour (Investment Analyst), Robyn Self (Plan-it design), Haldane Martin (Haldane martin), and Livia Coetzee-Stein (DhQ interior Brand Architects)
- How team leaders drive productivity
- Supporting Industry Leaders to Seize Tomorrow's Opportunities Today
- Understanding Factors which influence growth of LLEs

2020/21 HIGHLIGHTS

QUARTER 2

OPPORTUNITY TO QUOTE ON RANGES for prospective retail clients facilitated for 2 members

PEER LEARNING SESSIONS

- Market Demand Update
- Team Leaders Driving Productivity Part 2
- Unpacking the Growth Fundamentals of LLEs
- Skills Ladder: Pathways for development
- Avoiding the 2nd Wave

LAUNCH OF THE EFC SHAREPOINT PORTAL providing access to over 100 online recovery and support resources to member firms. https://bmanalysts.sharepoint.com/sites/furniturecluster

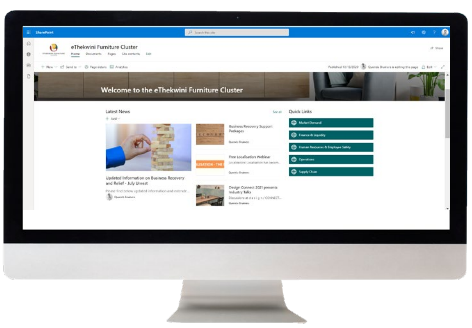
QUARTER 3

LAUNCH OF THE TEAM LEADER DEVELOPMENT PROGRAMME (TLDP)

FY2021-2024 BUSINESS PLAN FORMULATED AND ADOPTED by EFC Executive Committee to drive sectoral growth for the next 3 years

RECOVERING GROWTH SECTOR INTELLIGENCE WEBINAR paneled by Chris Swart (@ home) and Chris Gilmour (Investment Analyst)

PUBLICATION OF THE RECOVERING GROWTH FURNITURE SECTOR INTELLIGENCE REPORT which identified key growth drivers required to successfully unlock SA furniture retail growth



QUARTER 4

LAUNCH OF THE EMERGING LEADER DEVELOPMENT PROGRAMME (ELDP)

LAUNCH OF THE EFC SMME BUSINESS ACCELERATOR, with and 42 SMME applicants demonstrating potential to service retail customers including @home, Mr Price Home, CLM Home and Homewood

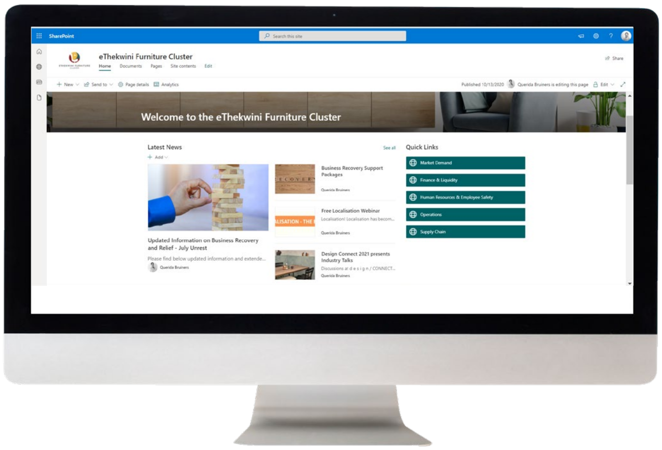
5 PEER LEARNING SESSIONS & WEBINARS

- Design to unlock market access
- Growth Diagnostic
- Attracting Investment
- Workforce vaccinations
- Financing Growth

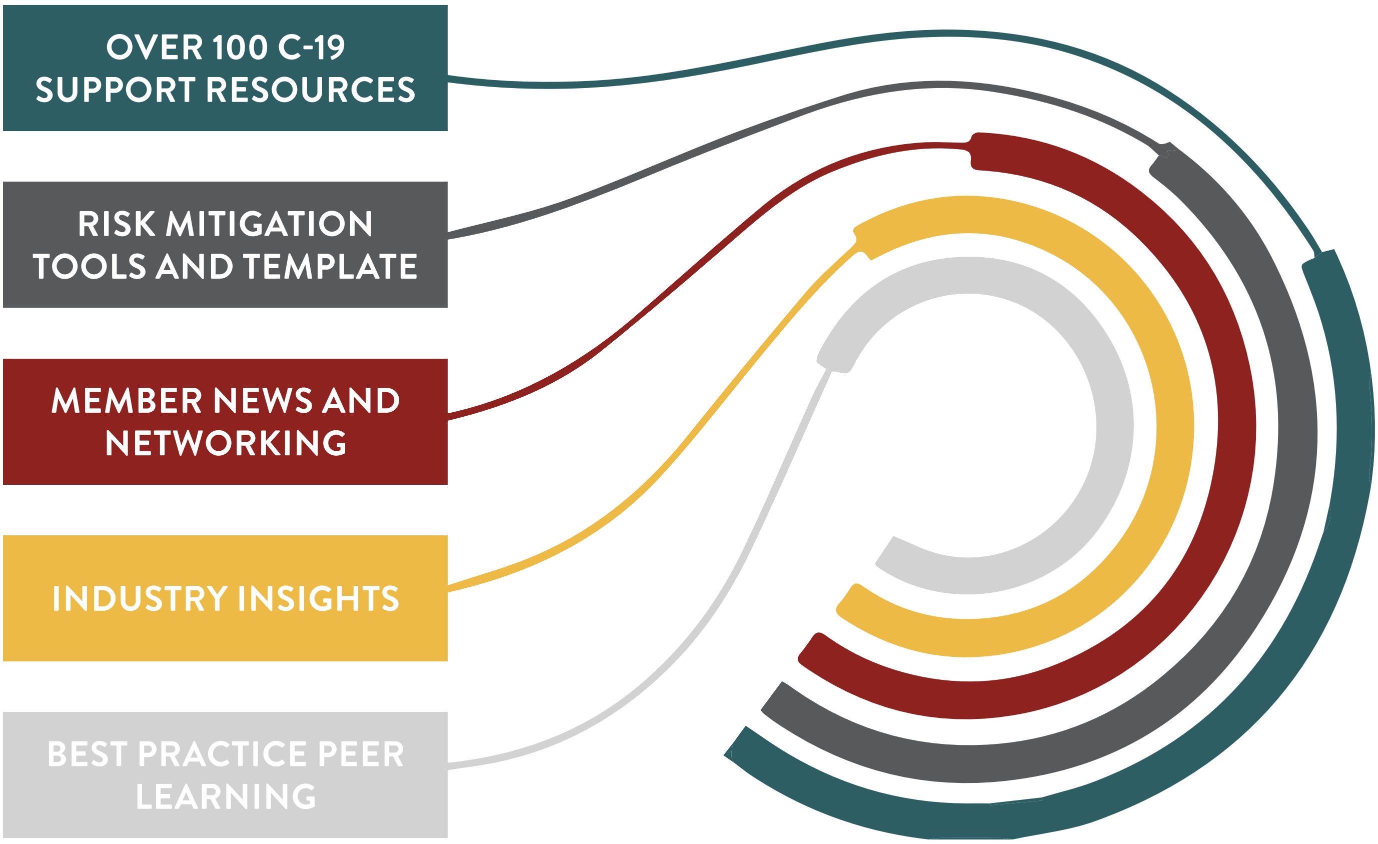
CLUSTER MEMBER AND DIRECTOR, HOMEWOOD ANNOUNCED AS THE DTIC 2020 DESIGN COMPETITION WINNER

SHAREPOINT PORTAL

Over the 2020/21 year, the cluster has shared a great deal of information and resources frequently with members and sharing information through emails was slowly becoming a challenge. The cluster was required to consider a cost-effective and convenient method to share information with members through a method that was sustainable in the new and virtual environment and had long-term benefits for members. The cluster developed and launched the SharePoint Portal as an online central repository for all EFC content where members have gained unlimited and anytime access to the portal and this served as a key enabler of knowledge sharing in the cluster.



SOME BENEFITS FOR MEMBERS INCLUDE ACCESS TO:



WORKING GROUPS

The core component of a cluster is to promote shared learning. The cluster utilised this element to ensure that members were updated on the COVID-19 regulations and protocols and recovery. This was supported by the responsive themes which were addressed in best practice peer learning sessions. Working Group sessions provided a platform to share and understand challenges, and empowered members with implementable solutions to navigating the complexities of the last year.

COVID-19 SECTOR IMPACT REPORT

The cluster undertook a Manufacturing Impact Assessment to identify and unpack the structural impact of COVID-19 on the furniture sector. The intention of this research was to provide insight into the impact of the pandemic, but also inform firm strategic decision making in the short and medium term. The report highlighted the impact of the COVID-19 pandemic on sales and demand, financial stability and operations & supply chains.

MARKET DEMAND:
RECOVERING GROWTH FURNITURE SECTOR INTELLIGENCE REPORT

The cluster sought to better understand the growth drivers and practices of retail in the furniture sector and support member firms to explore growth opportunities for South African manufacturers.

2019 saw an already turbulent sector experience further stress with the Coronavirus Pandemic, triggering a global crisis. Despite economic instability, opportunity exists for furniture sector growth based on the following trends emerging from, or accelerated by the C-19 pandemic:

Rise in the
HOMEBODY ECONOMY

Rapid acceleration in the
ADOPTION OF ONLINE RETAIL

INCREASED CONSUMER POLARIZATION
toward either low-cost mass-market product, or high-end high value product requiring the supply chain to realign behind the consumer needs

Increased appetite for consumers to
SUPPORT LOCAL BUSINESSES

An extensive research effort to unpack and understand the growth drivers of the worlds leading furniture retailers indicates that the key growth drivers and their supportive strategies are:

01. Leading global retail growth drivers identified

GROWTH DRIVER 1:
Market positioning to achieve price-quality equilibrium.
Understand and adapt to shifting market demand parameters and align value chain to achieve price-quality requirements.

GROWTH DRIVER 2:
Improved consumer experience through agile retailing.
Invest in technology, stores, servicces and logistics to predict and improve evolving customer demands.

GROWTH DRIVER 3:
Social and environmental sustainability.
Unlock value through new sustainable materials, product and value chain efficiencies.

02. Supportive strategies for critical growth drivers investigated

CUSTODIANSHIP of the value chain

ENGAGING CONSUMERS through integrated systems

RESEARCH & DEVELOPMENT INVESTMENTS AND PARTNERSHIPS

The consequence for retailers looking to secure growth in the future results in mutually beneficial opportunities for manufacturing growth

03. Adoption of growth drivers and supportive strategies to unlock domestic growth

OPPORTUNITIES TO UNLOCK RETAIL GROWTH

- Establish geniune and long-term strategic partnerships with suppliers underpinned by a culture of collaborative continuous improvement.
- Strategic investment in digitization, social media and proprietary app integration, and other industry 4.0 technologies to engage the customer experience.
- Parternship with thought-leaders, adjacent technology companies and R&D institutions.

OPPORTUNITIES TO UNLOCK MANUFACTURING GROWTH

- Proactive customer engagement to identify their challenges and offer mutually beneficial growth solutions.
- Upgrade operational capabilities in line with market demand, and foster a continuous improvemet culture.
- Parternship with thought-leaders, adjacent technology companies and R&D institutions.

The EFC provides the ideal vehicle to support the domestic value chain as it re-imagines itself in line with these growth drivers and supportive strategies.

To access the full report click here.

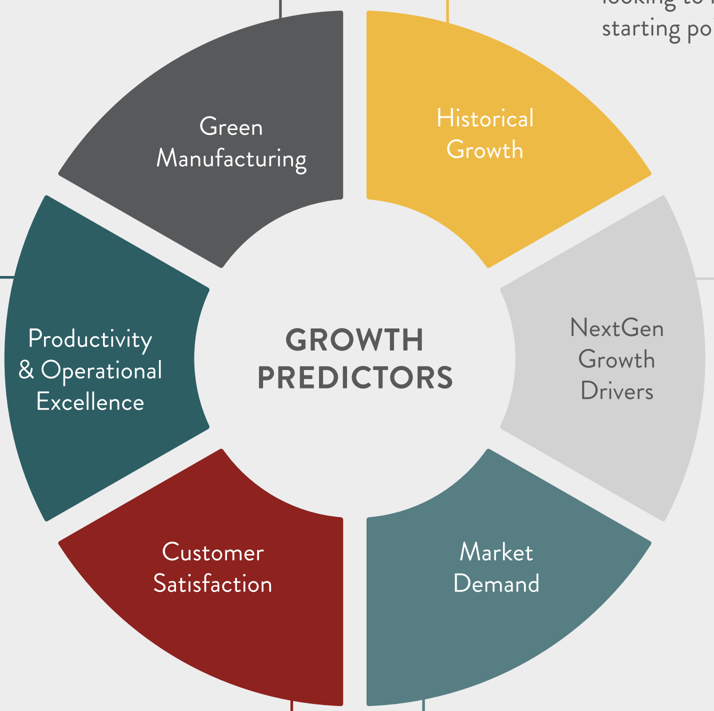
GROWTH DIAGNOSTICS PROGRAMME

The cluster developed a growth diagnostic programme to maximise profit and growth of members and their customers. The cluster's Growth Diagnostic Tool has four objectives; (1) to understand market needs of members; (2) to provide an assessment of supplier against market needs and competitors; (3) to identify and diagnose growth opportunities and (4) to provide recommendations with an action plan.

WHAT IS YOUR FIRM'S CARBON FOOTPRINT?
Are you instituting environmental sustainability practices that are likely toposition you as a credible and verifiable Green Manufacturer?

HOW HAVE YOUR SALES AND PROFIT GROWN IN RECENT YEARS?
Are you ahead and looking to sustain your position orfalling behind and looking to make up ground? This is your starting point and context.

HOW PRODUCTIVE ARE YOUR CAPITAL AND LABOUR?
How do you perform on a range of operational performancemetrics? How does your company's way of working compare to best practice and is it likely to support yourgrowth, whether that be in terms of higher sales, lower costs and/or greater profits?



HOW ARE YOU POSITIONED IN RELATION TO GLOBAL TRENDS
and value chain strategies that have driven growth for thebest performing firms in your sector globally?

ARE YOUR EXISTING CUSTOMERS HAPPY
with your performance across a range of criteria and what is their view onyour future growth prospects with them?

ARE YOU SELLING THE TYPES OF PRODUCT AND OFFERING THE SERVICE MODELS THAT THE MARKET WANTS?
As indicated by leadfirms who make up the majority of demand in your industry?

SKILLS DEVELOPMENT: CLUSTER-BASED RESPONSE TO SKILLS NEEDS

Skills development was very challenging for manufacturers in 2020/21 due to reduced budgets, absenteeism, C-19 physical distancing complexities, retrenchments and other variables affecting skills development. The cluster developed cost-effective, lasting and world-class training solutions in consultation with manufactures across South Africa to address the most pressing industry needs. The opportunities leveraged by the new online training include:

NEW TRAINING METHODOLOGIES and platforms that negate C19 in-person risks while driving outcomes-based improvement.

EFFECTIVELY EMPOWER Team leaders & Emerging leaders to deal with greater workplace complexity and rapid changes to job requirements.

SHARE IMPETUS FOR IMPROVEMENT with frontline workforce and middle management.

SCALABLE, COST EFFECTIVE DIGITAL MECHANISMS to engage, empower, and skill workforce.

DRIVE PRODUCTIVITY, create stability, harness innovation from frontline workforce & middle management through Team leader development

THE EMERGING LEADERSHIP DEVELOPMENT PROGRAMME (ELDP)

Equips future leaders with management and leadership skills to drive strategy implementation.

TEAM LEADER DEVELOPMENT PROGRAMME (TLDP)

Unlocks productivity, stability & innovation from your frontline workforce.

CASE STUDY: SAKHIKHONO TRAINING & DEVELOPMENT

C-19 PREPAREDNESS CREATED THE COMPETITIVE EDGE

PROBLEM:

The C-19 pandemic and subsequent recession had a negative impact on global and national GDP, negatively affecting furniture manufacturing sales and employment across KZN. During the first wave, firms were not only faced with shut down, but restart meant that firms had to quickly implement a significant amount of Health & Safety (H&S) compliance to meet regulation standards and to support employee safety.

SOLUTION:

With the announcement of Level 5 Lockdown the eThekwini Furniture Cluster knew that there would be a complexity of issues faced by firms linked to a variety of risks such as finance, operations, people, supply chains and market access. These risks were not only linked to shut down, but to restart and then subsequent recovery. To support members, we developed a risk mitigation tool, production management toolkit and provided regulation updates and Health & Safety best practice guidelines to assist firms to identify H&S risk areas and quickly adopt best practice to allow for the continuation of operations.

Sakhikhono is one of the members that benefitted immensely from the abovementioned cluster support. The firm utilised the H&S resources provided by the cluster and was able to pivot quickly with the announcement of economic re-opening following level 5 lockdown. Sakhikhono was therefore able to work immediately on a DUT project, and in July 2020 Sakhikhono was appointed as a 30% local contractor to manufacture and install 3 kitchens (5 stoves/ kitchen, 60 cupboards), and bedrooms with 73 BIC, 73 bookshelves, and 73 study shelves for student accommodation at DUT. Six (6) jobs were created through this initiative as from July 2020 until March 2021.

CASE STUDY: HOMEWOOD

FROM GOING SOLO TO RETAIL PARTNERSHIP SUCCESS!

PROBLEM:

The local market has been turbulent for several years with several closures, bankruptcies, and accounting scandals. Whilst in many ways trade bounced back from those lows, by September 2020 trade was still 35% down from 2019 levels and concerns over a sustained economic crisis on the back of an already weak economy weighed heavily on the sector.

Homewood owner and founder, Ian Perry, was devastated by the thought of how crippling a 5-week full factory and retail closure would be for his business, which he has nurtured for over a decade. But out of the chaos, a beautiful partnership was formed. The lockdown led Ian to start thinking more about his business strategy and how he could turn this forced 'down time' into something constructive.

SOLUTION:

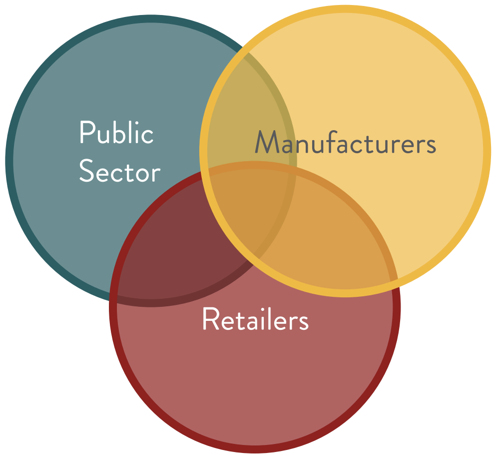
The EFC has utilised the Clustering approach as an effective mechanism to provide support to industry at economies of scale. The cluster does this by bringing together various industry stakeholders from retail, manufacturing and public sector to coordinate targets and initiatives in a way which benefits the local industry. The Cluster places a strong emphasis on shared learnings between members in its programmes, thereby creating collective efficiencies and impact multiplication that cannot be achieved with the same resources in isolated projects.

Ian started attending C-19 risk mitigation working groups and became a member after seeing the value the Cluster could provide.

In late 2020 the EFC hosted a retail furniture sector outlook webinar which unpacked the retail furniture sector outlook over the next 12 months. It was through this discussion that Homewood was later introduced to Mr. Price Home, where they were able to leverage the opportunities identified in the webinar to collaborate on a sustainably sourced product range which was 100% locally produced and eliminated the risk of global supply chain shortages.

mr price home

Homewood was awarded a contract with MRPH to produce an initial order of the Kotini Range for 8 of MRPH's national stores with the potential to generate further sales and employment in the coming months. The Kotini Range is a range of cottonwood furniture that locates local, alien-invasive trees that are draining South Africa's precious water ways, and using these woods to produce handcrafted, luxury furniture.



PROGRAMMES 2021/22

WE ARE EXCITED TO ANNOUNCE OUR PROGRAMMES FOR 2021/22

GROWTH FINDER DIAGNOSTIC

- See what your market wants
- See how you measure up to that and the competition
- Close the gap
- Grow your business profitably

TEAM LEADER DEVELOPMENT PROGRAMME (TLDP)

- Unlock productivity, stability and innovation from your frontline workforce.

EMERGING LEADER DEVELOPMENT PROGRAMME (ELDP)

- Equip future leaders with management and leadership skills to drive strategy implementation

TECHNICAL SKILLS DEVELOPMENT PROGRAMME

- Support firms to meet customer demands

SHAREPOINT PORTAL

- Over 100 C-19 support resources
- Risk mitigation tools and templates
- Member news and networking
- Industry insights
- Best practice peer learning

RETAIL AND CUSTOMER LINKAGES

- Major SA furniture and homeware retailers
- African Institute of Interior Design Professions members

SMME BUSINESS ACCELERATOR

- Opportunity for SMMEs to demonstrate potential for investment and/or procurement
- Unlock mutually beneficial procurement partnerships between SMMEs and large enterprises

ONLINE BEST-PRACTICE SHARED LEARNING

- Online industry meetings covering risk mitigation and economic recovery topics

THE EXECUTIVE COMMITTEE

Senior executives from member firms and officials from the eThekwini Municipality make up the EFC's Executive Committee. The Executive Committee provides strategic oversight and programmatic direction for the cluster.

LUMKA SIBANYONI
EFC Chairperson
Sakhikhono Training & Development

PHIWAYINKOSI NGEMA
EFC Director
Zaloetech

IAN PERRY
EFC Director
Homewood

STANLEY FAKU
EFC Executive
Afroawethu

ANASUYAH PATHER
eThekwini Municipality Representative
eThekwini Municipality

PAIGE SHERRIFF
Non-voting Facilitator
B&M Analysts

KYLE BALLARD
Non-voting Facilitator
B&M Analysts

OUR PARTNERS

THE EFC EXPRESSES GRATITUDE TO ETHEKWINI MUNICIPALITY'S SECTOR PROGRAMMES UNIT AND ALL SUPPORTING PARTNERS FOR 2020/21.

INDUSTRY PARTNERSHIPS

HAVE ASSISTED TO CREATE IMPACT AT SCALE

AFRICAN INSTITUTE OF INTERIOR DESIGN PROFESSIONS

- Design & Innovation Networking Event
- Design Thinking Talk
- Corporate & Bespoke Linkages
- Resource Sharing

PG BISON

- Webinar Support
- Online Campaign Support
- Retail Linkages

FURNTECH KWAMASHU

- CNC, AutoCAD and AlphaCAM training programme coordination
- SMME Skills Training

SOUTH AFRICAN FURNITURE INITIATIVE

- Furniture Industry Master Plan (FIMP)
- Online Campaign Support
- Resource Sharing

PUBLIC SECTOR FUNDING

HAS BEEN INTEGRAL FOR PROGRAMMATIC DELIVERY

ETHEKWINI MUNICIPALITY

Trade & Investment KwaZulu-Natal
YOUR KNOWLEDGE PARTNER IN BUSINESS

South Africa
KWAZULU-NATAL
Zulu Kingdom. Exceptional

GOVERNANCE AND COMPLIANCE

Governance and compliance are important for the effective and ethical delivery of our programmes. The below list demonstrates how the EFC navigates this.

- Registered as a Non-Profit Company
- Memorandum of Incorporation (MOI) that entrenches Public-Private Partnership (PPP) model, transparent governance and clear accountability
- Clear business plan and accompanying implementation plan
- Memorandum of Agreement (MOA) governing relationship with the primary funder
- Performance management and reporting systems that are effective and efficient
- Financial control systems that are effective, efficient and transparent
- Adequate solvency and liquidity provisions
- Clean, unqualified annual financial audit
- Risk management practices that are effective, efficient and transparent
- Competition Law checklist and related safeguards
- Procurement systems that are effective, efficient and transparent
- Service Level Agreement (SLA) governing relationship with facilitation service provider
- Capacity to comply with funding agreements
- Compliance with the Companies Act; The Income Tax Act; Consumer Protection Law; the Public Finance Management Act; the Municipal Finance Management Act and the POPI Act
- Broad-Based Black Economic Empowerment (B-BBEE) level 4 contributor and 100% of expenditure can therefore be claimed as Preferential Procurement

MEMBERS OF 2020/2021

LOUNGE SUITES
Zulu Lounge

SOLID WOOD FURNITURE
Mistrys
Homewood
Out of Wood
Wood works furnishing

OFFICE FURNITURE
Hedcor

KITCHENS
Mad Design Studios

CUSTOM FURNITURE
Zaloetech
Afroawethu

CASKETS
Sakhikhono Training & Development

AUDITED FINANCIAL STATEMENTS

ETHEKWINI FURNITURE CLUSTER NPC
(Registration number 2018/397128/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company is engaged in the carrying on of a public benefit activity as defined in section 30(1) of the Income Tax Act, in a non-profit manner and operates principally in South Africa providing consulting services to entities within the furniture industry.
Directors	P F Ngema L B U Sibanyoni I W Perry
Registered office	The House Bellevue Campus 5 Bellevue Road Kloof Kwa-Zulu Natal 3610
Business address	The House Bellevue Campus 5 Bellevue Road Kloof Kwa-Zulu Natal 3610
Postal address	PostNet Suite 10139 Private Bag X7005 Kloof Kwa-Zulu Natal 3610
Bankers	First National Bank
Auditors	Mazars Registered Auditor
Company registration number	2018/397128/08
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of South Africa 2008,.
Preparer	The annual financial statements were internally compiled by: Dave Bates Chartered Accountant (S.A)
Issued	05 November 2021

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of South Africa 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities, the Companies Act of South Africa and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Companies Act of South Africa and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 5 - 7.

The annual financial statements set out on pages 9 - 16, which have been prepared on the going concern basis, were approved by the board of directors on 05 November 2021 and were signed on its behalf by:

I W Perry

P F Ngema

L B U Sibanyoni

The directors have pleasure in submitting their report on the annual financial statements of Ethekwini Furniture Cluster NPC for the year ended 30 June 2021.

1. Nature of business

Ethekwini Furniture Cluster NPC was incorporated in South Africa with interests in the furniture industry. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of South Africa 2008. The accounting policies have been applied consistently compared to the prior year.

The COVID-19 outbreak caused no impact on the current financial results as all government funding and membership fees have been received.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Directors

The directors in office at the date of this report are as follows:

Directors	Changes
P F Ngema	
M S Faku	Resigned Thursday, 01 April 2021
L B U Sibanyoni	
I W Perry	Appointed Thursday, 29 October 2020

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report, however close monitoring of any potential impact from COVID-19 is being undertaken by the directors.

5. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. All funds required for the NPC to operate through to the end of 2021 have already been received so there are no cash flow concerns or risks. Any revenue shortfall would be identified in advance and the services of the anchor service provider and/or sub-contractors would be reduced accordingly until further revenue is secured. Furthermore, a new Memorandum of Agreement with Trade and Investment KZN is currently been secured for the next three years in direct response to COVID-19 industry needs.

The directors are however aware of a material event during the financial period in the form of the COVID-19 pandemic that has adversely impacted the global economy and is expected to impact the company. As per note 9, the impact of the pandemic has been assessed by the directors and based on this assessment they are of the opinion that the company will be able to continue operations for the ensuing 12 months.

6. Auditors

Mazars continue in office as auditor for the company for 2021.

To the Director of Ethekwini Furniture Cluster NPC

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Ethekwini Furniture Cluster NPC set out on pages 10 to 16, which comprise the statement of financial position as at 30 June 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Ethekwini Furniture Cluster NPC as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of South Africa 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 9 and Note 10 in the annual financial statements which are indicative of events or conditions, subsequent to the financial period, that a material uncertainty exists that may cast significant doubt on the company`s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Ethekwini Furniture Cluster NPC annual financial statements for the year ended 30 June 2021", which includes the Directors' Report as required by the Companies Act 71 of South Africa 2008, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of South Africa 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Maggie Cassan
Registered Auditor
05 November 2021

To the Management of Ethekwini Furniture Cluster NPC

We have compiled the annual financial statements of Ethekwini Furniture Cluster NPC, as set out on pages 10 - 16, based on information you have provided. These annual financial statements comprise the statement of financial position of Ethekwini Furniture Cluster NPC as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Companies Act of South Africa and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These annual financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Companies Act of South Africa and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

Mazars
Dave Bates
05 November 2021
Durban

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Trade and other receivables	2	6,364	20,164
Cash and cash equivalents	3	403,962	341,704
		410,326	**361,868**
Total Assets		**410,326**	**361,868**
Equity and Liabilities			
Equity			
Retained income		211,519	28,528
Liabilities			
Current Liabilities			
Trade and other payables	4	198,807	333,340
Total Equity and Liabilities		**410,326**	**361,868**

Statement of Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	5	2,295,583	1,788,000
Other income		3,450	-
Operating expenses		(2,116,042)	(1,958,994)
Operating surplus (deficit)		**182,991**	**(170,994)**
Surplus (deficit) for the year		**182,991**	**(170,994)**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2019	**199,522**	**199,522**
Deficit for the year	**(170,994)**	**(170,994)**
Balance at 01 July 2020	**28,528**	**28,528**
Surplus for the year	**182,991**	**182,991**
Balance at 30 June 2021	**211,519**	**211,519**

Statement of Cash Flows

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	6	62,258	162,930
Total cash movement for the year		**62,258**	**162,930**
Cash at the beginning of the year		341,704	178,774
Total cash at end of the year	3	**403,962**	**341,704**

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Companies Act of South Africa and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Companies Act 71 of South Africa 2008. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

Management are required to make critical judgements in applying accounting policies from time to time. The judgements, apart from those involving estimations, that have the most significant effect on the amounts recognised in the annual financial statements, are outlined as follows:

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Cash

Cash and cash equivalents comprise cash at bank and cash on hand and other short term deposits with an original maturity of three months or less. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. These are classified as loans and receivables..

Equity instruments

Equity instruments are measured at fair value through profit and loss , or the company has elected to measure equity instruments at fair value through other comprehensive income in terms of IAS 39 F1: Recognition and measurement.

1.3 Revenue

Revenue is measured at the fair value of membership fees received or receivable excluding value added tax.

Government funding is recognised when received by reference to the amount specified in the agreement undertaking in respect of funding entered into between the government and the cluster.

Figures in Rand	2021	2020

2. Trade and other receivables

Trade receivables	25	-
VAT	6,339	20,164
	6,364	**20,164**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	403,962	341,704

4. Trade and other payables

Trade payables	198,807	320,340
Amounts received in advance	-	13,000
	198,807	**333,340**

5. Revenue

Membership fees	40,083	38,000
TIKZN Funding	255,500	-
eThekwini Municipality	2,000,000	1,750,000
	2,295,583	**1,788,000**

6. Cash generated from operations

Surplus/(Deficit)	182,991	(170,994)
Changes in working capital:		
Trade and other receivables	13,800	176,366
Trade and other payables	(134,533)	157,558
	62,258	**162,930**

7. Auditor's remuneration

Fees	20,220	(1,778)
Secretarial services	1,050	1,000
	21,270	**(778)**

Figures in Rand	2021	2020

8. Related parties

Relationships	
Entity under common management	Benchmarking and Manufacturing Analysts SA Proprietary Limited. B and M Analysts Proprietary Limited.

Related party balances and transactions with other related parties

Related party balances

	2021	2020
Amounts included in Trade Payable regarding related parties		
B and M Analysts Proprietary Limited	197,632	319,065

Related party transactions

	2021	2020
Consulting fees paid to related parties		
B and M Analysts Proprietary Limited	2,084,269	1,955,141

9. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors are however aware of a material event during the financial period in the form of the COVID-19 pandemic that has adversely impacted the global economy and is expected to impact the company.

10. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report, however close monitoring of any potential impact from COVID-19 is being undertaken by the directors.

Detailed Income Statement

Figures in Rand	Notes	2021	2020
Revenue			
Membership fees		40,083	38,000
eThekwini Municipality		2,000,000	1,750,000
TIKZN Funding		255,500	-
		2,295,583	**1,788,000**
Other income			
Decrease in provison for bad debts		3,450	-
Operating expenses			
Auditors remuneration		21,270	(778)
Bad debts		8,396	3,013
Bank charges		2,107	1,618
Consulting fees		2,084,269	1,955,141
		2,116,042	**1,958,994**
Surplus (deficit) for the year		**182,991**	**(170,994)**

CLUSTER FACILITATION

Facilitation services to the EFC are provided by an independent team from Benchmarking & Manufacturing Analysts SA (Pty) Ltd (B&M Analysts) appointed by the EFC Executive Committee.

Founded in 1997, B&M Analysts provides high value, specialised services to drive sustainable industrial development. These services are provided to government, non-government organisations (NGOs), clusters, industry associations, retail and manufacturing companies.

For more information on B&M Analysts please visit www.bmanalysts.com

CLUSTER CONTACT INFORMATION

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